Monthly Economic Review

February 2010

EPW Research Foundation

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AN OVERVIEW

Highlights

Growth Scenario

- World Economic Outlook released on January 26, 2010 has estimated India's y-o-y GDP growth at 7.7% for the calendar year 2010 and 7.8% for the next year. On quarterly basis, fourth quarter is projected to grow by 9.6% and 8.3%, respectively during the aforesaid period.
- The Economic Survey 2009-10 has anticipated India's GDP to grow by 7.2% in 2009-10. The likely growth for 2010-11 is pegged at 8.8% which is expected to bounce back to 9.0% in 2011-2012.
- The Union Budget 2010-11, however, anticipates the real GDP to rise more than 7.2% growth rate projected by the Central Statistical Organisation.
- In the third quarter ending December 2009 of the current fiscal year, the real GDP growth estimate (at 2004-05 prices) .has shown an increase of 6.1% almost equivalent to a growth of 6.2% seen during Q_3 of 2008-09.
- With discernible signs of economic recovery, economic think-tank National Council of Applied Economic Research (NCAER) has revised its GDP growth projection upwards for the current fiscal by just one percentage point to 7.0% from the earlier forecast of 6.9%.
- Economist Intelligence Unit (EIU) is of the opinion that India is likely to grow by 7.7% in the next fiscal year and by 8.0% in 2011-12 driven by strong domestic demand. However, EIU warned that high inflation and weak fiscal position can hamper the growth.
- *EPWRF* has revised its earlier GDP growth estimate of 6.8% to 7.4% for the fiscal year 2009-10 on the back of continued robust growth witnessed in the industrial sector.
- The IMF in its update World Economic Outlook, published on January 26, 2010, has stated that the global economy is recovering faster than predicted earlier and it has forecast the global economy growth up to 3.9% in 2010 and 4.3% in 2011.
- IMF in its Article IV papers for India has predicted a growth rate of 8% for 2010-11.
- S&P has revised upward the ratings outlook for India to 'stable' from 'negative' affirming India's long term ratings at 'BBB-' and short term ratings at 'A-3'. The upward revision in outlook is based few factors like expectations that the Indian economy will grow at 8% in fiscal year 2010-11 (FY11), government budget targets of a cut in fiscal deficits from 9.8% in the current fiscal year to 8.3% in FY11 and to 5.4% by FY15 (as per 13th Finance Commission Recommendations), embarking on measures to reduce the subsidy bill particularly on fertiliser and fuel fronts.

Agriculture

- The cumulative rainfall received for the country as a whole during the period 1st January to 28th February 2010 is 24.6 millimetres which has been 44% less than the long period average (LPA).
- Data monitored by Central Water Commission (CWC) as on March 5, 2010 exhibits that the total live water storage in 81 important reservoirs in different parts of the country, was 51.85 billion cubic meter (BCM) (34 % of the storage capacity at FRL). The current year's storage is 8 % more than last year's storage as well as that of the average of last ten years.
- Rabi sowings so far has covered 620.43 lakh hectares (106% of the normal area) lower than last year's sown acreages by 0.4%. The sown acreages under crops like wheat, barley, gram, urad, moong, lathyrus and groundnut have shown noticeable improvements, while that of other crops have declined, specially oilseeds registering the highest decrease among others.
- Procurement of rice for the marketing season (October - September 2009-10) has stood at 234.3 lakh tonnes, 3.4% lower from 213 lakh tonnes attained during the same period of the last year due to fall in kharif output and low procurement reported by major contributors like Uttar Pradesh, Andhra Pradesh, West Bengal, Orissa and Tamil Nadu.
- As per the outline of the Union Budget 2010-11, the central government would follow a four-pronged strategy, covering spurring of agricultural growth, reducing the wastages in the food supply chains, lending adequate credit support to the farmers and to promote the food processing sector to facilitate both waste reduction and value addition to the farm produce.

Industry

- The index of industrial production clocked a growth rate of 16.7% y-o-y in January 2010, sustaining the record-high output growth of 17.6% registered in December 2009. During April-January 2009-10, the index expanded by 9.6%, almost three-fold compared to 3.3% in the corresponding period of the previous fiscal.
- The manufacturing sector led the growth momentum by recording a growth rate of 17.9% in January 2010, over 1% in the comparable month of 2009. The two-digit classification of manufacturing industries showed that 8 industries witnessed double-digit growth rates in January 2010, as against only 2 in the corresponding period last year. Also, while 12 industries had witnessed declines in their growth rates in January 2009, only 3 industries showed a similar trend in the month under review.
- Mining and quarrying also performed well, posting an accelerated growth rate of 14.6% in the month under review compared to a mere 0.7% in January 2009. Electricity generation grew by 5.6% in January 2010, as against 1.8% in the same period of 2009.

- Under the use-based classification, the capital goods sector posted a staggering growth of 56.2% in January 2010, over 15.9% in the comparable month last year. During the fiscal year so far, the sector grew by 15.6%, as against 8.9% during April-January 2008-09.
- Intermediate and basic goods industries expanded by 21.3% and 10.7% respectively, in January 2010, although on the back of a decline in growth by 7.2% and 0.7%, respectively in January 2009.
- The consumer durables segment continued on its high growth trajectory, recording a growth of 31.6% in January 2010, up from 2.1% in the corresponding month of 2009. Its non-durable counterpart, however, witnessed a fall in its y-o-y growth by 3.1% as against a growth of 4% in January last year. Consumer goods on the whole recorded a modest growth of 4.2% in January 2010, compared to 3.6% in the same month last fiscal.
- The reduction in Central Excise duties as part of the stimulus packages has been partially rolled back and the standard rate on all non-petroleum products has been raised from 8% to 10% ad valorem. Industry profits are expected to fall and prices are expected to rise by this move.
- An outright exemption from special additional duty to goods imported in a pre-packaged form for retail sale has been provided. This would also cover mobile phones, watches and ready-made garments even when they are not in a pre-packaged form.
- Customs and Central excise duties have been reduced by different proportions for various products like magnetrons (used for production of microwave ovens), balloons, long pepper, asafoetida, latex rubber thread, goods covered under Medicinal and Toilet Preparations Act, etc.

Infrastructure

- The six core industries comprising the infrastructure index recorded an accelerated y-o-y growth rate of 9.4% in January 2010 from 2.2% in the corresponding month last year and 6.4% in December 2009. During the period April-January 2009-10, the index expanded by a healthy 5.4% compared to 3% in the same period of 2008-09.
- Of the six industries, finished steel posted the highest growth rate of 16.2% in January 2010, as against 3.2% in January 2009. The other growth driver was the cement industry, which grew by 12.4% in January 2010 on top of 8.3% in the comparable period last year. During the fiscal year thus far, the two industries of finished steel and cement recorded growth rates of 3.2% and 8.3%, respectively.
- Electricity generation grew by 5.6% in January 2010 and 6.1% during April-January 2009-10. The corresponding figures for the preceding year were 1.8% and 2.6%, respectively. Power deficit in the country, however, remained stark at 9.9% during April-January 2009-10.
- Coal production witnessed a rise of 6% in its growth in January 2010, a mild deceleration compared to its growth rate of 6.7% recorded in the comparable period last year. It

registered a growth rate of 8.2% during April-January 2009-10, as against 8.5% in the same period of 2008-09.

- Both crude oil and refinery products recorded declines in their growth rates by 0.1% and 0.5%, respectively, during April-January 2009-10. In the month of January 2010, however, these industries posted growth rates of 9.7% and 3.8%, respectively, albeit due to the low base effect.
- The government has provided Rs 1, 73,552 crore (over 46% of the plan allocation) for infrastructure development in the country in its budget for 2010-11.
- The allocation for road transport has been raised by over 13% to Rs 19,894 crore and that for railways to Rs 16,752 crore, Rs 950 crore more than that in 2009-10.
- The plan allocation for the power sector has been more than doubled from Rs 2,230 crore in 2009-10 to Rs 5,130 crore in 2010-11. The plan outlay for the Ministry of New and Renewable Energy has been enhanced by 61% from last year.

Information and Communication Technology

- Indian information technology (IT) industry has urged the government to continue tax breaks under the Software Technology Parks of India (STPI) scheme.
- The country's 3G road map has already been delayed on account of differences between the Department of Telecom (DoT) and the Ministry of Defence (MoD). After numerous missed deadlines and controversies for over a year. Finally, the DoT has announced that auction of licences for 3G services would start from April 9.
- In an attempt to strengthen the broadband services in the country, the government is planning to spend Rs 18,000 crore over three years to lay a 5 lakh km optic fibre cable network to reach every gram *panchayat*.
- The process of refund of accumulated credit to exporters of services, especially in the area of Information Technology (IT) and Business Process Outsourcing (BPO), made easy by making necessary changes in the definition of export of services.

Services

- The month of February 2010 has seen 6.01 lakh foreign tourists arriving in the country, 9.9% higher compared to 5.47 lakh a year ago. The total number of inbound tourists to rose by 3.6% to 48.14 lakh during April-February 2010.
- Foreign exchange earned through the tourism related transactions during the month of February 2010 has touched US $1.43 billion and US $ 11.31 billion during April-February 2010 posting annual growth rates of 55.4% and 16.9%, respectively from drastic declines of 29.3% and 7.1% during the previous year.

- To give a boost to the tourism sector, the Union budget 2010-11 has announced extending the benefit of investment linked deduction to new hotels of two-star category and above across India.
- As per the data released by the DGCA, passengers carried by domestic airlines stood at 39.15 lakh in February 2010 as against 33.85 lakh flown in February 2009, registering an increase of 15.7%.
- Air travel on all classes in both domestic and international sectors is likely to become costlier. The budget proposes to increase the ambit of service tax to domestic travel which would lead to a 10% rise in air-fares. Earlier, it was charged only on the first and business class travellers on international routes. Another reason that will increase air-fares is budget announcement of the restoration of 5% excise duty on the import of crude oil from zero per cent regime prevailing since June 2008.
- Beauty creams, hair oil, shampoos and other household items will cost more as FMCG firms plan to increase prices by up to 7 per cent due to the excise duty hike announced in the Budget 2010-11.
- While the proposed reduction in income tax slabs for individuals is likely to improve demand for consumer products, retail companies would also benefit from the proposals like enhancing the exemption limit for tax audit and presumptive taxation under section 44AD from Rs 40 lakh to Rs 60 lakh for persons carrying on business or profession, exemption from payment of Special Additional Duty ('SAD'), reduction in surcharge from 10% to 7.5%.
- Rentals of commercial properties are expected to rise by 10% after the Budget 2010-11 proposed to bring all lease agreement of shopping complexes, malls and vacant lands under the ambit of service tax. Besides, development of real estate complexes will also attract service tax, unless the entire consideration for the property is paid after the completion of construction.
- The construction period for real estate builders to avail benefits under section 80-IB (10) has been extended to 5 years in the budget 2010-11from the existing 4 years.
- Rs.1,270 crore has been allocated for Rajiv Awas Yojna for slum dwellers, up from Rs.150 crore, a seven fold increase with the aim of creating a slum free India.
- Rs 10,000 crore has been allocated for Indira Awas Yojana.
- Interest subvention scheme for home loans extended till March 2011. Under the scheme, home buyers get one per cent interest subsidy for loans up to Rs 10 lakh, provided the cost of house does not exceed Rs 20 lakh
- Makaan.com has launched the country's first Property Index, called as Makaan.com Property Index (MPI). Apart from analyzing the trends nationally, Makaan.com Property Index will also track property price trends for major metros and tier II cities of India. The Index is intended to serve as an objective tracker of trends in property prices.

Government Finance

- Fiscal deficit during April-January 2010 stood at Rs 3, 49,538 crore, up by 33% from Rs 2, 62,815 crore in the last fiscal.
- Revenue deficit too has risen by nearly 36% to Rs 2, 84,291 crore in the same period.
- Total expenditure during the same period aggregated Rs 7, 83, 994 crore, 76.8% of the BE for 2009-10 and 76.7% of the RE for 2009-10.
- The Direct Taxes Code (DTC) and Goods and Services Tax (GST) norms would be rolled out in fiscal year 2011.
- Union Budget 2010-11 has allowed for widening of income tax slabs.
- The budget has raised Cenvat from 8% to 10%.
- Minimum Alternate Tax (MAT) up from 15% to 18%.
- The 13th Finance Commission has recommended that the states should receive 32.5% of gross tax receipts from the central government.
- The Planning Commission along with the Comptroller and Auditor General is jointly working on a mechanism to track the use of funds given to states for respective programmes. A unique number would be assigned to the cheque and matched with the code for the scheme. The cheque would be transferred only when the two numbers match.
- The state cabinet of Maharashtra has decided to amend the Motor Vehicle Act of 1988 to facilitate a higher tax on vehicles such as buses which operate on special permits, vehicles used by driving schools and vehicles driving into Maharashtra from other states for short duration.
- The budget has recommended restoring the basic duty of 5% on crude petroleum; 7.5% on diesel and petrol and 10% on other refined products. Central excise duty on petrol and diesel has been enhanced by Re1 per litre.
- Rate of tax on services has been retained at 10% to pave the way for GST. Certain services, hitherto untaxed, would be brought within the purview of the service tax levy and would be notified separately.

Corporate Sector Developments

- Vanishing firms are back on radar with the government's new rules. Recently, the Ministry of Corporate Affairs (MCA) has revised norms for classification of 'vanishing companies'.
- As per the latest survey by international recruitment firm Antal, the corporate sector's hiring activity has increased considerably since September 2009 and the current recruitment level is one of the highest globally.
- The salaries of employees of the corporate sector are projected to rise by 10.6%, compared to 6.6% in 2009 as per the findings of the 'India Salary Increase Survey 2009-10' conducted by HR consulting firm Hewitt Associates.

- The government had introduced the Companies Bill, 2009 in the Parliament to replace the existing Companies Act, 1956, which will address issues related to regulation in corporate sector in the context of the changing business environment.
- Rate of Minimum Alternate Tax (MAT) increased from the current rate of 15% to 18% of book profits.
- The government has taken a number of steps to simplify the FDI regime to make it easily comprehensible to foreign investors. Methodology for calculation of indirect foreign investment in Indian companies has been clearly defined.
- Another major initiative has been the complete liberalization of pricing and payment of technology transfer fee, trademark, brand name and royalty payments. These payments can now be made under the automatic route.

Social Sector Developments

- The central government has approved a 5,000 seat-hike for PG in medical discipline across the country.
- Harvard Business School (HBS) has plans to set up its own centre in India for its executive education programmes.
- The Medical Council of India (MCI) has proposed setting up 300 colleges for a course in Bachelors in Rural Healthcare spread over a period of 4 years.
- The government of Punjab will set up a Punjab International University in collaboration with Carnegie Mellon University, USA near Ludhiana.
- The central government has increased the plan allocation for the Ministry of Health and Family Welfare, from Rs 19,534 crore to Rs 22,300 crore for 2010-11
- A health profile of districts, based on an Annual Health Survey would be created in 2010.The findings of the survey would be of immense benefit to major public health initiatives to address the gaps in the delivery of critical health services in rural areas.
- Wages under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) are likely to be adjusted for inflation in the wake of rising commodity prices.
- United Nations has lauded MGNREGA to be better than the BPL scheme, as it is more effective in eradicating poverty than the BPL scheme.
- Purulia in West Bengal has provided maximum jobs under NREGA in the state. It has provided the highest number of 39 days of employment to 1.49 lakh families till December 2009. A total of 1319 families received 100 days of employment under this scheme.
- The Ministry of Rural Development is all set to hire non-governmental organisations (NGOs) as 'Lok Sevaks' in each *gram panchayat* for better implementation of the Mahatma Gandhi National Rural Employment Guarantee Programme.

Price Situation

- The annual inflation measured by WPI has posted its highest increase since October 2008, rising by 9.9% in February 2010, almost three-fold as compared to 3.5% a year ago.
- Food articles inflation escalated by 17.8% on a y-o-y basis in February 2010, the second highest increase in the financial year so far, as against 9.4% recorded in the same period of last year.
- The annual inflation in fuel, power, light and lubricants registered a double-digit rise of 10.2% for the month under consideration as compared to a fall of 3.4% during the comparable period of previous year.
- Among manufactured products, sugar prices zoomed by 58.7% as against an increase of around 17% a year ago.
- All-India consumer price indices (CPI-IW, CPI-AL, and CPI-RL CPI-UNME,) have depicted upward movements from their respective levels a year ago. CPI-IW, CPI-AL and CPI-RL have increased by 16.2%, 17.6% and 17.4%, respectively, in the month of January 2010. Updated data for CPI-UNME has indicated an increase of 15.5% in the month of December 2009.
- Kaushik Basu, Chief Economic Adviser, expects the budget proposals to push up prices marginally by 0.4% to 0.43% in the immediate run.
- Inflation is expected to rise further following the Union Budget 2010-11 proposals to hike in the central excise duty on non-petroleum products across the board from 8 to 10 per cent and the basic duty on crude and petroleum products besides effecting a one-rupee increase per litre on petrol and diesel. Apart from these, cars, ACs, TVs, gold and silver jewellery, cigarettes and other tobacco products are likely to cost more following the budget announcements of increasing duties and change in tax structure on these items.

Monetary and Banking Trends

- Growth in M_3 for the financial year so far up to February 26, 2010, moderated to 13.7% as against 15.8% for the corresponding period a year ago.
- Net bank credit to government continued to post a lower growth of 24.3% as compared to 32.7% in the corresponding period last year; however, in absolute term it maintained a higher growth of Rs 3,10,683 crore against Rs 2,97,401 crore last year.
- The growth in bank credit to commercial sector for the fiscal year so far, up to February 26, 2010, has started reflecting a sign of revival and has recorded a growth of 10.7% against 12.3% for the comparable period previous year.
- Deposits growth of scheduled commercial banks for the fiscal year so far up to February 26, 2010, has decelerated to 13.8% from 16.8% for the corresponding period last year.

- Scheduled commercial banks' investment this fiscal year has witnessed a lower increase of 18.3% of as against 22.1% last year.
- State Bank of India (SBI) is planning to raise Rs 10,000 – 20,000 crore in the next 12 – 18 months through a rights issue.
- The RBI has indicated that it will take longer than April to implement base rate scheme – the new system to calculate the minimum lending rate for customers. The base rate has to be calculated on a cost-based formula and could be lower than the PLR.
- The RBI is considering giving some additional banking licences to private sector players. Non-banking financial companies (NBFCs) could also be considered, if they meet the RBI's eligibility criteria, to be prescribed. During 2008-09, the government infused Rs 1,900 crore as Tier-I capital in four public sector banks. For the year 2010-11, a sum of Rs 16,500 crore has been provided to ensure that the public sector banks (PSBs) are able to attain a minimum 8% Tier-I capital by March 31, 2010.
- The government has decided to provide further capital to strengthen the RRBs so that they have adequate capital base to support increased lending to the rural economy.

Financial Markets

- The mobilisation of funds through IPOs increased substantially during the month of February 2010 and the amount stood at Rs 13,328 crore.
- The BSE Sensex and NSE Nifty recorded a marginal growth of 0.4% and 0.8%, respectively during February over January.
- On budget day i.e., February 26 following the Union Finance Minister's investor friendly measures the stock market registered positive gains.
- Finance Minister has proposed to extend income tax exemption to investment in infrastructure bonds by up to Rs 20,000 over and above the existing limit of Rs 1 lakh.
- The actual net market borrowings of the government in 2010-11 would be of the order of Rs 3,45,010 crore.
- Financial Sector Legislative Reforms Commission to be set up to rewrite and clean up the financial sector laws to bring them in line with the requirements of the sector.
- A Financial Stability and Development Council is proposed to handle issues of financial stability and inter-regulatory coordination issues
- The average secondary market turnover on NSE and BSE decreased notably in February by 33% and 31%, respectively compared to January.
- The average daily derivatives' turnover on the NSE was increased by 5% in February over January.
- The average daily volume of FII trades in total derivatives trade has shrunken by 9% to Rs 15,922 crore in February over the previous month.
- FIIs were net buyers of equities in the secondary market to the size of Rs 1,217 crore reversing the previous month's trend.

- Mutual funds continued to be net sellers of equities in the secondary market from past six months and they liquidated Rs 697 crore in February.
- The aggregate amount mobilised in February stood at Rs 11,445 crore coming from 13 issues, compared to Rs 11,681 crore raised from 25 issues in January.
- The weighted average call rates ruled in a range of 2.71-3.52% during February 2010.
- In February, only one auction for the central government securities was held for an aggregate notified amount of Rs 8,000 crore.
- Primary market was more active in the state government loans (SDLs) segment. During February a total of as many as 17 state governments auctioned SDLs for the aggregate notified amount of Rs 13,234 crore.
- In TBs segment, the total volume was marginally less at Rs 31,000 crore in February as compared to Rs 33,000 crore in January 2010.
- February witnessed a substantial fall in secondary market trade volumes and the total traded amount was down by almost 35% to Rs 1, 47,852 crore over January.
- The RBI's liquidity adjustment facility (LAF) auctions showed that the daily average amount absorbed through reverse repo in February increased to Rs 81,000 crore from around Rs 77,000 crore in the previous month.
- During the month of February, dollar appreciated against most of the other major currencies while depreciated against Rupee and Japanese Yen.
- Currency futures market witnessed a marginal improvement during February and the average daily turnover increased by 5% over January.

Commodity Derivatives Market

- The aggregate turnover of commodity exchanges increased by 4% from Rs 7,07,529 crore in January to Rs 7,38,891 crore in February.
- The share of non-agricultural commodities, including base metals, precious metals and oil, witnessed a remarkable recovery in February 2010.
- Of the traded commodities in the commodities exchanges, agricultural commodities have shown remarkable price movements during the month.
- Multi Commodity Exchange (MCX) has emerged as the 6th largest commodity futures exchange in the world in terms of number of contract during January – December 2009.
- Central Information Commission (CIC) has detained that NCDEX does not come under the ambit of RTI Act and is not liable to provide any information under it.
- The promoters of Indian Commodity Exchange Ltd. (ICEX), has plans to sell about 5% stake to an overseas exchange in the next six months.

External Sector Developments

- India's merchandise exports recorded a growth of 11.5% in January 2010, as against a decline of 12.6% in January 2009. During April-January 2009-10, exports fell by 17.8% as compared to a growth of 25.9% in the comparable period of 2008-09.
- Imports increased by 35.5% in the month under review over a decline of 19.2% in January 2009. Of these, oil imports expanded by 56% and non-oil grew by 28.8% in January 2010. During April-January 2009-10, imports recorded a fall of 19.7% as against a growth of 40% in the corresponding period of the last fiscal.
- The county's total foreign exchange reserves stood at US $278.4 billion as of end-February 2010. Of these, foreign currency assets comprised of US $254 billion, posting an increase of US $15.3 billion over the last year.
- ECB/FCCB borrowings totalled US $1319.8 million in January 2010 as against US $1337.1 million in January 2009 and US $1569.5 million in December 2009.
- FDI inflows (net) totalled US $2.04 billion in January 2010, marginally lower than US $2.7 billion of January 2009. During April-January 2009-10, the FDI figure stood at US $28.5 billion as against US $27.4 billion in the corresponding period last year.
- Portfolio investments remained buoyant with a net inflow of US $3.1 billion in January 2010 and US $26.8 billion during the fiscal so far. In the corresponding periods last year, these investments had witnessed a net outflow.
- The buoyant foreign investment inflows and the spiralling inflation rate caused the rupee to appreciate by two- three percentage points in both real and nominal terms in January 2010.
- In its budget for 2010-11, the government has announced its intention to make the FDI policy user-friendly by consolidating all prior regulations and guidelines into one comprehensive document, thus enhancing clarity and predictability of India's FDI policy to foreign investors.
- The export sectors of handicrafts, carpets, handlooms and SMEs have been provided a 2% interest subvention on pre-shipment export credit up to March 31, 2011.
- Customs duty on rhodium- metal used for polishing jewellery – has been reduced from 10% to 2%. This is expected to further boost export of gems and jewellery, a vital item in our export basket.

Selected Macro-Economic Indicators

Economic Indicators		Unit	2009-10 (AE)	2008-09 (QE)	2007-08 (Probisional)	2006-07	2005-06	2009-10 Q3	2008-09 Q3
1 Output									
1.1 Real GDP									
Gross Domestic Product	(at 2004-05 prices)	Rs crore	4453064	4154973	3893457	3564627	3249130	1158765	1093167
at Factor Cost			(7.2)	(6.7)	(9.2)	(9.7)	(9.5)	(6.0)	(6.2)
Agriculture and Allied		Rs crore	649370	650461	640315	611409	589697	198676	204450
Products			(-0.2)	(1.6)	(4.7)	(3.7)	(5.2)	(-2.8)	(-1.4)
Industry		Rs crore	1257950	1163028	1119721	1022653	907048	323281	289652
			(8.2)	(3.9)	(9.5)	(12.7)	(9.3)	(11.6)	(2.1)
Services Sector		Rs crore	2545743	2341484	2133421	1930565	1752385	636808	599065
			(8.7)	(9.8)	(10.5)	(10.2)	(11.1)	(6.3)	(11.4)
1.2 Agriculture			2009-10 (II AE)		2008-09 (IV AE)		2007-08 (Final)		2006-07 (Final)
Total Foodgrains	kharif	Mn. tonnes	216.9	(-7.5)	234.5	(1.6)	230.8	(6.2)	217.3
Rice	kharif	Mn. tonnes	87.6	(-11.7)	99.2	(2.6)	96.7	(3.5)	93.4
Coarse Cereals	kharif	Mn. tonnes	80.3	(-0.5)	80.7	(2.7)	78.6	(3.7)	75.8
Pulses	kharif	Mn. tonnes	14.7	(0.7)	14.6	(-1.4)	14.8	(4.2)	14.2
Nine Oilseeds	kharif	Lakh tonnes	263.2	(-5.1)	277.2	(-6.9)	297.6	(22.5)	242.9
Cotton #	Total	Lakh bales	223.2	(0.2)	222.8	(-13.9)	258.8	(14.4)	226.3
Sugarcane	Total	Lakh tonnes	2512.7	(-11.8)	2850.3	(-18.1)	3481.9	(-2.1)	3555.2

Note: # lakh bales of 170 kgs. each, AE: Advanced Estimates
Figures in the brackets are percentage change over corresponding period of previous year.

1.3 Infrastructure			January 2010	January 2009	Full Fiscal Year 2008-09	2007-08	2006-07	2005-06	2004-05
Infrastructure Industries	Index (1993-94=100)	Index	275.1	251.5	244.0	236.1	223.6	204.9	193.0
			(9.4)	(2.2)	(3.0)	(5.9)	(9.2)	(6.2)	(-5.6)
Coal		Mn. tonnes	51.3	48.5	487.7	451.7	425.1	401.4	376.7
			(6.0)	(6.7)	(8.0)	(6.3)	(5.9)	(6.5)	(-4.5)
Steel		000. tonnes	5284.0	4546.0	54152.0	53308.0	50196.0	44390.0	40055.0
			(16.2)	(3.2)	(1.6)	(6.2)	(13.1)	(10.7)	(-8.4)
Cement		000. tonnes	18690.0	16630.0	186940.0	174310.0	161310.0	147808.0	131559.0
			(12.4)	(8.3)	(7.3)	(8.1)	(9.1)	(12.3)	(-6.6)
Crude Petroleum		000. tonnes	2917.0	2660.0	33506.0	34118.0	33986.0	32198.0	33982.0
			(9.7)	(-8.1)	(-1.8)	(0.4)	(5.6)	(-5.3)	(-1.8)
Petroleum Refinery Products		000. tonnes	13024.0	12550.0	149517.0	145174.0	136292.0	120750.0	118217.0
			(3.8)	(-1.3)	(3.0)	(6.5)	(12.9)	(2.2)	(-4.3)
Electricity		Mn KWh	64854.4	61443.6	723793.8	704469.0	662523.0	617510.5	587426.3
			(5.6)	(1.8)	(2.7)	(6.3)	(7.3)	(5.1)	(-5.2)
1.4 Industrial Production			January 2010	January 2009	Full Fiscal Year 2008-09	2007-08	2006-07	2005-06	2004-05
Index of Industrial Production	(Base 1993-94=100)	Index	332.3	284.8	275.4	268	247.1	221.5	204.8
			(16.7)	(1.0)	(2.8)	(8.5)	(11.6)	(8.2)	(8.4)
Mining and Quarrying		Index	215.6	188.1	176.0	171.6	163.2	154.9	153.4
			(14.6)	(0.7)	(2.6)	(5.1)	(5.4)	(1.0)	(4.4)
Manufacuring		Index	359.5	304.8	295.1	287.2	263.5	234.2	214.6
			(17.9)	(1.0)	(2.8)	(9.0)	(12.5)	(9.1)	(9.2)
Electricity		Index	240.6	227.9	223.7	217.7	204.7	190.9	181.5
			(5.6)	(1.8)	(2.8)	(6.4)	(7.2)	(5.2)	(5.2)

2 Money and Banking			Feb 26 2010	Financial Year So Far 2009-10	2008-09	Mar 31 2009	Mar 31 2008	Mar 31 2007	Mar 31 2006
2.1 Money Supply (M_3)	Outstanding	Rs crore	5416963	5416963	4654680	4758504	4017883	3315993	2729545
	Absolute Variation	Rs crore	762283	652944	636797	740621	701890	586448	478096
	Per cent Variation		(16.4)	(13.7)	(15.8)	(18.4)	(21.2)	(21.5)	(21.2)
2.2 Scheduled Comm. Banks			Feb 26 2010	Financial Year So Far 2009-10	2008-09	Mar 31 2009	Mar 31 2008	Mar 31 2007	Mar 31 2006
Aggregate Deposits	Outstanding	Rs crore	4363330	4363330	3734739	3834109	3196939	2611933	2109049
	Absolute Variation	Rs crore	628591	529221	537800	637170	585006	502884	408850
	Per cent Variation		(16.8)	(13.8)	(16.8)	(19.9)	(22.4)	(23.8)	(24.0)
Non-Food Credit	Outstanding	Rs crore	3041432	3041432	2619498	2729339	2317515	1884668	1466386
	Absolute Variation	Rs crore	421934	312093	301983	411824	432847	418282	407078
	Per cent Variation		(16.1)	(11.4)	(13.0)	(17.8)	(23.0)	(28.5)	(38.4)
Accomodation provided by Commercial Banks to Commercial Sector	Outstanding	Rs crore	3147123	3147123	2722474	2722474	2413021	1968214	1545851
	Absolute Variation	Rs crore	424649	313012	309453	309453	444807	422363	340172
	Per cent Variation		(15.6)	(11.0)	(12.8)	(12.8)	(22.6)	(27.2)	(28.2)

3 Inflation			February 2010	Financial Year so far 2009-10	2008-09	Fiscal Year Average 2008-09	2007-08	2006-07	2005-06
3.1 Wholesale Price Index	(1993-94=100)	Index	250.1	250.1	227.6	233.9	215.7	206.2	195.6
			(9.9)	(8.0)	(-0.4)	(8.4)	(4.6)	(5.4)	(4.4)
3.2 Consumer Price Index for Industrial Workers	(2001=100)*	Index	January 2010	December 2009	November 2009	Fiscal Year Average 2008-09	2007-08	2006-07	2005-06
			172	169	168	145	133	125	117
			(16.2)	(15.0)	(13.5)	(9.0)	(6.4)	(6.8)	(4.5)

Note: *New base 2001=100 introduced from February 2006; linking factor for CPI with base 1982=100 is 4.63;
old series converted into new base by using this linking factor. Variation worked out using monthly figures for October 2009 and fiscal year so far.

4 Central Government Finances		April-January		2010-11	2009-10	2008-09	2007-08	2006-07
		2009	2008	(BE)	(BE)	(Actuals)	(Accounts)	(Accounts)
4.1 Gross Tax Revenue	Rs crore	453608	458908	746651	641079	605298	593147	473512
		(-1.2)	(7.3)	(16.5) {10.8}	(5.1) {10.4}	(2.0) {10.9}	(25.3) {12}	(29.3) {11.1}
States' Share	Rs crore	118314	127837	208997	164361	160179	151800	120330
		(-7.4)	(25.5)	(-27.2)	(2.6)	(5.5)	(26.2)	(27.5)
4.2 Total Expenditure	Rs crore	783994	671079	1108749	1020838	883956	712671	583387
		(16.8)	(24.3)	(8.6){16.0}	(15.8) {16.6}	(24.0){15.9}	(22.2) {14.4}	(15.3) {13.6}
Plan Expenditure	Rs crore	226976	199081	373092	325149	275235	205082	169860
		(14.0)	(30.4)	(-14.7)	(18.0)	(34.2)	(20.7)	(20.8)
Non-Plan Expenditure	Rs crore	557018	471998	735657	695689	608721	507589	413527
		(18.0)	(21.9)	(-5.7)	(14.8)	(19.9)	(22.8)	(13.1)
4.3 Fiscal Deficit	Rs crore	349538	262815	381408	400996	336992	126912	142573
		(33.0)	(174.3)	{5.5}	{6.5}	{6.0}	{2.6}	{3.3}
4.4 Revenue Deficit	Rs crore	284291	209250	276512	282735	253539	52569	80222
		(35.9)	(278.0)	{4.0}	{4.6}	{4.5}	{1.1}	{1.9}

Note: BE: Budget estimates, RE: Revised estimates and Pro: provisional estimates. Figures in brace brackets are percentages to GDP at current market prices.
Growth for 2009-10 (BE) has been calculated over 2008-09 (Pro), for all others it has been calculated over actuals.

5 Capital Market		February	January	December	Full Fiscal Year			
5.1 Mutual Funds		2010	2010	2009	2008-09	2007-08	2006-07	2005-06
Sales	Rs crore	759163	884738	776811	5426353	4464376	1938592	1098149
		(57.7)	(75.7)	(81.7)	(21.5)	(130.3)	(76.5)	(30.8)
Redemptions	Rs crore	752798	787496	93415	5454650	4310655	1844512	1045370
		(68.2)	(80.3)	(-78.1)	(26.5)	(133.7)	(76.4)	(24.8)
Net Mobilisation	Rs crore	6365	97242	683396	-28297	153721	94080	52779
5.2 FII Investments in Debt and Equity		February	January	December	Fiscal Year so far		Full Fiscal Year	
		2010	2010	2009	2009-10	2008-09	2008-09	2007-08
Purchases	Rs crore	51127	78812	57394	761208	573600	614579	948020
		(82.7)	(120.3)	(42.4)	(32.7)	(-28.1)	(-35.2)	(82.1)
Sales	Rs crore	46764	70399	48683	647987	613521	660389	881842
		(50.3)	(79.5)	(28.3)	(5.6)	(-16.5)	(-25.1)	(80.1)
Net Investment	Rs crore	4363	8413	8711	113221	-39921	-30464	66179
		(-239.6)	(-344.3)	(266.5)	(-383.6)	(-163.4)	(-146.0)	(114.6)
Net Investment	US $ mn	946	1849	1873	23787	-9896	-11356	16040
		(-222.2)	(-316.7)	(218.0)	(-340.4)	(-164.9)	(-170.8)	(139.1)

6 Investment Indicators			January		Full Fiscal Year				
			2010	2009	2008-09 P	2007-08	2006-07	2005-06	2004-05
6.1 Production of Capital Goods	(1993-94 = 100)	Index	615.7	394.2	397.8	370.8	314.2	265.8	229.6
			(56.2)	(15.9)	(7.3)	(18.0)	(18.2)	(15.8)	(13.9)
6.2 CMIEs Capital Investment			December 2009	September 2009	June 2009	March 2009	December 2008	September 2008	June 2008
Under Implementation		Rs crore	4493851	4167656	3808118	3505544	3305095	3174526	2844410
			{45.2}	{44.4}	{42.0}	{39.7}	{41.1}	{42.2}	{40.2}
Manufacturing		Rs crore	1038063	1000288	900506	853826	829596	844123	728797
			{45.2}	{45.8}	{41.4}	{38.9}	{39.1}	{40.6}	{37.2}
Electricity		Rs crore	1079775	1009538	946879	925452	895434	880668	814309
			{31.3}	{31.0}	{29.9}	{30.8}	{32.9}	{35.9}	{35.4}
Services		Rs crore	1342890	1215136	1097684	936906	859180	788047	713030
			{52.6}	{51.0}	{49.9}	{44.7}	{44.7}	{44.3}	{44.0}

Note: Figures in brace brackets refer to the rate of implementation of investment projects.

7 External Sector		April-January		Full Fiscal Year				
7.1 Foreign Trade		2009-10*	2008-09	2008-09	2007-08	2006-07	2005-06	2004-05
Value of Exports	US $ bl	131.93	160.44	168.7	162.9	126.4	103.1	83.5
		(-17.8)	(25.9)	(3.6)	(28.9)	(22.6)	(23.4)	(30.8)
Value of Imports	US $ bl	218.53	272.04	287.8	251.4	185.7	149.2	111.5
		(-19.7)	(40.0)	(14.4)	(35.4)	(24.5)	(33.8)	(42.7)
Value of Non-Oil Imports	US $ bl	154.56	186.41	194.58	171.8	128.6	105.2	81.7
Trade Deficit	US $ bl	86.60	111.60	119.1	88.5	59.4	46.1	28.0

Note: *Data are provisional and growth is worked out by using provisional over corresponding revised data.

7.2 Foreign Exchange Rates			January	December	January	April-March			
36-Currency Trade-Based Weights	(Base:1993-94=100)		2010	2009	2009	2008-09	2007-08	2006-07	2005-06
REER		Index	96.26	93.62	89.80	94.32	104.81	98.48	102.35
			(7.9)	(4.0)	(-14.4)	(-10.0)	(6.4)	(-3.8)	(2.3)
NEER		Index	86.29	84.73	82.27	84.66	93.91	85.89	89.85
			(4.9)	(2.7)	(-12.7)	(-9.8)	(9.3)	(-4.4)	(2.9)
6-Currency Trade-Based Weights	(Base: 2007-08=100)#		January 2010	December 2009	January 2009	April-March 2008-09	2007-08	2006-07	2005-06
REER		Index	95.29	93.02	86.86	91.45	100.00	92.41	93.93
			(9.7)	(6.3)	(-13.1)	(-8.6)	(8.2)	(-1.6)	(5.4)
NEER		Index	86.01	83.99	83.59	86.78	100.00	92.96	96.69
			(2.9)	(0.7)	(-16.5)	(-13.2)	(7.6)	(-3.9)	(3.9)
			Feb 26 2010	Feb 26 2009	Mar 31 2008	Mar 30 2007	Mar 31 2006	Mar 31 2005	Mar 31 2004
RBI Reference Rate	(Rs. per US $)*	US Dollar	46.2300	50.4100	39.9700	43.5900	44.6100	43.7500	43.3900
			(9.0)	(-20.8)	-	-	(-1.9)	-(0.82)	(9.47)

Base Year 2006-07=100 is a moving one *Figures in brackets are **Rupee appreciation (+) /depreciation (-)** over the corresponding previous year.
- : Market was closed on the corresponding day of the previous year.

Note for all tables: Figures in brackets are year-on-year variation unless otherwise stated.
Source: RBI and Government of India sources (for details and provisos and caution, see respective chapters).

