Highlights of some industries

Automobiles

7.17 The automobile industry maintained a steady annual growth rate of over 15 per cent in the last four years. With the gradual liberalization of the automobile sector since 1991, the number of manufacturing facilities in India has grown progressively to 15 manufacturers of passenger cars and multi-utility vehicles, 9 manufacturers of commercial vehicles, 14 manufacturers of two/three wheelers and 14 manufacturers of tractors. The industry had an estimated investment of nearly Rs. 50,000 crore in 2002-03, which is expected to go up to Rs. 80,000 crore by the year 2007. The turnover of the automobile industry exceeded Rs. 92,500 crore in 2003-04, and including the turnover of the auto-component sector, it may have well exceeded Rs. 1,44,000 crore. The industry also offered substantial scope for gainful employment – the direct employment creation was estimated to be to the tune of 4.5 lakhs, and indirect employment at about 1 crore.

7.18 Indian automotive industry is finding increasing recognition worldwide. While a beginning has been made in export of vehicles, the potential in this area is far from fully tapped. During the last two years, export from this

Table 7.11 : Automobile Production

(Numbers in 000)

Category	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06*
Passenger cars	577	513	564	609	842	961	494
Multi-utility vehicles	124	128	106	112	146	249	128
Commercial vehicles	174	157	163	204	275	350	178
Two wheelers	3,778	3,759	4,271	5,076	5,625	6,527	3,568
Three wheelers	206	203	213	277	341	374	201
Total	4,859	4,759	5,316	6,280	7,229	8,461	4,570
Per cent Growth	15.00	(-)2.00	11.70	18.60	15.12	16.80	15.86

*** Figures are for April-September 2005-06**

Source : Ministry of Heavy Industry and Public Enterprises (Department of Heavy Industry)

Table 7.12 : Automobile Export

(Numbers in 000)

Category	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06*
Passenger cars	23	23	50	71	126	161	87
Multi-utility vehicles	5	4	3	1	3	6	3
Commercial vehicles	10	14	12	12	17	30	18
Two wheelers	83	111	104	180	265	367	260
Three wheelers	18	16	15	43	68	67	39
Total	140	168	185	307	479	620	407
Per cent growth	(-)12.18	20.24	9.74	65.35	55.98	31.25	35.87

Figures are for April-September 2005-06

Source: Ministry of Heavy Industry and Public Enterprises (Department of Heavy Industry)

sector has grown significantly owing mainly to the export of cars and two/three wheelers (Table 7.12). Exports of automobiles as a proportion of total production have increased from 2.9 per cent in 1999-2000 to 8.9 per cent in 2005-06. For passenger cars and three wheelers, exports in 2005-06 accounted for 18–19 per cent of total production.

Textiles

7.19 Budgetary concessions, rationalization of duty structure and assistance under the Technology Upgradation Fund Scheme (TUFS) started paying dividends in the textile sector. A moderate turnaround in the performance of this sector has now become visible in increased production. During 2004-05, production of fabrics touched a peak of 45,378 million square meters. In the year 2005-06 up to November, production of fabrics registered a further growth of 9 per cent over the corresponding period of the previous year.

7.20 In exports, after near stagnation in 2004-05, better prospects seem to be emerging in the current year. During April-November 2005 textile exports were at US$ 9,309.81 million, up 8.21 per cent from US$8,603.33 million during the corresponding period of the previous year. (Table 7.14)

Gems and Jewellery

7.21 Exports of gems and jewellery remained buoyant in 2004-05. Overall exports from this sector in 2004-05 at US$13.7 billion were up by an impressive 29.6 per cent from US$10.57 billion in 2003-04. In the current year up to August, 2005, exports were up 23.9 per cent from US$5.08 billion in the corresponding period of the previous year to US$ 6.29 billion, indicating a continuation of the robust growth.

7.22 The sustained buoyancy in the export of gems and jewellery reflected the effects of continuing policy initiatives:

Table7.13 : Production of fabrics

(in millions of square metres)

Sector	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	April-November 2004-05	2005-06(P)
Mills	1,714	1,670	1,546	1,496	1,434	1,526	998	1,010
	(4.4)	(4.2)	(3.7)	(3.6)	(3.4)	(3.3)	(3.4)	(3.2)
Power looms	29,561	30,499	32,259	33,835	34,794	37,437	24,490	26,631
(including Hosiery)	(75.3)	(75.7)	(76.8)	(80.6)	(82.0)	(82.5)	(82.7)	(82.6)
Handlooms	7,352	7,506	7,585	5,980	5,493	5,722	3,680	4,120
	(18.8)	(18.7)	(18.0)	(14.2)	(13.0)	(12.6)	(12.4)	(12.8)
Others	581	558	644	662	662	693	462	462
	(1.5)	(1.4)	(1.5)	(1.6)	(1.6)	(1.5)	(1.5)	(1.4)
Total	**39,208**	**40,233**	**42,034**	**41,973**	**42,383**	**45,378**	**29,630**	**32,223**

Note : Figures in parentheses indicate share in output

P – Provisional

Source : Office of Textile Commissioner, Mumbai

- Import of gold of 8 carat and above allowed under the replenishment scheme subject to the import being accompanied by an Assay Certificate specifying the purity, weight and alloy content;
- Duty free import entitlement of consumables for metals other than gold and platinum at 2 per cent of the FOB value of exports during the previous financial year;
- Duty free import entitlement of commercial samples at Rs.3 lakh;
- Duty free re-import entitlement for rejected jewellery at 2 per cent of the FOB value of exports; and
- Cutting and polishing of gems and jewellery treated as manufacturing for the purposes of exemption under Section 10A of the Income Tax Act.

