

FORECASTS AHEAD OF THE BUDGET

More corporate gloom for FY13 in CII survey

Chamber urges government to present industry-friendly and pro-investment Budget

BS REPORTER

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Ahead of the Budget, the Confederation of Indian Industry (CII) presented a gloomy picture of India Inc in a survey, prompting the chamber to say it was confident Finance Minister P Chidambaram would announce measures to cheer industry on Thursday.

The survey was done by CII and its body, the Associations Council (ASCON), a CII forum where all sectoral industry associations which are members of the chamber participate. It shows of 112 sectors, those expecting excellent growth — of over 20 per cent expansion in turnover, year-on-year — in the fourth quarter of the current financial year came down to 2.7 per cent from 6.1 per cent in the same quarter last year.

Besides, the sectors projecting high growth (of 10-20 per cent higher turnover) in January-March declined to 14.3 per cent from 23.5 per cent in the same quarter a year before.

While the proportion of sectors sensing negative growth declined marginally to 17.9 per cent from 18.3 per cent, sectors predicting low growth (0-10 per cent rise in turnover) rose to 65.1 per cent from 52.1 per cent over the period under the review.

A disaggregated analysis revealed a majority of sectors in the producer goods segment (basic, intermediate, and capital goods) were projected to fall in the low-growth bracket during January-March. So, too, with the consumer durables industry, where a large number of units also reported low growth outlook.

The sluggish performance of both producer as well as consumer goods indicate subdued demand conditions in the economy. This does not bode well for revival of growth in the coming quarters, CII said.

The survey showed the major segments in the capital goods sector expecting low or negative growth include earth moving & construction equipment, machine tools, trans-



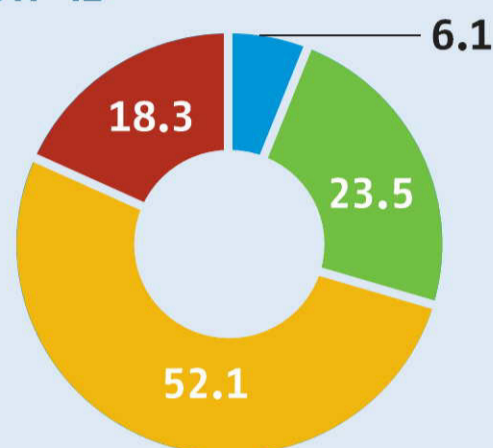
DIM OUTLOOK

Figures represent the % of respondents in the survey

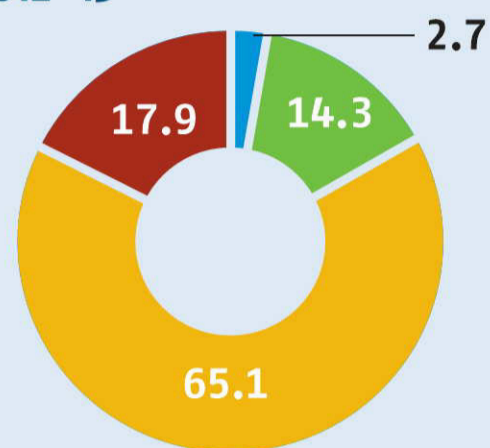
■ Excellent growth* ■ High Growth** ■ Low Growth*** ■ Negative Growth

Outlook for Jan-March

2011-12

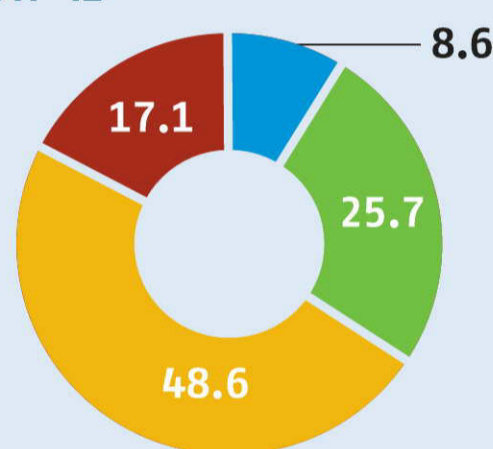


2012-13

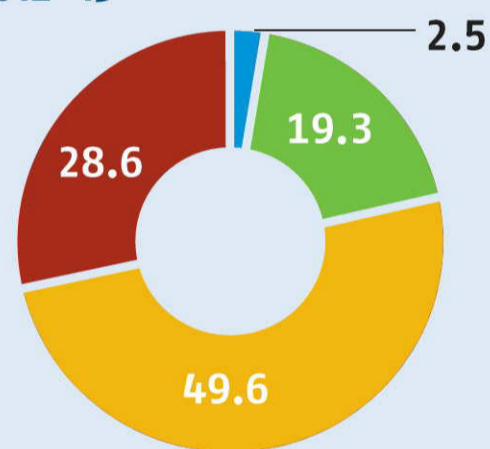


Actual report for Oct-Dec

2011-12



2012-13


No of respondents
112 associations for January-March

119 associations for October-March

* Over 20% expansion in turnover y-o-y; **10-20%; *** 0-10%

Source: CII-Ascon Survey

mission line towers, transformers, textile machinery, motors, tractors and commercial vehicles.

"This would have an adverse bearing on the downstream units associated with these industries," the CII statement said.

In the consumer durables segment, passenger cars, two-wheelers, refrigerators, washing machines, air conditioners, TV and tyres are among the prominent sectors expecting low to negative growth in the current quarter.

In the third quarter of the current financial year, the percentage of sectors reporting excellent growth came down to 2.5 per cent from 8.6 per cent a year before, while those registering high growth were down to 19.3 per cent from 25.7 per cent.

At the same time, the percentage of sectors reporting negative growth rose to 28.6 per cent from 17.1 per cent, while those clocking low growth were marginally up to 49.6 per cent from 48.6 per cent.

CII said the government should take steps to raise the allowable depreciation rate on plant and machinery from the present 15 per cent to 25 per cent for a pre-defined period of three to five years. Also, encourage public sector units to use their cash reserve to build new capacity, and exempt infrastructure and Special Economic Zone companies from Minimum Alternate Tax, to step up investment.

It also demanded fast-tracking of 50 large industrial projects, promoting low cost housing, incentivising companies on environment-friendlier measures and maintaining status quo on customs and excise duty rates in the coming Budget.

With the current declining trajectory of both headline and core inflation, CII said it hoped for a 50-basis point reduction in policy rates in the Reserve Bank's next monetary review, due in March, to ramp up investment in industry.