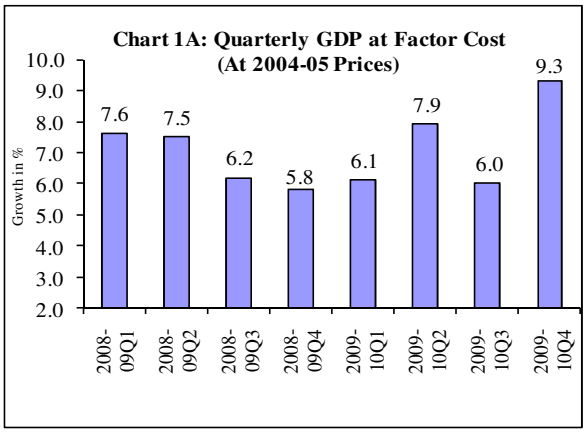
1. GROWTH SCENARIO

1.1 Introduction

As the economy grew by 6.1% in the first quarter, 7.9% in the second quarter and 6.0% in the third quarter, the average growth in the first nine months of the current financial year has been placed at 6.7%. Almost all official as well as private agencies have raised their GDP projections for 2009-10 upwards pointing out that there is an evidence of economic revival, particulaurly in industrial sector besides an expected pick up in private consumption and investment.

1.2 Quarterly Estimates by CSO

As per the third quarter estimate for 2009-10 released by Central Statistical Organisation (CSO), the domestic economy has posted a less than expected 6.0% growth. The Q_3 GDP performance this fiscal has been dragged down mainly by contraction in agriculture output due to the impact of deficient rainfall on the kharif output. The agriculture sector recorded negative growth of 2.8% against a decline of 1.4% for the same period a year ago. A slump in community, social and personal services sector also added to the slowdown. The decline was evident to 2.2% compared with a positive growth of 28.7% in Q_3 of 2008-09. This fall is mainly on account of the high base of third quarter last fiscal, following the implementation of Sixth Central Pay Commission's recommendations. A lower growth in financing, real estate and business services at 7.8% in Q_3 of this fiscal against 10.2% in Q_3 2008-09 also contributed to low growth numbers.



A strong performance by manufacturing and construction sector by 14.3% (1.3% in Q_3 of 2008-09) and 8.7% (3.0% in 2008-09), respectively was witnessed. Within the construction sector, cement and finished steel registered a growth of 8.5% (8.8%) and 7.7% (-6.0%), respectively. Mining and

quarrying registered growth rates of 9.6% (2.8% in Q_3 of 2008-09). In services, the real output from trade, transport, communications expanded by 10.0% as compared to 4.4% in 2008-09. As per the advance estimates released by CSO, the GDP growth estimates for 2009-10 will be at 7.2% indicating that the last quarter of this fiscal will post a growth of 9.3% against a growth of 5.8% a year ago (Chart 1A).

The rate of private final consumption expenditure (PFCE) slowed down to 59.8% in the third quarter from 60.3% during the same period of the previous fiscal and that in government final consumption expenditure (GFCE) to 12.5% from 14.1% a year ago. As a result, there was a nominal pick-up in the rate of fixed capital formation (GFCF) to 31.7% from 31.6% third quarter in 2008-09. In relation to the rate of fixed capital formation of 34.1% in the second quarter of 2009-10, there has been a slackening in the tempo during the subsequent three months, indicating that domestic consumption rate has risen during the latest period **(Table 1.1).** The rate of GFCE slowed down to 32.5% till December 2009 from 33.0% a year ago.

Table 1.1: Quarterly GDP Growth for 2009-10

Sector	2009-10	2008-09
	Q_3	
Agriculture, Forestry and Fishing	**-2.8**	**-1.4**
Industry	**11.6**	**2.1**
Mining and Quarrying	9.6	2.8
Manufacturing	14.3	1.3
Electricity, Gas and Water Supply	4.9	2.7
Construction	8.7	3.0
Services	**6.3**	**11.4**
Trade, Hotels, Transport and Communication	10.0	4.4
Financing, Insurance, Real Estate and Business Services	7.8	10.2
Community, Social and Personal Services	-2.2	28.7
GDP at Factor Cost	**6.0**	**6.2**
PFCE	60.0	61.5
GFCE	11.6	13.7
GFCF	32.6	31.7

Source: CSO

1.3 GDP Projection by Various Agencies

The growth projections by various agencies are in the range of 7.0% to 7.7% for 2009-10 and from 7.5% to 9.2% for 2010-11. (Table 1.2)

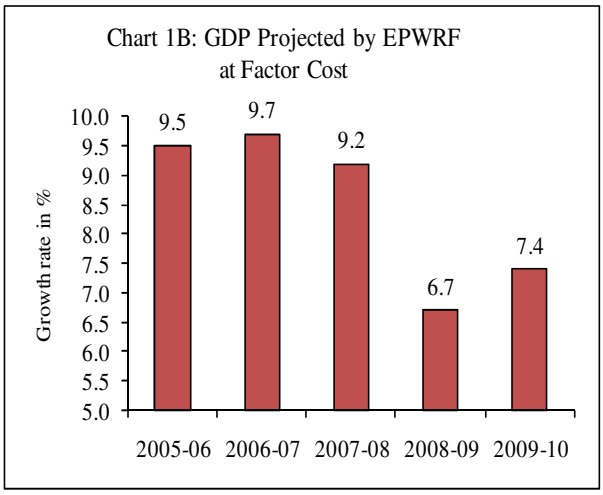
Table 1.2: Growth Projection for 2009-10

(in %)

	2009-10	2010-11	2011-12	Q_4 (2009-10)	Q_4 (2010-11)	Remark
World Economic Outlook January 26, 2010	7.7	7.8	-	9.6	8.3	Due to the stronger economic frameworks and swift policy responses
The Economic Survey 2009-10	7.2	8.8	9.0	-	-	after a setback agriculture is gradually getting back to the projected path and with a reasonable 1.0% additional growth in GDP coupled with recovery of global economy
Union Budget 2010-11	exceed 7.2%	8.5-8.75	-	-	-	As the economy has done well in the second quarter ending Sep 2009 recording a growth rate of 7.9%
National Council of Applied Economic Research (NCAER)	7.0	-	-	-	-	Due to the discernible signs of economic recovery
Economist Intelligence Unit	7.7	8.0	-	-	-	Driven by strong domestic demand. However, warned that high inflation and weak fiscal position can hamper the growth.
CMIE	7.1	9.2	-	-	-	The industrial and agricultural sector will lead the growth in 2010-11
Standard & Poor's Ratings Services	-	8.0	-	-	-	The revision in outlook reflects that India's fiscal position could begin to recover and its economy will remain on a strong growth path.

Source: Compiled by EPWRF

1.4 EPWRF for 2009-10



EPWRF has further revised upward its GDP growth estimate for the year 2009-10 from its earlier estimate of 6.8% to 7.4% on the back of recent GDP growth estimates released by the CSO. The growth projection is based on sectoral indicators, taking the CSO's nine sub-sectors classification and taking its real GDP estimation for these

sub-sectors for the year 2008-09 as the base. The projection has been done by plugging in numbers based on informed judgments about growing trend on demand-side expenditure components and supply-side sectoral output as well the information available for three quarters of this fiscal and advance estimate released by CSO (Chart 1B).

Agriculture

The sector is expected to show a negative growth estimate of 0.3% against 1.6% a year ago mainly due to fall in kharif production on account of drought and floods that hit several parts of the country.

As per the Second Advance Estimate of production of crops released by the Department of Agriculture and Co-operation (DAC), foodgrains production in 2009-10 is likely to be 216.9 million tonne, which is 17.6 million tonnes lower than the output in 2008-09. Most of the loss of production was in the kharif season. Production during the kharif season of 2009-10 is estimated to be lower at 99.9 million tonnes than 118.1 million tonnes in the previous year. However, horticultural crops and livestocks are expected to grow at 4.8% and 3.1%, respectively during the same period.

The rabi harvest of 2009-10 may marginally be higher than that in 2008-09, with wheat output set to nearly equal last year's production of 80.7 million tonne. However, it is anticipated that a good rabi harvest will partially offset the losses suffered during the kharif season because of the worst south-west monsoon since 1972.

Industry

An industrial growth estimate at 8.6% for the current fiscal against 3.9% last year has been made on the following grounds:

The industrial sector had started witnessing a revival since the beginning of 2009, though the trend was more visible from June 2009 onwards. The growth was mainly seen in automobile, consumer durable, infrastructure and housing sectors, which generated a commensurately rising demand for a number of downstream industries including capital goods. The improved performance was witnessed in the manufacturing sector with a gradual improvement in investment climate.

The manufacturing sector is expected to post a growth of 9.5% in 2009-10 against lower growth of 3.2% previous year. The monthly industrial growth data of Index of Industrial Production (IIP) has shown an acceleration of 9.6% during April-January 2009-10 (3.3% in April-January 2008-09) due to sharp acceleration across the sectors. The manufacturing sector registered a growth of 9.9% (April-January 2009-10) as compared to 3.4% a year ago. The buoyancy was driven mainly by basic, capital and intermediate goods segments, indicating a sharp revival of private investment in addition to infrastructure spending by the Central and State Governments. The expansion displayed by intermediate goods remained pointing towards continued demand for finished goods. Growth is likely to be buoyed by continued consumer demand for durables and a sustained growth of exports while the sustainability of growth in capital goods would determine the strength of industrial growth. The manufacturing sub-sector is likely to continue to display a healthy growth rate in February 2010.

As per the data released from Ministry of Commerce and Industry the exports have displayed a positive growth in y-o-y terms since November 2009, with a sharp 15.8% growth in January 2010. Exports have managed to stay in the positive territory for the third consecutive month, with shipments in January 2010 growing by 11.5% due to the demand revival in traditional destinations like the US and European Union. Concerns remain regarding the sustainability of growth of exports in the medium term, after the inevitable withdrawal of fiscal stimulus packages by India's trading partners. Imports for the same period have shown a growth of 27.6% compared to last year.

Electricity, gas and water supply is assumed to post a growth of 8.2% as compared to 3.9% last year. The growth of electricity generation improved marginally to 5.6% in January 2010; and the electricity sub-index expanded for the second consecutive month in month-on-month terms. Electricity growth in the period between April 2009 and January 2010 at 5.6% is considerably higher than the 2.6% growth in the same months of the previous fiscal year. The data released by the Central Electricity Authority (CEA) suggests that the growth momentum is likely to improve in February 2010. Mining and quarrying is expected to grow at 8.5% as compared to 1.6% a year ago. The IIP data reveals that the growth in mining has substantially gone up for the last few months and for the month of January 2010 it registered a high growth of 14.6% against

0.7% for the same period last year. The pace of mining growth is expected to remain high with a favorable base effect. The coal production, crude petroleum, over the months for the current fiscal is reflecting an impressive growth. Construction sector has been projected to grow by 6.9% against a growth of 5.9% year ago. The cement production for the month of January 2010 recorded a growth of 12.4% compared to 8.3% a year ago. Steel production posted a significant growth of 16.2% as compared to a growth of 3.2% a year ago and is expected to post a higher growth for the upcoming months. Overall, the six core industries grew by 9.4% in January 2010 as compared to 2.2% in the same month of 2009 indicating a revival in growth of the domestic economy.

Services

As per our estimation the growth in services sector would be 8.9% as compared to 9.8% a year ago. Within it, financing and insurance, real estate and business services is expected to post a growth of 10.0%, whereas, trade, hotels, transport and communication by 8.5% and community, social and personal services by 8.2% for the fiscal year 2009-10. The predicted performance will be noteworthy because the Sixth Pay Commission effect that facilitated growth in earlier quarters is likely to be extremely weak for the fiscal year ending. The projection made however, is lower partly on account of tapering of government spending. Most of the key indicators of services, such as cargo handled by railways, cargo handled at major ports, production of commercial vehicles, cargo handled by the civil aviation, passenger handled by the civil aviation and the total stock of telephone connection, however, are recording a robust growth. The foreign tourist arrival over the months recorded a higher growth, for the month February 2010. FTAs have registered a growth of 9.9% as compared to a negative growth of 10.6% during the month of February 2009. For the February 2010 the foreign exchange earnings in rupee term has registered a significant growth of 46.2% against a decline of 12.3% for the same period a year ago.

As per the data released by Ministry of Aviation the total domestic passengers carried by the scheduled airlines in February 2010 were 3.86 million against 4.08 million in January 2010. However, the passengers carried by domestic airlines from January-February 2010 were 8.06 million as against 6.76 million in the corresponding period of

year 2009, thereby indicating an improvement. Air traffic in the first two months of this year showed a major growth of 19.2% compared with the same period last year, The hike in passenger traffic is likely to have a positive impact on the financial health of the air carriers, most of which have been reeling under heavy losses for the past two years and which in turn contribute to the overall growth.

As per the official statement the Indian Railways' revenues from freight traffic grew by 8.76% to Rs 52,036.85 crore during April-February in 2009-10 from Rs 47,846.53 crore in the corresponding period of the previous financial year.

The Railways carried 803.50 million tonnes of freight traffic during the first 11 months of 2009-10 as compared to 751.30 million tonnes carried during the corresponding period last year, registering an increase of 6.95% (Appendix I).

1.5 Summing Up

EPWRF GDP growth projection for 2009-10 is based on implicit or informed estimates of a sharp turnaround during the fourth quarter of this fiscal, when the domestic economy is expected to overcome the effects of an unexpected slide in the third quarter. The projected figures for the current financial year is however, is lower than the estimate of 7.5% made by the Reserve Bank of India on the basis of the encouraging second quarter growth of 7.9% and the finance ministry’s growth number of 7.75%.

2 AGRICULTURE

2.1. Overview

A broader perception of the sector's performance so far suggests that rising food prices spurred by expectations of shortfall in food production on account of uneven and erratic distribution of monsoon have brought the issues of food security, food stocks management and need for improving food production and productivity to the forefront of national strategy. This led the central government to hike the overall plan outlay for the agriculture and allied activities by 21.6% to Rs 12,308 crore. Outlook of agriculture for the ensuing year seems to be optimistic, as central government has chalked out a four pronged strategy (to raise output, reduce waste, extend credit to farmers and give a thrust to the food processing sector) to boost agriculture growth.

Meanwhile, it has been observed that rabi sowings have managed to progress well indicating better prospects for rabi output. Concomitantly, record procurements of major staple foodgrains, wheat and rice, so far; have pushed up stocks in the central pool exceeding their required buffer norms.

2.2 Rainfall and Water Storage

Rainfall

Rainfall recorded during the winter season (January-February) 2010 has been considerably lower than the normal by 44% at the end of February (Table 2.1). Atmospheric circulation has affected western Himalayan regions, causing no significant rainfall activities over northwest and north east plains and central parts of India. According to the Indian Meteorological Department (IMD), only 5 out of total 36 meteorological sub-divisions in

Table 2.1: Rainfall Received in Winter Season 2010

(*millimetres*)

Regions	Normal Rainfall	Actual Rainfall during 01 Jan - 28 Feb	Percentage Deviation
North-West India	83.6	57.5	-31
Central India	19	8.6	-55
South Peninsular India	16.1	14.8	-8
North-East India	53.9	7.3	-86
Country as a whole	**43.8**	**24.6**	**-44**

Deviations: excess: +20% or more; normal: +19% to –19%; deficient: -20% to –59%; scanty: -60% to –99%; no rain: -100%

Source: Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India, *(www.agricoop.nic.in)*

the country have received excess to normal showers, 12 have experienced deficient to scanty rainfall and 19 meteorological sub-divisions have received no rains at all.

Water Storage

Table 2.2: Water Storage in the Major Reservoirs as on 4 March

States	No. of Reservoirs	Live Capacity at FRL# (BCM)	This year Reservoir Storage (BCM)	Storage as a percentage of Live Capacity at FRL	Last year Reservoir Storage (BCM)	Storage as a percentage of Live Capacity at FRL
Northern Region	6	18	3.2	17.8	6.0	33.3
Eastern Region	15	18.8	8.7	46.4	6.4	34.3
Western Region	19	21.9	8.4	38.3	9.7	44.3
Central Region	11	41.8	10.7	25.6	10.6	25.5
Southern Region	30	51.2	20.8	40.7	16.8	32.9
Total	**81**	**151.8**	**51.8**	**34.2**	**49.6**	**32.7**

 # FRL: Full Reservoir Level
Source: *Central Water Commission (www.cwc.nic.in)*

The total live storage in 81 major reservoirs in different parts of the country, monitored by Central Water Commission (CWC) was 51.845 billion cubic meter (BCM) (34% of the storage capacity at FRL). The current year's storage is nearly 108% of the last year's storage as well as that of the average of last ten years (Table 2.2). Water storage in the reservoirs from the eastern and southern regions have improved over the period of one year. Among the states belonging to eastern region, Orissa has reported higher water storage compared to a year ago, while in case of the southern region, all states, except Andhra Pradesh, have recorded increases in their storage levels. On the contrary, western region has shown declined water storage levels over the corresponding period of previous year, as both the member states, Maharashtra and Gujarat, have reported lower water storage. Similarly, northern province also has experienced a noticeable drop in the storage levels, as all the member states barring Orissa have seen water storage levels falling during the period under consideration. In the central region, significant increase in storage level of Madhya Pradesh has compensated declines in other member states leading the overall water storage almost equivalent to the previous year. For further details refer to Appendix II.

Out of 81 major reservoirs, almost 61% of the reservoirs have shown storage levels above 80% of the normal, whereas, only one reservoir, namely, Sriramsagar from Andhra Pradesh is having no live storage (Table 2.3). Out of 36 reservoirs with significant hydropower generation, the storage build-up was less than normal in 15 reservoirs.

Table 2.3: Water storage level in Major Reservoirs

Water storage level	No of Reservoirs
Above 80% of the normal	50
Between 50%-80% of the normal	13
Between 30% - 50% of the normal	11
Below 30% of the normal	6
No Live water storage	1
Total	**81**

Source: *Central Water Commission (www.cwc.nic.in)*

2.3 Sowings of Rabi Crops

Sowing related activities are on the verge of completion and harvesting operations in some of the regions have already begun. Climatic conditions so far have been conducive for the crops owing to which most of the crops are reported to be in a good shape and have crossed their flowering stage. Even incidence of pests and diseases, so far, has remained below the economic threshold level (ETL) for most of the crops.

According to the report of *Crop Weather Watch Group*, rabi sowings for the crop year 2009-10 by 05 March have exceeded their normal sown acreages by 5.6% to 620.4 lakh hectares (lh) but it has fallen fractionally by 0.4% over the corresponding period of the last year (Table 2.4). Barring wheat, barley, gram, urad, moong, lathyrus and groundnut area covered under all major rabi crops has shown moderate declines.

Table 2.4: Progress in Sowing of Major Rabi Crops as on 05 March

(lakh hectares)

Crops	Normal	2009-10	2008-09	Percentage Variation
Total Foodgrains	492.5	527.4	524.8	0.5
Wheat	271.0	278.2	275.9	0.8
Rice	39.8	39.6	43.2	-8.4
Coarse Cereals	62.5	65.3	68.7	-5.0
Total Cereals	373.3	383.0	387.9	-1.2
Total pulses	119.2	137.4	129.6	6.0
Oilseeds	95.4	93.1	98.3	-5.3
Total Area	587.4	620.4	623.1	-0.4

Source: *Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India (www.agricoop.nic.in)*

Area cultivated under wheat, the principal rabi crop, has increased by a minuscule of 0.8% to 278.2 lh from 275.9 lh covered during the same period a year earlier. Sowings of wheat has improved over the last season mainly because of favourable soil moisture, escalations witnessed in the market prices and even due to hike in minimum support price (MSP) of Rs 20 to Rs 1,100

per quintal. Crop-gain has been reported in states like Bihar, Chhattisgarh, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra and West Bengal, while sowings have experienced losses in states like Gujarat, Uttar Pradesh and Rajasthan.

Sown acreages under rabi rice have dropped by 3.6 lh to 39.6 lh as compared with 43.2 lh covered a year ago. The area has fallen in states like Assam, Tamil Nadu, Andhra Pradesh and West Bengal, whereas in Karnataka, sowings have shown some improvement. According to Department of Agriculture & Cooperation, area sown under rice in Andhra Pradesh has fallen, as most of the farmers did not receive water from the Godavari and kaveri basin. Hence, the cultivation of rice has been diverted towards pulses.

Sowings of coarse cereals as a group have witnessed a decline of 5% to 65.3 lh as against 68.7 lh covered during the corresponding period of the previous year. This sluggishness is mainly on account of 7.5% and 1.2% falls in sown areas under jowar and maize, respectively. The coverage under barley has shown a fractional improvement of 0.4 lh to 7.6 lh as shown in Appendix III. The lower coverage of coarse cereals has been recorded in states like Andhra Pradesh, Karnataka, Maharashtra and Rajasthan.

Most of the rabi pulses have registered increases in their sowings except kulthi and peas mainly because escalations witnessed in their prices since last few months both in the domestic market as well as in global market. Sowings of major rabi pulse, gram, has risen immensely by around 6.9% to 89.2 lh over the period of one year. Area sown under gram has increased by 17% in Madhya Pradesh and 31% in Karnataka, while it has fallen by 30% in Rajasthan (the major gram growing state). Similarly, urad (by 5.4% to 8.8 lakh hectares), lentil (3.9% to 15.23 lakh hectares) and lathyrus (0.6% to 4.3 lakh hectares) have also seen their sowings improving, which have in turn resulted into reasonable increase of 6% to 137.4 lh for the pulses group as a whole.

As against foodgrains, sowings of almost all oilseeds, so far, are lagging behind their respective sown acreages as registered during the previous rabi season, except for groundnut. Sowings under total oilseeds, as a group, have dropped by 5.3% to 93.1 lh as compared to that of 98.3 (lh) covered a year ago. Rapeseed and mustard, a major rabi oilseed, has registered a decline of 2.9% to 64.9 lh from 66.9 lh covered during the same period a year earlier. Lower coverage is reported in states like Bihar, Gujarat, Haryana, Rajasthan and West Bengal. Hefty decline in coverage is recorded in Rajasthan of 17% while sown acreage has shot up by 47% in Uttar

Pradesh and 10% in Madhya Pradesh, exhibiting that these noticeable improvements could not make up for the steep fall registered in Rajasthan.

Acreage under safflower, sunflower, sesamum and linseed, each, has shown a decrease of 4.6% to 2.7 lh, 23% to 8.8 lh, 3.4% to 1.4 lh and by 1.8% to 4.5 lh, respectively, owing to lower coverage. Contrarily, sowings of groundnut, the only oilseed crop, have managed to reach 9.9 lh, exhibiting a rise of 3.8% as against the level reached a year ago. This increase is due to rise in area sown in Andhra Pradesh, Karnataka and Tamil Nadu.

2.4 Procurement, Distribution and Stock of Foodgrains

Rice Procurement

Procurement of rice as on March 5, by Food Corporation of India (FCI) and state agencies for crop marketing period (October- September) 2009-10 stood at 234.3 lakh tonnes, 3.4% lower than 242.5 lakh tonnes attained during the corresponding period of the previous year (Table 2.5). This decline is on the back of expected fall in the kharif output due to drought like conditions in the main rice bowl of the country and low procurement reported by major contributors. Punjab and Haryana as usual have contributed bulk of the total procurement with around 92.7 lakh tonnes and 18.1 lakh tonnes, respectively, to the central pool. The procurement in other main rice growing states like Uttar Pradesh, Andhra Pradesh, West Bengal, Orissa and Tamil Nadu had started to improve from the last week of December, but yet it has not been able to attain last year's level. However, this marginal drop in procurement is unlikely to push up prices or have any impact on public distribution operations as stocks are at record level.

Table 2.5: State-wise Procurement of Rice

(*lakh tonnes*)

States	(01Oct - 5 March)			Total Procurement in Marketing Season (Oct-Sept 2008-09)
	2009-10	2008-09	Change in %	
Andhra Pradesh	30.7	41.4	-25.9	90.6
Chattisgarh	29.8	24.9	19.5	28.5
Haryana	18.1	14.1	29.0	14.3
Kerala	2.2	1.5	45.5	2.4
Maharashtra	1.6	1.5	7.4	2.6
Orissa	14.5	15.3	-5.5	27.9
Punjab	92.7	83.7	10.7	85.5
Tamil Nadu	6.2	8.0	-22.3	12.0
Uttar Pradesh	23.9	34.4	-30.5	36.9
Uttarakhand	2.7	2.7	-0.7	3.5
West Bengal	6.4	7.1	-9.9	16.7
All India	**234.3**	**242.5**	**-3.4**	**336.8**

Source: Department of Food and Public Distribution Government of India, *(www.fcamin.nic.in)*

To offset the losses occurred during kharif rice harvest, government is aiming to procure around 280 lakh tonnes of rice during the ongoing 2009-10 marketing season, more than the earlier estimates of 260 lakh tonnes.

Private millers and dealers prefer to make bulk of their paddy purchases from Uttar Pradesh and Andhra Pradesh instead of Punjab and Haryana due to increased cost of procurement on account of high taxes, and also because of strong intervention by state-run agencies.

Offtake of Foodgrains

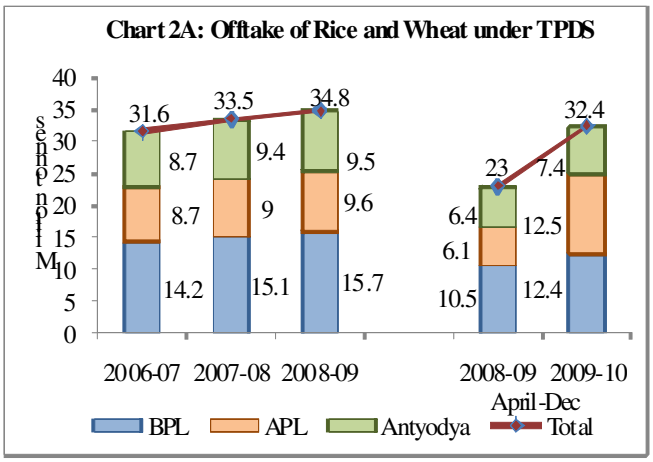


Chart 2A depicts increasing trend in offtake of Foodgrains under targeted public distribution system (TPDS) over the last three years. As per the latest available data, offtake has increased by 9.4% to 32.4 million tonnes during April-December 2009-10 from 23 million tonnes a year ago. This improvement has been driven by rise in the offtake under other welfare schemes, whereby offtake has gone up from 2 million tonnes to 2.9 million tonnes. Among the three categories of TPDS, APL has shown highest rise in offtake during April-December 2009-10.

However, offtake of both rice and wheat has increased by 3.2% to 18.1 million tonnes and 6.3% to 14.4 million tonnes, respectively, as against during the same period last year (Table 2.6). Foodgrains offtake

Table 2.6: Offtake of Foodgrains from the Central Pool

(million tonnes)

				April-Dec	
	2006-07	2007-08	2008-09	2008-09	2009-10
Offtake of wheat and rice for TPDS					
Rice	21.2	22.6	22.2	14.9	18.1
Wheat	10.4	10.9	12.6	8.1	14.4
Total	**31.6**	**33.5**	**34.8**	**23**	**32.4**
Offtake of wheat and rice for other schemes					
Welfare schemes	5.1	3.9	3.4	2	2.9
Open sales/exports	0	0.02	1.2	0.1	0.5
Total	**36.7**	**37.4**	**39.5**	**25.1**	**35.8**

Source: Food Bulletin - Department of food and public distribution.
Economic Survey 2009-10

has amounted to almost 91% the total the allotment made under TPDS. The central government has decided to allocate extra 10 kg of wheat and rice per family per month over and above the existing allocation of food grains for January and February 2010. This would cover all accepted card holders. The total additional allocation for the country as a whole would be 10.64 lakh tonnes of rice and 25.43 lakh tonnes of wheat.

Stocks of Foodgrains:

Table 2.7:Central Foodgrain Stocks and Minimum Buffer Norms

(million tonnes)

Beginning of the month	Wheat		Rice		Total	
	Buffer Norm	Actual Stock	Buffer Norm	Actual Stock	Buffer Norm	Actual Stock
Jan-09	8.20	18.21	11.80	17.58	20.00	35.79
April	4.00	13.43	12.20	21.60	16.20	35.03
July	17.10	32.92	9.80	19.62	26.90	52.54
October	11.00	28.46	5.20	15.35	16.20	43.81
Jan-10	8.20	23.09	11.80	24.35	20.00	47.45

Source: *Economic Survey 2009-10*

As per the Economic Survey 2009-10, the stock position of total foodgrains (wheat and rice) as on January 2010 has been higher as compared to the stock levels attained a year ago. Stocks of foodgrains has stood at 47.4 million tonnes comprising 24.3 million tonnes of rice and 23.1 million tonnes of wheat over and above the buffer norms of 11.8 million tonnes and 8.2 million tonnes, respectively, as shown in Table 2.7. This quantum jump in stock level is due to record procurements of rice and wheat since 2007-08. Stock levels accumulated so far are projected to meet the requirements under TPDS and welfare schemes during the current financial year.

As per the data available from the Food Corporation India (FCI), stock levels of both the staple foodgrains (wheat and rice) till 28 February 2010 have exceeded their buffer requirement of 162 lakh tonnes (as required on 01 April) to 447.1 lakh tonnes. Stocks of wheat and rice in the central warehouses have been around 260.05 lakh tonnes and 180.6 lakh tonnes, respectively, due to record wheat and rice procurement made by state agencies aided by bumper harvest and attractive minimum support prices over the last two years.

2.5 Highlights of Budget 2010-11

Fertiliser subsidy:

A Nutrient based subsidy policy for the fertiliser sector has been approved and will become effective from April 1, 2010.

Government would be following a four-pronged strategy, covering

(a) *Agricultural production*:

- Rs 400 crore has been provided to extend the green revolution to the eastern region of the country comprising of Bihar, Chhattisgarh, Jharkhand, Eastern UP, West Bengal and Orissa.
- Rs 300 crore has been provided to organise 60,000 `pulses and oil seed villages' in rain-fed areas during 2010-11 and to provide an integrated intervention for water harvesting, watershed management and soil health, to enhance the productivity of the dry land farming areas.
- Rs 200 crore has been provided for sustaining the gains already made in the green revolution areas through conservation farming, which involves concurrent attention to soil health, water conservation and preservation of biodiversity.

(b) *Reduction in wastage of produce:*

- Deficit in the storage capacity met through an ongoing scheme for private sector participation, FCI can hire godowns from private parties for a guaranteed period of 7 years as against 5 years earlier.

(c) *Credit support to farmers:*

- The target of Agriculture credit flow for the year 2010-11, by commercial banks, cooperative banks and RRB's has been raised to Rs 3,75,000 crore from Rs 3,25,000 crore in 2009-10.
- In view of the drought during the year 2009 southwest monsoon in some states and severe floods in some other parts of the country, the period for repayment of the loan amount by farmers has been extended by six months from 31 December 2009 to 30 June 2010 under the Debt Waiver and Debt Relief Scheme for Farmers.
- Incentive of additional 1% interest subvention to those farmers, who repay short-term crop loans as per schedule, has been increased to 2% for 2010-11.

(d) *Impetus to the food processing sector:*

- In addition to the ten mega food park projects already being set up, the government has decided to set up five more such parks, providing an impetus to the development of the food processing sector.
- External Commercial Borrowings to be made available for cold storage or cold room facility, including for farm level pre-cooling, for preservation or storage of agricultural and allied produce, marine products and meat.

Other measures of Agriculture & Allied Sectors:

- Project import status with a concessional import duty of 5% would be provided for the setting up of mechanised handling systems and pallet racking systems in 'mandis' or warehouses for foodgrains and sugar as well as full exemption from service tax will be provided for the installation and commissioning of such equipment.
- Provide project import status at a concessional customs duty of 5% with full exemption from service tax to the initial setting up and expansion of Cold storage, cold room including farm pre-coolers for preservation or storage and for processing of agriculture and related sectors produce Full exemption would be provided from customs duty to refrigeration units required for the manufacture of refrigerated vans or trucks.
- Concessional customs duty of 5% would be provided to specified agricultural machinery not manufactured in India.
- Central excise exemption would be provided to specified equipment for preservation, storage and processing of agriculture and related sectors and exemption from service tax to the storage and warehousing of their produce.
- Full exemption to be provided from excise duty to trailers and semi-trailers used in agriculture.
- Concessional import duty to specified machinery for use in the plantation sector to be extended up to March 31, 2011 along with a CVD exemption.
- To exempt the testing and certification of agricultural seeds from service tax.

- The transportation of cereals, and pulses by road to be exempted from service tax. Transportation by rail to remain exempted.
- To ease the cash flow position for small-scale manufacturers; they would be permitted to take full credit of central excise duty paid on capital goods in a single installment in the year of their receipt. Secondly, they would be permitted to pay central excise duty on a quarterly, rather than monthly, basis.

2.6. Major Developments and Policy Initiatives

The Economic Survey for 2009-10 has recommended an alternative system of subsidy for food and fertiliser in order to benefit the poor people. Under this the central government would switch to coupon system by 2012 so that the subsidy can be given directly to those it is meant for. In the new system, households will have the freedom to choose where to buy their provisions from. They have to use the coupons instead of money. Whereas shops, in turn, will be free to charge market rates for the goods they sell, irrespective of who the customer is. Thus this would prevent corruption and diversion of subsidised food. Grains would not be given at subsidised rates to public distribution system (PDS) shops. The shopkeeper can go to any bank and get the coupons exchanged for money. The banks, in turn, will be paid by the government for the coupons. The same idea could be extended to fertilisers. Even this would be mooted by private sector participation in a view to increase farm sector yield and to meet the rising demand of food in the country.

With a view to force sugar mills to sell sugarcane on a regular basis and to improve the availability in the market, the central government reintroduced the weekly release mechanism for February. Under this mills have now been directed to sell 20% of the allocation in the first week, 30% in the second week and the remaining 50% in equal instalments during the third and fourth week. The government has allocated 1.79 million tonnes of sugar for the open market sale in February.

The Tamil Nadu Agricultural University and the International Water Management Institute (IWMI) – TATA Policy Research Programme has launched the ‘Water Calculator' at the

Farm Varsity. This calculator aims to calculate the water requirement for each crop based on crop location and growth.

Sugar mills from Uttar Pradesh have started shutting down their production for this year due to shortage of cane and high diversion to the gur producing units. Bajaj Hindusthan, country's biggest sugar producer, has stopped its crushing operations at two of its mills (Pratappur and Rudauli). Sugar mills have been paying Rs 260-265 per quintal for sugarcane as against the State Advised Price (SAP) of Rs 165 per quintal owing to the acute sugarcane shortage.

Data released by Solvent Extractors Association (SEA), imports of edible oil dropped by 3.38% to 8.27 lakh tonnes in January, down from 8.56 lakh tonnes imported during the same period last year. This reduction is largely because of good stocks with processors and strong local oilseeds crushing. Stock of vegetable oils as on January 31, 2010 was estimated to be at over 8 lakh tonnes at various ports and about 7 lakh tonnes in pipe lines. Cumulatively, around 1.5 million tonnes of edible oils equivalent to 35 days consumption are dumped in various warehouses, leading to lower imports in January.

Coconut development board (CDB) in association with Regional Research Laboratory has developed a technology that can convert coconut into ball copra in just three months. It is further planned to provide technological support and financial subsidy of 25% to the entrepreneur willing to take up commercial production of ball copra using the new technology. This technology has been developed on the back of increasing consumption of copra as a dry fruit.

2.7. Summing Up

Shortfall of kharif output, supply and distribution mismanagement, rising imports of essential commodities and inflationary pressures driven by food articles marked the overall agricultural scenario. Record procurements of major staple foodgrains and hefty buffer stock seem to have a softening impact. In this backdrop, policy stance addressed in the budget is expected to boost agriculture production by reducing some of the supply-side problems that have led to rising inflationary pressures in the 'food articles' group.

3. INDUSTRY

3.1 Overview

The high industrial growth of 17.6% recorded in December 2009 was sustained in January 2010 with a y-o-y growth rate of 16.7%, against 1% in the corresponding month last year. During April-January 2009-10, industrial output grew by 9.6%, almost triple of 3.3% registered in the same period of 2008-09. The strong rebound in industrial growth that began in June 2009, after a lull from October 2008 to May 2009 on account of the contagion effect of the global economic crisis, has thus been persistent up till January 2010. This is expected to continue in the following few months owing partially to the low base effect. But one needs to see if this momentum in industrial growth persists beyond that, given the gradual withdrawal of the government's stimulus measures reflected in the budget for 2010-11 and the low base effect wears out.

Table 3.1: Trends in Index of Industrial Production -Monthly

Base (1993-94=100)

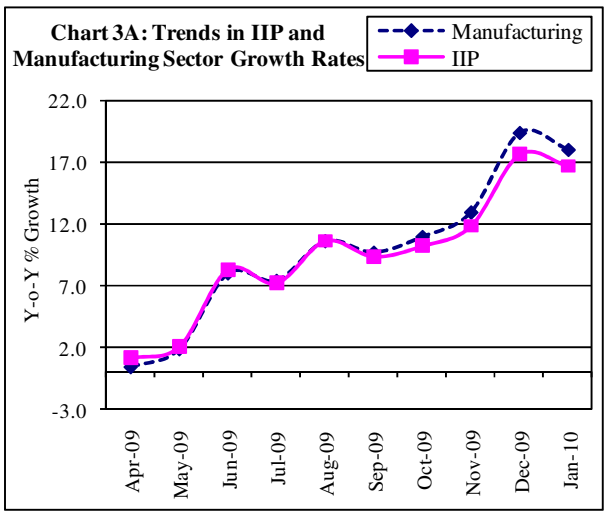
	2009-10		2008-09		2007-08	
April	269.3	(1.1)	266.3	(6.2)	250.7	(11.3)
May	280.3	(2.1)	274.6	(4.4)	263.1	(10.6)
June	291.6	(8.3)	269.2	(5.4)	255.3	(8.9)
July	290.8	(7.2)	271.3	(6.4)	255.0	(8.3)
August	292.8	(10.6)	264.7	(1.7)	260.3	(10.9)
September	302.0	(9.3)	276.2	(6.0)	260.5	(7.0)
October	289.7	(10.2)	262.9	(0.1)	262.6	(12.2)
November	299.2	(11.8)	267.6	(2.5)	261.0	(4.9)
December	334.0	(17.6)	284.0	(-0.2)	284.7	(8.0)
January	332.3	(16.7)	284.8	(1.0)	281.9	(6.2)
February			276.8	(0.2)	276.2	(9.5)
March			305.9	(0.3)	304.9	(5.5)
April-January	298.2	(9.6)	272.2	(3.3)	263.51	(8.8)

Note: Indices for January 2010 are quick estimates. Indices for the months of October and December 2009 incorporate updated production data. Figures in brackets indicate growth over the corresponding period of the previous year.

Source: CSO, Ministry of Statistics and Programme Implementation *(www.mospi.nic.in)*

3.2 Trends in Major Sectors

The 16.7% growth in IIP in January 2010 has mainly come from the manufacturing sector, which expanded by 17.9% in the month under review, as against 1% in January 2009. During April-January 2009-10, the sector grew at a rate of 9.9% over 3.4% in the comparable period of the previous year. Chart 3A shows the



high correlation between manufacturing industry and IIP during the fiscal year so far. Though the high weight given to the manufacturing segment (79.4%) in industrial production is one of the reasons for this correlation, nevertheless, manufacturing industry has been driving the IIP growth to a very large extent.