7.23 In addition, the Government of India and the Gem and Jewellery Export Promotion Council (GJEPC), a representative body of the trade, have taken several steps to improve exports of gems and jewellery and enhance competitiveness:

- A medium-term export strategy for various sectors, including gems and jewellery, prepared by Ministry of Commerce and Industry;
- GJEPC and Government constantly exploring the possibility of direct procurement of rough diamonds from mining countries;

Table 7.14 : Export of textiles

(in US$ million)

Item	2002-03	2003-04	2004-05	2004-05 (April-Nov.)	2005-06 (April-Nov.)	Percent Variation
Ready made garment	5,689.91	6,231.47	6,026.39	3,519.00	4,185.18	18.93
Cotton Textiles	3,361.44	3,599.95	3,283.61	2,222.94	2,311.20	3.97
Wool & Woollen Textiles	50.92	58.28	66.44	295.13	289.88	-1.78
Manmade Textiles	1,417.48	1,821.24	1,944.75	1,308.80	1,140.91	-12.83
Silk	314.10	379.82	405.99	370.65	397.80	7.32
Handicrafts	1,317.92	1,085.36	939.81	647.95	723.45	11.65
Coir & Coir manufacture	73.36	77.77	101.57	65.16	78.40	20.32
Jute goods	187.57	242.43	270.09	173.70	182.99	5.35
Total	**12,412.71**	**13,496.31**	**13,038.64**	**8,603.33**	**9,309.81**	**8.21**

Source : Foreign Trade Statistics of India (Principal Commodities and Countries) DGCI&S, Kolkata

- Funds provided by the Government for setting up the Sardar Vallabh Bhai Patel Centre of Jewellery Design and Manufacture at Surat to give a fillip to the sector;
- Promotion of the image of Indian diamonds and jewellery by GJEPC abroad through advertisements, publicity and participation in international fairs, buyer-seller meets, and direct approach to market retailers;
- Market study by GJEPC through experts in the field to identify new markets. Deployment by GJEPC of Indian designers to various international trade fairs and exhibitions to study the latest trend in designs;
- Promotion of export of 'hallmark' jewellery from India to assure foreign customers of quality and purity of jewellery made in India; and
- Provision of infrastructure facilities for training to enhance the quality, design and global competitiveness of Indian jewellery. A training institute of international level - Indian Institute of Gem and Jewellery-has been set up.

Steel

7.24 The buoyancy of the steel sector continued for the third year in a row. During April-October 2005, production of finished (carbon) steel increased by 7.4 per cent over the corresponding period of the previous year to reach 24.25 MT (Table 7.15). Additional capacities have been commissioned in this sector. The apparent consumption of finished (carbon) steel was 21.25 MT, which was 8.8 per cent higher than consumption in the corresponding period of the previous year. Exports of finished (carbon) steel during this period at 2.30 MT, however, was down 5.8 per cent from the same period of the previous year

Table 7.15 : Production, consumption, export and import of finished carbon steel and pig iron

(in million tonnes)

Item	2002-03	2003-04	2004-05	2004-05 (April-October)	2005-06* (April-October)
PRODUCTION					
Finished carbon steel					
Main producers	14.38 (10.19)	15.19 (5.6)	15.61 (2.8)	8.78	9.06 (3.2)
Secondary producers	19.28 (5.6)	21.77 (12.9)	24.44 (12.28)	13.80	15.2 (10.1)
Total	33.67 (9.9)	36.96 (9.7)	40.06 (8.38)	22.58	24.26 (7.4)
Pig iron					
Main producers	1.11 (8.5)	0.97 (-12.7)	0.62 (-35.3)	0.25	0.56 (125.3)
Secondaryproducers	4.17 (36.2)	2.80 (-32.9)	2.60 (-6.7)	1.41	1.56 (10.6)
Total	5.28 (29.4)	3.76 (-28.7)	3.23 (14.24)	1.66	2.12 (27.80)
EXPORTS					
Finished carbon steel	4.51 (66.6)	4.84 (7.3)	4.39 (-9.4)	2.44	2.30 (-5.8)
Pig iron	0.63 (101.6)	0.52 (-17.6)	0.40 (-24.1)	0.12	0.11 (-11.3)
IMPORTS					
Finished carbon steel	1.51 (18.8)	1.54 (2.0)	2.2 (36.94)	1.11	1.76 (57.0)
Pig iron	0.001	0.002 (100.0)	0.008 (300.0)	Nil	Nil
APPARENT CONSUMPTION					
Finished carbon steel	28.89 (5.3)	31.17 (7.9)	34.39 (10.3)	19.53	21.25 (8.8)
Pig iron	4.64 (22.4)	3.26 (-29.7)	2.8 (-14.5)	1.48	1.99 (34.1)

Source : Joint Plant Committee. Note : Figures in parenthesis indicate variation over the previous year; * Provisional

largely due to the China factor and falling global steel prices.