Table 3.2: Trends in Index of Industrial Production: Sector-wise

(Base 1993-94=100)

Major Groups	Weight	January		April-January	
		2010	2009	2009-10	2008-09
General Index	100	332.3 (16.7)	284.8 (1.0)	298.2 (9.6)	272.2 (3.3)
Mining and Quarrying	10.5	215.6 (14.6)	188.1 (0.7)	187.9 (9.3)	171.9 (2.9)
Manufacturing	79.4	359.5 (17.9)	304.8 (1.0)	320.7 (9.9)	291.7 (3.4)
Electricity	10.2	240.6 (5.6)	227.9 (1.8)	235.9 (5.7)	223.1 (2.6)

Note: Indices for January 2010 are quick estimates. Indices for October and December 2009 incorporate updated production data. Figures in brackets indicate growth rate over the previous year.
Source: CSO, Ministry of Statistics and Programme Implementation *(www.mospi.nic.in)*

Mining and quarrying industry also performed well, registering a growth rate of 14.6% in January 2010, compared to a meagre 0.7% in January 2009. During the fiscal so far too, the sector has shown a good growth rate of 9.3%, as against 2.9% during April-January 2008-09. Electricity generation in the country has also been improving, with the sector recording a growth of 5.6% in January 2010, its highest y-o-y growth since October 2009. During April-January 2009-10, electricity generation expanded by 5.7% over 2.6% in the corresponding period last fiscal year.

3.3 Analysis of Use-Based Classification

Under the use-based classification of industries, the capital goods segment sprung a pleasant surprise, recording a growth rate of 56.2% in January 2010 over 15.9% in the corresponding month of the previous year. After showing a deceleration in its growth rate from February 2009 onwards, this sector has started to record double-digit growth rates from September 2009 onwards. Thus, during the fiscal year so far, capital goods registered a growth rate of 15.6%, as against 8.9% during April-January 2008-09. The momentous rise in the capital goods industry reflects healthy investment sentiments in the country.

Basic and intermediate goods witnessed growth rates of 10.7% and 21.3%, respectively, in January 2010, as compared to -0.7% and -7.2%, respectively in the corresponding month last year. Though the low base of last year has inflated the growth rates in these two segments to

some extent, nonetheless, both basic and intermediate goods industries have been showing an improvement in their y-o-y performance over the last few months.

Table 3.3: Movements in Industrial Production: Use-Based Classification

(Base :1993-94 =100)

Major Groups	Weight	January 2010	January 2009	April-January 2009-10	April-January 2008-09
General Index	100.0	332.3 (16.7)	284.8 (1.0)	298.2 (9.6)	272.2 (3.3)
Basic Goods	35.6	258.7 (10.7)	233.6 (-0.7)	242.7 (6.5)	227.9 (2.9)
Capital Goods	9.3	615.7 (56.2)	394.2 (15.9)	447.2 (15.6)	386.7 (8.9)
Intermediate Goods	26.5	300.2 (21.3)	247.5 (-7.2)	291.8 (13.5)	257.2 (-2.2)
Consumer Goods	28.7	361.8 (4.2)	347.2 (3.6)	324.8 (6.9)	303.8 (5.8)
Durables	5.4	514.9 (31.6)	391.3 (2.1)	485.8 (25.1)	388.4 (3.9)
Non-Durables	23.3	326.6 (-3.1)	337.1 (4.0)	287.7 (1.2)	284.3 (6.4)

Note: Indices for January 2010 are quick estimates. Indices for October and December 2009 incorporate updated production data. Figures in brackets indicate growth over corresponding period of the previous year.

Source: CSO, Ministry of Statistics and Programme Implementation *(www.mospi.nic.in)*

Consumer goods expanded by a modest 4.2% in January 2010, as against 3.6% in the same month of 2009. Of this, consumer durables recorded a growth rate of 31.6% in the month under review, over 2.1% in January 2009. Production of non-durable goods registered a decline of 3.1% in January 2010, as against a growth of 4% in the corresponding period last year. During the fiscal year so far too, this segment posted a low growth of 1.2% over 6.4% in the comparable period last fiscal. The poor show of non-durable goods sector can be attributed to the dismal agricultural growth this year, coupled with soaring food prices.

3.4 Analysis of Two-Digit Classification of Manufacturing Sector

The 17.9% growth in the manufacturing sector in January 2010 was reflected in double-digit growth rates in 8 out of 17 manufacturing industries under the two-digit classification of manufacturing sector. Machinery and equipment, transport equipment and parts, metal products and parts, and rubber, plastic, petroleum and coal products recorded above 20% y-o-y growth

rates in January 2010. During April-January 2009-10 too, these industries registered double-digit growth rates. However, industries like food products, jute and other vegetable fibre textiles and leather and leather and fur products witnessed declines in their growth rates in January 2010.[1]

Table 3.4: Frequency Distribution of Growth in Manufacturing Industries

	January				April-January			
	2010		2009		2009-10		2008-09	
Growth Rate	No.	Wt.	No.	Wt.	No.	Wt.	No.	Wt.
Below 0%	3	10.8	12	48.6	3	12.1	7	27.0
0% to 5%	0	0.0	1	2.3	4	16.8	7	33.0
5.1% to 10%	6	29.5	2	16.6	4	12.5	2	17.1
Above 10%	8	39.2	2	12.0	6	38.1	1	2.4
Total	17	79.5	17	79.5	17	79.5	17	79.5

No.: Number of Industries; Wt.: Weight of the industry in IIP

Source: CSO, Ministry of Statistics and Programme Implementation (*www.mospi.nic.in)*

3.5 Budget Provisions and its Impact on Industry

The budgetary provisions for 2010-11 brought out clearly that the government has began to gradually withdraw the stimulus support extended to industry in the wake of last year's global economic crisis. The impact of these provisions on the industrial sector can be said to be mixed. The increase in central excise duties on all non-petroleum products by 2 percentage points would affect the manufacturing industry adversely. The surge in growth rates witnessed in the automobile sector in the last few months is likely to moderate in the near future on account of an increase in ad valorem duty on large cars, multi-utility vehicles and SUVs by 2 percentage points to 22%. Clean energy cess of Rs.50 per tonne that would be levied on both imported and domestic coal would make coal more expensive for the power sector, thus negatively affecting electricity generation.

On the positive side, allocation to micro, small and medium enterprises (MSMEs) was raised from Rs 1794 crore in 2009-10 to Rs 2400 crore in 2010-11. It was proposed to launch an extensive skill development programme in textile and garment sector. Small-scale manufacturers are now permitted to take full credit of central excise duties paid on capital goods in a single instalment in the year of their receipt and to pay central excise duty on a quarterly rather than

[1] For growth figures of individual industries under the two-digit classification of manufacturing sector during January 2010 and April-January 2009-10, see Appendix IV.

monthly basis. There has been a fall in the duties of products like magnetrons (used to produce microwave ovens), long pepper, asafoetida, replaceable kits for household type water filters other than those based on RO technology, corrugated boxes and cartons, latex rubber thread, goods covered under the Medicinal and Toilet Preparations Act etc. in varying proportions. Finally, the change in income tax slabs would bring in more disposable income in the hands of the consumer, thus generating additional demand for consumer goods. The final impact of the interplay between the increase in central excise duties and higher income under the consumers' possession is uncertain.

3.6 Summing Up

Industrial performance in January 2010 signalled a strong recovery. A low base, strong manufacturing sector growth, demand for consumer durables and a stunning performance of the capital goods segment contributed to a double-digit growth in the sector. This trend is expected to continue in the following months. But when the implications of the government's stimulus support withdrawal and the positive effects of a low base wear out, growth in industrial production is likely to return to normal trends.

4. INFRASTRUCTURE

4.1 Introduction

The six core industries of the infrastructure index together recorded a growth rate of 9.4% in January 2010, as against 2.2% in the same month last year. This month's growth in infrastructure industry has been its highest y-o-y growth over the last two years. During April-January 2009-10, the core sector expanded by 5.4%, as compared to 3% in the corresponding period of 2008-09.

Table 4.1: Monthly Movements in Index of Infrastructure Industries
(Base 1993-94 =100)

	2009-10		2008-09		2007-08	
April	247.1	(3.7)	238.2	(4.6)	227.7	(7.6)
May	254.4	(3.2)	246.4	(4.4)	236.0	(8.7)
June	249.7	(6.3)	234.8	(4.4)	224.8	(5.2)
July	248.3	(3.3)	240.4	(5.2)	228.5	(6.3)
August	253.9	(6.5)	238.3	(2.0)	233.6	(10.1)
September	248	(4.5)	237.4	(4.1)	228.0	(6.6)
October	256.5	(3.8)	247.1	(2.4)	241.4	(5.7)
November	249.4	(6.0)	235.3	(0.8)	233.5	(5.0)
December	261.3	(6.4)	245.5	(0.7)	243.8	(4.0)
January	275.1	(9.4)	251.5	(2.2)	246.0	(3.1)
February			241.6	(1.9)	237.0	(7.1)
March			271.2	(3.3)	262.6	(2.9)
April-January	254.4	(5.4)	241.4	(3.0)	234.3	(6.2)

Note: Indices are provisional. Figures in brackets indicate growth over the corresponding month of the previous year
Source: (*www.http://eaindustry.nic.in/six_infra/overview.htm)*

4.2 Performance of Core Industries

Though all the six industries have contributed to the record growth in the core sector in January 2010, the rise was primarily led by a y-o-y growth of 16.2% in finished steel and that of 12.4% in cement. The corresponding figures for January 2009 were 3.2% and 8.3%, respectively. During April-January 2009-10, finished steel recorded a growth rate of 4.9%, whereas the cement industry expanded by a whopping 11.2%. While the cement industry has been showing consistent growth rates throughout the fiscal year, the steel industry has been witnessing a steep rise in its output in the last three months. The strong growth in these two sectors reflects the momentum in automobile and construction industries.

The y-o-y growth in crude oil production was at a three-year high of 9.7% in January 2010, although over a low base of (-) 8.1% in January last year. The previous highest growth rate of 10.7% was recorded in December 2006. After having posted y-o-y declines in its production in most of months since June 2008, and a low growth of 1.1% last month in December 2009, crude oil has shown immense improvement in its performance in January 2010. Its production in

the fiscal year so far fell by 0.1%, as against a drop of 1.3% in the corresponding period of the previous year. Petroleum refinery products registered a growth rate of 3.8% in the month under review, as compared to a fall of 1.3% in January 2009. However, its growth in the fiscal so far remained negative at 0.5%, as compared to a rise of 3.2% during April-January 2008-09.

Table 4.2 : Physical Production of Core Industries

	Unit	Weight (%)	January		April-January	
			2010	2009	2009-10	2008-09
Electricity	mn.kwh	10.17	64854.4 (5.6)	61443.6 (1.8)	638142.2 (6.1)	601397.6 (2.6)
Coal	mn.tn	3.22	51.3 (6.0)	48.5 (6.7)	416.5 (8.2)	385.0 (8.5)
Finished Steel	000.tn	5.13	5284.0 (16.2)	4546.0 (3.2)	47001.0 (4.9)	44796.0 (1.9)
Crude	000.tn	4.17	2917.0 (9.7)	2660.0 (-8.1)	28069.0 (-0.1)	28090.0 (-1.3)
Refinery Products	000.tn	2.00	13024.0 (3.8)	12550.0 (-1.3)	123927.0 (-0.5)	124568.0 (3.2)
Cement	000.tn	1.99	18690.0 (12.4)	16630.0 (8.3)	168815.0 (11.2)	151840.0 (6.8)
Infrastructure	Index	26.68	275.1 (9.4)	251.5 (2.2)	254.4 (5.4)	241.4 (3.0)

Source: *(www.http://eaindustry.nic.in/press_out.htm)*

Coal production expanded by 6% in January 2010 showing a minor deceleration from last year's growth rate of 6.7%. During April-January 2009-10, the sector posted a growth rate of 8.2%, as against 8.5% in the corresponding period of the previous year. In the subsequent months, however, the level of coal production is likely to plummet due to its seasonal nature. Electricity generation in the country grew at a rate of 5.6% in January 2010, over 1.8% in January 2009. During April-January 2009-10, the corresponding figures for the sector stood at 6.1% and 2.6%, respectively.

Electricity Generation

Thermal power generation expanded by 7.7% in January 2010, as against 4.6% in the corresponding month last year. This occurred in spite of a marginal fall in its Plant Load Factor (PLF) from 81.4 in January 2009 to 80.5 in January 2010. During April-January 2009-10, thermal power generation grew at a rate of 9%, over 5.6% in the comparable period of 2008-09. The western and southern regions performed better than the others in this sector.

Nuclear energy registered a massive increase of 41.7% in its y-o-y growth rate in January 2010, albeit on a low base of -19.1%. The PLF of nuclear plants increased tremendously during

this period, from 36.1 in January 2009 to 51.1 in January 2010. During the fiscal year so far, this sector registered a growth rate of 20.7%, over a decline of 12.7% during April-January 2009-10.

The hydel power sector continued to record a fall in its generation for the fourth consecutive month. In January 2010, the sector showed a drop of 5.8% in its y-o-y generation and that of 7.4% during April-January 2009-10. Northern and eastern regions saw massive falls of 23.4% and 42.3%, respectively, in their hydro power generation in January 2010. During April-January 2009-10, western region was the only one to post a positive growth rate (3%) in its y-o-y hydel electricity generation.

On the whole, the country's electricity generation increased by 6.7% in the month under review, with the western region having recorded the highest growth rate of 14.5% y-o-y. During April-January 2009-10 power generation witnessed a growth of 6.3%. The north-eastern region, however, recorded a plunge of 12.1% in its generation during this period.

Table 4.3: Region-wise Electricity Generation

(*GWH*)

Sector	Region	Generation							
		January				April-January			
		2010	2009	Growth (%)	PLF	2009-10	2008-09	Growth (%)	PLF
Thermal	Northern	14131.79	13707.14	3.10	84.55	132778.2	125821.0	5.53	82.08
	Western	20558.41	18105.02	13.55	82.74	186148.3	166615.5	11.72	78.29
	Southern	12852.67	11672.44	10.11	87.19	118184.9	105839.5	11.66	83.11
	Eastern	9391.81	9330.25	0.66	67.80	86487.1	81943.8	5.54	63.44
	N-Eastern	391.61	397.65	-1.52	51.67	3684.3	3674.9	0.25	49.34
	All-India	57326.29	53212.5	7.73	80.54	527282.7	483894.6	8.97	76.6
Hydro	Northern	2256.06	2946.64	-23.44		44789.6	47485.4	-5.68	
	Western	1341.24	996.97	34.53		11595.8	11253.2	3.04	
	Southern	2471.63	2221.28	11.27		24966.5	27801.8	-10.20	
	Eastern	348.29	603.4	-42.28		7364.6	8500.3	-13.36	
	N-Eastern	209	168.91	23.73		3340.6	4317.2	-22.62	
	All-India	6586.13	6993.32	-5.82		92057.2	99357.8	-7.35	
Nuclear	Northern	434.47	216.63	100.56	49.14	3146.0	2520.0	24.84	36.27
	Western	684	615.41	11.15	49.96	7420.7	6301.4	17.76	54.92
	Southern	451.41	275.81	63.67	55.16	4411.6	3591.2	22.85	54.61
	All-India	1569.88	1107.85	41.71	51.12	14978.2	12412.6	20.67	49.49
Total	Northern	16822.32	16870.4	-0.28		180713.8	175826.3	2.78	
	Western	22583.65	19717.4	14.54		205164.8	184170.1	11.40	
	Southern	15775.71	14169.53	11.34		147563.0	137232.4	7.53	
	Eastern	9740.1	9933.65	-1.95		93851.7	90444.1	3.77	
	N-Eastern	560.52	622.68	-9.98		7024.9	7992.2	-12.10	
	All-India	65575.35	61443.57	6.72		639521.6	601397.6	6.34	

Note: Total includes imports from Bhutan

Source: (*www.cea.nic.in)*

Power deficit in January 2010 decreased by 1.1 percentage point to 10.7% in January 2010 compared to 11.8% in January 2009. The deficit in the month under review was, however, higher than that of the preceding four months, the reason being that the requirement increased at a much faster pace than the availability of power. During April-January 2009-10, power shortage totalled 68,139 MU, amounting to a deficit of 9.9%. This was however lower that last year's 11% shortfall.[1]

Table 4.4: Power Supply Position

(MU)

Region	April-January					
	2009-10			2008-09		
	Requirement	Availability	Deficit (%)	Requirement	Availability	Deficit (%)
Northern	214547	189111	11.9	190212	169731	10.8
Western	212735	184936	13.1	211337	177333	16.1
Southern	179961	169155	6	167760	155304	7.4
Eastern	73050	69850	4.4	68106	65049	4.5
N-Eastern	7920	7023	11.3	8051	6947	13.7
All India	**688213**	**620074**	**9.9**	**645466**	**574364**	**11**

Source: (*www.cea.nic.in/god/gmd/Monthly_Power_Supply_position/*)

Crude Petroleum

Table 4.5 : Production of Crude Petroleum

(thousand tonnes)

Unit	January			April-January		
	2010	2009	% Growth	2009-10	2008-09	% Growth
ONGC	2129	1998	6.56	20766	21331	-2.65
OIL	304	274	10.95	2983.0	2897	2.97
DGH (Pvt/JVC)	484	389	24.42	4320.0	3862	11.86
Total	2917	2660	9.66	28069.0	28090	-0.07

Source: *(www.petroleum.nic.in)*

Crude petroleum production posted a growth rate of 9.7% in January 2010 after having declined in most of the previous months of this fiscal year. ONGC, which had been recording a decrease in its production in the last few months, finally recorded a 6.6% growth in the month under review. The company's January 2010 output comprised 73% of the total domestic crude oil output. Its Mumbai High offshore production recorded a growth rate of 4.8% in January 2010, as against a plunge by the same amount in December 2009. The ONGC growth in January 2010 has, however, been on a low base of (-) 2.6% last year.

OIL too posted a commendable growth rate of 11% in January 2010 as against 3% in the corresponding month last year, thanks to a growth of 11.7% in its Assam oil field in January

[1] For State-wise data on Power Supply Position during January 2010 and April-January 2009-10, see Appendix V.

2010. Private companies registered a whopping growth rate of 386.4% in their onshore production in January 2010, leading to a 24.4% growth in overall production. The recent announcement by Cairn India of an increase in oil estimates in the Barmer region of Rajasthan (that would increase the company's oil produce by 37%) is expected to multiply domestic crude oil output in the future.

Refinery Production

The 6% growth posted by OIL and that of 9.5% by BPCL in January 2010 helped the public sector refineries register a growth rate of 2.3% in January 2010, as compared to a fall of 3.3% in January 2009. Private sector refineries recorded a growth rate of 7.3% in January 2010, as against 3.8% in the comparable period last year. On the whole, the country's refinery production expanded by 3.8% in January 2010 over a decline of 1.3% in the corresponding month last year. Capacity utilisation increased from 106.7% to 110.7% during this period.

However, during the fiscal so far, refinery production plummeted by 0.5%, as compared to a growth of 3.2% in the same period of the last fiscal. Overall capacity utilization during this period fell from 107.3% in 2008-09 to 106.7% in 2009-10. Private sector refineries, especially, showed a fall in production by 2.6% during April-January 2009-10, as against a growth of 13.6% in the corresponding period of the previous year. Public sector refineries witnessed a growth rate of 0.4% in the fiscal so far, as compared to a decline of 0.8% during April-January 2008-09.

Table 4.6: Refinery Production

(thousand tonnes)

Unit	January				April-January			
	2010	2009	% Growth	% Utilisation of I/C	2009-10	2008-09	% Growth	%Utilisation of I/C
Public Sector	9745	9525	2.3	108.8	93400	93036	0.4	105.6
IOC	4503	4247	6.0	106.7	41914	42422	-1.2	100.6
BPCL	1941	1772	9.5	117.2	16590	16862	-1.6	101.5
HPCL	1215	1360	-10.7	110.1	13039	12994	0.3	119.6
CPCL	711	852	-16.5	79.7	8928	8441	5.8	101.4
Private Sector	4259	3970	7.3	115.3	39855	40908	-2.6	109.3
Total	14004	13495	3.8	110.7	133255	133944	-0.5	106.7

I/C: Installed Capacity

Source: *(www.petroleum.nic.in)*

Natural Gas

Natural gas production expanded by a whopping 79.5% in January 2010, as against a fall of 4% in the corresponding month last year. Private sector output increased by more than four times, from 604 million cubic metres in January 2009 to 2510 million cubic metres in January 2010, registering a growth rate of 315.6% during the period. This occurred primarily due to a surge in offshore production by 353% in January 2010. In January 2009, private sector had recorded a fall of 19.7% in its overall natural gas output and that of 20.8% in its offshore operations.

Table 4.7: Natural Gas Production

(million cubic metres)

	January			April-January		
	2010	2009	Growth	2009-10	2008-09	Growth
ONGC	1936	1807	7.1	19687	18793	4.8
OIL	194	175	10.9	2025	1904	6.4
Private/JVC	2510	604	315.6	17074	6880	148.2
Total	4641	2586	79.5	38486	27577	39.6

Source: *(www.petroleum.nic.in)*

During April-January 2009-10, natural gas production grew at a rate of 39.6%, with the private sector recording a growth of 148.2% in this period. Also, the share of the private sector to total natural gas production in the country has been increasing over time, while that of ONGC, which traditionally had the largest share in total domestic production has been declining. For instance, in the month under review, the private sector contributed 54.1% of the total production, while ONGC had a share of 41.7%. The corresponding figures for January 2009 stood at 23.4% and 70%, respectively.

4.3 Provisions of the 2010-11 Union Budget for Infrastructure

- Rs 1, 73,552 crore has been provided for infrastructure development in the country, which accounts for over 46% of the total plan allocations for 2010-11.
- An additional tax deduction of Rs 20,000 has been allowed for investment in long-term infrastructure bonds, over and above the existing limit of Rs 1 lakh on tax savings. This move is likely to attract more investment in the infrastructure sector.
- IIFCL's (India Infrastructure Finance Company Limited) disbursements expected to touch Rs 9000 crore by end March 2010 and reach Rs 20,000 crore by March 2011. It has refinanced Rs 3000 crore in 2009-10 and is expected to more than double that amount in 2010-11.

- Allocation to road transport increased by over 13% from Rs 17,520 crore in 2009-10 to Rs 19,894 crore for 2010-11. Railways allocated a sum of Rs 16,752 crore, Rs 950 crore more than last year.
- Project import status granted to monorail projects for urban transport at a concessional basic duty of 5%.
- The plan allocation for power sector more than doubled from Rs 2,230 crore in 2009-10 to Rs 5,130 crore in 2010-11.
- Proposal to introduce a competitive bidding process for allocating coal blocks for captive mining to ensure greater transparency and increased participation in production from these blocks. Government to set up a 'Coal Regulatory Authority' to create a level playing field in the coal sector. These provisions are expected to improve thermal power generation in the country.
- A clean energy cess of Rs 50 per tonne levied on coal produced domestically as well as imported coal.
- Plan outlay for the Ministry of New and Renewable Energy increased by 61% from last year, at Rs 1000 crore in 2010-11. A target of 20,000 MW of solar power by the year 2022 has been set under the Jawaharlal Nehru National Solar Mission.
- Machinery, equipment and appliances required for setting up of solar thermal power generating units to be exempted from central excise duty and to be levied a concessional 5% customs duty. Similarly, specified inputs required for wind energy generation exempted from central excise duty.
- Specific rates of duty applicable to Portland cement and cement clinker are being adjusted upwards in proportion to the increase in ad valorem duties on non-petroleum products.
- Central excise duty on petrol and diesel enhanced by Re 1 per litre each. Basic duty of 5% on crude petroleum, 7.5% on diesel and petrol and 10% on other refined products has been restored. Full exemption from basic customs duty was provided to crude petroleum

and a proportional reduction in the duty on refined petroleum products was made in June 2008.

- Decision on the recommendations of the Kirit Parikh committee on pricing of petroleum products to be taken by the Minister of Petroleum and Natural Gas in due course.

4.4 Highlights of Railway Budget for 2010-11

- Annual Plan outlay for 2010-11 proposed at Rs 41426 crore, an increase of Rs 1142 crore over 2009-10.
- Railways projected to spend Rs 1302 crore on passenger amenities, Rs 4411 crore on new lines and Rs 1001 crore on metro projects in 2010-11.
- No change in passenger fares or freight rates.
- Reduction of Rs 100 per wagon in freight charges for foodgrains for domestic use and kerosene.
- A special task force set up to clear proposals for investments within 100 days. Policy guidelines to be made easy, simple and investment friendly.
- A separate structure to be created within the railways for implementation of business models for commercial utilisation of land, air space and other assets and leveraging railway services to generate revenues.
- Air space at stations in large cities to be leveraged to build multi-level parking complexes through the PPP route.
- New suburban rail services to be introduced in Mumbai (101), Chennai and Kolkatta.
- 28 new passenger train services to be introduced. Extension of 21 trains and increase in frequency of 12 trains announced.
- Various new services like SMS updates on reservation status initiated to improve passenger and customer satisfaction.

4.5 Summing Up

Given the strong domestic demand and the thrust given to the infrastructure sector by the government in the Central budget for 2010-11, the healthy trend in infrastructure industries is expected to continue over the short and medium term.

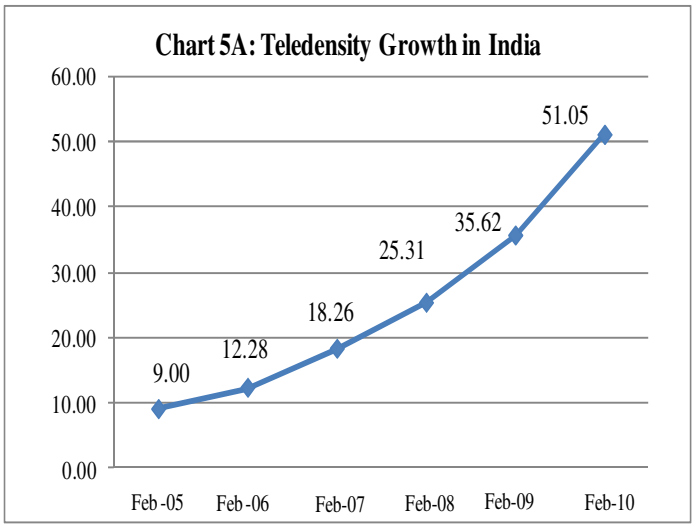
5. INFORMATION AND COMMUNICATION TECHNOLOGY

5.1 Telecommunication

India's Teledensity crosses 50 Mark

In the month of February India's telecom sector has reached two milestones:(1) the number of total telephone subscribers in the country has crossed the 600 million mark and with this, (2) the overall teledensity – number of users per 100 people in India has crossed the 50 mark. Interestingly, the crossing the teledensity level of 50 is another significant landmark attained within less than a year after the country achieved the target of 500 million cellular subscribers in November 2009.

India, the world's fastest-growing mobile services market in the world, (on an average adding between 16 – 18 million cellular subscribers every month), has seen a record 18.76 million new wireless subscribers in February 2010. With this, the number of telephone subscribers in India has increased to 600.69 million at the end of February from 581.97 million in January.



Teledensity grew initially slowly from 9 in February 2005 to 12.28 in February 2007, but thereafter galloped to a level of 35.62 in February 2009. There has been a doubling of teledensity in the last two years from 25.31 in February 2008 to 51.05 at the end of February 2010 (Chart 5A). Despite this remarkable achievement, India still lags far behind the countries like Brazil and China, where the teledensity is over 60%. However, India is much ahead compared to the neighboring countries like Pakistan, Bangladesh and Nepal.

Even as the overall teledensity across all states has been rising consistently, the disparity between rural and urban teledenstiy has disturbingly widened. At the end of December 2009, India's overall urban and rural teledensity stood at 110.7 and 21.2 respectively. Recently, the

Prime Minister has expressed concern at the digital divide between urban and rural regions and said that the government is aiming to double the rural teledensity to 40 in the next three years.

Government to spend Rs 18,000 crore to strengthen the broadband services

The most dynamic sector in the Indian economy remains the telecom sector, with the wireless telephony making strides; however, access to broadband services in India has been a failure in the robust performing telecom sector. With the aim of addressing this challenge, the government is planning to spend Rs 18,000 crore in the next three years to lay 5 lakh km optic fibre cable network to reach every gram *panchayat*. In order to implement this project an infrastructure company will be carved out of BSNL and work with other PSUs like Power Grid Corporation of India and RailTel. The joint venture will be supported financially by the Universal Services Obligation Fund (UOSF). The formation of a Group of Ministers (GoM) to monitor and review the implementation of this broadband initiative is also being considered.

Auction of 3G Spectrum

The country's 3G road map has already been delayed on account of differences between the Department of Telecom (DoT) and the Ministry of Defence (MoD). After numerous missed deadlines and controversies for over a year, finally, the DoT has announced that auction of licences for 3G services would start from April 9. As per the schedule released by DoT, the pre-qualification of bidders would take place on March 30; mock auctions would be held on April 5 and 6. The Broadband Wireless Access (BWA) or Wimax spectrum auction would start two days after the close of 3G auctions. The reserve price for pan-India 3G spectrum has been set at Rs 3,500 crore and Rs 1,750 crore for WiMax.

The 3G spectrum auctions, originally scheduled to take place in 2007, hit a roadblock amid disagreements between DoT and the finance ministry over the bid price and the number of slots to be auctioned in each circle. The government later formed an Empowered Group of Ministers (EGoM) to resolve the issues.

Union Budget 2010-11

The Union Budget 2010-11 has not met the telecom companies' expectations on relief in taxation and license fee. The Cellular Operators Association of India (COAI) has indicated that the cellular services segment has continued to pay very high duties and levies owing to the

problem of complex tax structure. Presently, the sector is paying 12% service tax, 6% - 10% license fee and 2% - 6% spectrum charges. A long-standing demand of the telecom sector has been the rationalisation of levies and a uniform revenue share licence fee at a nominal level for all telecom circles to 6% from the current 6% - 10%.

Some of the key taxation decisions announced in this year's Budget are as follows:

Measures	Implications
• Central excise duties increased to 10% from 8% • Exemptions from basic, CVD and special additional duties are exempted to parts of battery charges and hands-free headphones. • Cellular phones have been exempted from 4% special additional duty (SAD) when imported in pre-packaged form intended for retail sale	• Higher cost for telecom equipment manufacturing companies • Companies manufacturing mobile handsets and accessories (including battery charges and hands-free headphone) will be benefitted. • Handsets will be cheaper

5.2 Information Technology (IT)

Of late, the Indian IT industry has witnessed an increase in outsourcing deals as all major markets are back on the recovery track. Recently, Denmark's largest pension fund company, ATP has expressed a desire to outsource its internal IT management and back-office works to Indian service providers. It is understood to have issued request for proposals (RFPs) for technology upgrade and support works worth over $500 million (Rs 2,300 crore). Most Indian IT outsourcing companies, including TCS, Infosys, Wipro, HCL and L&T infotech, have responded. The contract include two different components – one for the mainframe and IT infrastructure support and management, which includes setting up and managing of data centres, and the second one is for hosting SAP services, with complete maintenance and environmental support. The IT service market in the Nordics is estimated to be $10-12 billion and is growing at a compound annual growth of 5%.

It is also understood that Nordea, a financial services group headquartered out of Copenhegan, is also looking at outsourcing to Indian software vendors. The company is in the process of finalizing multi-year IT outsourcing contracts, which will fetch a revenue of $70 million per annum.

Cisco's expansion plan in India

Networking giant Cisco is tying up with major players in IT services and the telecom industry to give innovation in the domestic market a boost. This is likely to help Cisco scale up its India revenue to the $1 billion mark. This year, Cisco's prime technology focus area will continue to be video, collaboration, data centre and virtualization. Last year, Cisco and TCS had entered into a strategic alliance to develop and deliver information technology (IT) service solutions to help customers build and evolve next generation data centres. Cisco also formed an alliance with Bharti Airtel to create a set of unique products and services including managed data services, hosted unified communications, connected branch services and Cisco TelePresence to cater to customer requirements across small, medium and large enterprises. With its five-phase plan for borderless networks, Cisco aims to provide a roadmap to enable the next-generation workspace experience, which has been enabled by systems innovations across routing, switching, wireless acceleration and security.

Union Budget 2010-11

In the recent past the Indian IT and ITeS companies have been facing a number of challenges such as margin pressure owing to wage inflation, ongoing recessionary trends in the US, mark-to-market (MTM) losses by a number of companies on their foreign exchange transactions perhaps due to unhedged exposures, which were hit by the excess volatility in the exchange rates and declining domestic revenues on account of general slowdown in the macro economy. As a result, in the year 2008-09, the Indian IT industry has registered moderate growth and is expected to register a lower rate of growth also in the year 2009-10.

Therefore, the IT industry was looking up to the Union Budget 2010-11 to get certain long pending demands fulfilled. This year's Budget has announced certain key taxation decisions with reference to the IT-ITeS and BPO companies, as enumerated below:

Measures	Implications
• Process of refund of accumulated credit to exporters of IT and BPO companies made easy by making necessary changes in the definition of services and procedures.	• Refunds will be faster
• MAT increased from 15% to 18%.	• Extra burden on mid-size and small IT and ITeS companies

The IT industry was apparently disappointed, as tax exemption under the STPI scheme has not been extended beyond 2011. The IT and BPO companies have been asking the government to extend the scheme by a minimum of two years or to another five years, as the competitiveness of the IT industry has also been to a large extent due to cheaper services on account of the tax benefits. According to Nasscom, an extended tax holiday would have given some breathing time when the entire IT industry is pressurised by factors like wage inflation, global slump, falling margins due to volatility in exchange rates and rising competition from other countries like Philippines, Thailand, China and Malaysia.

India's IT industry has urged the government to continue the tax breaks under the Software Technology Parks of India (STPI) scheme, an issue which failed to find a mention in FM's budget speech.

Other Measures

The government has set up the Technology Advisory Group for Unique Projects (TAGUP) under the chairmanship of Shri Nandan Nilekani for monitoring effective IT implementation in projects of national eminence. Timely completion of IT implementation in government projects is not only critical to growth and development of the country but also essential for delivering services to the citizens.

5.3 Summing Up

The month of February saw India scaling past the 600 million subscriber base mark. Out of the total 600.69 million phone subscribers, 563.73 million are mobile users. With this, the overall Tele-density in India reaches 51.05.

In an attempt to strengthen the broadband services in the country the government is planning to spend Rs 18,000 crore over three years to lay a 5 lakh km optic fibre cable network to reach every gram *panchayat*.

The country's 3G road map has already been delayed on account of differences between the Department of Telecom (DoT) and the Ministry of Defence (MoD). After numerous missed deadlines and controversies for over a year. Finally, the DoT has announced that auction of licences for 3G services would start from April 9.

Indian information technology (IT) industry has urged the government to continue tax breaks under the Software Technology Parks of India (STPI) scheme.

6. SERVICES

6.1 Introduction

Services sector, buoyed by the indirect impact of fiscal stimulus package, liberal monetary measures, improved employment scenario taken together, appears to be heading towards the growth levels achieved in the pre-crisis period. This can be seen from the turnaround in growth rates witnessed by many key indicators for the GDP originating in four constituents of the services sector displayed in table 6.1. The succeeding paragraphs describe the sectoral trends.

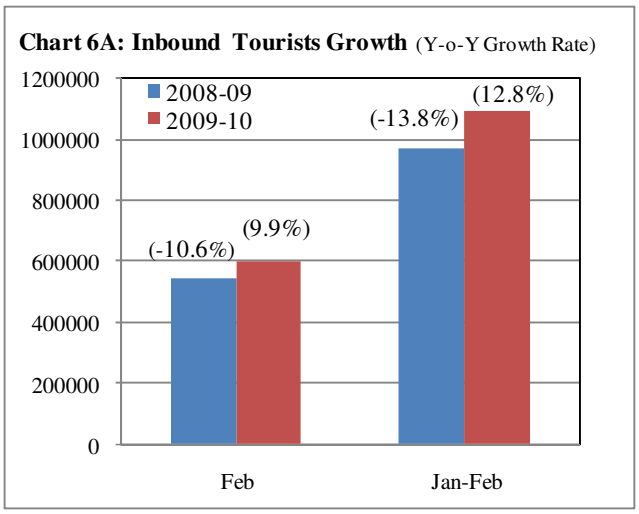
Table 6.1: Select Indicators of Services Sector Activities
(Growth rates in %)

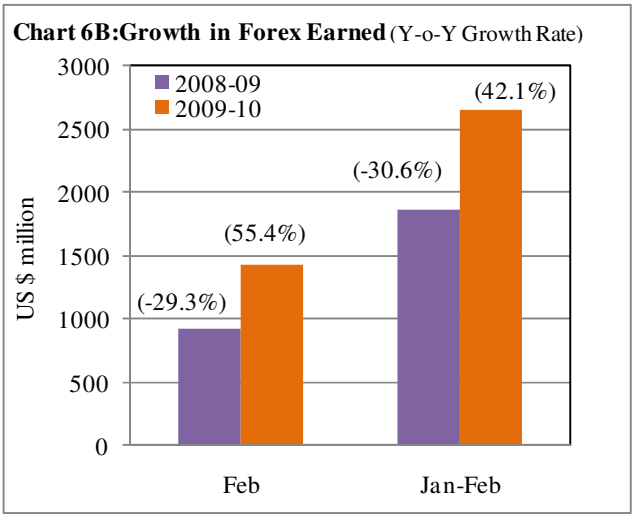
	Major Sectors	Latest Period^		Full Financial Year		
		2009-10	2008-09	2008-09	2007-08	2006-07
1	**Tourism** (April-February)					
	Tourist arrivals (numbers)	3.6	-1.0	-2.5	12.8	13.8
	Foreign exchange earnings (US $)	16.9	-7.1	-9.6	27.9	16.2
2	**Transport**					
	Automobiles (April-February)					
	Commercial vehicles production (numbers)	31.4	-23.4	-24.0	5.6	33.0
	Passenger vehicles production (numbers)	27.4	2.4	3.4	15.0	18.0
	Commercial vehicles domestic sales (numbers)	35.5	-21.1	-21.7	4.9	33.3
	Passenger vehicles domestic sales (numbers)	26.1	0.3	0.1	12.3	20.7
	Railways (April-January)					
	Railway revenue earning freight traffic (tonnes)	7.3	5.7	4.9	9.0	9.2
	Shipping (April-January)					
	Cargo handled at major ports (tonnes)	5.4	3.6	2.1	12.0	9.5
	Civil Aviation (April-December)					
	Aircraft Movement at international airports	4.4	-	8.8	15.3	12.9
	Aircraft Movement at domestic airports	0.2	-	-2.2	22.9	33.1
	Cargo handled at international terminals (tonnes)	4.9	-	0.2	12.3	11.0
	Cargo handled at domestic terminals (tonnes)	20.4	-	-3.6	7.3	9.5
	Passengers handled at international terminals (numbers)	7.4	-	5.9	15.7	15.2
	Passengers handled at domestic terminals (numbers)	14.2	-	-11.2	23.3	38.5
3	**Communication** (April-January)					
	New cell phone connections (numbers)	51.5	30.9	36.1	44.7	58.6
4	**Banking and Finance***					
	Aggregate deposits (Rs crore)	13.8	16.8	19.9	22.4	23.8
	Non-food credit (Rs crore)	11.4	13.0	17.8	23.0	28.5
5	**Public Administration** (April-January)					
	Central government expenditure (Rs crore)	16.8	24.3	24.0	15.5	17.5

Notes: ^: latest available period specified against each indicator, -: Data not available
* Refers to scheduled commercial banks and the figures are as on February 26, 2010.
Sources: Data are taken from respective ministries or other government authorities and CMIE

6.2 Tourism and Hospitality

Tourism and hospitality sector has continued traversing along the path of recovery in the month of February 2010 alike the previous two months, registering positive growth rates for various indicators. The month saw 6.01 lakh foreign tourists visiting the country, second only to 6.11 lakh arrived in February 2008 the best February of the decade 2001-10 in terms of high foreign tourist arrivals. This is for the second time in the financial year 2009-10 that the country has witnessed over 6 lakh tourists arriving, just next to 6.5 lakh in December 2009. The year-on-year growth rate is 9.9% compared to (-) 10.6% in February 2009. Besides the lower base, decline in airfares have also seem to have contributed for this.. With the increased number of inbound tourists, foreign exchange earned has risen by US $511 million to US $1434 million in February 2010 over the period of one year.





The buoyancy seen in tourism related operations since last few months has been reflected in hospitality segment with average room rates (ARRs) registering 20% growth y-o-y during the quarter ending December 2009. During October - September 2008-09, the ARRs of the hotels across the country fell around 30-40%. However, ARRs for hotels in Delhi, Mumbai, Bangalore, Chennai, Hyderabad, Kolkata and Goa have been higher by 42% to around Rs 8,169 in the December 2009 quarter against the September 2009 quarter. When compared to the December 2008 quarter, the increase in rates is still higher mainly due to the base effect — due to prevalence of economic downturn at that time. A quarter-on-quarter rise in ARRs has been reported at 57% in New Delhi, 35% in Mumbai and 2% in Bangalore during October-December 2009 mainly on account of relative shortage of room inventory with more foreign tourists

visiting the country. According to industry experts, New Delhi has a shortage of up to 8,000 rooms and the Hotel Leela, for instance is seeing occupancies of close to 85%. Bangalore, which was witnessing extremely high room rates on shortage of inventory, has seen ARRs softening with some supply coming in during the December 2009 quarter against September 2009 quarter.

6.3 Aviation

As per the data released by the DGCA, passengers carried by domestic airlines stood at 39.15 lakh in February 2010 as against 33.85 lakh flown in February 2009, registering an increase of 15.7%. The month-on-month growth has been lower as domestic airlines have carried 41.41 lakh passengers during January 2010 and 44.87 lakh in December 2009. This meagre decline as per the industry experts is due to lean season and does not pose any serious concern. Seat load factors of domestic air lines remained above 70% with NACIL (I) reporting lowest seat load factor of 72% and Paramount airlines registering the highest at 85%. While NACIL (I), Kingfisher, Spice Jet, Paramount and IndiGo saw their seat factors declining in February 2010 over February 2009, Jet Airways, Jet Lite, Go Air reported seat factors improvements during the same period. Jet Airways along with its low-cost arm Jet light has continued to have the highest market share (26.1%) in February 2010, followed by Kingfisher (22.7), NACIL (I) (17.2%). Flight cancellation rate for the month under review touched 1.5%, Paramount airlines witnessing the highest cancellation at 6% as against Go Air for which this rate has been the lowest at 0.6% during February 2010. The overall on-time performance of scheduled domestic airlines has stood at 79.4%; Kingfisher led in punctuality with 86.5% of its flights operating on time, while Jet Lite scored the worst with only 67.7% of its flight operating on time.

The Rajiv Gandhi International Airport (RGIA) in Hyderabad has been rated as the fifth best airport in terms of airport service quality (ASQ). According to a survey conducted by the Airport Council International (ACI), airlines across all regions in the world have been assessed on the basis of 10 factors identified as essential for high customer service ratings, which include the ambience of the airport, cleanliness of the terminal, comfort of the waiting areas, availability of washrooms, cleanliness of washrooms, courtesy and helpfulness of the airport staff, business lounges, ease of making connections, passport/ID inspection experience and good shopping facilities. IGIA was also top ranked as the 'Best Improved Airport' in Asia Pacific region.

6.4 Retail

The organised retail segment, which accounts for almost 5% of the domestic retail market, seems to be coming out of the rough recessionary phase with the past few quarters witnessing a steady improvement in performances of major retailers. Increased demand coupled with festival season impact as well as low base effect have spurted the growth figures. Various media sources have reported that major retailers have seen encouraging trends in sales growth as well as in profitability during the quarter ending December 2009. For instance, Pantaloon Retail (India) Ltd's sales rose 25.4% to Rs1,913 crore but its same-store sales grew by 6.9% in its value retailing business and 12% in the lifestyle business. In the case of Shopper's Stop Ltd, its department store sales grew 11.1% but same-store sales grew by only 2.1%. Trent Ltd's sales rose 23% in the December quarter, and it opened six new Westside stores and three under other formats in the first nine months of the current fiscal. Pantaloon's operating margins were only marginally higher at 10.6% compared with the year-ago period. Both Trent and Shopper's Stop's operating margins improved by nearly 5 percentage points to 8.2% and 11.8%, respectively. Industry experts, however, are doubtful whether this pace of growth would continue in the ensuing financial year 2010-11 amidst the proposed hikes in the indirect taxes in the Union Budget 2010-11 and increasing input costs on one hand, while broadening of the personal income tax regimes and higher GDP growth figures on the other. While the first two are likely to hamper the consumer demand by increasing product prices, the latter two would help fuelling the demand by increasing disposable income with the customers.

As a part of the expansionary drive, and recognising the growth potential in overseas markets, many FMCG majors are taking their brands to Asian and the Middle East markets. Godrej Consumer Products Ltd (GCPL) has recently introduced its hair-cream brand Godrej Renew in South African markets through its company in South Africa–Rapido with an aim to focus on Caucasian markets, primarily. Encouraged by the response to 'Dabur Uveda'(skincare brand) in domestic markets, Dabur India planning to introduce it in the Middle East, to start with, as the company has both supply chain system and manufacturing process in place in these markets. Yet another FMCG major, ITC is planning to foray Canada and the USA by introducing 'Kitchens of India'. Meanwhile, PepsiCo India is gearing up to launch its Indian snack brand 'Kurkure' in West Asia, while Tata Tea Ltd is also planning to take its brand Himalayan Water, Tata Tea, Tetley and Good Earth to the overseas market, though details are not reported yet.

The domestic retail industry is in the process of creating a database of people employed by it and verifying their backgrounds in order to contain pilferage of goods by employees. The Retail Association of India (RAI) has tied up with CRP Technologies, human resources (HR) consultancy and background verification firm to create the database. The Indian retail industry employs around 25 million people, of which 5% are employed in the organised sector. Close to 20 organisations have shown interest in participating in this initiative, and RAI is hopeful of roping in 100 companies by the end of calendar year 2010. The Indian IT industry is the first one to create such kind of database. Nasscom started the National Skill Registry (NSR) in 2006 that aims to create a centralised database of all employees engaged in this sector. So far, about 560,000 professionals have registered on the NSR.

6.5 Real Estate

With the recession fading out gradually and fund raising showing gradual and steady increase once again, realty prices, especially in the residential markets, has started looking upwards. Home sales were reported to have picked up since April 2009, owing to 40-45% fall in prices from their peak in 2007-08. However, increased demand pushed the developers to perk up the prices which gradually started hitting the number of units sold. Data from realty research firm PropEquity reveals that the number of residential units sold by developers in 9 major property markets in the country declined by 7% in December quarter of 2009 over the September quarter 2009. Residential markets in Chennai, Hyderabad, Pune, Gurgaon and Noida saw a fall ranging between 3.5-36% in home sales in the quarter ended December 31, 2009, compared with the preceding quarter. However, Mumbai and its satellite towns — Navi Mumbai and Thane — posted an increase of 12-30% in sales. Bangalore also showed a growth of over 8% in sales during the quarter, riding on the upturn in the IT sector. On the other hand, bank credit disbursal data, however, have not supported this falling trend in housing demand, since there is usual lag

Table 6.2: Residential Property Sales in Major Cities

City	Unit Sales in		%Change
	July-Sep '09	Oct-Dec '09	
Gurgaon	6,775	5,469	-19.3
Noida	7,166	6,912	-3.5
Pune	7,856	6,336	-19.4
Bangalore	5,113	5,534	8.2
Chennai	3,438	2,202	-36.0
Navi Mumbai	2,281	2,960	29.8
Thane	4,101	4,656	13.5
Mumbai	5,951	6,658	11.9
Hyderabad	4,356	3,057	-29.8
TOTAL	47,037	43,784	-6.9

Source: PropEquity

of 4-5 months between purchase of home and loan disbursal. It has been reported that, HDFC, the country's the largest housing finance company has seen 9% pick-up in the loans-to-disbursals in the December quarter 2009 over the September quarter. The rising trend is seemed to have continued in the month of January 2010 as well.

The commercial property segment of the domestic real estate market is set to see a novel trend shaping up, as the capital-constrained entrepreneurs are giving preference to small office spaces over larger ones to tide over recessionary crisis on the ground of affordability. Growing number of young entrepreneurs and small and medium business companies, as well as big companies' new strategy to place their staff in the vicinity of clients' site and not in corporate hubs as earlier; has boosted demand for small office spaces with greater flexibility and adaptability. As per media reports, Royal Palms has sold 250 small units totalling 80,000 sq ft in the last month. Similarly Ackruti City Ltd. Hs also reported to have sold small units worth Rs 43 crore since December 1, 2009. While large commercial realty projects launched by big realty players have been suffering the adversities of business slowdown, builders constructing smaller offices have been able to maintain and hold on to their prices as downscaling of expansion plans of companies has resulted in the spurt in the demand for smaller office units.

Real estate and construction firms are facing a shortage of skilled and unskilled labour as infrastructure growth picks up and workers get absorbed by retail and other service-oriented industries. Contractors are finding it difficult to hire even migrant labourers for projects. A World Bank study reveals that India is heading towards labour crisis in the construction sector. The study further anticipates that supply of skilled and semi-skilled workers will fall short by 18-28% under medium growth scenario and by 55-64% under a high-growth scenario over the next eight years. Citing the intensity of the problem, builders have started undertaking various measures to mitigate the problem. Puravankara Projects has adopted new technology through which it can complete a single floor in six days and reduce manpower requirements. Sobha Developers too has set up a skill enhancing institute for blue-collar workers. The institute provides training to people who are PUC-qualified for a month and on field for two month. Sobha Developers also, retain most of their workers by offering regular increments. Nitesh Estate, another realty player, has tied up with multiple contractors to tide over the shortage of workers.

6.6 Highlights of the Union Budget 2010

From demand boosters and other reliefs, to far-ranging service taxes and higher excise duties, the Union Budget for 2010-11 presents a mixed bag for services sector as a whole. An attempt has been made in this section to track the important proposals announced by the Finance Minister with respect to the tourism & hospitality, aviation, retail and real estate sectors and their possible impact gauged by the industry experts.

Proposal	Impact
TOURISM AND HOSPITALITY	
• Investment linked deduction under the Income Tax Act to companies developing hotels (two-star and above) across India; • Special Golden Jubilee Package for Goa, which involves allotment of Rs 200 crore for the preservation of natural resources including beaches; • Outlay for tourism sector is proposed to increase to Rs 1050 crore for 2010-11 as against last year's Rs 950 crore.	• As all capital expenditure for a new hotel other than land cost will be tax deductible, this will spur growth of new hotels, and will attract new players in the industry; • Special package for Goa will definitely help up-grade and preserve natural resources, the fragile ecosystem including the beaches, so it will have positive effect on the tourism industry of Goa.
AVIATION	
• To increase the ambit of service tax to domestic travel which would lead to a 10% rise in air-fares; • Restoration of 5% excise duty on the import of crude oil from zero per cent regime prevailing since June 2008; • Outlay for the Ministry of Civil Aviation has been decreased by 21% at Rs 9588 crore (Rs 95.88 billion) from Rs 12165 crore (Rs 121.65 billion) for FY2009-10; • Outlay for AAI is increased to Rs 3094 crore (Rs 30.94 billion) up from revised estimate for FY2009-10 of Rs 2823 crore (Rs 28.23 billion).	• The levy of service tax on domestic journeys would lead to higher burden on the airline companies. However, the companies would recover the same from the passengers by hiking air fares; • Excise duty increase will hike ATF prices; hence, air travel on all classes in both domestic and international sectors is likely to become costlier; • The increased allocation to AAI would lead to higher outlay on infrastructure facilities.
RETAIL SECTOR	
• To reduce surcharge from 10% to 7.5% on domestic companies; • To enhance the exemption limit for tax audit and presumptive taxation under section 44AD from Rs 40 lakh to Rs 60 lakh for persons carrying on business or profession; • Increase in central excise duty from 8% to 10% on FMCG products; • Exemption from Special Additional Duty ('SAD') to goods imported in a pre-packaged form for retail sale. This would also cover mobile phones, watches and ready-made garments even when	• Reduction in surcharge would help companies to expand their business; • Expansion in exemption limit will help reducing the compliance cost for small retail players; • FMCG products like beauty creams, hair oil, shampoos and other household items would be costlier and may face demand contraction; • Mobile phones, watches and ready-made garments are going to cost less; • Cost of operating business continues to remain high a implementation of GST has got postponed; • Reduction in personal income tax would help in

Proposal	Impact
they are not imported in pre-packaged form; • Postponement of introducing GST by 1 year, i.e., by April 1, 2011; • Broadening of the personal income tax bracket.	indirect manner by ensuring higher disposable income with consumer and consequently increasing the demand for consumer goods.
REAL ESTATE	
• An extension period of one year, i.e. from the existing four years to five years, has been granted for the completion of pending housing projects, for claiming a 100% deduction on their profits under section 80-IB of the Income Tax Act, 1961 Act. This extension is available for housing projects approved by a local authority on or after April 1, 2005. • Norms for the built-up area of shops and other commercial establishments in housing projects have been relaxed to 3% of the aggregate built-up area of the housing project or 5000 square feet, whichever is less, from the existing 5% of the aggregate built-up area or 2000 square feet, whichever was less. • 1% interest subvention on housing loans up to Rs.10 lakh (where the cost of the house does not exceed Rs 20 lakh) has been extended till March 31, 2011. • There has been higher allocation under Indira Awas Yojana and other rural development/infrastructure schemes. • Imposing service tax on construction, office rentals, land lease rentals and, also, on additional amenities that developers offer over and above the floor price, as also floor rise. The tax on rentals will be with retrospective effect from June 1, 2007. • Increase in the standard rate of excise duties to 10% and also on cement, which is a major input for real estate construction	• The extension of time period will help developers restart projects that were held up during the slowdown of last year. • The relaxations regarding commercial establishments in the housing projects would enable basic facilities for the residents and help developers and real estate companies to make their projects more viable • The interest subvention along with increase in the tax slab rates for individuals should provide the necessary demand boost for low-cost housing. It may also encourage the developers to build more houses in this segment to benefit from this demand pick-up. • Imposition of service tax would lead to buyers paying higher price for property. However, at the locations which still have not recovered from recession, property developers may have to suffer the pinch. • The increase in the standard rate of excise duty and increase in duty of cement and petroleum products will increase the cost of construction.
Source: Media	

6.7 Summing Up

The acceleration observed across various service sector activities since the second half of the fiscal year 2009-10 seems to be weighed down by some of the budget proposals like widening the service tax net and rise in excise duties. However, envisaging the positive impact of the other policy announcements, the current growth momentum of the sector is likely to remain intact.

7. GOVERNMENT FINANCES

7.1 Introduction

The stimulus measures undertaken by the central government to counter the economic slowdown in 2008-09 continued in fiscal year 2009-10 as well; and these were synchronised with the accommodative monetary policy. India was among the first few countries in the world to implement a broad-based counter-cyclical policy package to respond to the negative fallout of the global slowdown. The approach of the government was to increase the disposable income in the hands of the people, by granting tax reliefs to boost demand and increasing expenditure on public projects to create employment and public assets. This was also done by effecting reductions in indirect taxes (excise and service tax) and by expanding public expenditure on programmes like the National Rural Employment Guarantee Act (NREGA) and on rural infrastructure. The implementation of the Sixth Pay Commission recommendations and the debt relief to farmers also contributed to this end. The net result was an increase in fiscal deficit from 2.6% in 2007-08 to 5.9% of the revised GDP in 2008-09 and to 6.5% of the GDP in budget estimates (BE) for 2009-10. Thus, the fiscal stimulus amounted to 3.3% of the GDP in 2008-09 and 3.9% in 2009-10 as measured by the increase in the level of the fiscal deficit over 2007-08.

As part of the fiscal stimulus, the government also enhanced the borrowing limits of the state governments, relaxing the targets by 100 basis points. As a result, the gross fiscal deficit of the states combined rose from 1.4% of the GDP in 2007-08 to 2.6% in 2008-09 (revised estimates [RE]) while it was estimated at 3.2% of the GDP in 2009-10 (BE).

However, now that there are strong signals of recovery, it is necessary to take a review of public spending. It needs to be geared towards creating conducive conditions for increasing productivity in the economy and making up for the decline in investment growth in certain sectors of the economy.

Union Budget 2010-11 therefore initiated a gradual rollback of stimulus, wherein it has raised inter alia the median excise rate from 8% to 10%. This is in accordance with a recommendation from the Economic Advisory Council to the Prime Minister (PMEAC) which had reiterated that unwinding of fiscal stimulus should ensure fiscal sustainability and avoid upward pressure on interest rates.

Meanwhile, Maharashtra's stance to not withdraw octroi, as it will incur huge losses, is proving to be a hurdle in the implementation of the goods and services taxes (GST).

7.2 Revised Estimates for 2009-10

Sluggish performance of gross tax revenue as per revised estimates for 2009-10 can be attributed to the negative growth in collections of revenue receipts, which in turn resulted from a decline in collections of net tax revenue combined with a significant slump in non-tax revenue. Nevertheless, in the said period, income tax collections were higher by 10.8%, while other taxes and duties also soared in the same period. On the other hand, corporate tax collections were lower due to the looming impact of the economic slowdown. This resulted in net tax revenue being lower than budgeted. Consequently, total receipts during 2009-10 as per revised estimates stood at Rs 10, 21,547 crore, marginally higher over the budgeted estimates at Rs 10, 20,838 crore for 2009-10.

Collections under non-debt capital receipts were significantly higher due to disinvestment proceeds from National Hydroelectric Power Corporation (NHPC), National Thermal Power Corporation (NTPC), Oil India Ltd. (OIL) Rural Electrification Corporation (REC) and National Mineral Development Corporation Ltd. (NMDC) amounting to Rs 25,000 crore. Other than this, receipts of Rs 958 crore have been assumed on account of bonus shares issued by Indian Oil Corporation Ltd. (IOC) in RE 2009-10.

On the expenditure front, revenue expenditure has far surpassed the budgeted amount, while capital expenditure has remained well within its budget estimates. The increase in revenue expenditure can largely be attributed to an unbridled expansion in non-plan expenditure. While capital expenditure under the plan category, was slightly higher than it BE, non-plan capital expenses for 2009-10 dropped compared to its BE, as outlay on defence services was scaled down.

Although fiscal deficit has risen by 3.3% over the budgeted estimates to Rs 4,14,041 crore, the ratio of fiscal deficit to GDP at 6.7% has turned out to be 10 basis points lower than budgeted, corroborating PMEAC's observation that fiscal expansion has resulted from increase in expenditures than from tax cuts. This point is further endorsed by considerable increase in

revenue deficit. It was considerably higher at Rs 3,29,061 crore largely due to implementation of the Sixth Pay Commission (SPC) and it also accounted for a higher 5.3% of GDP in comparison to 4.8% as per BE.

7.3 Budget Estimates for 2010-11

In shaping the fiscal policy for 2010-11, the finance minister has acted on the recommendations of the Thirteenth Finance Commission (TFC). The commission has recommended a calibrated exit strategy from the expansionary fiscal stance of last two years. It has also recommended a capping of the combined debt of the central government and the states at 68% of the GDP to be achieved by 2014-15.

Receipts

7.1: Key Components of the Budget 2010-11

(Rs. crore)

	2010-2011 BE	2009-2010 RE	2009-10 BE	2008-09 A	10-11BE/ 09-10RE	09-10RE/ 09-10BE	09-10RE/ 08-09 A
Total Receipts (1+4)$	**1108749**	**1021547**	**1020838**	**883956**	**8.5**	**0.1**	**15.6**
1. Revenue Receipts	682212	577294	614497	540259	18.2	-6.1	6.9
2. Tax Revenue (net to Centre)	534094	465103	474218	443319	14.8	-1.9	4.9
3. Non-tax Revenue	148118	112191	140279	96940	32.0	-20.0	15.7
4. Capital Receipts (5+6+7)$	426537	444253	406341	343697	-4.0	9.3	29.3
5. Recoveries of Loans	5129	4254	4225	6139	20.6	0.7	-30.7
6. Other Receipts	40000	25958	1120	566	54.1	2217.7	4486.2
7. Borrowings and other Liabilities*	381408	414041	400996	336992	-7.9	3.3	22.9
Total Expenditure (9+13)	**1108749**	**1021547**	**1020838**	**883956**	**8.5**	**0.1**	**15.6**
8. Revenue Expenditure	958724	906355	325149	793798	5.8	178.8	14.2
9. Capital Expenditure	150025	115192	123606	90158	30.2	-6.8	27.8
10. Fiscal Deficit {16-(1+5+6)}	381408 (5.5)	414041 (6.7)	400996 (6.8)	336992 (6.0)	-7.9	3.3	22.9
11. Revenue Deficit (17-1)	276512 (4.0)	329061 (5.3)	282735 (4.8)	253539 (4.5)	-16.0	16.4	29.8
12. Primary Deficit (20-11)	132744 (1.9)	194541 (3.2)	175485 (3.0)	144788 (2.6)	-31.8	10.9	34.4

Note: @ Actuals for 2008-09 are provisional. $: Does not include receipts in respect of Market Stabilization Scheme. Figures in brackets are the respective deficits as a percentage of GDP. * Includes draw-down of cash balances
Source: *Budget at a Glance 2010-11*.

Total receipts of the central government for the fiscal year 2010-11 are budgeted to be higher by 8.5% over the revised estimates of the previous year. This buoyancy is expected to be led by revenue receipts, which are estimated to be up by 18.2% over RE 2009-10. This comes on the back of an anticipation of a 14.8% increase in tax revenue and a healthy 32% increase in non-

tax revenue. However, capital receipts are expected to be lower by 4% to Rs 4,26,537 crore. Altogether, disinvestment proceeds have been estimated at Rs 40,000 crore through disinvestment of part of government equity in various Central Public Sector Enterprises (CPSEs). The proceeds will be utilised to meet the capital expenditure requirements of social sector schemes for creating new assets.

Tax Revenue

Table 7.2: Tax Revenue

(Rs Crore)

	2010-11 BE	2009-10 RE	2009-10 BE	2008-09 A^	Variation (%) 10-11 BE / 09-10 RE	Variation (%) 09-10 RE/ 09-10 BE
Corporation Tax	301331	255076	256725	213395	18	-1
Income Tax	120566	125021	112850	106046	-4	11
Service Tax	68000	58000	65000	60941	17	-11
Excise Duties	132000	102000	106477	108613	29	-4
Customs Duty	115000	84477	98000	99879	36	-14
Taxes of Union Territories	1651	1610	1602	1488	3	0
Other Taxes & duties	7500	6400	425	14519	17	1406
Gross Tax Revenue*	746651	633095	641079	605298	18	-1
Transfer to NCCF	3560	3160	2500	1800	13	26
State's share	208997	164832	164361	160179	27	0
Net Tax Revenue	534094	465103	474218	443319	15	-2

Note: ^ Accounts 2008-09 are provisional, NCCF National Calamity Contingency Fund * Gross Tax Revenue here includes some other significant parameters too which are not included here.
Source : Receipts Budget & Budget at a Glance 2010-11

Gross tax revenue during the ensuing fiscal year is budgeted to scale up by 18% to Rs 7,46,651 crore on the back of anticipated improved economic performance. However, income tax collections are expected to be lower, as various tax proposals are yet to take off, although they are slated to be implemented in the ensuing fiscal. The shortfall in income tax collections will most likely be made up by robust collections of corporate taxes (18%) and other indirect taxes such as service tax (17%), excise duties (29%) and customs duty collections (36%).

Direct Taxes

Income tax collections are estimated to be lower during 2010-11 at Rs 1.2 lakh crore, as the budget has broadened the current tax slabs with an aim to expand the tax net. To promote savings as well as to ensure their utilisation for the thrust area of infrastructure, a deduction of an additional amount of Rs 20,000 for investment in long-term infrastructure bonds as notified by the central government has been proposed. This would be over and above the existing limit of Rs

1 lakh on tax savings. This will put more money in the hands of individual taxpayers for both consumption as well as saving. Corporation tax collections are deemed to be higher, chiefly due to better growth prospects, although the profit margins would be moderately affected.

Indirect Tax

The general budget 2010-11 has begun with the partial rollback exercise, with the excise rate on all non-petroleum products being the first to be increased from 8% to 10% ad valorem. The move will also help the government shore up its revenues, which have taken a substantial hit in the wake of the cut in excise duty last year. The service tax has been retained at 10% to pave the way for GST. Automation of Central Excise & Service Tax (ACES) administration has already been rolled out throughout the country this year. This will impart greater transparency in tax administration and improve the delivery of taxpayer services. Similarly, a Mission Mode Project for computerisation of commercial taxes in states has been approved recently. The project will lay the foundation for the launch of GST.

All in all, proposals relating to customs and central excise are estimated to result in a net revenue gain of Rs 43,500 crore for the year. Also, certain services hitherto untaxed, would be brought under the tax ambit through a separate notification. Proposals relating to indirect taxes are estimated to result in a net revenue of Rs 46,500 crore. Taking into account the concessions being given to tax proposals and measures taken to mobilise additional resources, the net revenue gain is estimated to be Rs 20,500 crore.

Non tax Revenue

The non-tax revenue of the government has been placed at Rs 1.48 lakh crore, higher by 32% over the RE of 2009-10. Other non-tax revenue, which is posted to be at Rs 74,571 crore and occupies 50% of the total non-tax revenue going by current estimation will push non-tax revenue collections.

Capital Receipts

The Union budget 2010-11 has estimated a 4% decline in capital receipts mainly due to a significant fall in debt receipts by 8% over the previous year. For the ensuing year, the target under non-debt receipts is set at Rs 45,129 crore. This target is higher by 49% over the previous

year, mainly contributed by increase in disinvestment receipts from Rs 25,958 crore to Rs 40,000 crore.

7.3 Capital Receipts					
(Rs crore)				Variation (%)	
Items	2010-11 BE	2009-10 RE	2009-10 BE	10-11BE/ 09-10RE	09-10RE/ 09-10BE
Total Capital Receipts	**426537**	**444253**	**406341**	**-4**	**9**
Non-debt Receipts	**45129**	**30212**	**5345**	**49**	**465**
Recoveries of loans & adv	5129	4254	4225	21	1
Misc. capital receipts	40000	25958	1120	54	2218
Debt Receipts to finance Fiscal Deficit	**381408**	**414041**	**400996**	**-8**	**3**
Market Loans	345010	398411	397957	-13	0
Short-term borrowings	NA	-3904	NA		
External Assistance (net)	22464	16535	16047	36	3
Sec. issued against small savings	13256	13256	13256	0	0
State Provident Fund (net)	7000	8500	5000	-18	70
Other receipts (net)	-6322	-13176	-31264	-52	-58
Draw-down of cash balance	NA	-5581	NA		

NA: Not Available
Source: Same as Table 7.1

Capital Expenditure

Capital expenditure at Rs 1, 50,025 crore during the forthcoming fiscal is slated to be higher by a healthy 30% in comparison to revenue expenditure.

7.4 Budget 2010-11 Highlights

The union budget for FY 2010-11 has put forth the following proposals**:**

- Goods and Services Tax (GST) and the Direct Taxes Code to be rolled out from 1 April 2011.
- An apex level Financial Stability and Development Council to be set up with a view to strengthen and institutionalise the mechanism for maintaining financial stability. The council would monitor macro-prudential supervision of the economy, including the functioning of large financial conglomerates, and address interregulatory coordination issues.

- Two more units like the Centralised Processing Centre at Bengaluru to be set up during the year.
- 'Sevottam', a pilot project introduced by the Income Tax department on a pilot basis at Pune, Kochi and Chandigarh through Aayakar Seva Kendras, to be extended to four more cities in the year. It provides a single window system for registration of all applications including those for redressal of grievances as well as for paper returns.
- Automation of Central Excise & Service Tax (ACES) administration has already been rolled out throughout the country this year. Similarly, a Mission Mode Project for computerisation of commercial taxes in states has been approved recently. With an outlay of Rs 1,133 crore of which the central government's share is Rs 800 crore, the project will lay the foundation for the launch of GST.
- The income tax department to notify SARAL-II form for individual salaried taxpayers for the coming assessment year.
- Scope of cases which may be admitted by the Settlement Commission to be expanded to include proceedings related to search and seizure cases pending for assessment. Scope of Settlement Commission also expanded in respect of central excise and customs to include certain categories of cases that hitherto fell outside its jurisdiction.
- Bi-lateral discussions to be commenced to enhance the exchange of bank related and other information to effectively track tax evasion and identify undisclosed assets of resident Indians lying abroad.
- Current surcharge of 10 % on domestic companies has been reduced to 7.5%.
- To restore the basic duty of 5% on crude petroleum; 7.5% on diesel and petrol and 10% on other refined products. Central excise on petrol and diesel to be enhanced by Re 1 per litre each.
- Rate of tax on services to be retained at 10 % to pave the way forward for GST.
- Certain services, hitherto untaxed, to be brought within the purview of the service tax levy. These would be notified separately.

7.5 Recommendations of the13th Finance Commission Report

The 13th Finance Commission (TFC) Report has made the following recommendations:

- States' share in net proceeds of shareable central taxes shall be 32% every year for the period of the award.
- The goods and services tax (GST) will be based on the elements of :
  a) Design
  b) Operational modalities.
  c) Binding agreement between the central government and states with contingencies for change in rates and procedures.
  d) Disincentives for non-compliance.
  e) The implementation schedule.
  f) Compensation: The TFC has recommended a sanction of Rs 50,000 crore as compensation for revenue losses of states on account of the implementation of the GST. This amount would be reduced to Rs 40, 000 crore if the implementation takes place on/after April 1, 2013 and further to Rs 30,000 crore if it takes place on/after April 1, 2014.
- To set fiscal consolidation as the long-term target through the elimination of revenue deficit for both the central and the state governments.
- The central government to review the levy of cesses and surcharges with a view to reduce their share in gross tax revenue.
- The indicative ceiling on overall transfers to states on revenue account may be set at 39.5% of gross revenue receipts of the central government.
- The Medium Term Fiscal Plan (MTFP) should be a statement of commitment rather than intent.
- New disclosures have been specified for the Budget/MTFP including tax expenditure, public-private partnership liabilities and the details of variables underlying receipts and expenditure projections.

- The Fiscal Responsibility and Budget Management (FRBM) Act needs to specify the nature of shocks that would require relaxation of the targets there under.
- States are expected to be able to get back to their fiscal correction path by 2011-12 and amend their FRBM Acts to that effect.
- State governments would be eligible for the general performance and special area performance grants only if they comply with the prescribed stipulation in terms of grants to local bodies.
- The National Calamity Contingency Fund (NCCF) should be merged with the National Disaster Response Fund (NDRF) and the Calamity Relief Fund (CRF) with the State Disaster Response Funds (SDRFs) of the respective states.
- A total non-plan revenue grant of Rs 51,800 crore to be provided over the award period for eight states. A performance grant of Rs 1,500 crore to be provided for three special category states that have graduated from a non-plan revenue deficit situation
- An amount of Rs 19,930 crore to be disbursed as grant for maintenance of roads and bridges for four years (2011-12 to 2014-15).
- A grant worth Rs 24,068 crore to be provided for elementary education.
- An amount of Rs 27,945 crore to be given for state-specific needs.
- Amounts of Rs 5,000 crore each to be distributed as forest, renewable energy and water sector-management grants.
- A total sum of Rs 3, 18,581 crore to be given for the award period as grants-in-aid to states.

System to track funds given to states on anvil

The Planning Commission, together with the Comptroller and Auditor General, is working out a mechanism, which will enable the central government to keep a track of the payments it made to states. This would be especially effective as regards payments made to the social sector. The mechanism would be a seamless end-to-end connectivity of information on the route taken by each cheque. It would have a multiple digit number that would have to be matched with the code for the programme it is meant for. The cheque would be transferred only

when the two numbers match. The tracking would continue till the payment reached the implementing authority of a given programme at the district or block level. The system would be ready in 1-2 years.

7.6 Summing Up

The emphasis in the union budget 2010-11 is clearly on disinvestment, fiscal consolidation, aligning direct and indirect tax regimes so as to help shore up revenues and enable the rollout of DTC and GST in 2011. With the gradual rollback of excise, the government has reposed its faith in the financial health of the Indian economy. Although, direct tax reforms will result in a net revenue loss of Rs 26,000 crore, this would be offset by an increase in revenue from indirect taxes amounting to Rs 46,500 crore, thereby leading to a net gain of Rs 20,500 crore. For the first time, the central government has set a target of explicit reduction in its domestic public debt-GDP ratio. An apex level Financial Stability and Development Council would be set up to monitor macro-prudential supervision of the economy, including the functioning of large financial conglomerates, and address inter-regulatory coordination issues. Moreover, the Thirteenth Finance Commission has given sufficient resources to the states by way of grants, apart from the resources that they will receive by way of tax devolution from 2010-2015. The commission would also sanction compensation for any loss arising from implementation of GST.

8. CORPORATE SECTOR DEVELOPMENTS

8.1 Revised Norms for Vanishing Companies

Vanishing firms are back on radar with the government's new rules. Recently, the Ministry of Corporate Affairs (MCA) has relaxed the norms for classification of 'vanishing companies'. As per the revised norms, an entity cannot be identified as 'vanishing company' if any of its directors (executive or non-executive) can be traced. Earlier, if the managing director or any of the whole-time directors could not be traced, the company was termed as vanishing.

Table 8.1: Revised Norms for Vanishing Companies
• A company could be classified as vanishing if it does not file returns for two years. Earlier, the limit was three years.
• If all communication remained undelivered or officials didn't find anybody at the registered premises during on-site inspection
• A listed company, which has raised capital through IPO and has stopped its operations, did not file returns either with RoC or SEBI for 2 years, and did not exist on the registered premises.
Source: Business Standard, February 2, 2010.

The trigger for this exercise was owing to a note from the market regulator SEBI. The MCA has asked the Registrar of Companies (RoC) in the states to identify such companies and start legal proceedings against them. All RoCs have been asked to complete the exercise of tracing the vanishing companies. Later on a list will be prepared for approval by the Committee for Monitoring and Co-ordination, a high powered panel of MCA and SEBI. Once approved, legal proceedings could be initiated against them.

8.2 India's Corporate Sector Hiring Activity Increased Considerably

As per the latest survey by international recruitment firm Antal, India's corporate sector's hiring activity has increased considerably since September 2009 and the current recruitment level is one of the highest globally. Antal has surveyed more than 6,000 firms in 30 countries. As per the survey report Nigeria (79%) is the only country to have a higher rate of hiring than India.

The survey revealed that as much as 71% of Indian companies surveyed responded that they were currently hiring and around 78% firms are expecting to hire managerial staff over the next three months. The increased hiring activity is across automobile, IT, FMCG and pharmaceuticals sectors.

8.3 Double-Digit Salary Hike

The salaries of employees of the corporate sector are projected to rise by 10.6%, compared to 6.6% in 2009 as per the findings of the 'India Salary Increase Survey 2009-10' conducted by HR consulting firm Hewitt Associates. As per the survey report, Indian companies will see the highest rise in salaries among Asia Pacific countries this year and are expected to give a double-digit salary hike.

The survey, which covered more than 460 companies across 20 primary industries in India, also pointed out that sectors such as power, infrastructure, telecom, pharmaceuticals and automobiles are expected to give above average salary hikes in the 11.6% – 12.8% range. Similarly, Banking, Financial Services and Insurance (also known as BFSI) which offered a 5.1% salary increase last year, is expected to double the hike to about 10% this year.

8.4 Highlights of Union Budget 2010-11

The Union Budget has not proposed any change in the corporate tax rate (30%) in case of companies, however, the surcharge of 10% in the case of domestic companies, is proposed to be reduced to 7.5%. In case of companies other than domestic companies, the surcharge shall continue to be levied at the rate of 2.5%. While, companies paying MAT, instead of the regular corporate tax – could soon see a higher outgo under this head as the MAT has been increased to 18% from 15% of book profits.

Tax Incentives to the Corporate Sector

1. Under existing provisions of the Income Tax Act, conversion of company into LLP has various tax implications. It is proposed that transfer of assets on conversion of a company into LLP shall not be regarded as transfer for capital gains tax purposes, provided certain specified conditions are fulfilled. If the specified conditions are not fulfilled then the

benefit availed by the company will be chargeable as profits and gains in the hands of successor LLP. Carry forward and set off of business losses and unabsorbed depreciation to the successor LLP is also allowed on fulfilling the conditions specified. The above benefits are restricted to small companies. This proposal would encourage more small companies to convert to LLP.

2. GST proposed to be implemented with effect from April 1, 2011.
3. Provisions and procedures related to claiming refund of unutilised Cenvat credits in relation to exported goods rationalised effective from March 14, 2006.

Industry-wise Measures and its Implications

Measures	Implications
CEMENT	
2% excise duty hike and imposition of Rs 50 /MT cess on imported and domestic coal	Cement prices will increase
STEEL	
2% excise duty hike and imposition of Rs 50 per tonne coal	Prices will be affected
CONSTRUCTION	
Full exemption from import duty for specified machinery for road construction projects	Is a Positive development
PHARMACEUTICALS	
Increase in weighted reduction from 150% to 200% on expenditure incurred on in-house R&D activities & from 125% to 175% on activities outsourced to specific institutions	Positive move for the industry & would continue to support higher investments by research-led pharma companies. As well, the move is positive for contract research organisations.
TEXTILES	
Extension of existing interest subvention of 2% for one more year for exports covering handlooms	Is a positive development
AUTOMOBILES	
Excise duty on Cars (engine capacity exceeding 1500 cc) increased to 22% from 20%	Increase in excise duty is likely to be passed on in the form of increase in prices
Excise duty of 4% imposed on electric cars & vehicles	Will increase the prices of electric cars and vehicles
MEDIA & ENTERTAINMENT	
Online new agencies exempt from service tax	Will increase the penetration of online news medium
POWER	
Increase in allocation to renewable energy sector at Rs 1000 crore (61% rise)	Positive impact for the players in the renewable energy segment (solar & wind energy)

Corporate Governance

The government had introduced the Companies Bill, 2009 in the Parliament to replace the existing Companies Act, 1956, which will address issues related to regulation in corporate sector in the context of the changing business environment.

Other Measures

The government has taken a number of steps to simplify the FDI regime to make it easily comprehensible to foreign investors. Methodology for calculation of indirect foreign investment in Indian companies has been clearly defined.

Another major initiative has been the complete liberalisation of pricing and payment of technology transfer fee, trademark, brand name and royalty payments. These payments can now be made under the automatic route.

8.5 New Ventures and Investments

The investments and new ventures announced in the month of January are presented in the following Table.

Table 8.2: Investment and Expansion Plans of Indian Companies
Investments
• JSW Energy will increase its power production capacity to 11,390 MW by 2015, with an investment of Rs 56,900 crore. • Europe's largest engineering group, Siemens AG, is planning to invest Rs 1,600 crore over the next three years in Indian infrastructure, including energy, ports, airports and healthcare. A major portion of this would be directed at the domestic renewable energy sector. • Hong Kong-based CLP Group company CLP Power India Pvt Ltd is planning to invest $800 million (over Rs 3,700 crore) to augment its power generation capacity from renewable resources to 650 MW by the end of this year. The company is also developing a 2X660 MW thermal power project at Jhajjar in Haryana at an investment of Rs 6,000 crore.
• True Value Homes India Pvt Ltd (TVH), engineering, construction and project management firm, has lined up a slew of housing projects across the South involving an investment of $750 million over the next 3 to 4 years.
• Rama Pulp and Paper plans to invest Rs 65 crore to expand specialty paper production capacity, besides setting up 15 MW power production capacities at its 15 acre Vapi plant in Gujarat.

New Ventures
• Five consortia led by Reliance Infrastructure, L&T, ITD Cementation India, Pioneer Infratech and Lanco Infratech have been shortlisted for the $2 billion (Rs 9,270 crore) High Speed Rail Link (HSRL) in Bangalore connecting Bangalore city and the airport. • Food & beverages major Pepsico India is in the process of launching its own café outlets in New Delhi and four other cities by the end of the year. • Orbit Exports, the country's largest exporter of specialty made-ups has charted out a Rs 25 crore expansion plan. Part of the amount would be spent by the company in acquiring a state-of-the-art facility in Gujarat to increase its weaving capacity.
Source: Various media sources.

8.6 Other Highlights

As part of an additional outlay of Rs 600 crore to fund its capital expenditure programmes, Fortis Healthcare plans to raise Rs 450 crore through a combined of term loans from banks as well as internal accruals.

Kirloskar Oil Engine Ltd (KOEL) has expanded and upgraded its manufacturing facilities. KOEL's new plant set up with an investment of Rs 500 crore at Kagal in Kolhapur will be inaugurated on March 5. The company is also upgrading its existing plant at Khadki in Pune by investing Rs 100 crore.

Permionics Membranes, a Vadodara-based company which is one of the pioneers in membrane technology, is thinking to raise capital via the IPO route for funding its expansion plans.

8.7 Summing Up

In the Union Budget the government has taken a number of steps to simplify the FDI regime to make it easily comprehensible to foreign investors. Methodology for calculation of indirect foreign investment in Indian companies has been clearly defined.

Recently, the Ministry of Corporate Affairs (MCA) has revised norms for classification of 'vanishing companies'.

As per the findings of the 'India Salary Increase Survey 2009-10' conducted by HR consulting firm Hewitt Associates, the salaries of employees of the corporate sector are projected to rise by 10.6%, compared to 6.6% in 2009

As per the survey by international recruitment firm Antal, the corporate sector's hiring activity has increased considerably since September 2009 and the current recruitment level is one of the highest globally.

9. SOCIAL SECTOR DEVELOPMENTS

9.1 Introduction

The Union Budget 2010-11 has increased the outlay for social sector to Rs 1, 37,674 crore. This accounts for 37% of the total plan outlay for the forthcoming fiscal year. Another 25% of the plan allocations are devoted to the development of rural infrastructure.

Allocation under the Mahatma Gandhi National Rural Employment Guarantee Act has been increased to Rs 40,100 crore from Rs 39,100 crore as per budget estimates of last fiscal. Also, allocation for Bharat Nirman has been stepped up to Rs 48,000 crore for 2010-11. The United Nations has praised the NREGS, saying such inclusive anti-poverty schemes are more effective than other schemes like BPL cards which are selective in nature.

9.2 Education

Primary education was the focal point of the general budget 2010-11. However, there is almost no announcement of education-related schemes pertaining to higher education. The central government has made up for this by encouraging research and development (R&D) across all sectors of the country, by weighted deduction on expenditure incurred on in-house R&D from 150-200% and further proposals enhancing the weighted deductions on payments made to research associations, colleges and universities for scientific research from 125-175 %. Also, the budget has proposed that associations conducting research in social sciences and statistics would be allowed a weighted deduction of 125% and the income of such institutions are exempted from tax.

Common college entry test for all streams by 2013

After the announcement by the Council for Board of Secondary Education (COBSE) to have a core curriculum in science and mathematics for classes XI-XII across all boards in the country from 2011, the Ministry of Human Resources Development plans to allow students to take a single entrance test for commerce courses, engineering colleges and medical colleges. The entrance test would be on the lines of Scholastic Assessment Test (SAT) in the United States.

Further, from the 2011 academic session, students of Classes XI and XII across the country will study a uniform science and math curriculum. This means all junior colleges will teach the same topics and subjects and entrance examinations for various professional and degree courses will be based on the new syllabus. A task force would be asked to draw up the process of the common entrance examination.

Reportedly, COBSE has been asked to come up with a similar core curriculum in commerce in the next three months. After commerce, the minister said a core curriculum would also be decided for humanities. In case of humanities, state boards would be free to add to the core syllabus.

Government approves 5,000 seat-hikes for PG medical

The central government has hiked the number of seats in post-graduate courses in 148 state medical colleges. The approval will result in an additional 5,000 seats for PG courses in medical colleges in pre and para-clinical disciplines like anatomy, microbiology, physiology, pharmacology, bio-chemistry, forensic medicine, community medicine. The decision would also be applicable to certain clinical disciplines, including obstetrics and gynaecology, paediatrics, anaesthesiology, general medicine and general surgery.

The state medical colleges would be funded by way of a one-time grant of Rs 1,350 crore under a new centrally-sponsored scheme. The central government would pick up 75% of the expenses for starting new post-graduate disciplines and increasing PG seats. The balance would be met by the state governments.

Harvard to set up its own centre

Harvard Business School (HBS) would set up its own centre in India for its executive education programmes. The centre is likely to be set up in Mumbai. The business school has been conducting executive education or management development programmes (MDPs) in India since 2008. HBS and its India Research Center (IRC) plan to offer three executive education programmes in India from April to July 2010, viz., Building a Global Enterprise in India; Develop India-Strategies for Growth and Managing and Transforming Professional Service Firms. The programmes are for senior executives of Indian companies and multinational

companies operating in India, as well as managers and investors interested in expanding operations to India.

MCI plans 300 rural medical colleges

The Medical Council of India (MCI) has proposed setting up 300 colleges for a Bachelors in Rural Healthcare course spread over a period of 4 years. The aim is to educate rural students and deploy them in rural areas to provide basic healthcare to villages. The doctors would be governed by state medical councils but would not be registered under the Indian Medical Registry. The course has to be approved by the Central Health Council, represented by the state health ministers, and ratified and implemented by the states. If approved, the State Medical Councils will have to recognise the course under a separate 'schedule,' through an amendment to the act. The model would initially be implemented on a pilot basis in a few government institutions. If the trial is successful, it would be extended to the private sector.

Punjab International University to come up in Ludhiana

The government of Punjab will set up a Punjab International University near Ludhiana over 35 acres in collaboration with Carnegie Mellon University , Pittsburgh, USA . The proposed university, to be set up as a joint venture project would be promoted by the IREO Group. The university would have five schools in the university including engineering and technology, education and teachers training, applied sciences, humanities and languages and management and business studies. Technical courses will be developed in connection with the needs of the local industry. The courses would be fully at par with the courses being offered at its US campus. Efforts would be made to have degrees awarded by this university to be recognised in the US.

9.3 Health

The allocation for National Rural Health Mission (NRHM) has been raised from Rs 12,096 crore to Rs 13,910 crore. But, that for medical education, training and research has come down slightly from Rs 2,699 crore in 2009-10 (revised) to Rs 2,678 crore in 2010-11.

Health profile of districts to be created

General budget 2010-11 has proposed to undertake an Annual Health Survey to prepare a District Health Profile of all districts in the ensuing fiscal year. The findings of the survey would be of immense benefit to major public health initiatives particularly the National Rural Health Mission.

9.4 Labour

As per media reports, even 10 years after the Building and Other Construction Workers Act, 1996 came into effect, many states have performed poorly as regards implementing an act for welfare of construction workers. Although the provisions of various Labour Laws i.e., Minimum Wages Act 1948, Contract Labour (Regulation & Abolition) Act, 1970 and Inter-State Migrant Workmen (Regulation of Employment & Conditions of Services) Act 1979 etc., were applicable to the building and other construction workers, a need was felt for a comprehensive Central Legislation for this category of workers. The building and other construction works are characterised by their inherent risk to the life and limb of the workers. The work is also characterised by its casual nature, temporary relationship between employer and employee, uncertain working hours, lack of basic amenities and inadequacy of welfare facilities. Towards the above goal, the Building and Other Construction Workers Act, 1996 and Building & Other Construction Workers' Welfare Cess Act, 1996 were passed. The act seeks to provide immediate assistance in case of accidents, pension and group insurance to construction workers, besides assistance for child education and maternity benefits among others.

Though several states have notified rules under the Act, only 52 lakh workers have registered under the state welfare boards to enjoy social security benefits when there are over 30 million workers in the country in the construction sector.

NREGA wages likely to be adjusted for inflation

Due to the persistent rise in prices of essential commodities, the government is considering a proposal to link wage payments under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) to the consumer price index. The Ministry of Rural Development has asked the Ministry of Statistics & Programme Implementation (MOSPI) to

constitute a task force for suggesting measures to protect workers under MGNREGA from rise in prices.

MoRD to hire NGOs to ensure better implementation of NREGS

The Ministry of Rural Development is expected to hire non-governmental organisations (NGOs) as 'Lok Sevaks' in each gram panchayat for better implementation of the Mahatma Gandhi National Rural Employment Guarantee Programme. This would ensure work for about 3 lakh NGOs in the country, small NGOs would be excluded because of the financial eligibility criteria set by the ministry. According to the qualification norms spelt out by the ministry, Lok Sevaks should have an annual turnover of over Rs 20 lakh (Rs 2 million) in the previous year and should have accounts audited by a chartered accountant. An NGO should have been operating for a minimum of two years. According to sources in the ministry, separate funds may be found to pay the NGOs in 3 lakh gram panchayats in the country as the 6% administrative costs cannot suffice for this. The Lok Sevak will work with the district programme co-ordinator and will cover four blocks. Lok Sevaks will be selected by a selection committee at the state level under the leadership of the secretary (dealing with MGNREGA), with members including a nominee of the rural development ministry, one representative each from Council for Advancement of People's Action and Rural Technology (CAPART), National Institute of Rural Development (NIRD), state government and an NGO.

The MGNREGA would also give rise to a new nationwide army of workers, called Lok Karmis, on the lines of Accredited Social Health Activist (ASHA) health workers. Lok Karmis, who would be from the same gram panchayat, would be paid an honorarium equivalent to agricultural wages on a monthly basis. According to the ministry, the honorarium shall be paid out of the administrative costs provided under the flagship programme. The person should be at least Class 12 pass, and where such a person is not available, he should have completed at least eighth standard. They would help workers in applying for work under the programme and to claim unemployment allowance until the applicant receives a job.

Apart from this, Central Employment Guarantee Council (CEGC), the national monitoring authority, which oversees the implementation of the MGNREGA has also decided to constitute sub-groups to ensure better monitoring of the scheme.

9.5 Social Security

Acting on the recommendations on Social Security made by the National Commission for Enterprises in the Unorganised Sector, headed by Arjun K Sengupta (NCEUS, 2006), the government has introduced schemes to provide social security coverage through life cover, health insurance and extension of old age pension on the lines recommended by NCEUS, but by restricting coverage to Below Poverty Line (BPL) households. With the implementation of the Unorganised Workers Social Security Act, 2008, over 90% of the unorgansied workers in the country would get the benefit of health, life and disability insurance, old-age pension and group-accident scheme. Also, the Employee's Provident Fund Organisation (EPFO) has proposed to bring casual and contract workers working for municipal corporations under its net. This will enable 6-10 lakh workers to enjoy provident fund and pension benefits for the first time since independence.

9.6 Budget 2010-11 Highlights

As a part of inclusive development, the central government has made the following allocations:

Education

- Plan allocation for school education increased by 16% from Rs 26,800 crore in 2009-10 to Rs 31,036 crore in 2010-11.
- In addition, states will have access to Rs 3,675 crore for elementary education under the Thirteenth Finance Commission grants for 2010-11.

Health

- An Annual Health Survey to prepare the District Health Profile of all Districts shall be undertaken in 2010-11.
- Plan allocation to Ministry of Health & Family Welfare increased from Rs 19,534 crore in 2009-10 to Rs 22,300 crore for 2010-11.

- The allocation for programmes related to control and prevention of diabetes and cardiovascular diseases has been increased substantially from Rs 17 crore in 2009-10 to Rs 90 crore during 2010-11.
- Allocation for the All India Institute of Medical Sciences, is down from Rs 886 crore in 2009-10 (revised estimates) to Rs 800 crore in 2010-11.

Rural Development

- An amount of Rs 66,100 crore provided for rural development.
- Allocation for Mahatma Gandhi National Rural Employment Guarantee Scheme stepped up to Rs 40,100 crore in 2010-11.
- An amount of Rs 48,000 crore allocated for rural infrastructure programmes under Bharat Nirman.
- Unit cost under Indira Awas Yojana increased to Rs 45,000 in the plain areas and to Rs 48,500 in the hilly areas. Allocation for this scheme increased to Rs 10,000 crore.
- Allocation to Backward Region Grant Fund enhanced by 26 % from Rs 5,800 crore in 2009-10 to Rs 7,300 crore in 2010-11.
- Additional central assistance of Rs 1,200 crore provided for drought mitigation in the Bundelkhand region.

Urban Development and Housing

- Allocation for urban development increased by more than 75% from Rs 3060 crore to Rs 5400 crore in 2010-11.
- Allocation for Housing and Urban Poverty Alleviation raised from Rs 850 crore to Rs 1000 crore in 2010-11.
- Scheme of 1% interest subvention on housing loan upto Rs 10 lakh, where the cost of the house does not exceed Rs 20 lakh, announced in the last budget, extended up to March 31, 2011. Rs 700 crore have been provided for the same.
- Rs 1,270 crore allocated for *Rajiv Awas Yojana* as compared to Rs 150 crore last year.

Unorganised Sector

- National Social Security Fund for unorganised sector workers to be set up with an initial allocation of Rs 1000 crore. This fund will support schemes for weavers, toddy tappers, rickshaw pullers, *bidi* workers etc.
- *Rashtriya Swasthya Bima Yojana* benefits extended to all such Mahatma Gandhi NREGA beneficiaries who have worked for more than 15 days during the preceding financial year.
- An initiative, *'Swavalamban'* will be available for persons who join New Pension Scheme (NPS), with a minimum contribution of Rs 1,000 and a maximum contribution of Rs 12,000 per annum during the financial year 2010-11, wherein the central government will contribute Rs 1000 per year to each NPS account opened in the year 2010-11. An allocation of Rs 100 crore has been made for this initiative.

Skill Development

- National Skill Development Corporation has approved three projects worth about Rs 45 crore to create 10 lakh skilled manpower at the rate of one lakh per annum.
- An extensive skill development programme in the textile and garment sector to be launched by leveraging the strength of existing institutions and instruments of the
- Textile Ministry to train 30 lakh persons over 5 years.

Social Welfare

- Plan outlay for Women and Child Development stepped up by almost 50%.
- The ICDS platform being expanded for effective implementation of the Rajiv Gandhi Scheme for Adolescent Girls.
- '*Saakshar Bharat*' to further improve female literacy rate launched with a target of educating 7 crore non-literate adults, which includes 6 crore women alone.
- *Mahila Kisan Sashaktikaran Pariyojana* to meet the specific needs of women farmers to be launched with a provision of Rs 100 crore as a sub-component of the National Rural Livelihood Mission.

- Plan allocation for the Ministry of Minority Affairs increased by 50% from Rs 1,740 crore to Rs 2,600 crore for the year 2010-11.
- Plan outlay of the Ministry of Social Justice and Empowerment enhanced by 80% to Rs 4500 crore. With this enhancement, the ministry will be able to revise rates of scholarship under its post-matric scholarship schemes for SCs and OBC students.

9.7 Summing Up

The education sector has received considerable impetus in the budget 2010-11. While, the sector will receive funds from the central government, it will also receive grants through implementation of the 13th Finance Commission's recommendations, amounting to Rs 24,068 crore. So also, the central government has given considerable attention to women and child development, especially girl-child development. Creating a health profile of districts will go a long way in helping the government frame appropriate health policies for the citizens. The government will also create employment indirectly, by way of Lok Karmis who will largely be involved in the administrative work of the MGNREGA. The unorganised sector, has also received the biggest boost in the budget, as a National Social Security Fund for workers would be set up. Plan outlay for Ministry of Social Justice and Empowerment and Ministry of Minority Affairs has been increased robustly.

10: PRICE SITUATION

10.1 Overall Trend

Annual inflation on a y-o-y basis during February 2010 touched 9.9% and the build-up during the current fiscal year so far was 9.6%. A fairly volatile inflation has been witnessed in 2002-10. The annual inflation after reaching the lowest in March 2009 rose in the next two months; thereafter it was in the negative zone in the next four months mainly due to the high base effect. It turned positive in September 2009 and thereafter flared up in the next six months to reach 9.9% in February 2010 (Table 10.1). Though the volatility is evident both in 2008-09 and 2009-10, there are some underlying differences between the two years. Increasing global fuel and commodity prices mainly pushed up the WPI inflation to a high of 12.8% in August 2008 and likewise, the subsequent decline in inflation in the second half of 2008-09 was attributable to falling international fuel and commodity prices. Thereafter the global fuel and commodity prices stabilized in the first half of 2009-10 at a relatively lower level than in the same period of the earlier year. But, WPI inflation continued to fall mainly due to high base effect and moved to negative zone during June to August 2009. Since then, WPI inflation has been rising at a very fast clip mainly because of increase in food items. Undue apprehensions due to deficient monsoon and the resulting shortages in food grain production during the year were the main contributing factors. Better management of the high food stock with the authorities could have helped in containing the food inflation a bit. But, the supply side constraints accentuated by the failure of public distribution system has exacerbated the up-trend in prices.

Table 10.1 : Monthly Trends in Wholesale Price Index

	2006-07	2007-08		2008-09		2009-10	
Apr	199.0	211.5	(6.3)	228.5	(8.0)	231.5	(1.3)
May	201.3	212.3	(5.5)	231.1	(8.9)	234.3	(1.4)
Jun	203.1	212.3	(4.5)	237.4	(11.8)	235.0	(-1.0)
Jul	204.0	213.6	(4.7)	240.0	(12.4)	238.7	(-0.5)
Aug	205.3	213.8	(4.1)	241.2	(12.8)	240.8	(-0.2)
Sep	207.8	215.1	(3.5)	241.5	(12.3)	242.6	(0.5)
Oct	208.7	215.2	(3.1)	239.0	(11.1)	242.5	(1.5)
Nov	209.1	215.9	(3.3)	234.2	(8.5)	247.2	(5.6)
Dec	208.4	216.4	(3.8)	229.7	(6.1)	248.3	(8.1)
Jan	208.8	218.1	(4.5)	228.9	(5.0)	248.5	(8.6)
Feb	208.9	219.9	(5.3)	227.6	(3.5)	250.1	(9.9)
Mar	209.8	225.5	(7.5)	228.2	(1.2)		

Source : *http://www.eaindustry.nic.in/*

In February 2010, the prices of food grains have started easing with the fresh arrivals and the seasonal effect in vegetable prices also contributed to the decline in the prices of food articles. However, with the increase in the global prices of food items as well as in commodity and fuel prices will have the impact on the WPI since the country depends upon the global

market for about 85% of its crude needs and to a great extent for pulses and edible oil consumption needs which are on the increase in recent years. Global crude prices moved in the range of US $75 to 85 during the month. Thus, overall, the WPI inflation may cross the double digit level by March end 2010 and will stay there for some time next year with the marking up of administered coke and non coke prices and the spectre of mineral oil price increase in the coming months.

10.2. Consumer Price Inflation

The divergence between the WPI and CPI inflation rates during the last couple of years is still significant which may ease in the coming months with the fall in prices of many food items. Food items have larger weights in CPI and also the retail prices are relatively sticky downwards. Thus, all the four CPIs remained elevated since March 2008 and the momentum was upward and the available data shows that the inflation rate was in the range of 17.6% and 16.2% (Table 10.2). But, the CPI inflation rate witnessed an important trend recently. The rural CPI trend measured by CPI-AL and CPI-RL which were accelerating faster than the Urban CPI trend measured by CPI-IW and CPI-UNME are easing and the divergence which was maximum at about 2.2% in October 2009 came down to 1.4% in February 2009.

Table 10.2: All-India Consumer Price Indices

	CPI-IW (Base: 2001=100)				CPI-UNME (Base: 1984-85=100)				CPI-AL (Base: 1986-87=100)			
	2009-10		2008-09		2009-10		2008-09		2009-10		2008-09	
Apr	150	8.7	138	7.8	583	8.8	536	7.0	468	9.1	429	8.9
May	151	8.6	139	7.8	589	9.7	537	6.8	475	10.5	430	8.9
Jun	153	9.3	140	7.7	595	9.6	543	7.3	484	11.5	434	8.8
Jul	160	11.9	143	8.3	624	13.0	552	7.4	499	12.9	442	9.9
Aug	162	11.7	145	9.0	631	12.9	559	8.5	507	12.7	450	10.3
Sep	163	11.6	146	9.8	635	12.4	565	9.5	515	13.2	455	11.0
Oct	165	11.5	148	11.2	643	12.0	574	10.4	522	13.7	459	11.1
Nov	168	13.5	148	10.4	655	13.9	575	10.8	532	15.7	460	11.1
Dec	169	15.0	147	9.7	657	15.5	569	9.8	538	17.2	459	11.1
Jan	172	16.2	148	10.4	671	16.9	574	10.4	542	17.6	461	11.6
Feb			148	9.6			575	9.9	538	16.5	462	10.8
Mar			148	8.0			577	9.3			463	9.5

Source: Labour Bureau

10.3. Global Inflation

A comparison of global inflation shown in Appendix VII with WPI inflation presented in Appendix VI reveals that the fuel and food inflation flare up is evident much more in world prices than in the commodity basket of India's WPI.

The consumer price inflation experienced by high income and low and middle income reveals that almost all the countries with the exception of Chili and Japan after a lull in the food and commodity prices last year started going up (Appendix VIII)

10.4 Summing Up

Annual inflation is on the rise and may cross double digit level by March 2010 with global crude price and commodity prices on the upswing.

Divergence in the CPI and WPI is narrowing with food prices easing recently.

The divergence between urban inflation measured by CPI-IW and CPI-UNME and rural inflation measured by CPI-AL and CPI-RL is coming down with fall in food prices whose weight in CPI-AL and CPI-RL is comparatively higher than the CPI-IW and CPI-UNME.

11. MONETARY AND BANKING TRENDS

11.1 Introduction

The recent move of the Reserve Bank of India, of raising the key short term rates (repo rate and reverse repo rate), is a clear indication of the central bank's intension to absorb excess liquidity floating in the system in order to make growth sustainable, as inflationary pressures remained stronger than anticipated by the RBI.

The fiscal stimulus package accompanied by an expansionary monetary policy helped economic recovery, encouraging entrepreneurs including SMEs to restart their stalled operations and undertake new capacity expansion, boosting up investors' confidence. This got reflected with key sectors such as industry, infrastructure, export, cement, steel and automobile showing significant upturn and foreign direct investment, external commercial borrowings and NRI deposits returning to the levels reached in pre-crisis period. Demand for bank credit did pick up, though the growth remained lower than RBI's projection of 16.0%. Nonetheless, the overall buoyancy fuelled consumption demand, however supplies falling shorter, resulted in spiralling up of the general price level. Thus, to contain further escalations, the central bank seems to have resorted to tightening of the monetary measures, marking reversal of the trend seen earlier.

Increase in Policy rate

The Reserve Bank of India has raised key policy rates by 25 basis points. Repo rate has been increased by 25 basis points to 5.0%, the reverse repo rate was also increased to 3.5% from 3.25% earlier. It is the first increase in policy rates since July 2008 when the repo rate was increased by 50 basis points. The reverse repo was last raised in July 2006, when RBI raised the rate 25 basis points (Table 11.1). This is the second tightening action since January when RBI announced a 75-basis point rise in the CRR to 5.75%.

Table 11.1: Repo and Reverse Repo

Repo		Reverse repo	
Effective Date	Rate (%)	Effective Date	Rate (%)
Jun 24 '08	8.5	Jun 8 '06	5.8
Jul 29 '08	9.0	Jul 25 '06	6.0
Oct 20 '08	8.0	Dec 8 '08	5.0
Nov 3 '08	7.5	Jan 2 '09	4.0
Dec 8 '08	6.5	Mar 4 '09	3.5
Jan 2 '09	5.5	Apr 21 '09	3.3
Mar 4 '09	5.0	Mar 19 '10	3.5
Apr 21 '09	4.8		
Mar 19 '10	5.0		

Source: Media

11.2 Trend in Money Supply

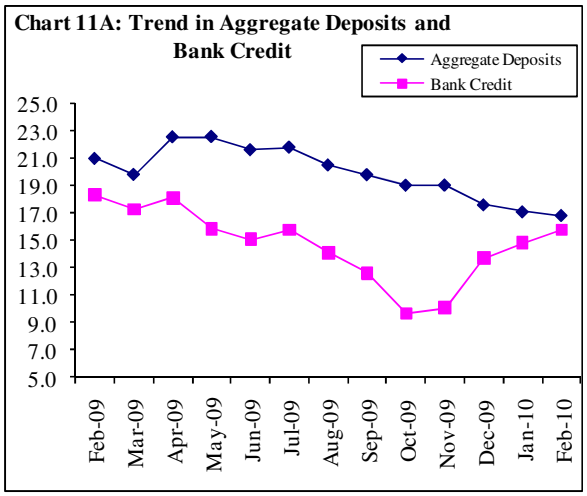
For the financial year so far, up to January 26, 2010, the growth in M_3 has shown a lower increase of 13.7% as compared to 15.8% for the corresponding period a year ago. The moderation was due to lower growth in bank credit to commercial sector at 10.7% as compared to 12.3% for the corresponding period a year ago. However, bank loans to commercial sector nevertheless has increased as compared to earlier months of this fiscal on account of a high manufacturing growth, pick-up in private consumption demand and increase in investment activities. The deceleration in growth of net bank credit to government to 24.3% as against 33.1% for the comparable period a year ago, also contributed to the lower increase in broad money. Nevertheless, liquidity conditions remained stable in the system. On y-o-y basis, M_3 has witnessed a growth of 16.4% compared to 19.9% a year ago, marginally lower than the projection of 16.5% made in third quarter review of monetary policy 2009-10 (Appendix IX).

11.3 Banking Trends

After recording a moderate growth in deposits in the past few months, the aggregate deposits have further shown a deceleration of 1.6% against a growth of 1.8% for the corresponding month a year ago. This was mainly due to decline in the demand deposits, which registered a lower growth of Rs 7,458 crore against Rs 13,330 crore for the comparable month a year ago. The time deposits have shown an increase by Rs 60,480 crore to 53,034 crore as compared to the corresponding month year ago.

Meanwhile, the bank credit has grown by 2.0% against 1.1% for the same period. The food credit has recorded an increase by Rs 3,976 crore compared to Rs 2,908 crore for the corresponding month last year. The total non-food credit over the month went up by Rs 56,268 crore compared to Rs 27,238 crore last year. It is generally observed that towards the year closing banks push up disbursal of loans to meet their annual targets even at lower lending rates. In desperation to meet credit targets, banks are willing to extend loans for even one year maturity at very low rates despite expectations that the cost of funds may shoot up in the next fiscal year. This is the fourth fortnight in a row that bank credit has shown an increase for the current fiscal year (Appendix X).

For the fiscal year so far, up to February 26, 2010, the deposits growth decelerated to 13.8% against 16.8% for the corresponding period a year ago was reversed partly with the pick-up in bank credit growth (Chart 11A).



Growth in investment moderated to 18.3% against 22.1% a year ago. One of the reasons for fall in growth of investment in government securities to 18.1% from 22.7% is the recent up-tick in the banks' credit growth and more opportunities available to park funds elsewhere other than in government bonds.

There has been an improvement in the non-food credit growth by 11.3% against 13.0% for the corresponding period a year ago. Sectors such as agriculture, housing, small and medium enterprises and trade, each, have seen increased credit offtake. Bank lending to companies and individuals has also recorded impressive growth during this period.

On y-o-y basis deposits grew by 16.8% against 20.9% in 2008-09. Deposit growth regained momentum in the fortnight under review, with banks adding Rs 63600 crore worth of deposits, as opposed to only Rs 4500 crore in the previous fortnight of this fiscal. Banks have largely re-priced a large part of their deposit books, and have now started mobilizing fresh deposits. Like bank credit, deposit growth also remained lower than RBI's projection of 18.0% for 2009-10. Demand deposits registered a higher growth of 19.5% against 3.5% last year. The surge in short-term loans was partly triggered by the shift to the base rate mechanism and on lending below the benchmark rate from July as well as due to corporates resorting to apply for more short-term loans (Appendix XI).

11.4 Union Budget 2010-11

Measures for Agriculture Credit

It is reported that the banks have been consistently meeting the targets set for agriculture credit flow in the past few years. The target for agriculture credit flow for the year 2010-11 has

been raised to Rs 3,75,000 crore from Rs 3,25,000 crore in 2009-10. In addition, the Finance Minister (FM) has announced the following measures:

1. Incentive of additional 1% interest subvention to farmers, who repay short- term crop loans on schedule. For 2010-11 the interest subvention has been raised from 1% to 2%. Thus, the effective rate of interest for such farmers will now be 5% per annum.
2. In view of the recent drought in some states and the severe floods in some other parts of the country, the FM has extended the period for repayment of the loan amount by farmers by six months from December 31, 2009 to June 30, 2010 under the Debt Waiver and Debt Relief Scheme for Farmers.

Measures for Financial Inclusion

In the Union Budget 2010-11, the FM has announced the following measures for Financial Inclusion.

1. Appropriate banking facilities would be provided to habitations having population in excess of 2000 by March 2012. It is also proposed to extend insurance and other services to the targeted beneficiaries. These services will be provided using the Business Correspondent (BC) and other models with appropriate technology back up. By this arrangement, it is proposed to cover 60,000 habitations.
2. To give momentum to the pace of financial inclusion, the FM has proposed an augmentation of Rs 100 crore each for the Financial Inclusion Fund (FIF) and the Financial Inclusion Technology Fund, which shall be contributed by the central government, RBI and NABARD.

Other Budget Measures and their Impact

MEASURES	IMPLICATIONS
The FM informed that the RBI is considering giving some additional banking licences to private sector players. Non-banking finance companies (NBFCs) could also be considered, if they meet the RBI's eligibility criteria.	Banking services will now be available in the unbanked and under-banked regions of the country.

MEASURES	IMPLICATIONS
Public Sector Banks (PSBs) to remain predominantly government owned and will be given full support including capital infusion to grow and remain competitive. Rs 16,500 crore provided to ensure that the PSBs are able to attain a minimum 8% Tier-I capital by March 31, 2011.	Capital infusion will minimise the pressure on PSBs in fulfilling CRARs norms.
The government to provide further capital to strengthen the Regional Rural Banks (RRBs)	RRBs will have adequate capital base to support increased lending to the rural economy.

11.5 RBI extends Base Rate system deadline to July 1

The RBI has decided to replace the current benchmark prime lending rate (BPLR) system with the Base Rate to increase transparency in lending as many banks are lending at much lower rates than their B-PLR to new customers. Accordingly, the RBI in a circular last month had asked banks to adopt the Base Rate model from April 1. The base rate has to be calculated on a cost-based formula and would be lower than the PLR.

Acceding to the demand of bankers, the RBI has deferred the implementation of the Base Rate regime by three months to July 1 and also would be exempting some categories of loans from the new system. Besides, the central bank might also consider exemption of export credit from the Base Rate.

11.6 SBI to raise capital via preference share route

SBI is planning to raise Rs 10,000 – 20,000 crore in the next 12 – 18 months through a rights issue. The amount is part of Rs 40,000 crore capital raising plan that the bank is scheduling over the next three years. The proposed State Bank of India (Amendment) Bill 2010, which is re-introduced in the Lok Sabha by FM, seeks to allow SBI to raise capital through the preferential allotment or private placement routes. Under the SBI Act, 1955, SBI cannot issue preferential shares or bonus shares and hence the move is proposed to amend this law to enable the bank to issue preference shares. The passage of the Bill will allow SBI to raise resources through follow on public offer (FPO), private placement and other instruments mentioned in the bill. However, the voting rights of the preference shareholders are proposed to be capped at 10%.

The latest Bill also seeks to reduce the statutory minimum holding of the central government in SBI to 51%. Once this change is enacted, the government's stake in SBI could be brought down to 51% from the current 59.41%.

11.7 Liquidation of Co-operative Banks

Recently, the RBI has cancelled the licences of three co-operative banks following insolvency. The licences of these banks were cancelled, as all efforts to revive it in consultation with the respective state government had failed. Consequent to the cancellation of its licence, the banks are prohibited from carrying on banking business.

Table 11.2: Co-operative Banks under Liquidation

Name of the Co-operative Bank	Head Office at	Liquidation after the close of Business on	Banking Business Commenced on
Chadchan Shree Sangameshwar Urban Co-operative Bank Ltd	Chadchan Karnataka	February 13, 2010	September 4, 1986
Rajwade Mandal Peoples' Co-operative Bank Ltd	Dhule Maharashtra	January 27, 2010	May 19, 1966
Source: RBI			

Following liquidation, every depositor is entitled to repayment of his deposits up to a monetary ceiling of Rs 1, 00,000 only from the Deposit Insurance and Credit Guarantee Corporation (DICGC). The Registrar of Co-operative Societies, of respective states has been asked to issue an order for winding up the bank operations and for appointing a liquidator for the bank.

11.8 Other Developments

The Reserve Bank of India has asked banks to provide sector-wise details of their non-performing assets (NPAs) and exposures in the balance sheets from ensuing fiscal year onwards. The banks have also been asked to furnish details of special purpose vehicles.

RBI Deputy Governor K C Chakrabarty informed that the RBI may come out with guidelines on new banking licences in about three months.

RBI has paved the way for bank investment in Indian Depository Receipts. The central bank has written to SEBI that banks may be allowed to invest in IDRs but this investment will be a part of the overall cap on bank investment in bonds and equity issues of other banks. The ceiling is at 10% of the investing bank's total capital.

RBI is encouraging all major public and private banks to draw up action plans for implementing financial inclusion and financial literacy programmes over the next three years. RBI hopes to extend financial inclusion to all those villages with a population of over 2,000 by 2012.

Indian banks may be upgraded by international rating agencies, following the government's decision to recapitalise public sector banks. An upgrade will make it easier for them to raise funds in international markets.

11.9 Summing Up

Though in order to curb inflation RBI has hiked policy rates, it will lead to an upward move in interest rates on various loans like home loan and auto loan. The tight liquidity condition will partly tamper with the unwinding of investments in mutual funds. The RBI said that it will continue to monitor macroeconomic conditions, particularly the price situation, and take further action as warranted.

Furthermore, with increasing demand for bank credit from various key sectors, economists and bankers are hopeful that the target as set by the RBI to achieve 16.0% credit growth for 2009-10 can be achieved.

The target for agriculture credit flow for the year 2010-11 has been raised to Rs 3,75,000 crore from Rs 3,25,000 crore in 2009-10.

The RBI is considering giving some additional banking licences to private sector players. Non-banking financial companies (NBFCs) could also be considered, if they meet the RBI's eligibility criteria.

Acceding to the demand of bankers, the RBI has deferred the implementation of the Base Rate regime by three months to July 1 and also may exempt some categories of loans from the new system, including the export credit.

12. FINANCIAL MARKETS

12.1 Overview

The financial markets displayed mixed trends during February. The equity market showed buoyancy; though it witnessed sharp fall in the beginning of the month, is managed to recover after presentation of the Union Budget 2010-11. Market players largely welcomed the Union Budget 2010-11 presented by the Finance Minister Pranab Mukherjee in the Parliament on 26 February 2010. He proposed market friendly measures including reduction in surcharge on corporate tax, lower fiscal deficit projection, roadmap for rollout of goods & service tax (GST) and direct tax code (DTC), among others. The Finance Minister pegged the fiscal deficit for the financial year 2010-11 at 5.5% of the GDP. This is lower than the fiscal deficit of 6.9% in the revised estimates for the current fiscal. The government has estimated to raise Rs 40,000 crore from disinvestment in the year ended March 2011. It has also estimated Rs 35,000 crore from sale of third generation telecom auctions.

The secondary market turnover witnessed a marked decline in February. The turnover in the derivatives market has also remained subdued during the month irrespective of the volatility in the underlying equity markets.

The hike in the cash reserve ratio (CRR) by 75 basis points in two stages from 5.0% to 5.75% came into effect in February to absorb around Rs 36,000 crore from the system. Still, the liquidity condition in the system was easy and reflected in the higher participation in reverse repo auctions of the liquidity adjustment facility (LAF).

Except in the case of state development loans, primary issuance market in government securities remained subdued with auction yields firming up. The secondary market volumes also saw a huge dip and pressure on yields due to signals of economic activity picking up and expectations of higher interest rates, and building up of inflation expectations. The market also has been expecting another dose of increase in policy rates sooner.

Corporate bond market also remained less active in February and the mobillisations through bonds recorded a marginal decline. The forex market saw dollar strengthening against other major global currencies particularly Euro and Pound. The rupee appreciated marginally against dollar as the domestic equity market was less buoyant.

12.2 Trends in the Equity Market

i) Primary Market

After getting Securities and Exchange Board of India (SEBI)'s clearance for their public issues, as many as 17 companies have still not announced the date of their initial public offers (IPOs) following the poor interest shown by retail investors in recent IPOs. The firms are expected to raise around Rs 10,000 crore from markets collectively. Companies such as Reliance Infratel, Lodha Developers, IL&FS Transportation, Nitesh Estates, DQ Entertainment (International) and AMR Constructions are among those who obtained SEBI approval but have not declared the dates. Companies are waiting for the right time to launch their new issues as markets are volatile and retail participation in the recent IPOs has been dismal. As many as 61 companies had applied with SEBI to raise funds through IPOs between August 2009 and January 2010.

Table 12.1: Primary Issues in the Month of February 2010

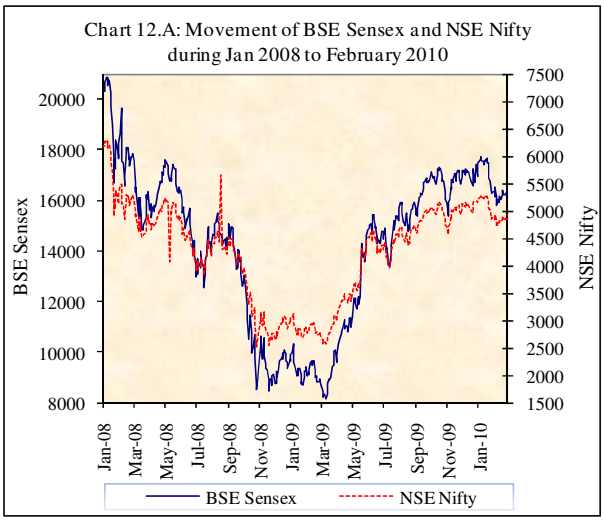
Name	Date of Issuance		Offer Price	Issue Size
	Opening	Closing	(in Rs)	(in Rs crore)
Emmbi Polyarns Ltd	1-Feb-10	3-Feb-10	40-45	39
NTPC Ltd	3-Feb-10	5-Feb-10	#	8479
ARSS Infrastructure Projects Ltd	8-Feb-10	11-Feb-10	410-450	103
Hathway Cable & Datacom Ltd	9-Feb-10	11-Feb-10	240-265	666
Texmo Pipes & Products Ltd	16-Feb-10	19-Feb-10	85-90	45
Man Infraconstruction Limited	18-Feb-10	22-Feb-10	243-252	142
Rural Electrification Corporation Limited	19-Feb-10	23-Feb-10	@	3530
United Bank Of India	23-Feb-10	25-Feb-10	60-66	325
Total				13328

@:For Retail, NIB & Reserve category Floor price 203/- For QIB category, any price above floor price
#: For Retail, NIB & Reserve category, Floor price 201/- .For QIB category, any price above floor price.
Source: *Various media sources*

During the month of February, the mobilisation of funds through primary issues witnessed more than fivefold rise and the total amount stood at Rs 13,328 crore compared to Rs Rs 2,467 crore in the previous month. While, during February 2009 there was only one IPO garnering a meagre Rs 24 crore following the weak domestic capital markets performance. Now, the economy is showing a stable recovery and the stock indices have also been performing well which prompted the companies to tap the capital market to raise money through primary issues. During the month, NTPC raised the highest amount of Rs 8,479 crore followed by REC which mobilised Rs 3,530 crore (Table 12.1).

Among the IPOs tapped the capital market during the month, Emmbi Polyarns' IPO was subscribed 1.16 times on the final day on 3 February 2010. Hathway Cable & Datacom's IPO which ended on 11 February 2010, was subscribed 1.36 times, ARSS Infrastructure Projects ended on 11 February 2010 with an over subscription of 47.62 times and State-run United Bank of India's IPO was subscribed 33.38 times.

ii) Secondary Market



The key benchmark indices started the first week of the month with fresh concerns over global economic recovery following the burgeoning Europe's sovereign debt, indications of weak US jobs data and a crash in commodity and energy prices. The BSE Sensex fell below the psychological 16,000-mark as fiscal woes in Europe pushed global equities sharply lower on 5 February 2010, due to the cost of insuring Greece, Spain and Portugal's debt against default rose sharply. Volatility ruled the roost during the second week of the month and the key benchmark recovered tracking gains in global stocks. The undertone was cautious as investors awaited details of a likely European Union bailout plan for Greece. The market logged marginal gains after seeing wild swings throughout the third week driven by expectations from the Union budget and global factors. In a move to encourage financial institutions to rely more on money markets, rather than the central bank, for short-term loans US Federal Reserve raised the discount rate from 0.5% to 0.75% effective from 19 February 2010. It was the first increase in the discount rate in more than three years, and the move widens the discount rate spread over the top range for the federal funds rate to 0.5%. The prime minister's economic adviser, C. Rangarajan statement that domestic economy is likely to grow at over 7.2% in the current fiscal year ending March 2010 also lifted the sentiments. The expiry of February 2010 derivatives contracts on 25 February 2010 added to the volatility on the bourses during the last week of the month. Expectations from the budget drove the market either ways during the beginning of the week with a market- friendly Union Budget 2010-11 lifting the sentiments later.

Overall, during the month, the BSE Sensex added 72 points or 0.44% to 16,430 on 26 February 2010 over 29 January 2010. The NSE Nifty gained 40 points or 0.82% to 4,922 during the same period. The BSE Mid-Cap index lost 112 points or 1.72% to 6,398 and the BSE Small-Cap index declined 165 points or 2.00% to 8,067. Both these indices underperformed their large-cap peers over a period of one month (Chart 12 A).

Sectoral Indices

The sectoral indices of BSE, observed mixed trend during February responding to the positive and negative sides of Union Budget. Consumer Durable index was the major performer during the month followed by IT and Healthcare Index on hopes of a recovery in the economy. Auto stocks gained and sales volumes were higher in January. Realty index was a major underperformer during the month and recorded 7.5% fall over the previous month staged by expectation of higher interest rates. Drop in RIL shares impacted the Oil & Gas shares to post 3.5% loss during February. Due to CRR hike, banking stocks growth was restricted to some extent.

Among the Nifty indices CNX IT was the main performer with 3.08% growth during the month. Other indices recorded a marginal growth while Midcap, Midcap 50 and CNX 500 underperformed the Nifty and registered negative returns over the previous month (Appendix XII).

Price-to-Earnings (P/E) Ratio and Market Turnover

P/E ratios of BSE Sensex and NSE Nifty have slightly changed to 20.0 and 20.7 from to 22.0 and 22.8, respectively in February over January.

During the month of February, there was a marked decline in the aggregate secondary market turnover both on NSE and BSE. The average daily turnover of NSE decreased by 31% from Rs 17,813 crore in January to Rs 12,257 crore in February. Similarly, in BSE also the average daily turnover shrunk by 33% from Rs 6,162 crore to Rs 4,125 crore during the same period. The market capitalization of both the exchanges came down marginally slightly in February-end over January-end (Table 12.2).

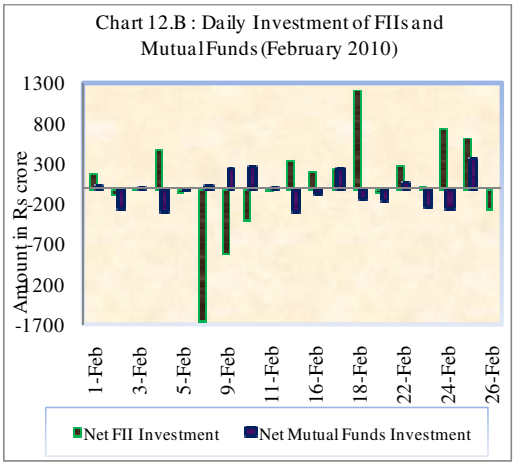
Table 12.2: Market Turnover (*Amount in Rs crore*)								
Year/ Month	BSE				NSE			
	Total Turnover	Average Daily Turnover	Market Capitalisation *	P/E Ratio (Sensex based 30 scrips)	Total Turnover	Average Daily Turnover	Market Capitalisation *	P/E Ratio (S&P CNX Nifty)
2008-09	1100074	4383	3086076	13.2	2752023	11325	2896194	16.8
2009-10#	1279030	5736	5903514	20.0	3851778	17273	5755305	20.7
Jan-09	70509	3525	2997261	12.2	191184	9559	2798707	12.7
Dec-09	98082	4671	6079892	21.8	292900	13948	5699637	22.7
Jan-10	117084	6162	5924340	22.0	338453	17813	5782965	22.8
Feb-10	82510	4125	5903514	20.0	245143	12257	5755305	20.7

* At the end of the period. # April to February 2010.
Source: *NSE and BSE websites*

FIIs' Operations

After being net sellers of equities during the previous month FIIs turned net buyers in February to the extent of Rs 1217 crore. The net FII inflows in the financial year 2009-10 so far has touched US $18.9 billion or around Rs 90,000 crore. Number of registered FIIs and registered sub-accounts showed an increase over January and stood at 1,708 and 5,430, respectively on February-end.

Mutual Funds



Since the ban on entry load from August 2009, the mutual funds industry have been experiencing less investor interest in equity schemes and they continued to become net sellers from September 2009. During February also, the trend continued and the mutual funds became net sellers of equities in the secondary market to the extent of Rs 697 crore, with purchases of Rs 11,672 crore and sales of Rs 12,369 crore.

Still, the investors' comfort level in the equity market in recent times is showing some easiness as the domestic fund market garnered more corpus in February compared to January. According to Association of Mutual Funds in India

(Amfi) the average assets under management (AUM) grew by 2.6% to Rs 7,81,712 crore as of end February over January.

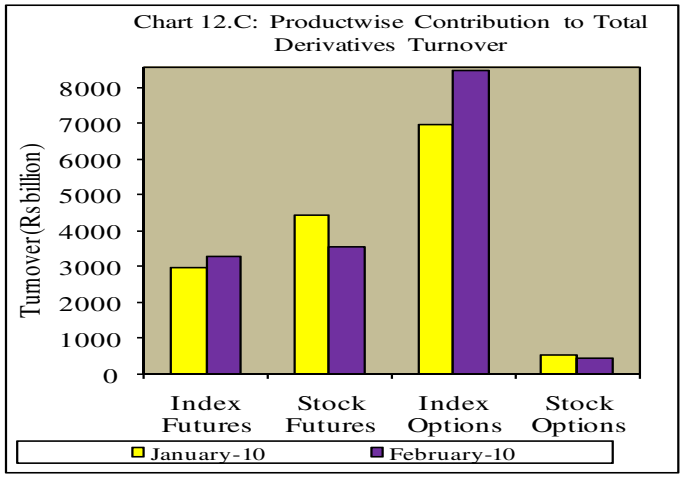
As per the data, the mobilisation of funds through various new schemes as well as existing schemes stood at Rs 7,59,163 crore, but they also faced redemptions to the extent of Rs 7,52,798 crore, resulting in a net inflow of Rs 6,365 crore during the month. As shown in Chart 12 B, the daily investment in FIIs and mutual funds witnessed mixed trend throughout the month but overall during the month FIIs became net buyers while mutual funds continued to be net sellers.

iii) Derivatives

The BSE's move to change its derivative expiry cycle to mid-month to revive its dormant equity derivative segment has not impressed the market as the daily average volumes in this segment of BSE stood at Rs 56 lakh during the month down from Rs 11.3 crore recorded during the previous month.

On NSE, the aggregate monthly derivative trading in terms of value increased by 5% during the month and the average derivatives turnover increased marginally from Rs 78,437 crore in January to Rs 78,494 crore in February. The derivative to cash market ratio also jumped to 6.40 in February from 4.40 in January (Appendix XIII).

Product-wise Contributions



The share of index futures in the total F&O segment of NSE witnessed a marginal increase during the month compared to previous month and accounted for 20.8% in February against 20.1% recorded in January. Contrary to this, stock futures share decreased slightly

and stood at 22.6% during the month over 29.8% recorded during the previous month. Index options recorded a remarkable improvement and accounted for 54% of the total derivatives turnover in February against 46.7% recorded in January. While, stock options witnessed a marginal dip in their share and accounted for 2.6% against 3.5% of the total F&O turnover during the same period (Chart 12 C).

FIIs' Derivative Operations

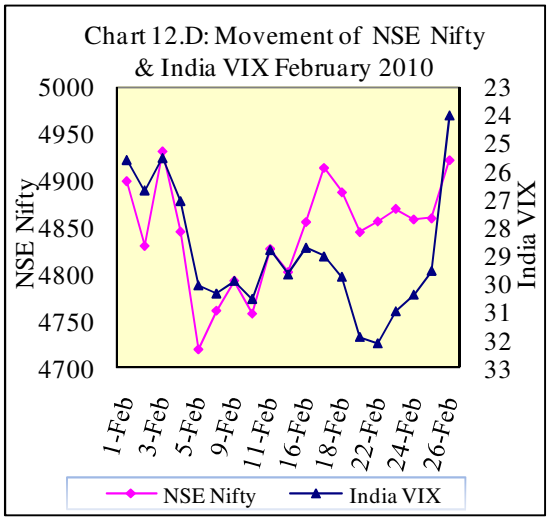
Table 12.3: Daily Trends in FII Derivative Trades *(Amount in Rs crore)*

Items	No. of Contracts	Total (Buy+Sell)	Average Daily Turnover		Percentage to Total Derivatives Turnover	
	February-10		Feb-10	Jan-10	Feb-10	Jan-10
Index Futures	3375335	82778	4357	5172	5.27	6.59
Index Options	5470094	132028	6949	6888	8.41	8.78
Stock Futures	2753885	86668	4561	5455	5.52	6.95
Stock Options	32898	1041	55	46	0.07	0.06
Total	11632212	302514	15922	17560	19.3	22.4

Source: *www.SEBI.gov.in*

FIIs exposure to equity derivatives segment of NSE came down during the month and their percentage share in total derivatives trade has decreased from 22.4% in January to 19.3% in February. The average daily turnover dipped by 9% from Rs 17,560 crore to Rs 15,922 crore during the same period. Similarly, the number of contracts traded during the month and aggregate FII's derivatives turnover declined by 4% and 9%, respectively over a period of one month (Table 12.3).

NSE Volatility index (VIX)



The inverse relationship between the markets movement and volatility during the period has been represented in the above chart. India VIX or Volatility Index, constructed by the NSE, which measures the immediate expected volatility, moved in the range of 32.13 and 24.02 in February. During the month, VIX touched an intra-day high of 32.14 on 23 February ahead of the Annual Budget on 26 February as the stock market's expectations were high. During the month, VIX touched a low of 23.79 on the last day of the month which was also a budget day indicating a stable stock market

activity following a market friendly budget (Chart 12 D).

iv) Budget Highlights

- Following the financial crisis of 2008-09 which has fundamentally changed the structure of banking and financial markets world over, government has decided to setup an apex-level Financial Stability and Development Council to strengthen and institutionalise the mechanism for maintaining financial stability. Without prejudice to the autonomy of regulators, this Council would monitor macro prudential supervision of the economy, including the functioning of large financial conglomerates, and address inter-regulatory coordination issues. It will also focus on financial literacy and financial inclusion.
- The Government proposed to set up a Financial Sector Legislative Reforms Commission to rewrite and clean up the financial sector laws to bring them in line with the requirements of the sector.
- The fiscal deficit of 5.5% of GDP in 2010-11 works out to Rs.3,81,408 crore. Taking into account the various other financing items for fiscal deficit, the actual net market borrowing of the government in 2010-11 would be of the order of Rs 3,45,010 crore.
- To promote savings as well as to ensure their utilisation for the thrust area of infrastructure, Finance Minister proposed to allow a deduction of an additional amount of Rs 20,000 for investment in long-term infrastructure bonds as notified by the Central Government. This would be over and above the existing limit of Rs 1 lakh on tax savings.
- Besides contributions to health insurance schemes which are currently allowed as a deduction under the Income-tax Act, the contributions to the Central Government Health Scheme will also come under the same provision.
- The budget reduced the current surcharge of 10% on domestic companies to 7.5%. In addition, the rate of Minimum Alternate Tax (MAT) was increased to 18% of book profits from the current rate of 15% to further promote inter-se equity among corporate taxpayers.
- To keep the Indian Rupee in line with the other major currencies such as US Dollar, British Pound Sterling, Euro and Japanese Yen that have a clear distinguishing identity,

domestic currency will also honor a symbol which reflects and captures the Indian ethos and culture.

v) Major Developments

SEBI's KYC Circular Puts Mutual Funds in a Fix

As per the SEBI master circular of 12 February which states that there would be no minimum threshold or exemption will be available to registered intermediaries (including fund houses) from obtaining investor information has put the asset management companies (AMCs) in a quandary. According to SEBI, which lists the requirements to prevent money laundering and terrorism financing, has mentioned that no threshold levels or category (class) of investors will exist for implementing know-your-customer (KYC) norms. Fund houses are interpreting this as a step taken by SEBI to tighten KYC norms even for those investing less than Rs 50,000, which could also mean permanent account number (PAN) requirements. Until now (till date of the circular), MF investors having microsip (small ticket SIPs) investments of up to Rs 50,000 per financial year need not have PAN.

SEBI Bars 16 People from Market

On 20 February, market regulator SEBI has barred 16 people from dealing in securities with immediate effect until further directions on charges of synchronised trading. SEBI said the National Securities Depository Ltd and the Central Depository Services (India) Ltd have been directed to freeze the beneficial owner accounts of the 16 people. It also directed the National Stock Exchange and the Bombay Stock Exchange to square off any existing open positions of them in the futures and options segment.

NSE Added 11 Stocks in F&O

After a gap of one year eleven new contracts have been included in NSE's Futures and Options (F&O) segment, with effect from 19 February following the average volumes in these scrips have gone up considerably in the past month in the cash segment. Among them are Apollo Tyres, Areva T&D India, BGR Energy Systems, Fortis Healthcare, Godrej Industries, Onmobile Global and Videocon Industries. NSE had announced fresh F&O eligibility criteria in April 2009 on conditions that the stock would be chosen from among the top 500 stocks in terms of average

daily market capitalisation and average daily traded value in the previous six months on a rolling basis.

Thomson Reuters to Launch Indices Focused on India

According to a top company official, financial data provider Thomson Reuters plans to launch 146 India-specific indices, out of which 73 will be sector-specific. The company recently launched a range of indices to help monitor global markets and to develop investment vehicles.

Online Trading Fails to Grow

According media sources, the actual growth of internet trading in India has been very slow. Since the online trading in the country has completed 10 years, the growth is significantly low compared to other countries and it forms just about 12% of the overall trading volume of equities in the domestic market.

Stock Exchanges to Offer Corporate Bond Repo Facility

The country's two stock exchanges, BSE and NSE are set to offer corporate bond repo facility from 1 March 2010 that will allow players to borrow cash against collateral of corporate bonds.

12.3. Corporate Debt Market

Though there has been a firming up of coupon rates, the corporate bond market activity during the month of February showed central undertakings and corporates coming into the market indicating the need for larger investible funds. The aggregate amount mobilized in February stood at Rs 11,445 crore coming from 13 issues, compared to Rs 11,681 crore raised from 25 issues in January. The availability of total green shoe option increased from Rs 1,150 crore in January to Rs 2,390 crore in February.

In contrast to January, there was a slowdown in the mobilisation from the financial sector comprising banks/financial institutions (FIs) and non-banking financial corporations (NBFCs) contributing 13% and 14% of the total mobilisation. The banks/ FIs made 3 issues raising an amount of Rs 1,435 crore and the NBFCs 4 issues for an amount of Rs 1,550 crore. The banks/ FIs issued perpetual and lower tier II bonds while, NBFCs favoured non-convertible debentures

(NCD). For the lower maturity, the coupon rate was in the range of 6.45-8.50%, while for the higher maturities the issues carried coupons in the range of 8.92-9.20%. Most of the issues carried either 'AAA' ratings or 'AA+' ratings except UCO bank carried a coupon rate of AA- & AA by Crisil and Care. L&T Finance company offered greenshoe option of Rs 250 crore for its NCDs.

Table 12.4: Details of Commercial Bond Issues During February

Institutional Category	No. of Issues	Volume in Rs crore	Range of Coupon Rates in %	Range of Maturity in Years and Months
FIs/Banks	3	1435	6.45-9.20	3-10
NBFCs	4	1550	8.40-9.00	1.6-10
Central Undertakings	3	6260	6.00-8.80	5-20
Corporates	3	2200	8.00-10.00	2-7
Total for February 2010	**13**	**11445**	**6.00-10.00**	**1.6-20**
Total for January 2010	**25**	**11681**	**6.05-10.35**	**1.5-15**

Source: *Various Media Sources*

The central undertakings accounted for 55% of total amount mobilised with 3 bond issues for an aggregate value of Rs 6,260 crore. The coupon rate ranged from 6.00-8.80% for maturities of 5 to 20 years. The highest issue came from the Indian Railway Finance Corporation which raised Rs 5,000 crore at coupon rates ranging from 6.00-6.70% for 5-7 year maturity bonds. The private corporate sector tapped the market with two NCDs and one bond for a total amount of Rs 2,200 crore at coupon rates of 8.00-10.00% for 2 to 7-year maturities (Table 12.4 and Appendix XIV).

12.4. Government Securities Market

i) Primary Issues

Central Dated Securities

The tightening stance of monetary policy, strong signals of pickup in economic activity and huge borrowing programme for 2010-11 all influenced expectations about interest rates in the coming months. Yield rates have firmed up both in primary and secondary market segments.

In February, only one auction for the central government securities was held on 5 February 2010 for an aggregate notified amount of Rs 8,000 crore as compared to three auctions for notified amounts of Rs 29,000 crore in January 2010.

Table 12.5: Details of Central Government Market Borrowing *(Amount in Rs crore)*					
Date of Auction	Nomenclature of Loan	Notified Amount	Bid Cover Ratio	Devolvement on Primary Dealers	YTM in % & Cut-off Price in Rupees
5-Feb-10	7.02% 2016 R	3000	1.74	nil	7.51 (Rs.97.52)
	6.35% 2020 R	3000	1.96	nil	7.68 (Rs.90.90)
	8.24% 2027 R	2000	2.56	nil	8.32 (Rs.99.25)
Total for January		8000	2.03	Nil	
Total for January		27000	2.40	Nil	
R: Re-issue, N: New issue Source: *RBI Press Releases*					

The only auction in February comprised re-issue of 7.02% 2016, 6.35% 2020 and 8.24% 2027 securities for notified amounts of Rs 3,000 crore, Rs 3,000 crore and Rs 2,000 crore, respectively aggregating to Rs 8,000 crore. The bid-cover ratio, indicative of investor's interest had plummeted to 2.03 in February from 2.40 in January. In a rising interest rate scenario, investors have become cautious. Pick up in credit demand also contributed to lower appetite for government securities. Despite the fact that two securities out of the three auctioned have been the most traded securities, auction failed to appeal to investors. The primary yields in auctions of comparable maturities have firmed up in February compared to January. However, the front-loaded borrowing strategy and limiting the fag end borrowing to fewer auctions and lower amounts helped sailing through the debt programme smoothly (Table 12.5).

State Development Loans

Primary market was more active in the state government loans (SDLs) segment. A total of as many as 17 state governments auctioned SDLs during February with around 62% increase in the amount accepted in the auctions over the last month. As auctions of the central government securities practically halted during the month, state governments were in advantage and conducted three auctions during February. The aggregate notified amount totaled Rs 13,234 crore in February against Rs 8,189 crore in the month of January. YTM at cut-off price at 8.46% in February was higher as compared to 8.30% in January. Weighted average yield also firmed up in the month under review to 8.43% from previous month's 8.26%. The bid-cover ratio had come down to 2.96 in February as compared to 3.47 of January which showed that in the case of SDLs also, the investor interest was less. The cut-off yield showed a pick-up from 8.36% on 2 February to 8.51% in 23 February auctions (Table 12.6 and Appendix XV).

Table 12.6:Details of State Government Borrowings *(Amount in Rs crore)*					
Date of Auction	Number of Participating States	Notified Amount	Bid Cover Ratio	YTM at cut-off price (In %)	Weighted Average Yield (%)
02-Feb-10	7	5824	2.28	8.36	8.33
15-Feb-10	3	3477	3.26	8.57	8.54
23-Feb-10	7	3933	3.68	8.51	8.49
Total for February	**17**	**13234**	**2.96**	**8.46**	**8.43**
Total for January	**13**	**8189**	**3.47**	**8.30**	**8.26**
Source*: RBI Press Releases.*					

Treasury Bills (TBs)

Primary issues of Treasury Bills (TBs) showed a mixed picture. The total volume of 91-day TBs issues were reduced by Rs 6,000 crore to Rs 22,000 crore in the month of February while the issues remained flat for 182-day TBs at Rs 3,000 crore. For 364-day TBs the issues went up by three fold to Rs 6,000 crore in February. Including all maturities, the total volume was marginally less at Rs 31,000 crore in February against Rs 33,000 crore of the previous month.

Both the cut-off yields and weighted average yields firmed up in the case of 91-day TBs to 4.11% and 4.08% from 3.86% and 2.80% respectively in the previous month. Bid-cover ratio however improved marginally to 2.08 in February from last month's 1.97, reflective of relatively higher investor interest in shorter maturities.

Table 12.7: Auctions of Treasury Bills *(Amount in Rs crore)*						
A: 91-Day Treasury Bills						
Date of Auction	Bids Accepted	Bid Cover Ratio	Cut-off Yield (%)	Weighted Average Yield (%)	Cut-off Price (Rs)	Weighted Average Price (Rs)
03-Feb-10	7000	1.90	4.09	4.05	98.99	99.00
10-Feb-10	5000	2.27	4.09	4.05	98.99	99.00
17-Feb-10	5000	1.95	4.13	4.09	98.98	98.99
24-Feb-10	5000	2.26	4.13	4.13	98.98	98.98
Total for February	**22000**	**2.08**	**4.11**	**4.08**	**98.99**	**98.99**
Total for January	**28000**	**1.97**	**3.86**	**3.80**	**99.05**	**99.06**
B: 182-Day Treasury Bills						
03-Feb-10	1500	1.85	4.49	4.39	97.81	97.86
17-Feb-10	1500	3.16	4.55	4.53	98.78	97.79
Total for February	**3000**	**2.51**	**4.52**	**4.46**	**98.30**	**97.83**
Total for January	**3000**	**3.59**	**4.13**	**4.13**	**97.98**	**98.01**
C: 364-Day Treasury Bills						
10-Feb-10	3000	2.81	4.88	4.84	95.36	95.40
24-Feb-10	3000	2.18	5.01	4.97	95.24	95.28
Total for February	**6000**	**2.49**	**4.95**	**4.90**	**95.30**	**95.34**
Total for January	**2000**	**4.61**	**4.67**	**4.64**	**95.55**	**95.58**
Source: *RBI's Press Releases.*						

For 182-day TBs, amount of primary issuance remained static. But, the bid-cover ratio had fallen to 2.51 in February from 3.59 in the previous month indicating lower investor interest. Cut-off yield and weighted average yield surged to 4.52% and 4.46% in February from 4.13% each in the previous month.

With three fold increase in the 364-day TBs issues to Rs 6,000 crore in February, the yields – both cut-off and weighted average – firmed up. The cut off yield increased to 4.95% from 4.67% and the weighted average yield from 4.64% to 4.90% between January and February 2010 (Table 12.7).

ii) Secondary Gilt-Edged Market

Unlike in January, when there was pickup in trading activity, February witnessed a substantial fall in secondary market trade volumes. In the secondary market, the total traded amount had gone down by almost 35% to Rs 1,47,852 crore in February from Rs 2,26,992 crore in January. Lower trading interest impacted the secondary market yields of the government securities. The monthly weighted average yield in February ruled at 7.52% against 7.20% in the previous month. Fall in prices over the month depressed the demand for government securities. 6.35% 2020 and 7.02% 2016 were the most traded securities accounting for 76.1% of the total traded volume of the central government securities in February. The total traded amount of the 10 year benchmark security- 6.35% 2020 was Rs 8,142 crore with average monthly YTM of 7.79%.

Overall, the lukewarm sentiment prevailed in the secondary market for government securities had resulted in the shifting of yield curve upward over the previous month and the previous three months yield curves.

Shrinkage in the monthly traded volume in the secondary market was also seen in SDLs as the traded volume came down by 24% to around Rs 6,786 crore in the February from Rs 8,912 crore in the previous month. Overall, the yield in secondary market trades showed a marginal decline from 8.16% to 8.11% between January and February 2010.

Performance in the secondary market of TBs was also subdued as in the case of dated central government securities and SDLs. The total traded volume had drastically come down by almost 44% to Rs 25,903 crore in February from its previous month's traded volume. The 91-day

TBs had been the main contributor to the decline in monthly traded volume, which dropped by 50% to Rs 18,910 crore in February from its previous month level of Rs 36,881 crore.

iii) Inter-Category Transactions

As per the data published by the Clearing Corporation of India Limited (CCIL) the inter-category transactions for NDS reported trades, the share of foreign banks continued to dominate to the total trades but their contribution has seen a marginal dip during the month compared to previous month., Similarly, the share of trades by public sector banks and private sector banks also increased over the previous month. However, mutual funds share deteriorated remarkably during February (Table 12.8).

Table 12.8: Market Share of Inter-Category wise NDS Reported Outright Trade of Central Government (Buy side)

Buyer Category	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10
Foreign Banks	27.71	29.28	40.47	37.02	33.81	32.91	45.76	34.85	33.88	52.09	46.75
Private Sector Banks	12.71	13.00	15.86	19.63	23.71	23.39	16.31	14.83	25.10	20.20	26.66
Public Sector Banks	23.00	22.81	14.80	21.85	17.29	20.96	9.76	16.77	13.80	7.69	9.35
Mutual Funds	8.95	13.25	14.74	7.46	11.03	8.38	16.70	11.98	7.99	5.75	2.41
Primary Dealers	7.54	7.69	9.74	9.97	6.59	9.83	9.17	13.79	10.88	8.10	7.94
Others	17.37	12.18	2.14	1.79	3.82	0.85	0.58	3.45	5.37	3.76	1.72
Ins. Cos	1.21	0.48	0.72	0.89	2.26	2.73	0.28	2.96	1.57	1.08	3.15
Co-op Banks	1.51	1.31	1.53	1.39	1.49	0.93	1.44	1.37	1.40	1.33	2.02

Source: *Rakshitra, Various Issues.*

12.5. Money Market

The call money rates remained range-bound. The weighted average call rates ruled in a range of 2.71-3.52% as in January. There was an expectation that the absorption of excess liquidity through CRR hike in February in two stages will not harden the rates. The overnight rates ruled in the range of 2.68%-3.21% in the first week of February as it was just the beginning of the new reporting fortnight. The short-term rates hardened a bit during the second week, ahead of the reporting Friday and showed distinct stability during the third week even though there was a hike in CRR with effect from the fortnight beginning 13 February 2010. The rates ranged between 2.56% and 3.28% during the last week of the month.

The monthly weighted average rate of collateralized borrowing and lending obligations (CBLO) also showed a similar trend, and the rates remained flat at 2.91% in February compared

to 2.92% in January. Similarly, the daily average notice money rate and market repo rate also remained range-bound but, overall firmed up during the month.

Table 12.9: Money Market Activity (Volume and Rates)

Instruments	February-10			January-10		
	Daily Average Volume (Rs crore)	Monthly Weighted Average Rate (%)	Range of Weighted Average Daily Rate (%)	Daily Average Volume (Rs crore)	Monthly Weighted Average Rate (%)	Range of Weighted Average Daily Rate (%)
Call Money	5741	3.22	2.56-3.28	5961	3.28	2.71-3.52
Notice Money	1117	3.25	2.41-3.30	1651	3.26	2.38-3.50
Term Money @	41	-		67	-	3.25-6.50
CBLO	63185	2.91	2.32-3.28	50578	2.92	1.66-3.41
Market Repo	18961	2.95	1.50-3.15	15068	2.99	2.16-3.76

@: Range of rates during the month.
Source*: www.rbi.org.in. and www.ccilindia.com*

The daily average volume of call money transactions declined marginally by 4% to Rs 5,741 crore in February from Rs 5,961 crore in January. The daily average notice money volume also came down to Rs 1,117 crore in February from Rs 1,651 crore in January, a fall by 32%. The major collateralised instruments, viz., CBLO and market repo volumes showed in contrast an increasing trend; the volumes increased by 25% and 26%, respectively during the period of one month. Overall, the overnight market was more active in February than the other two segments of money market (Table 12.9).

RBI's Market Operations

Table12.10: Repo/Reverse Repo Amount Tendered under RBI's LAF and OMO Operations *(Amount in Rs crore)*

Month	Repo		Reverse Repo		Average Daily Injection (+) / Absorption (-)	Outstanding Amount @	OMO (Net Purchase (+)/Sale (-))
	Daily Average	Rate %	Daily Average	Rate %			
Apr-09	6	5.00/4.75	109650	3.50/3.25	-95915	88565	20292
May-09	24	4.75	130978	3.25	-129997	110685	16959
Jun-09	42	4.75	120768	3.25	-123153	87440	6451
Jul-09	46	4.75	129539	3.25	-126740	139690	5243
Aug-09	24	4.75	124355	3.25	-124488	121010	12073
Sep-09	105	4.75	121622	3.25	-124812	58520	14275
Oct-09	0	4.75	106430	3.25	-104047	58520	1082
Nov-09	0	4.75	104506	3.25	-104506	88680	1082
Dec-09	52	4.75	73114	3.25	-73061	42470	630
Jan-10	15	4.75	80654	3.25	-80639	88290	-8
Feb-10	0	4.75	80674	3.25	-80674	47430	-4

@: At the end of the month., Source: *RBI Weekly Statistical Supplement (WSS)*

The liquidity adjustment facility (LAF) auctions showed that the daily average amount absorbed through reverse repo in February, increased to Rs 80,674 crore from Rs 80,639 crore in

the previous month. The Reserve Bank's OMO window showed net sale of a meager Rs 4 crore (Table 12.10).

Interest Rate Futures

Table 12.11:Total Traded Turnover in Interest Rate Futures in NSE *(Amount in Rs crore)*

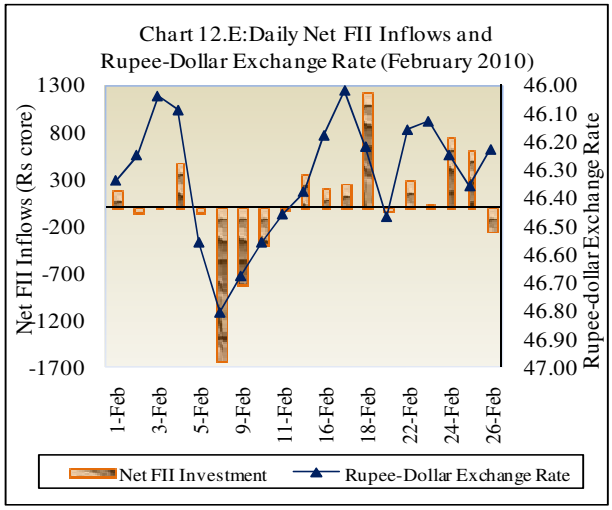
Month	No. of Contracts	Total Turnover	Average Daily Turnover *
Aug-09	14559	267.31	267.31
Sep-09	79648	1473.37	77.55
Oct-09	21198	394.11	19.71
Nov-09	18134	336.85	16.84
Dec-09	11687	215.32	10.25
Jan-10	6443	118.82	5.94
Feb-10	3124	57.42	3.02
Total	154793	2863.21	23.86

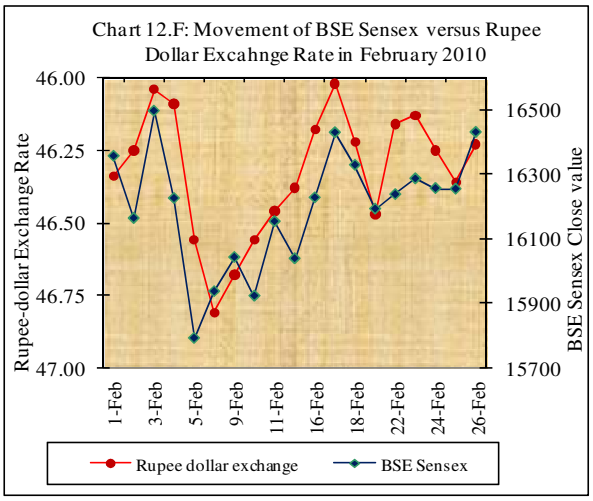
*Trading began on 31 August 2009.
Source: *NSE Website*

The interest rate futures segment of the NSE continued to show a lackluster participation from the market. This may probably be attributed to the steady demand-supply conditions contributing to a kind of firmness to the term structure of interest rates.

During the month of February, the turnover in interest rate futures witnessed a considerably low average daily volume of Rs 57.42 crore. The near-month contract garnered a total turnover of Rs 47 core while, the 3-month contract recorded a turnover of Rs 10.5 crore during the same period (Table 12.11).

12.6. Foreign Exchange Market





During the month of February, dollar appreciated against most of the other major currencies while depreciated against Rupee and Japanese Yen. The appreciating value of commodities such as gold and other metals restricted the strengthening of US dollar index and during February it was up by about 100 basis points over the previous month.

The inverse relationship between foreign capital inflows and rupee movement and the performance of domestic equity market were very much evident during the month. During the initial part of the month, the huge outflow from the markets kept the rupee under pressure and also restricted the equity markets improving their performance. The equity indices registered meager returns over a period of one month. FIIs' flows however recovered during the second half of the month and inflows into equity market increased to $2.7 billion in February from an outflow of $0.9 billion in January (Chart 12 E and F).

Table 12.12: Foreign Exchange Market: Select Indicators

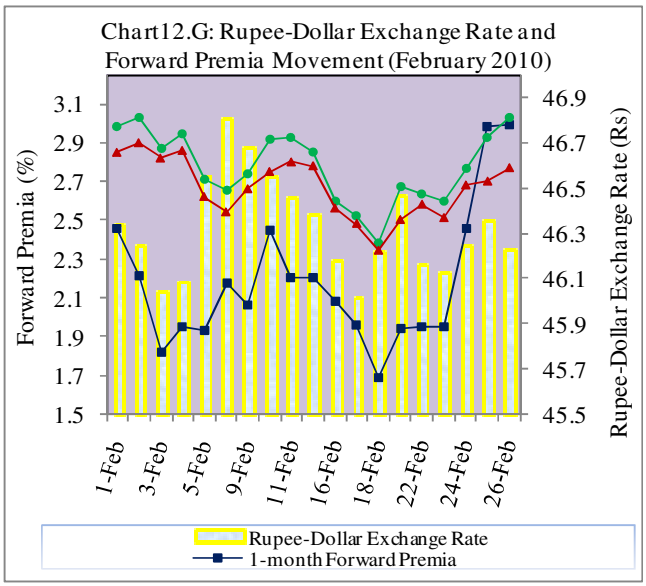
Month	Rs/$ Reference Rate (Last Friday of the month)	Appreciation (+) /Depreciation (-) of Rs/$ (in %)	FII Flows (US $ million)	Net purchases by RBI (US $ million)	BSE Sensex (closing)	US Dollar Index
Apr-09	50.20	1.45	1790	(-) 1071	11403	84.70
May-09	47.30	5.80	3577	(+) 131	14625	79.43
Jun-09	47.90	-1.20	1059	(+) 745	14494	80.43
Jul-09	48.20	-0.60	2727	(+) 800	15670	78.45
Aug-09	48.90	-1.50	945	(+) 619	15667	78.22
Sep-09	48.05	1.75	4263	(+) 539	17127	76.86
Oct-09	46.96	2.30	3428	(+) 464	15896	76.47
Nov-09	46.78	1.03	1330	(+) 500	16926	74.93
Dec-09	46.73	-0.53	1873	(+) 525	17465	78.22
Jan-10	46.37	0.78	1849	(+) 525	16358	79.65
Feb-10	46.37	0.30	445	Not available	16430	80.44

Source: *RBI (www.rbi.org.in), BSE (www.bseindia.com), SEBI (www.SEBI.gov.in), Imf.org.in, www.futures.tradingcharts.com*

The rupee started appreciating against dollar from the beginning of the month and continued the trend till 3 February and rose to Rs 46.04 per dollar with news of India's strong economic recovery gathering momentum. The Purchasing managers' index compiled by HSBC Holdings and Markit Economics showed that India's manufacturing output rose the most in 17 months and stood at 57.6 in January. From 4 February, rupee started to depreciate following the unexpected job losses in the US, and fell to Rs 46.81 per dollar by 8 February. Dollar buying by importers and the weakness of the domestic equity indices also exerted pressure on the rupee. The gradual withdrawal of foreign capital from domestic markets also fuelled the rupee to depreciate further. On 9 February, rupee bounced back and stood at Rs 46.68 per dollar and continued to appreciate till 17 February and rose to Rs 46.02 against the dollar. The rupee's gaining streak was arrested for two days following the strengthening of greenback against other global currencies. However, on 22 February, rupee appreciated marginally tracking domestic equity markets. The dollar weakened during the last week of the month but recovered after the

German confidence data. The strengthening of dollar against Euro and other major currencies in the overseas markets and also demand from oil companies restricted the rupee to appreciate further and the currency ended the month at Rs 46.23 per dollar on 26 February (Appendix XVI and Table 12.12).

i) Forward Premia



The 3-month and 6-month forward premia showed a mixed trend during the beginning of the month as there was paying interest after the announcement of the inflation numbers during the initial part of the month. However, exporters sold forward dollars which led to receiving interest and softening of the rates across 3-month and 6-month maturities. While the 1-month premium on 26 February stood firmer at 2.99% (2.59% in January-end), 3-month at 3.03% (3.19%) and 6-month premium ending at 2.77% (2.98%), showed some hardening respectively (Chart 12 G).

Turnover in the Foreign Exchange Market

Table 12.13: Turnover in the Foreign Exchange Market * *(In US $ billion)*

Month	Merchant		Interbank		Spot		Forward		Total	
Apr-09	178.2	-(16.8)	577.4	-(14.5)	317.2	-(22.8)	438.5	-(8.4)	755.6	-(15.1)
May-09	214.2	(20.2)	675.3	(16.9)	411.0	(29.6)	478.5	(9.1)	889.5	(17.7)
Jun-09	232.1	(8.3)	705.9	(4.5)	453.0	(10.2)	485.0	(1.4)	938.0	(5.4)
Jul-09	209.2	-(9.9)	699.1	-(1.0)	439.4	-(3.0)	468.9	-(3.3)	908.3	-(3.2)
Aug-09	193.5	-(7.5)	543.8	-(22.2)	368.0	-(16.3)	369.4	-(21.2)	737.4	-(18.8)
Sep-09	211.8	(9.5)	580.6	(6.8)	421.1	(14.4)	371.4	(0.5)	792.4	(7.5)
Oct-09	243.3	(14.9)	594.7	(2.4)	440.6	(4.6)	397.4	(7.0)	838.0	(5.8)
Nov-09	213.1	-(12.4)	573.4	-(3.6)	426.9	-(3.1)	359.6	-(9.5)	786.4	-(6.2)
Dec-09	218.2	(2.4)	603.5	(5.3)	421.4	-(1.3)	400.3	(11.3)	821.7	(4.5)
Jan-10	213.2	-(2.3)	653.4	(8.3)	466.2	(10.6)	400.4	(0.0)	866.6	(5.5)

*: Includes trading in FCY/ INR and FCY/FCY Figures in brackets are % change over the previous month.
Source: *Weekly Statistical Supplement, Various Issues*

During the month of January, the turnover in the foreign exchange market recorded a growth of 5.5% over December, following the appreciation of rupee against other currencies

from past two months. The turnover in merchant segment showed a dip of 2.3% while interbank transactions recorded a growth of 8.3% over the previous month. The spot market turnover witnessed a marked improvement of 10.6%, while that of forward market transactions remained almost unchanged during the same period (Table 12.13).

ii) Currency Futures

Currency futures market witnessed a marginal improvement during February and the average daily turnover increased by 5% over January. The average daily turnover in the MCX-SX and NSE stood at Rs 16,981 crore and Rs 12,993 crore respectively, aggregating Rs 29,974 crore. The total number of contracts in exchange traded currency futures segment showed a dip of 6% while the notional value remained flat at around Rs 5, 69,000 crore compared to previous month. The open interest (OI) slipped by 3% at the end of the month over January-end (Table 12.14).

Table 12.14:Trading in Exchange Traded Currency Futures in January 2010 *(Amount in Rs crore)*

Exchanges	No. of contacts	Notional Value	% share	Open Interest @	Average Daily Turnover
MCX-SX	64773311	322635	56.65	537524	16981
NSE	52112185	246875	43.35	637465	12993
Total	**116885496**	**569511**	**100**	**1174989**	**29974**

@:at the month-end
Source: *BSE,NSE, MCX-SX websites.*

Three new currency pairs, i.e., EURO / INR, GBP / INR and JPY / INR were offered by NSE and MCX Stock Exchanges from 1 February 2010. Among the new currency pairs introduced in the exchanges, the EUR/ INR witnessed the highest turnover than the other two currency pairs in both the exchanges. According to market experts, derivative trade in new pair of currencies will help exporters and importers who have interest in the European market, while the Japanese yen being a more volatile currency will provide more speculative opportunities to the retail traders.

12.7. Summing Up

With strong signals of economic recovery, the Finance Minister preferred a more balanced approach in devising the budget withholding some stimuli and consolidating the fiscal position. The country's equity indices returned to their winning streak during the month following the announcement of Annual Budget 2010-11. The market's performance was also prompted by positive economic conditions and inflows from foreign funds.

13 COMMODITY DERIVATIVES MARKET

13.1 Overview

Indian commodity futures market is on tenterhooks, since opposition parties have launched protests in Parliament on 23 February to ban trading in some commodities following the rising prices of vegetables and pulses which had led to spiralling of food inflation during the past few months. The authority may now heave a sigh of relief as retail prices have started to soften both in spot and futures markets amid fears of a ban.

The turnover in commodity exchanges has seen a rise particularly in agri-based products after the suspension of ban on several commodities in recent times. The turnover in agri-commodities almost doubled this month compared to the corresponding month previous year but recorded a marginal fall over the previous month. According to *Economic Survey* agricultural commodities accounted for 38% of the total volume of trade during the calendar year 2009.

13.2 Turnover in Commodity Exchanges

Turnover of four national level commodity exchanges and 19 regional bourses soared by 53% to Rs 7,38,892 crore in February this year from Rs 4,84,236 crore during the corresponding month last year. Higher turnover was witnessed in bullion, energy and some of the agricultural commodities, since after the suspension on five out of eight commodities. But, the total turnover of futures trading in agriculture commodities of 22 commodity exchanges depicted slowdown over the previous month. The four national commodity exchanges- Multi Commodity Exchange (MCX), National Commodity & Derivatives Exchange (NCDEX), National Multi Commodity Exchange (NMCE) and Indian Commodity Exchange (ICEX) together recorded a turnover of Rs 7,31,348 crore during the month which has been 4% higher compared to Rs 7,00,412 crore in the previous month (Table 13.1). MCX has continued to rule the top position in terms of value of trade during the month by registering the highest turnover and 10% growth over January. NMCE also followed the same trend and registered 1% growth over the previous month. But, the turnover of NCDEX and ICEX displayed declines over the period of one month.

Table 13.1: Monthly Turnover of Commodity Exchanges *(Amount in Rs crore)*						
Sr No	Commodity Exchange	April-February		February		January
		2010	2009	2010	2009	2010
1	Multi Commodity Exchange of India Limited, Mumbai (MCX)	5765398 (82.7)	4059956 (87.4)	616951 (83.5)	427419 (88.3)	562697 (79.5)
2	National Multi-Commodity Exchange of India Limited, Ahmadabad (NMCE)	208243 (3.0)	39637 (0.9)	17105 (2.3)	8295 (1.7)	16990 (2.4)
3	National Commodity & Derivatives Exchange Ltd. Mumbai (NCDEX)	819303 (11.8)	492770 (10.6)	71384 (9.7)	41740 (8.6)	87824 (12.4)
4	Indian Commodity Exchange Limited (ICEX)#	101308 (1.5)	nil	25907 (3.5)	nil	32901 (4.7)
5	Chamber of Commerce, Hapur	9972 (0.1)	8097 (0.2)	615 (0.1)	572 (0.1)	811 (0.1)
6	National Board of Trade, Indore (NBT)	53026 (0.8)	26283 (0.6)	4854 (0.7)	4021 (0.8)	4719 (0.7)
Total (including others)*		6969746 (100)	4644498 (100)	738892 (100)	484237 (100)	707529 (100)

Note:* Total includes the monthly turnover of the remaining 17 commodity exchanges.
ICEX started operating from 27 November 2009.
Figures in brackets denotes percentage share in the total turnover.
Source: *www.fmc.gov.in*

13.3 Commodity-wise Turnover

After a steady decline over the past two months, the share of non-agricultural commodities, including base metals, precious metals and oil, has seen a notable recovery in February 2010 following the downturn in the trading in agri-commodities. During the month, the share of gold and silver together contributed to around 44.3% of the total turnover as against 42.7% recorded in the previous month. The share of gold in the total trading witnessed a remarkable dip over the corresponding month previous year due to increased value of the commodity. As the prices were stable from past several months, the investors preferred investing in commodities other than bullion. Whereas, share of base metals have shown remarkable improvement, as their combined turnover has increased by 26.8% as against 24.2% rise recorded during the last month.

Apprehensions of possible ban on few major agricultural commodities like wheat, chana, etc. due to increase in prices of food items diverted most of the investors away from investing in these commodities which alternatively saw turnover declining during this month against the previous month. However, compared to February 2009, the turnover in agri- poroducts recorded two-fold rise during the same month this year (Table 13.2).

Table13.2: Commodity-wise Turnover						
Commodity	Feb-2010		Jan-2010		Feb-2009	
	Trading on all Exchanges (Rs crore)	Percentage to total Turnover	Trading on all Exchanges (Rs crore)	Percentage to total Turnover	Trading on all Exchanges (Rs crore)	Percentage to total Turnover
Metal						
Gold	204754.3	27.7	109863.3	27.1	235292	48.6
Silver	122645.5	16.6	110282.1	15.6	78039	16.1
Copper	102359.4	13.9	82232.0	11.6	31067	6.4
Zinc	38024.7	5.1	34352.6	4.9	4365	0.9
Nickel	30019.6	4.1	26440.1	3.7	2907	0.6
Lead	27931.6	3.8	28312.0	4.0	1988	0.4
Crude Oil	96250.7	13.0	81341.3	11.5	69758	14.4
Natural Gas	15540.7	2.1	29225.3	4.1	-	-
Total	637526.6	86.3	502048.7	82.6	423415.8	87.4
Agricultural Products						
Pepper	1444.0	0.2	1839.3	0.3	485	0.1
Jeera	2672.2	0.4	4238.2	0.6	1561	0.3
Castor Seed	1510.4	0.2	1108.3	0.2	1922	0.4
Gaur seed	24842.1	3.4	29479.9	4.2	5661	1.2
R/M seed	9361.4	1.3	11373.7	1.6	6377	1.3
Soy Bean	11876.1	1.6	12561.3	1.8	10785	2.2
Turmeric	3071.1	0.4	2318.0	0.3	5402	1.1
Soy Oil	14226.3	1.9	19064.3	2.7	7323	1.5
Chana	7112.2	1.0	6528.5	0.9	-	-
Total	76115.8	10.3	88511.5	12.5	39516.3	8.2
Source: *www.fmc.gov.in*						

13.4 Price Movements

The prices of most of the traded commodities in commodity exchanges have shown diminishing trends in the first fortnight of February 2010 over the corresponding period last month both in spot as well as in futures market. Prices of key commodities also fell, stung by surge in the dollar after a surprise hike in the US Federal Reserve discount rate, leading investors to examine the basis of major investment in the asset class.

Among the non-agricultural commodities, prices of gold observed a mixed trend during February and the prices decreased in spot and futures market in the beginning of the month but reported gains during the second half of the month. Prices of silver also followed the same trend and depicted a fall of around 13% during the first fortnight of the month; however, during the second fortnight prices recovered both in spot and futures market. Similarly, other base metals including copper, zinc and lead have recorded descending price movements during the first half of the month while in later weeks prices have shown an upward trend. Nickel depicted a continued appreciation from the beginning of the month and recorded a marked growth of 9%

and 13%, respectively in spot and futures market. Crude oil futures rose on hopes of economic recovery in the major oil consuming country like the US and a slight weakness in dollar against other global currencies which boosted oil's appeal as an alternative asset. The rally in oil was also supported by cold weather in the US and the Europe triggering demand for distillate fuel which includes heating oil.

Table 13.3: Movement of Prices in Major Commodities *(Amount in Rupees)*

	Price per Unit	February-2010				January-2010			
		1st Fortnight Ending		2nd Fortnight Ending		1st Fortnight Ending		2nd Fortnight Ending	
		Spot	Near Month Futures	Spot	Near Month Futures	Spot	Near Month Futures	Spot	Near Month Futures
Metal									
Gold	10 gms	16535	16605	16789	16789	16785	16838	16230	16200
Silver	1 kg	24480	24529	25839	25767	28005	28429	25500	25500
Copper	1 kg	316	318	333	335	340	340	312	311
Zinc	1 kg	101	102	100	101	111	112	98	98
Nickel	1 kg	881	894	948	972	837	850	868	860
Lead	1 kg	99	101	99	100	111	112	95	94
Crude Oil	Per barrel	3444	3432	3683	3669	3243	3297	3380	3378
Natural Gas	1mmBtu	254	254	223	221	254	262	238	240
Agricultural Product									
R/M seed	20 kg	521	488	489	477	592	594	498	475
Turmeric	100 kg	9824	7151	8835	7586	10445	7284	10748	6975
Gaur seed	100 kg	2492	2481	2377	2350	2528	2523	2378	2346
Soy Bean	100 kg	2167	1299	2072	2085	2195	2213	2052	2070
Jeera	100 kg	11879	11322	11641	11468	13385	12586	12240	11849
Pepper	100 kg	13305	12935	13107	12856	13589	13180	13640	13518
Chana	101 kg	2300	2218	2171	2158	2373	2339	2250	2185
Soy Oil	10 kg	456	458	456	462	468	468	446	446

Source: *www.fmc.gov.in*

Of the traded commodities in the commodities exchanges, agricultural commodities have shown prices moving downwards during the whole month on prospects of a better rabi or winter crop and government's measures on curbing rising prices. Turmeric prices fell the most in futures market during the month because of increased arrivals at the terminal markets. Low exports and reports of higher production added the bearish sentiments, as arrival of the new turmeric crop normally starts from mid-January. Following a bumper yield, jeera prices also remained under pressure but low carryover stocks and good export demand restricted the prices to fall further. As the rabi season is progressing well, the expectations of higher rabi output have

resulted in a declining trend in prices of most of the agri-commodities like pulses and other rabi crops (Table 13.3).

13.5 Major Policy Developments

FMC Examining NCDEX Proposal on Jaypee Cap

Commodity market regulator Forward Markets Commission (FMC) is examining a proposal by NCDEX to induct Delhi-based broker Jaypee Capital Services as a strategic investor (to sell fresh equity in phases) in the leading bourse. According to FMC chairman NCDEX has proposed to sell fresh equity to Jaypee Capital in phases.

NCDEX Doesn't Come Under RTI: CIC

Central Information Commission *(CIC)* has detained that NCDEX which trades in agricultural commodity futures, does not come under the ambit of RTI Act and is not liable to provide any information under it.

MCX Becomes World's Sixth Largest Commex

As per a statement from MCX, the exchange has emerged as the 6th largest commodity futures exchange in the world in terms of number of contracts traded during January – December 2009. MCX traded 161.17 million contracts in 2009, up from 71% from 94.31 million in 2008. MCX has become the largest trading exchange in silver, the second largest in gold, copper and natural gas and the third largest in crude oil futures in the world in terms of number of futures contracts traded during 2009. It has established India's status as a 'price setter' from being a 'price taker".

ICEX Founders to Divest 5% Stake to Overseas Bourse

The promoters of ICEX, country's new commodity bourse, may sell about 5% stake to an overseas exchange in the next six months. Under Indian rules, foreign companies, funds and exchanges are allowed to hold up to 49% in a local commodity exchange though single holdings are capped at 5%.

NBOT Takes a Fresh Shot at Demutualisation

As per media sources, the Indore-based National Board of Trade (NBOT), a major futures market for edible oils, is making a fresh attempt at demutualisation by selling equity to trading members and financial institutions to become a national commodity exchange. NBOT has been under a vague after its previous attempts at demutualisation were investigated by market regulator FMC for alleged irregularities. A national exchange status would allow NBOT to compete on par with other national exchanges like MCX, NCDEX, NMCE and ICEX, especially in the highly-volatile edible oil and meals contracts.

Turmeric Futures Margin

Agriculture commodities bourse NMCE has reduced the margin (amount that investors need to deposit for trading) in turmeric futures by 10%. With this cut being effective from 22 February, investors need to deposit only 15% of the value of turmeric they intend to trade in. Earlier, the margin was 25%.

E-Auction of Wheat under OMSS

As per media sources, a pilot project to e-auction wheat under the open market sale scheme (OMSS) would be launched by the Food Corporation of India (FCI) during the first week of March. Initially the process would be launched in Delhi and Andhra Pradesh. The e-auction intends to cut down prices of wheat offered under the OMSS by reducing transaction cost. Earlier, the e-auction of wheat scheduled in December 2009 on a pilot basis in Delhi, Karnataka, Andhra Pradesh and Haryana. Subsequently, the launch was postponed to January 2010 because of time constraints. The FCI is expected to use the platform of NCDEX Spot Exchange and National Spot Exchange for electronic auction of wheat under the OMSS.

Fidelity offloads 2% stake in MCX to Passport India

According to market sources, leading foreign institutional investor Fidelity International is said to have sold around 2% stake in MCX to Passport India (an existing shareholder in the commodity bourse) abiding by the government norms that restrict a single foreign investor's shareholding in a commodity bourse to 5% by 31 March 2010. With this, Fidelity's stake will come down to 7% while Passport India's shareholding in MCX will rise to 5%. No confirmation has been available on the pricing of the transaction.

Review of Commodity Futures Market in Economic Survey

As per the Economic Survey 2009-10, commodities traded on the commodity futures market during 2009 included a variety of agricultural commodities, bullion, crude oil, energy and metal products. Several new commodities were introduced for futures trading in 2009, such as almond, imported thermal coal, carbon credits and platinum. Agricultural commodities, bullion and energy accounted for a larger share of the commodities traded in the commodities futures market during the calendar year 2009. The total value of trades in the commodity futures market rose from Rs 50.34 lakh crore in 2008 to Rs 70.90 lakh crore during 2009. The MCX recorded the highest turnover in terms of value of trade during 2009, followed by the NCDEX and NMCE, respectively. During the year, a new commodity exchange, ICEX, became operational. Besides, a scheme of up-gradation of Ahmadabad Commodity Exchange to National Commodity Exchange status had been approved. During the calendar year 2009 value of trade in agricultural commodities was about 16.33%. Agricultural commodities, however, accounted for 38% of the total volume of trade. In value terms, bullion accounted for the maximum share of commodity groups followed by energy and metals.

Development of Electronic Spot Exchanges

During 2009, there was a significant expansion of spot exchanges' trading facilities, namely, the National Spot Exchange Ltd. (NSEL), NCDEX spot Exchange Ltd. (NSPOT) and National Agriculture Produce Marketing Company of India Ltd. (NAPMC) in the country. These spot exchanges have created an avenue for direct market linkage among farmers, processors, exporters and end users with a view to reducing the cost of intermediation and enhancing price realisation by farmers. The spot exchanges will encompass the entire spectrum of commodities across the country and will bring home the advantages of an electronic spot trading platform to all market participants in the agricultural and non-agricultural segments. On the agricultural side, the exchanges would enable farmers to trade seamlessly on the platform by providing real-time access to price information and a simplified delivery process, thereby ensuring the best possible price. Therefore, the efficiency levels attained as a result of such seamless spot transactions would result in major benefits for both producers and consumers. These spot exchanges will also provide a platform for trading of warehouse receipts.

National Spot Exchange Helps Farmers Get Proper Realisation

Since its inception around a year-and-a-half back, National Spot Exchange Ltd (NSEL), promoted by a consortium of companies including Financial Technologies, promoter of the country's largest commodity exchange, MCX, has seen participation of more than 30,000 farmers in its electronic trading platform. According to a senior NSEL official, farmers' realisation has been increasing due to reduction of intermediaries between farmers and buyers.

13.6 Summing Up

There was an expectation that the Union Budget would consider the issues like the introduction of options trading, passing of the FCRA Bill and permitting FIIs/banks/MFs to trade in commodities. The Union Budget 2009-10 belied these expectations. Measures such as foreign direct investment and single investor limits for commodity exchanges, which are likely to help bring international best practices to the markets, also did not find a place in the budget. Perhaps, the cautious attitude stems from the fear that further reforms in this segment might precipitate inflationary fears. The intended benefits of price discovery and risk mitigation are already being derived from the exchanges, but according to industry experts deeper penetration and increased industry participation will make both these advantages all the more efficient and support commodities trading and facilitate India to take its rightful place in world commodities markets.

14. EXTERNAL SECTOR DEVELOPMENTS

14.1 Introduction

India's merchandise trade continued to show signs of recovery, though this was partly on account of a low base. With investors showing immense confidence in emerging market economies like India, foreign investment inflows, especially FII flows are expanding continuously. This has, however, put pressure on the rupee. This is likely to hurt the export sector that has just started showing signs of revival, unless the RBI's interventions arrest undue appreciation.

14.2 India's Merchandise Trade

India's merchandise exports registered a growth rate of 11.5% in January 2010, as against a decline of 12.6% in January 2009. After having exhibited a fall for thirteen straight months, exports have started along a positive trend since November 2009. Since then, there has been an uptrend in its y-o-y growth rate. During April-January 2009-10, merchandise exports still showed a decrease of 17.8%, as compared to a growth of 25.9% in the corresponding period of the previous fiscal year.

Imports grew by 35.5% in January 2010 over a fall of 19.2% in the corresponding month of the previous year. Oil imports recorded a growth of 56% in January 2010 after showing a drop of 46.8% in January 2009. The significant growth in oil imports is purely on account of a rise in crude oil prices by more than 70% from January 2009 to January 2010. Non-oil imports witnessed a growth rate of 28.8% in the month under review, as against a decrease of 2.5% in January 2009. This is the second month in line that non-oil imports have shown a y-o-y growth, after declining consistently since December 2008. The rise in non-oil imports reflects resurgence of demand for domestic consumption as well as goods imported as raw materials for production intended for the export market. During April-January 2009-10, total imports decreased by 19.7%, of which oil imports declined by 25.3% and non-oil by 17.1%. In the corresponding period of the last fiscal, imports had shown a growth of 40%.

The faster rise in imports than that in exports has led to a widening of trade deficit. In January 2010, trade deficit stood at US $10.4 billion, 93.4% higher than that in January 2009.

During the fiscal year so far, trade deficit amounted to US $86.6 billion, 22.4% lower than that in the corresponding period last fiscal.

Table 14.1: India's Merchandise trade

(US $ million)

	January				April-January			
	2010		2009		2009-10		2008-09	
Exports	14343	(11.5)	12869	(-12.6)	131930	(-17.8)	160438	(25.9)
Imports	24705	(35.5)	18228	(-19.2)	218534	(-19.7)	272037	(40.0)
Oil	7053	(56.0)	4522	(-46.8)	63971	(-25.3)	85623	(36.1)
Non-Oil	17652	(28.8)	13706	(-2.5)	154563	(-17.1)	186414	(41.9)
Trade Deficit	10362		5359		86604		111599	

Note: Figures for 2009 are the latest revised whereas those for 2010 are provisional.
Figures in brackets are growth rates over the same period previous year.
Source: DGCI&S *(www.commerce.nic.in)*

14.3 Foreign Exchange Reserves

The country's foreign exchange reserves stood at a comfortable position, totalling US $278.4 billion by end-February 2010. This marked a US $29.1 billion increase over the previous year. Gold component was augmented by US $8.2 billion from end-February 2009 to end-February 2010. Special drawing rights and reserve position in the IMF increased by US $5.1 billion and US $577 million, respectively during the same period.

Table 14.2: Foreign Exchange Reserves (2010)

(Rupees in crore and US $ in million)

Week Ending	Foreign Currency Assets		Gold*		SDRs		Reserve Tranche Position in IMF		Total	
	Rs	*US $*	*Rs*	*US $*	*Rs*	*US $*	*Rs*	*US $*	*Rs*	*US $*
5-Feb	11,83,438	254,175	83,724	18,056	23,664	5,082	6,525	1,401	12,97,351	278,714
12-Feb	11,83,320	254,696	83,724	18,056	23,479	5,054	6,474	1,393	12,96,997	279,199
19-Feb	11,81,281	254,203	83,724	18,056	23,360	5,027	6,441	1,386	12,94,806	278,672
26-Feb	11,74,202	253,991	82,845	17,920	23,360	5,053	6,441	1,393	12,86,848	278,357

*: Gold is valued at average London market price during the month.

Change in reserves is due to valuation effects.
Source: RBI, *Weekly Statistical Supplement*

On account of large capital inflows into the country in recent times, foreign currency assets have witnessed a huge surge. As on 26th February, 2010, foreign currency assets totalled US $254 billion, a rise of US $15.3 billion over the year. However, in rupee in terms, they showed a decline of 36,800 crore. Over the month of February 2010, foreign currency assets have witnessed a fall, mainly due to revaluation effects.

Table 14.3: Foreign Currency Assets (2010)										
(Rupees in crore and US $ in million)										
Week Ending	Foreign Currency Assets		Variation over the week		Variation over End-March 2009		Variation over End-Dec 2009		Variation over the year	
	Rs	*US $*	*Rs*	*US $*	*Rs*	*US $*	*Rs*	*US $*	*Rs*	*US $*
05-Feb	11,83,438	254,175	-5,315	-2,187	-46,628	12,749	-23,627	-4,408	5,068	12,359
12-Feb	11,83,320	254,696	-118	521	-46,746	13,270	-23,745	-3,887	14,150	14,719
19-Feb	11,81,281	254,203	-2,039	-493	-48,785	12,777	-25,784	-4,380	-14,227	14,382
26-Feb	11,74,202	253,991	-7,079	-212	-55,864	12,565	-32,863	-4,592	-36,800	15,276
Source: *RBI, Weekly Statistical Supplement*										

14.4 Foreign Investment Inflows

Foreign direct investment (FDI) in January 2010 declined by 25.2% to US $2.04 billion from UD $2.7 billion in January 2009. However, the inflow has been greater than that in the last two months. During April-January 2009-10, FDI inflows stood at US $28.5 billion, 1.1 billion higher than that in the corresponding period last fiscal. Portfolio investments continued to increase and totalled US $3.1 billion in January 2010 as against a net outflow of US $614 million in the comparable month last year. Also, ADR/GDRs, which were nil in January 2009, amounted to US $46 million in the month under review. During the fiscal so far, net inflow of portfolio investments totalled US $26.8 billion over an outflow of US $11.8 billion during April-January 2009-10. Total foreign investments, thus, amounted to US $55.4 billion during April-January 2009-10, recording a whopping increase of 256% over the same period last year.

NRI deposits during the fiscal so far increased by 41.8% over the corresponding period of the previous year. However, in January 2010, NRI deposits witnessed a net outflow of US $64 million as against an inflow US $99 million in January 2009. This is the second consecutive month in the fiscal year that NRI deposits have witnessed a net outflow.

Table 14.4 Foreign Investment Inflows and NRI Deposits				
(US $ million)				
Item	January		April-January	
	2010	2009	2009-10	2008-09
(A)Direct Investment	2,042	2,733	28,548	27,426
Equity	2,042	2,733	23548	24219
Reinvested Earnings	..	..	3,831	3004
Other Capital	..	..	1,169	203
(B) Portfolio Investment	3139	-614	26,839	-11881
ADRs/GDRs	46	..	3,228	1142
FIIs	3093	-614	23,611	-13023
Offshore funds and others	..	..	..	..
Total (A+B)	5,181	2,119	55,387	15,545
NRI Deposit Inflow	-64	99	3138	2213
Monthly data on components of FDI as per expanded coverage are not available.				
Source: *RBI Bulletin*				

14.5 ECBs/FCCBs

External commercial borrowings in January 2010 stood at US $1.32 billion, marginally lower than US $1.34 billion of January 2009. ECBs/FCCBs in the month under review were also the lowest in the last 4 months. The fall in ECB/FCCB borrowings could be on account of the RBI's tightening of interest rate norms for ECB/FCCB, which were made effective from January 2010 onwards.[1]

A total of 44 entities borrowed through the approval route, while 5 companies borrowed via the automatic route in the month under review. The largest borrowing through the automatic route was made by Indian Oil Corporation (US $500 million), while EXIM Bank borrowed the largest amount (US $300 million) through the approval route.

Table 14.5: Data on ECBs/FCCBs

(US $ million)

Month	2010			2009		
	Automatic	Approval	Total	Automatic	Approval	Total
January	889.2	430.6	1319.8	764.1	573	1337.1
February				320.9	131.7	452.6
March				856.7	257.1	1113.8
April				275.6	23.1	298.7
May				326.7	167.6	494.3
June				573.2	1345.9	1919
July				1940.9	74.2	2015.2
August				934.8	154.7	1089.5
September				331.9	1177.6	1509.5
October				2340.1	245.6	2585.7
November				721.5	1632.2	2353.7
December				1256.5	313	1569.5

Source: *Reserve Bank of India*

14.6 Movements in REER and NEER

The rupee appreciated for the fourth successive month in real terms, with the 36 currency trade based real effective exchange rate (REER) having reached 96.26 in January 2010, 7.2% higher than that in January 2009. The currency appreciation over the last one month was 2.8%. The export-based index (REER) appreciated by 2.9% in January 2010 over December 2009. In nominal terms too, the rupee has appreciated by about two percentage points from December

[1] See Chapters on Money and Banking and External Sector Developments in the Monthly Economic Review of December 2009 for more details.

2009 to January 2010. The weekly movement in the 6-currency trade based weights also indicates a rising rupee, in both nominal as well as real terms.

Table 14.6: Indices of REER and NEER of the Indian Rupee

Year/Month	36-Currency Export and Trade based Weights				6-Currency Trade Based Weights			
	Base: 1993-94=100				Base: 1993-94=100		Base: 2007-08=100	
	Trade Based		Export Based					
	NEER	REER	NEER	REER	NEER	REER	NEER	REER
2009-10 (P)								
As on								
19-Feb					65.13	110.26	87.12	96.52
11-Feb					64.5	109.19	86.27	95.59
5-Feb					64.43	109.09	86.19	95.49
29-Jan					64.2	108.69	85.87	95.14
January	86.29	96.26	83.56	95.76	64.30	108.86	86.01	95.29
December	84.73	93.62	81.95	93.03	62.79	106.26	83.99	93.02
November	84.27	93.56	81.50	92.90	62.30	105.81	83.34	92.63
October	84.31	92.06	81.53	91.36	62.40	103.97	83.47	91.01
September	82.18	90.01	79.36	89.25	60.61	101.25	81.08	88.63
August	83.13	90.26	80.21	89.54	61.22	101.52	81.90	88.87
July	83.4	89.71	80.48	89.03	61.36	100.64	82.08	88.10
June	84.78	90.21	81.86	89.53	62.43	101.11	83.51	88.51
May	84.43	89.7	81.59	89.07	62.31	101.37	83.35	88.74
April	83.61	87.62	80.73	87.1	61.49	98.58	82.25	86.30
2008-09 (P)								
March	80.75	88.05	80.37	87.28	60.35	95.68	80.73	83.76
February	83.84	90.59	83.47	90.14	62.97	99.43	84.23	87.04
January	82.27	89.80	81.85	89.28	62.49	99.23	83.59	86.86
December	82.47	90.01	82.25	89.81	62.35	99.93	83.40	87.47
November	83.39	92.17	83.16	92.04	63.25	102.45	84.61	89.68
October	81.91	92.01	81.81	91.99	62.34	102.09	83.38	89.37
September	83.96	95.69	84.06	95.68	64.81	106.96	86.70	93.63
August	87.04	99.45	87.27	99.47	67.64	111.20	90.48	97.34
July	85.41	97.22	85.83	97.34	66.30	107.91	88.69	94.46
June	86.03	97.58	86.36	97.49	66.85	108.22	89.42	94.74
May	87.39	97.55	87.69	97.33	67.98	108.34	90.94	94.84
April	91.51	101.67	91.92	101.60	71.18	112.23	95.21	98.25
2007-08	93.91	104.81	95.30	104.12	74.76	114.23	100	100

Notes: Rise in indices indicates appreciation of rupee and vice versa.
Base year 2007-08 is a moving one, which gets updated every year.
Source*: RBI Bulletin.*

The huge capital inflows into the country have caused the continued appreciation of the rupee in nominal terms. The high inflation rates have led the currency to appreciate further in real terms. However, with signs of the domestic price level cooling off slightly, the rate of rise in REER is expected to decelerate, though at a slow pace.

14.7 Budget Provisions and its Impact on the External Sector

- To make the FDI policy user friendly, the government intends to consolidate all prior regulations and guidelines into one comprehensive document. This is expected to enhance clarity and predictability of our FDI policy to foreign investors.
- The interest subvention of 2% on pre-shipment export credit that was provided up to March 31, 2010 for exports in certain sectors has been extended for one more year for exports covering handicrafts, carpets, handlooms and SMEs. This has been done keeping in mind that the exports have not yet recovered completely from the adverse effects of the global recession.
- Customs duty on rhodium, a precious metal used for polishing jewellery has been reduced to 2%. This move is likely to ease production of gems and jewellery, which forms a major commodity of our export basket.
- Full exemption from import duty is available to specified raw materials required for the manufacture of sports goods, which are assuming importance as an export item. This is being expanded to cover a few more items.

14.8 Summing Up

The scenario of the external economy of India is definitely showing a positive turnaround compared to the year ago. However, there are concerns over rising capital inflows. The International Investment Position of India (IIP) as at December end 2009, which was released by the RBI recently, indicates a rise of US $33 billion in net liabilities of the country, primarily on account of increase in net inflow of direct investment and equity portfolio investment. This has led to an appreciation of the rupee, which in turn could affect the competitiveness of the country's exports.

Appendix I: India's Quarterly GDP Estimates and Projection for 2009-10 (at 2004-05 prices)

(Rs Crore)

Sector	2009-10*	2009-10						2008-09				
		(2009-10 CSO)	Q_4 (Calculated)	Q_4 As per Projection	Q_3	Q_2	Q_1	Total	Q_4	Q_3	Q_2	Q_1
1. Agriculture, Forestry & Fishing	**648702**	**649370**	**170690**	**170022**	**198676**	**124305**	**155699**	**650461**	**170780**	**204450**	**123180**	**152051**
	(-0.3)	(-0.2)	(-0.1)	(-0.4)	(-2.8)	(0.9)	(2.4)	(1.6)	(3.3)	(-1.4)	(2.4)	(3.2)
2. Industry	**1262888**	**1257950**	**328360**	**333298**	**323281**	**309911**	**296398**	**1163028**	**304965**	**289652**	**286138**	**282273**
	(8.6)	**(8.2)**	**(7.7)**	**(9.3)**	**(11.6)**	**(8.3)**	**(5.0)**	**(3.9)**	**(2.1)**	**(2.1)**	**(5.8)**	**(5.8)**
2.1. Mining & Quarrying	107100	107334	29537	29303	28066	24626	25105	98745	27379	25616	22481	23269
	(8.5)	(8.7)	(7.9)	(7.0)	(9.6)	(9.5)	(7.9)	(1.6)	(-0.3)	(2.8)	(1.6)	(2.6)
2.2. Manufacturing	711500	707512	183979	187967	184159	175772	163602	649635	169232	161145	160977	158281
	(9.5)	(8.9)	(8.7)	(11.1)	(14.3)	(9.2)	(3.4)	(3.2)	(0.6)	(1.3)	(5.5)	(5.9)
2.3. Electricity, Gas & Water Supply	88601	88590	23690	23701	21452	21871	21577	81866	20736	20454	20356	20320
	(8.2)	(8.2)	(14.2)	(14.3)	(4.9)	(7.4)	(6.2)	(3.9)	(4.1)	(4.0)	(4.3)	(3.3)
2.4. Construction	355687	354514	91154	92327	89604	87642	86114	332782	87618	82437	82324	80403
	(6.9)	(6.5)	(4.0)	(5.4)	(8.7)	(6.5)	(7.1)	(5.9)	(5.6)	(3.0)	(8.0)	(7.1)
3. Services	**2549062**	**2545743**	**706172**	**709491**	**636808**	**614770**	**587993**	**2341484**	**634243**	**599065**	**562664**	**545512**
	(8.9)	**(8.7)**	**(11.3)**	**(11.9)**	**(6.3)**	**(9.3)**	**(7.8)**	**(9.8)**	**(8.3)**	**(11.4)**	**(9.6)**	**(9.8)**
3.1. Trade, Hotels, Transport and Communication	1176950	1174320	311270	313900	299645	283247	280158	1084764	292140	272350	260992	259282
	(8.5)	(8.3)	(6.5)	(7.4)	(10.0)	(8.5)	(8.1)	(7.6)	(5.7)	(4.4)	(10.0)	(10.8)
3.2. Financing, Insurance, Real Estate & Business Services.	771311	770443	217405	218273	190800	181986	180252	701338	188640	176998	168962	166738
	(10.0)	(9.9)	(15.2)	(15.7)	(7.8)	(7.7)	(8.1)	(10.1)	(12.3)	(10.2)	(8.5)	(9.1)
3.3. Community, Social & Personal Services	600801	600980	177497	177318	146363	149537	127583	555382	153463	149717	132710	119492
	(8.2)	(8.2)	(15.7)	(15.5)	(-2.2)	(12.7)	(6.8)	(13.9)	(8.8)	(28.7)	(10.4)	(8.7)
GDP at Factor Cost	**4460652**	**4453063**	**1205222**	**1212811**	**1158765**	**1048986**	**1040090**	**4154973**	**1109988**	**1093167**	**971982**	**979836**
	(7.4)	**(7.2)**	**(8.6)**	**(9.3)**	**(6.0)**	**(7.9)**	**(6.1)**	**(6.7)**	**(5.8)**	**(6.2)**	**(7.5)**	**(7.6)**

* Based on projections Compilation by EPWRF

Notes : (i) Figures in brackets are growth rates

Source: CSO

Appendix II:Water Storage in the Major Reservoirs						
States	No. of Reservoirs	Live Capacity at FRL* (BCM)	Reservoir Storage (BCM)	Storage as a percentage of live capacity at FRL	Reservoir Storage (BCM)	Storage as a percentage of live capacity at FRL
			4-Mar-10		5-Mar-09	
Northern Region						
Himachal Pradesh	2	12.4	2.2	17.9	5.2	41.5
Punjab	1	2.3	0.6	25.2	0.5	22
Rajasthan	3	3.3	0.4	12.2	0.3	10.2
Total	*6*	*18*	*3.2*	*17.8*	*6*	*33.3*
Eastern Region						
Jharkhand	5	1.8	0.9	52	0.8	44.6
Orissa	7	15.3	7.5	49.2	5.3	34.9
West Bengal	2	0.3	0.2	76.3	0.3	98.7
Tripura	1	1.4	0	1.8	0	0.4
Total	*15*	*18.8*	*8.7*	*46.4*	*6.4*	*34.3*
Western Region						
Gujarat	8	10.9	3.4	31.1	4.6	41.9
Maharashtra	11	11	5	45.4	5.1	46.7
Total	*19*	*21.9*	*8.4*	*38.3*	*9.7*	*44.3*
Central Region						
Uttar Pradesh	2	6.4	1.5	23.6	1.8	28
Uttrakhand	2	4.8	1.3	27.6	1.9	39.2
Madhya Pradesh	5	26.9	6.3	23.4	4.8	18
Chhattisgarh	2	3.8	1.6	41.2	2.1	56.2
Total	*11*	*41.8*	*10.7*	*25.6*	*10.6*	*25.5*
Southern Region						
Andhra Pradesh	5	20	6.9	34.5	7.3	36.5
Karnataka	14	23.3	10.2	43.9	6.7	28.6
Kerala	5	3.6	1.8	51	1.7	46.2
Tamil Nadu	6	4.2	1.9	44.8	1.2	29
Total	*30*	*51.2*	*20.8*	*40.7*	*16.8*	*32.9*
Country Total	**81**	**151.8**	**51.8**	**34.2**	**49.6**	**32.7**

* Hydel Power Capacity Having Capacity More Than 60 mw, BCM: Billion Cubic Metre, FRL: Full Reservoir level

Source: Central Water Commission (www.cwc.nic.in)

Appendix III: Progress in Sowing of Major Rabi Crops as on March 5

(lakh hectares)

Crops	Normal	2009-10	2008-09	Percentage Variation
Total Foodgrains	**492.5**	**527.4**	**524.8**	**0.5**
Wheat	**271**	**278.2**	**275.9**	**0.8**
Rice	**39.8**	**39.6**	**43.2**	**-8.4**
Coarse Cereals	**62.5**	**65.3**	**68.7**	**-5**
Jowar	47.5	45.7	49.4	-7.5
Barley	6.3	7.6	7.2	5.8
Maize	8.7	11.6	11.8	-1.2
Total Cereals	**373.3**	**383**	**387.9**	**-1.2**
Total pulses	**119.2**	**137.4**	**129.6**	**6**
Gram	71.5	89.2	83.4	6.9
Kulthi (Horsegram)	2.8	5	5.1	-2.5
Urad	7.2	8.8	8.4	5.4
Moong	6.5	7.5	6.9	9
Lentil	14.3	15.2	14.7	3.9
Lathyrus	6.41	4.28	4.25	0.6
Peas	7.32	7.26	8.12	10.6
Oilseeds	**95.4**	**93.1**	**98.3**	**-5.3**
Rapeseed & Mustard	65.3	64.9	66.9	-2.9
Groundnut	8.9	9.9	9.5	3.8
Safflower	3.6	2.7	2.8	-4.6
Sunflower	13.1	8.8	11.4	-23
Sesamum	2.6	1.4	1.5	-3.4
Linseed	4.5	4.5	4.6	-1.8
Total Area	**587.4**	**620.4**	**623.1**	**-0.4**

Source: *Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India (www.agricoop.nic.in)*

Appendix IV: Growth in Manufacturing Sector at Two-Digit Classification					
					(Base : 1993-94 =100)
Major Groups	Weight	January		April-January	
		2010	2009	2009-10	2008-09
General Index	100.0	332.3 (16.7)	284.8 (1.0)	298.2 (9.6)	272.2 (3.3)
Manufacturing	79.4	359.5 (17.9)	304.8 (1.0)	320.7 (9.9)	291.7 (3.4)
Food Products	9.1	264.6 (-4.0)	275.7 (-11.4)	163.9 (-6.4)	175.1 (-2.3)
Beverages,Tobacco and Related Products	2.4	602.2 (7.5)	560.0 (11.2)	577.8 (-0.3)	579.4 (16.8)
Cotton Textiles	5.5	170.2 (7.4)	158.5 (-5.8)	168.5 (4.3)	161.6 (-1.6)
Wool, Silk and man-made Fibre Textiles	2.3	306.0 (7.1)	285.6 (0.5)	309.0 (11.6)	276.8 (-0.1)
Jute and Other Vegetable Fibre Textiles (except cotton)	0.6	9.8 (-91.0)	108.9 (-9.9)	82.1 (-23.1)	106.7 (-11.2)
Textiles products (including Wearing Apparel)	2.5	336.9 (11.6)	301.8 (-1.0)	339.0 (10.4)	307.0 (4.1)
Wood and Wood Products, Furniture and Fixtures	2.7	117.6 (14.2)	103.0 (-14.9)	127.0 (9.1)	116.4 (-8.1)
Paper & Paper Products and Printing, Publishing and Allied Industries	2.7	273.5 (10.0)	248.6 (-7.9)	268.9 (3.0)	261.0 (2.3)
Leather & Leather and Fur Products	1.1	163.2 (-2.2)	166.8 (-7.1)	161.1 (0.5)	160.3 (-5.1)
Basic Chemicals & Chemical Products	14.0	360.0 (5.9)	340.0 (5.3)	361.1 (11.5)	324.0 (2.9)
Rubber,Plastic,Petroleum and Coal Products	5.7	307.6 (25.4)	245.3 (-0.7)	275.2 (25.4)	238.1 (-2.8)
Non-Metallic Mineral Products	4.4	373.4 (16.6)	320.2 (-2.1)	347.3 (7.5)	323.0 (0.7)
Basic Metals and Alloy Industries	7.5	355.1 (10.1)	322.5 (-1.8)	340.4 (4.9)	324.5 (5.3)
Metal Products and Parts except Machinery	2.8	250.8 (38.6)	181.0 (-6.0)	182.4 (8.9)	167.5 (0.3)
Machinery and Equipment other than Transport Equipments	9.6	637.0 (45.9)	436.5 (18.3)	495.8 (18.9)	417.0 (9.2)
Transport Equipment and Parts	4.0	544.0 (57.6)	345.1 (-14.1)	467.8 (23.3)	379.4 (2.1)
Other Manufacturing Industries	2.6	357.2 (9.2)	327.0 (7.6)	389.6 (8.7)	358.4 (2.1)
Note : Indices for December 2009 are quick estimates. Indices for September and November 2009 incorporate updated production					
Source: CSO, Ministry of Statistics and Programme Implementation *(www.mospi.nic.in)*					

Appendix V: State-wise Power Supply Position								
	Dec-09				April-December 2009			
State/UT	Requirement	Availability	Surplus (+)/Deficit(-)		Requirement	Availability	Surplus(+)/Deficit(-)	
	(MU)	*(MU)*	*(MU)*	*(%)*	*(MU)*	*(MU)*	*(MU)*	*(%)*
Chandigarh	136	119	-17	-12.5	1371	1323	-48	-3.5
Delhi	1,824	1,811	-13	-0.7	21,031	20,861	-170	-0.8
Haryana	2,265	2,243	-22	-1	28,345	27,316	-1029	-3.6
Himachal Pradesh	652	615	-37	-5.7	5,832	5,605	-227	-3.9
Jammu&Kashmir	1,221	933	-288	-23.6	10,931	8,204	-2,727	-24.9
Punjab	2,967	2,513	-454	-15.3	39,499	33,856	-5,643	-14.3
Rajasthan	4,212	4,160	-53	-1.3	36,277	35,256	-1021	-2.8
Uttar Pradesh	6,409	5,085	-1,324	-20.7	63,808	49,656	-14,152	-22.2
Uttarakhand	815	729	-86	-10.5	7,454	7,038	-416	-5.6
Northern Region	20,503	18,208	-2,295	-11.2	214,547	189,111	-25,436	-11.9
Chattisgarh	751	738	-13	-1.7	9,393	9,151	-242	-2.6
Gujarat	6,036	5,495	-541	-9	58,080	55,901	-21719	-3.8
Madhya Pradesh	4,556	3,597	-959	-21	35,284	28,889	-6,395	-18.1
Maharashtra	10,988	8,706	-2,282	-20.8	102,451	83,811	-18,640	-18.2
Daman & Diu	158	158	0	0	1624	1492	-132	-8.1
D.N.Haveli	351	351	0	0	3,332	3,179	-153	-4.6
Goa	280	280	0	0	2,569	2,511	-58	-2.3
Western Region	23,120	19,325	-3,795	-16.4	212,735	184,936	-27,799	-13.1
Andhra Pradesh	6,740	6,480	-260	-3.9	64,529	60,540	-3,989	-6.2
Karnataka	4,089	3,748	-341	-8.3	36,491	33,868	-2,623	-7.2
Kerala	1,501	1,478	-23	-1.5	14,467	14,111	-356	-2.5
Tamil Nadu	6,212	5,844	-368	-5.9	62,721	59,008	-3,713	-5.9
Puducherry	162	161	-1	-0.6	1,754	1629	-125	-7.1
Lakshadweep#	2	2	0	0.0	20	20	0	0.0
Southern Region	18,704	17,711	-993	-5.3	179,961	169,155	-10,806	-6.0
Bihar	1,021	881	-140	-13.7	9,692	8,287	-1,405	-14.5
DVC	1,351	1,267	-84	-6.2	12,601	12,115	-486	-3.9
Jharkhand	535	454	-81	-15.1	4,832	4,482	-350	-7.2
Orissa	1,727	1,716	-11	-0.6	17,698	17,539	-159	-0.9
West Bengal	2,536	2,449	-87	-3.4	27,914	27,156	-758	-2.7
Sikkim	40	39	-1	-2.5	313	271	-42	-13.4
Andaman-Nicobar#	20	15	-5	-25.0	200	150	-50	-25.0
Eastern Region	7,210	6,806	-404	-5.6	73,050	69,850	-3,200	-4.4
Arunachal Pradesh	35	29	-6	-17.1	334	270	-64	-19.2
Assam	401	385	-16	-4.0	4,378	3,988	-390	-8.9
Manipur	47	42	-5	-10.6	437	358	-79	-18.1
Meghalaya	142	128	-14	-9.9	1305	1127	-178	-13.6
Mizoram	31	27	-4	-12.9	294	240	-54	-18.4
Nagaland	48	44	-4	-8.3	446	391	-55	-12.3
Tripura	65	61	-4	-6.2	726	648	-78	-10.7
North-Eastern Region	769	716	-53	-6.9	7,920	7,023	-897	-11.3
All India	70,306	62,766	-7,540	-10.7	688,213	620,074	-68,139	-9.9

: These are stand alone items and do not form part of regional requirement and availability.

Source: *www.cea.nic.in*

Appendix VI: Trend in Wholesale Price Indices								
Weight	Commodities	Index February 2010	Variation					
			Over the Month		Annual Variation		Fiscal Year So far	
			Current	Previous	Current	Previous	Current	Previous
100.00	ALL COMMODITIES	250.1	0.6	-0.6	9.9	3.5	9.6	0.9
22.03	I PRIMARY ARTICLE	284.7	0.0	-0.9	15.5	6.9	14.7	4.5
15.40	(A) Food Articles	286.1	-0.1	-0.4	17.8	9.4	17.4	7.1
5.01	a. Food Grains(Cereals+Pulses)	284.8	-0.2	2.4	14.9	13.1	14.8	11.5
4.41	a1. Cereals	273.3	0.5	2.3	11.7	12.7	11.6	11.6
2.45	Rice	252.5	0.1	2.4	9.5	17.1	8.7	15.9
1.38	Wheat	283.2	1.2	1.3	14.7	6.1	16.0	5.7
0.60	a2. Pulses	368.9	-3.9	3.2	35.6	16.9	36.0	11.2
0.22	Gram	202.4	-4.4	1.0	-1.4	4.3	0.3	-3.3
0.13	Arhar	376.7	-7.0	9.9	50.0	18.3	48.4	15.0
2.92	b. Fruits & Vegetables	273.0	-1.6	-5.8	13.1	9.5	13.3	2.2
1.46	b1. Vegetables	224.6	-6.8	-10.2	16.1	6.6	16.8	-4.7
1.46	b2. Fruits	321.4	2.3	-2.6	11.1	11.6	11.0	7.4
4.37	c. Milk	268.7	0.9	0.2	14.7	7.3	14.0	6.7
2.21	d. Eggs,Meat & Fish	327.3	0.5	0.6	30.6	4.4	31.1	3.9
0.66	e. Condiments & Spices	354.2	0.4	-3.6	37.3	6.6	28.5	6.5
0.24	f. Other Food Articles	220.5	-4.0	-3.2	11.0	25.5	13.4	23.0
6.14	(B) Non-Food Articles	256.5	0.1	-2.4	13.3	2.2	13.7	-0.6
1.52	a. Fibres	231.4	-0.6	-4.3	13.4	9.4	17.9	5.6
2.67	b. Oil Seeds	268.8	1.0	-2.6	14.2	0.0	13.4	-3.7
1.95	c. Other Non-Food Articles	259.3	-0.8	-0.6	12.1	0.7	11.3	0.1
0.48	(C) Minerals	596.3	0.8	0.5	-2.6	-0.1	-11.7	-2.9
0.30	a. Metallic Minerals	887.1	1.0	0.5	-3.8	0.6	-13.4	-2.1
0.19	b. Other Minerals	137.1	-0.8	0.7	11.2	-8.1	10.4	-11.2
14.23	II FUEL POWER LIGHT & LUBRICANTS	356.9	1.5	-1.5	10.2	-3.4	11.2	-5.2
1.75	A. Coal Minning	285.7	10.5	0.0	13.5	0.0	13.5	-0.7
6.99	B. Minerals Oils	433.6	1.0	-2.6	14.4	-6.4	14.4	-8.6
5.48	C. Electricity	281.9	0.0	0.0	2.0	1.3	4.7	0.0
63.75	C. MANUFACTURED PRODUCTS	214.3	0.6	-0.2	7.4	4.8	6.8	1.7
11.54	(A) Food Products	260.0	1.0	2.8	20.4	9.3	18.3	7.0
1.34	(B) Beverages Tobacco & Tobacco Products	312.3	0.4	1.1	3.6	10.1	3.4	9.2
9.80	(C) Textiles	154.6	0.9	-0.6	10.6	9.4	10.6	8.6
0.17	(D) Wood & Wood Products	237.6	0.0	-2.1	2.2	7.7	2.1	7.7
2.04	(E) Paper & Paper Products	204.2	0.0	-0.6	0.0	4.6	0.1	4.9
1.02	(F) Leather & Leather Products	164.4	-0.8	-1.2	-1.8	1.8	-1.6	1.8
2.39	(G) Rubber & Plastic Products	174.9	3.1	0.0	4.5	2.3	4.4	2.3
11.93	(H) Chemicals & Chemical Products	231.1	0.3	0.4	7.8	2.6	7.4	1.8
2.52	(I) Non-Mettallic Mineral Products	214.9	1.4	0.6	-1.0	2.4	-1.6	1.5
8.34	(J) Basic Metals Alloys & Metals Products	261.7	0.8	-4.4	2.6	2.2	2.1	-9.9
8.36	(K) Machinery & Machine Tools	172.8	-0.6	0.0	0.3	2.7	0.2	2.5
4.29	(L) Transport Equipment & Parts	175.8	0.0	0.1	0.1	2.7	0.2	2.9

Source: http://www.eaindustry.nic.in/

Appendix VII: Global Inflation - January					
Country	2010	2009		2010	2009
Low &Middle Income Economies			High Income Countries		
China	1.5	1.0	United States*	2.7	0.1
Czech Rep.	0.7	2.2	Japan*	-1.7	0.4
Hungary*	5.6	3.5	Britain*	2.9	3.1
Poland*	3.5	3.3	Canada*	1.3	1.2
Russia	8.0	13.4	Austria*	1.1	1.4
Turkey	8.2	9.5	Belgium	0.6	2.3
India*	15.1	9.6	France*	0.9	1.0
Indonesia	3.7	9.2	Germany	0.8	0.9
Malaysia*	1.1	4.4	Greece	2.4	1.8
Pakistan	13.7	20.5	Italy	1.3	1.6
South Korea	3.1	3.7	Netherlands	0.8	1.9
Taiwan	0.3	1.5	Spain	1.1	0.8
Thailand	4.1	-0.4	Denmark	2.0	1.8
Argentina*	7.7	7.2	Norway	2.5	2.2
Brazil	4.6	5.8	Sweden*	0.9	0.9
Chile	-1.3	6.3	Switzerland	1.0	0.1
Colombia	2.1	7.2	AustraliaQ4	2.1	3.7
Mexico	4.5	6.3	Hongkong*	1.3	2.1
Venezuela	26.9	30.7	Singapore*	0	4.3
Egypt	13.6	14.4	Israel*	3.9	3.8
South Africa*	6.3	9.5	Saudi Arabia*	4.2	9.0
* data for December					
Source : Economist					

Appendix VIII: Trend in World Bank Commodity Prices							
Commodity	Unit	Annual Variation			Fiscal Year Buildup		
		February over February			February Over March		
		2010	2009	2008	2009-10	2008-09	2007-08
Energy							
Coal, Australia	$/mt	25.0	-42.9	149.5	54.4	-42.9	4.4
Crude oil, Brent	$/bbl	71.8	-54.4	64.2	58.7	-54.4	7.6
Crude oil, Dubai	$/bbl	70.5	-52.0	61.6	61.4	-52.0	6.1
Crude oil, West Texas Int.	$/bbl	95.2	-59.0	61.0	60.8	-59.0	2.3
Natural gas, Europe	$/mmbtu	-20.3	1.8	26.6	-19.3	1.8	-2.2
Natural gas, US	$/mmbtu	18.1	-47.1	7.3	35.1	-47.1	-10.7
Non Energy Commodities							
Agriculture:Food & Beverages							
Cocoa	¢/kg	23.6	6.5	38.0	31.8	6.5	6.0
Coffee, Arabica	¢/kg	21.9	-17.7	28.9	22.8	-17.7	-4.1
Coffee, robusta	¢/kg	-15.4	-30.5	46.0	-11.0	-30.5	-2.6
Tea, Colombo auctions	¢/kg	31.5	-16.4	33.6	17.1	-16.4	6.3
Tea, Kolkata auctions	¢/kg	36.0	0.8	22.9	49.8	0.8	-5.3
Tea, Mombasa auctions	¢/kg	38.7	-12.4	46.5	38.7	-12.4	-1.2
Coconut oil	$/mt	18.1	-51.3	81.1	27.4	-51.3	0.8
Copra	$/mt	20.6	-51.6	83.1	29.3	-51.6	1.2
Groundnut oil	$/mt	6.7	-34.0	66.9	12.7	-34.0	-1.1
Palm oil	$/mt	39.5	-50.7	91.7	33.7	-50.7	2.8
Palmkernel oil	$/mt	55.1	-58.5	104.4	52.2	-58.5	3.4
Soybean meal	$/mt	-1.3	-15.9	72.9	9.6	-15.9	-1.5
Soybean oil	$/mt	22.3	-46.6	96.1	26.2	-46.6	0.6
Soybeans	$/mt	3.8	-31.8	76.0	7.1	-31.8	-0.9
Barley	$/mt	22.1	-47.9		19.6	-47.9	
Maize	$/mt	-1.0	-25.8	24.1	-1.7	-25.8	-4.8
Rice, Thailand, 5%	$/mt	-9.6	27.1	47.6	-9.2	27.1	2.4
Sorghum	$/mt	6.9	-34.0	21.0	11.2	-34.0	-6.5
Wheat, Canada	$/mt	-12.4	-56.5	213.8	-9.1	-56.5	0.4
Wheat, US, HRW	$/mt	-13.7	-47.1	112.5	-16.0	-47.1	-0.5
Wheat US SRW	$/mt	4.6	-52.8	120.2	4.4	-52.8	-4.9
Bananas EU	$/mt	-8.6	-26.5	35.7	-26.7	-26.5	-1.3
Bananas US	$/mt	-23.7	19.2	21.0	-20.8	19.2	-1.1
Fishmeal	$/mt	62.6	-10.1	-11.0	58.2	-10.1	1.4
Meat, beef	¢/kg	32.3	-16.7	8.3	26.1	-16.7	-0.4
Meat, chicken	¢/kg	-4.0	9.5		-2.9	9.5	
Meat, sheep	¢/kg	18.7	-15.8	12.8	20.5	-15.8	0.1
Oranges	$/mt	28.1	-26.9	24.6	16.0	-26.9	-0.4
Shrimp, Mexico	¢/kg	-13.6	-12.2	11.4	-13.6	-12.2	-0.2
Sugar EU domestic	¢/kg	-9.2	-31.1	12.8	-11.0	-31.1	1.3
Sugar US domestic	¢/kg	104.0	-2.0	-2.8	103.8	-2.0	0.5
Sugar, world	¢/kg	91.3	-1.8	27.8	89.5	-1.8	-1.2
Metals and Minerals							
Aluminum	$/mt	54.0	-52.1	-1.9	53.4	-52.1	-2.5
Copper	$/mt	106.6	-58.0	39.0	82.6	-58.0	13.7
Gold	$/toz	16.2	2.2	38.8	18.5	2.2	-1.5
Iron ore	¢/dmtu	-28.2	0.0	81.8	-28.2	0.0	0.0
Lead	¢/kg	93.0	-64.3	73.0	71.4	-64.3	7.5
Nickel	$/mt	82.3	-62.8	-32.1	95.7	-62.8	12.5
Silver	¢/toz	18.1	-24.0	26.7	21.0	-24.0	-5.7
Steel products index	2000=100	-26.7	54.3	39.6	-18.4	54.3	0.4
Tin	¢/kg	48.2	-35.9	33.1	53.3	-35.9	7.4
Zinc	¢/kg	94.0	-54.4	-26.3	77.3	-54.4	-1.2
Source: Pink slip							

Appendix IX: Money Supply Expansion

(Rs Crore)

Items	Outstanding as on		Financial Year so far				Year-on-Year			
	2009	2010	2010		2009		2010		2009	
	March 31	Feb 26								
M3	**4764020**	**5416963**	**652944**	**(13.7)**	**636797**	**(15.8)**	**762283**	**(16.4)**	**772776**	**(19.9)**
Components (i+ii+iii)										
i) Currency with the Public	666364	755078	88714	(13.3)	81709	(14.4)	104958	(16.1)	95771	(17.3)
ii) Bank Deposits	4092083	4658193	566110	(13.8)	558166	(16.2)	659609	(16.5)	676038	(20.3)
of which: Demand Deposits	581247	629841	48594	(8.4)	-47858	(-8.3)	99327	(18.7)	21376	(4.2)
Time Deposits	3510836	4028352	517516	(14.7)	606024	(21.2)	560282	(16.2)	654662	(23.3)
iii) Other Deposits with RBI	5573	3692	-1881	(-33.8)	-3079	(-34.0)	-2284	(-38.2)	967	(19.3)
Sources: (i+ii+iii-iv)										
i) Net Bank Credit to Government	1277199	1587882	310683	(24.3)	297401	(33.1)	390963	(32.7)	339999	(39.7)
a) Reserve Bank	61579	151876	90296	(146.6)	73418	(-64.9)	191667	(481.7)	132532	(-76.9)
b) Other Banks	1215620	1436006	220387	(18.1)	223983	(22.1)	199296	(16.1)	207467	(20.2)
ii) Bank Credit to Commercial Sector	3013338	3336084	322747	(10.7)	317386	(12.3)	439708	(15.2)	429042	(17.4)
a) Reserve Bank	13820	4713	-9107	(-65.9)	5053	(282.6)	-2128	(-31.1)	5138	(301.7)
b) Other Banks	2999517	3331371	331854	(11.1)	312333	(12.1)	441836	(15.3)	423904	(17.2)
iii) Net foreign exchange assets of banking sector	1352184	1306868	-45316	(-3.4)	8024	(0.6)	3712	(0.3)	72180	(5.9)
iv) Banking sector's non-monetary liabilities	888754	824602	-64153	(-7.2)	-13225	(-1.7)	72847	(9.7)	69292	(10.2)

Government Balances as on March 31, 2008 are before closure of accounts. Figures within brackets are percentage variations

Source: RBI, Weekly Statistical Supplement

Appendix X: Scheduled Commercial Banks - Business in India

(Rs Crore)

Item	Outstanding as on 2009 March 27	Outstanding as on 2010 Feb 26	Variation over Latest Month		Variation over Corresponding Month Last Year	
Aggregate deposits	**3834109**	**4363330**	**67938**	**(1.6)**	**66365**	**(1.8)**
Demand	523084	568652	7458	(1.3)	13330	(2.9)
Time	3311025	3794678	60480	(1.6)	53034	(1.7)
Investments $	**1166410**	**1379296**	**-22262**	**(-1.6)**	**18252**	**(1.6)**
Government securities	1155786	1365231	-22014	(-1.6)	17767	(1.5)
Other approved securities	10624	14065	-248	(-1.7)	485	(4.9)
Bank Credit	**2775550**	**3089323**	**60244**	**(2.0)**	**30146**	**(1.1)**
Food Credit	46211	47891	3976	(9.1)	2908	(6.4)
Non-food credit	2729339	3041432	56268	(1.9)	27238	(1.1)
Commercial Investments	104774	105692	4354	(4.3)	-1373	(-1.3)
Total Bank Assistance to Commercial Sector	**2834113**	**3147124**	**60622**	(2.0)	**25865**	(1.0)
Cash-Deposit Ratio	***6.74***	***7.02***				
Investment-Deposit Ratio	***30.42***	***31.61***				
Credit-Deposit Ratio	***72.39***	***70.80***				

$: Investments set out in this Table are for the purpose of SLR and do not include other investments

Figures within brackets are percentage variations

Figures for scheduled commercial banks are as on last working Friday of the fiscal year

Source*: RBI, Weekly Statistical Supplement*

Appendix XI: Scheduled Commercial Banks For the Financial Year so far - Business in India

Item	Outstanding as on 2009 March 27	Outstanding as on 2010 Feb 26	Financial year so far 2010		Financial year so far 2009		Year-on-year 2010		Year-on-year 2009	
Aggregate deposits	**3834109**	**4363330**	**529221**	**(13.8)**	**537800**	**(16.8)**	**628591**	**(16.8)**	**646485**	**(20.9)**
Demand	523084	568652	45568	(8.7)	-48518	(-9.3)	92861	(19.5)	16022	(3.5)
Time	3311025	3794678	483653	(14.6)	586318	(21.9)	535730	(16.4)	630463	(24.0)
Investments $	**1166410**	**1379296**	**212886**	**(18.3)**	**214842**	**(22.1)**	**192739**	**(16.2)**	**198134**	**(20.0)**
Government securities	1155786	1365231	209445	(18.1)	217443	(22.7)	189126	(16.1)	200701	(20.6)
Other approved securities	10624	14065	3441	(32.4)	-2601	(-19.9)	3613	(34.6)	-2567	(-19.7)
Bank Credit	**2775550**	**3089323**	**313773**	**(11.3)**	**306014**	**(13.0)**	**421395**	**(15.8)**	**413168**	**(18.3)**
Food Credit	46211	47891	1680	(3.6)	4031	(9.1)	-539	(-1.1)	4119	(9.3)
Non-food credit	2729339	3041432	312093	(11.4)	301983	(13.0)	421934	(16.1)	409049	(18.5)
Commercial Investments	104774	105692	918	(0.9)	7470	(7.8)	2716	(2.6)	9442	(10.1)
Total Bank Assistance to Commercial Sector	**2834113**	**3147124**	**313011**	**(11.0)**	**309453**	**(12.8)**	**424650**	**(15.6)**	**418491**	**(18.2)**
Cash-Deposit Ratio	***6.74***	***7.02***								
Investment-Deposit Ratio	***30.42***	***31.61***								
Credit-Deposit Ratio	***72.39***	***70.80***								

$: Investments set out in this Table are for the purpose of SLR and do not include other investments.

Source*: RBI, Weekly Statistical Supplement*

Appendix XII: Monthly Percentage Change in the Stock Indices of BSE and NSE						
Index	Base Year	January 2010 Closing	February 2010 Closing	February		% Change over the Month
				High	Low	
BSE Indices						
BSE SENSEX	1978-79	16358.0	16429.6	16669.3	15652.0	0.44
BSE Mid-Cap	2002-03	6509.8	6397.8	6730.6	6294.5	-1.72
BSE Small-Cap	2002-03	8232.7	8067.4	8631.2	7973.6	-2.01
BSE 100	1983-84	8707.8	8758.5	8871.0	8372.7	0.58
BSE 200	1989-90	2065.2	2071.7	2103.1	1990.3	0.32
BSE 500	1998-99	6509.9	6518.4	6639.6	6281.0	0.13
BSE IPO	3-May-2004	1952.8	1914.2	2001.0	1887.1	-1.98
BSE TECk	2-Apr-2001	3151.8	3179.2	3218.9	3021.9	0.87
BSE PSU	1998-99	9473.9	9214.3	9685.4	9088.7	-2.74
BSE AUTO	1-Feb-1999	6953.2	7171.0	7203.4	6721.6	3.13
BANKEX	01 Jan 2002	9654.1	9828.7	9958.6	9137.4	1.81
BSE CG	1-Feb-1999	13125.1	13474.9	13631.1	12684.8	2.67
BSE CD	1-Feb-1999	3799.3	4001.8	4189.1	3794.1	5.33
BSE FMC	1-Feb-1999	2725.4	2662.1	2790.3	2646.3	-2.32
BSE HC	1-Feb-1999	4765.1	4913.0	4953.2	4689.0	3.10
BSE IT	1-Feb-1999	4977.7	5174.0	5232.7	4758.9	3.94
BSE METAL	1-Feb-1999	15962.1	16401.5	16651.0	15138.9	2.75
BSE REALTY	2005	3500.2	3236.7	3597.8	3100.4	-7.53
BSE OIL&GAS	1-Feb-1999	9939.0	9596.2	10110.8	9470.3	-3.45
BSE -POWER	3-Jan-2005	3061.5	2961.6	3089.5	2930.7	-3.27
Dollex 30		2902.5	2914.9	2957.3	2738.9	0.43
Dollex 100		1946.9	1958.0	1984.3	1840.0	0.57
Dollar 200		743.1	745.4	758.7	702.6	0.31
NSE Indices						
S&P CNX Nifty	1995	4882.1	4922.3	4992.0	4675.4	0.82
CNX Midcap	2003	7201.9	7167.3	7446.2	7006.0	-0.48
CNX Nifty Junior	1996	9985.7	10100.0	10287.3	9712.3	1.14
Nifty Midcap 50	2004	2539.2	2515.7	2625.6	2454.6	-0.93
S&P CNX Defty	1995	3655.5	3696.4	3744.4	3460.2	1.12
S&P CNX 500	1994	4156.1	4127.6	4242.8	4005.0	-0.69
CNX 100		4822.7	4864.8	4928.2	4640.3	0.87
CNX IT	1996*	5594.2	5766.7	5832.0	5388.0	3.08
BANK Nifty	2000	8651.6	8722.8	8851.4	8150.5	0.82
Memo Item						
India VIX		26.1	24.0	32.1	23.8	-8.08

Note:* The base value has been changed from 1000 to 100 with effect from May 24, 2004

Source: : BSE (www.bseindia.com) and *NSE (www.nseindia.com)*

Appendix XIII: Business Growth of F&O Segment of NSE *(Amount in Rs crore)*									
Month/ Year	Index Futures	Stock Futures	Total Futures	Index Options	Stock Options	Total Options	Grand Total	Average Daily	Ratio *
2008-09	3570111	3479642	7049754	3731502	229227	3960729	11010482	45130	4.01
	(32.4)	(31.6)	(64.0)	(33.9)	(2.1)	(36.0)			
2009-10									
Apr-09	301764	356383	658147	453788	31427	485215	1143362	67257	4.29
	(26.4)	(31.2)	(57.6)	(39.7)	(2.7)	(42.4)			
May-09	317415	448155	765570	430515	31168	461683	1227252	61363	3.21
	(25.9)	(36.5)	(62.4)	(35.1)	(2.5)	(37.6)			
Jun-09	346934	589657	936592	545643	49746	595389	1531980	69635	3.18
	(22.6)	(38.5)	(61.1)	(35.6)	(3.2)	(38.9)			
Jul-09	382924	450632	833555	701247	38706	739954	1573509	68413	3.69
	(24.3)	(28.6)	(53.0)	(44.6)	(2.5)	(47.0)			
Aug-09	366312	412363	778674	658757	36214	694971	1473646	70174	4.04
	(24.9)	(28.0)	(52.8)	(44.7)	(2.5)	(47.2)			
Sep-09	302425	434119	736544	609076	42758	651834	1388378	69419	3.80
	(21.8)	(31.3)	(53.1)	(43.9)	(3.1)	(46.9)			
Oct-09	329610	465829	795439	669591	45387	714978	1510417	75521	4.16
	(21.8)	(30.8)	(52.7)	(44.3)	(3.0)	(47.3)			
Nov-09	363523	438220	801743	816408	43666	860073	1661816	83091	5.12
	(21.9)	(26.4)	(48.2)	(49.1)	(2.6)	(51.8)			
Dec-09	329496	395954	725450	756677	42855	799532	1524982	72618	5.21
	(21.6)	(26.0)	(47.6)	(49.6)	(2.8)	(52.4)			
Jan-10	298849	444134	742983	695860	51454	747314	1490297	78437	4.40
	(20.1)	(29.8)	(49.9)	(46.7)	(3.5)	(50.1)			
Feb-10	326871	354485	681355	847236	41285	888521	1569877	78494	6.40
	(20.8)	(22.6)	(43.4)	(54.0)	(2.6)	(56.6)			

Note: Figures in bracket are per cent to total, *: Ratio of Derivatives Turnover to Total Equity Turnover (In Multiples)
Source: *www.nseindia.com*

Appendix XIV: Profile of Major Commercial Bond Issues for February 2010				
Sr No.	Issuing Company / Rating	Nature of Instrument	Coupon in % per annum and tenor	Amount in Rs crore
	FIs / Banks			
1	Export Import Bank of India AAA by Crisil, Icra	Bonds	6.45% for 3 years with a put/call option at the end of the 1st year.	500
2	State Bank of Hyderabad AAA by Crisil	Perpetual Bond	9.20% with perpetual maturity and the option of call at the end of 10 years.	135
3	UCO Bank AA- & AA by Crisil, Care	Lower Tier II Bonds	8.92% for 10 years.	800
	NBFCs			
1	L&T Finance Ltd AA+ by Icra, Care	NCD	8.50% % 8.40% semiA for 3 years each	250 (250)
2	Housing Development Finance Corp Ltd AAA by Crisil, Icra	NCD	7.35% for 2 years.	500
3	Infrastructure Leasing & Financial Services Ltd AAA by Fitch, Icra	NCD	9% for 10 years.	500 (500)
4	Infrastructure Development Finance Corp Ltd AAA by Fitch, Icra	Bonds	7.40% and 7.65% for 18 months and 24 months, respectively	300
	Central Undertaking			
1	Indian Railway Finance Corp Ltd AAA by Crisil, Icra, Care	Bonds	8.55%, 8.65% & 8.80% for 10 years, 15 years & 20 years, respectively.	760
2	Indian Railway Finance Corp Ltd AAA by Crisil, Icra, Care		6.00%, 6.30% & 6.70% for 5 years, 7 years & 10 years, respectively.	5000
3	Rural Electrification Corp Ltd AAA by Crisil, Icra	Bonds	7.65% and 8.45% for 3 years and 5 years.	500 (1500)
	Corporates			
1	Global Telecom Ltd A by Care	NCD	8.00% for 5 years.	700
2	DLF Ltd A+ by Crisil	NCD	10% and 10.25% for 2 years and 3 years.	1000
3	Damodar Valley Corp AA by Care	Bonds	8.95% for 7 years.	500 (140)
	Total **The amount shown in bracket above denotes the greenshoe option of the issue**			**11445** **(2390)**
	Note: Total for February-09 (a year ago): Rs 10,905 crore. Total for January-10 (a month ago): Rs 11,681 crore. *Source: Various Media Sources*			

Appendix XV: Details of State Government Borrowing *(Amount in Rs crore)*							
Date of Auction	Name of the State	Notified Amount	Accepted Amount	Bid Cover Ratio	Wtd Yield at cut-off price (in %)	Weighted Average Yield	Greenshoe Amount
2-Feb-10	Assam	1000.000	947	2.42	8.40	8.35	-
	Gujarat	800.000	758	2.65	8.31	8.29	-
	Haryana	400.000	385	2.60	8.32	8.30	-
	Maharashtra	1500.000	1438	2.11	8.34	8.31	-
	Nagaland	100.140	100	4.84	8.39	8.33	-
	Sikkim	188.010	188	3.13	8.44	8.37	-
	Uttarpradesh	1875.000	1839	1.87	8.39	8.35	-
15-Feb-10	Kerala	1480.000	1431	2.72	8.56	8.53	-
	Uttar Pradesh	1197.000	1181	3.61	8.58	8.55	-
	West Bengal	800.000	784	3.76	8.57	8.53	-
23-Feb-10	Andhra Pradesh	1000.000	925	3.74	8.48	8.47	-
	Assam	947.250	915	3.51	8.53	8.50	-
	Jammu & Kashmir	543.040	528	3.22	8.58	8.53	-
	Maharashtra	1000.000	905	3.65	8.48	8.46	-
	Manipur	314.000	307	4.01	8.49	8.49	-
	Nagaland	28.270	28	4.95	8.49	8.49	-
	Tripura	100.000	98	5.95	8.49	8.49	-
	Total	**13273**	**12756**	**3.68**	**8.46**	**8.43**	
Source: *RBI's Press Releases.*							

Appendix XVI:Exchange Rate for Rupee					
Countries	30-Apr-09	29-Jan-10	26-Feb-10	%Change (Feb/Jan)	%Change (Feb/Apr)
Euro	66.67	64.76	62.73	3.23	6.27
Japanese Yen*	51.45	51.61	51.80	-0.37	-0.66
British Pound	74.45	74.83	70.38	6.33	5.78
US Dollar	50.22	46.37	46.23	0.30	8.63
Argentine Peso	13.53	12.14	12.00	1.17	12.82
Australian Dollar	36.48	41.31	41.14	0.42	-11.32
Brazilian Real	23.01	24.99	25.19	-0.76	-8.66
Canadian Dollar	42.06	43.54	43.92	-0.87	-4.23
Chinese Yuan	7.36	6.79	6.77	0.30	8.66
Danish Krone	8.95	8.70	8.43	3.21	6.19
Indonesian Rupiah*	0.47	0.50	0.50	-0.02	-5.34
South Korean Won*	3.73	4.01	3.99	0.47	-6.65
Malaysian Ringgit	14.10	13.59	13.56	0.19	3.99
Mauritian Rupee	1.48	1.55	1.51	2.95	-2.08
Nepalese Rupee	0.63	0.63	0.62	0.51	0.44
New Zealand Dollar	28.31	32.68	31.97	2.23	-11.43
Norwegian Krone	7.64	7.89	7.80	1.11	-2.03
Pakistan Rupee	0.62	0.55	0.54	0.65	14.72
Singapore Dollar	33.96	33.01	32.82	0.60	3.48
South African Rand	5.93	6.14	5.99	2.43	-0.99
Sri Lanka Rupee	0.42	0.40	0.40	0.21	3.54
Swedish Krona	6.29	6.32	6.44	-1.82	-2.35
Swiss Franc	44.23	44.17	42.91	2.93	3.06
Thai Baht	1.42	1.40	1.40	0.25	1.73
U.A.E.Dirham	13.67	12.63	12.59	0.30	8.63
Venezuelan Bolivar	23.42	17.88	17.83	0.30	31.37
Hong Kong Dollar	6.48	5.97	5.96	0.27	8.81
Source:-www.imf.org, Honkgong dollar :- www.fxstreet.com, * For 100 units					

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