7.25 Steel prices started declining from May 2005 and prices in October were considerably lower than the May 2005 level. The price of hot rolled coil fell 25.4 per cent from Rs.35,875 in May 2005 to Rs.26,750 in October 2005. Steel is a critical input to industry and infrastructure. In continuation of the policy thrust to ensure availability of steel and stabilizing its price through reduction in customs duty and abolition of special additional duty, Government reduced the customs duty on non-alloy steel items to 5 per cent and on alloy/stainless steel to 10 per cent during the current year. The National Steel Policy (NSP) 2005, already approved by Government, will be implemented soon. The long-term goal of NSP is to ensure that India has a modern and efficient steel industry, capable of standing up to international competition and catering to the growing domestic demand for steel.

Chemical, petrochemical and pharmaceutical Industry

7.26 The chemical sector — including basic chemicals and its products, petrochemicals, fertilizers, paints, gases and pharmaceuticals — accounts for about 17.6 per cent of the output of the manufacturing sector, and around 13-14 per cent of the total exports of the country. Over the last few years, the sector has been going through a structural change with an increasing orientation towards modernization, customer satisfaction and environment friendliness. In 2004-05, the sector grew at 14.3 per cent.

Basic Chemicals

7.27 The production of major basic chemicals of alkali, inorganic and organic chemicals, pesticides and dyes & dyestuffs was 7.38 million tonnes during the year 2004-05 as against 7.07 million tonnes during its previous year, thereby registering a growth of 4.37 per cent. Maximum rate of growth was observed in the case of inorganic chemicals which grew at 15.2 per cent during this period. During the current year, production of basic chemicals upto September 2005 was higher by 3.75 per cent as compared to the corresponding period of the last year. In the case of inorganic chemicals the growth rate was 8.75 per cent during this period.

Petrochemicals

7.28 Production of petrochemicals, which mainly comprise of synthetic fibres, polymers, elastomers, synthetic detergent intermediates and performance plastics, increased by 4.9 per cent from 7 MT in 2003-04 to 7.35 MT in 2004-05. However, during the first part of the current year, production of petrochemicals remained almost the same as in the corresponding period of the previous year. The stagnant growth can be attributed mainly to the increase in petrochemical prices, especially of polymers, which, in turn, was a result of the spurt in crude oil prices in recent years.

Pharmaceuticals

7.29 The Indian pharmaceutical industry, with US$4.5 billion in domestic sales and over US$3.8 billion in exports, continues to show satisfactory progress in terms of infrastructure development, technology base and product use. The industry now produces bulk drugs belonging to all major therapeutic groups requiring complicated manufacturing processes. The industry has also developed excellent “good manufacturing practices” (GMP) compliant facilities for the production of different dose forms. The strength of the industry lies in leveraging the country’s strengths in organic synthesis and process engineering and developing, without compromising on quality, cost-effective technologies in the shortest possible time for drug intermediates and bulk activities. The country’s reputation as a low cost producer of antiretroviral drugs, and supplier of the same to international organizations and especially, to the needy patients in Africa, is now well known.

7.30 The task force, set up to explore options other than price control to make life saving drugs at reasonable prices, has submitted its Report. The major

Table 7.16 : Production of cement

Year	Production (in lakh tonnes)	Growth rate (in per cent)
2000-01	976.10	(-)0.61
2001-02	1069.00	9.52
2002-03	1163.50	8.84
2003-04	1235.00	6.15
2004-05	1335.70	8.15

Source: Department of Industrial Policy and Promotion

recommendations of the task force span from innovative fiscal measures to laying emphasis on R&D activities. Government in consultation with various stakeholders is considering the recommendations.

Cement

7.31 The impressive performance of the cement industry, both in terms of production (Table 7.16) and export, continues. Export of cement in 2003-04 and 2004-05 was 9 MT and 10.6 MT, respectively. During April-October 2005, exports were 5.10 MT.

7.32 Installed capacity of production was augmented during 2004-05 and in view of the growth trend in the last few years, a production target of 142.0 MT was set for the year 2005-06. During the period April to October 2005, production of 82.26 MT (provisional) has already been achieved. This is 9.39 per cent higher than the production in the corresponding period of the previous year. Efforts to generate adequate domestic demand to meet the excess production capacity available with the industry are also being made.

Oil and gas

7.33 India imports about 75 per cent of its requirement of crude petroleum. However, it continues to have a net exportable surplus in refined petroleum products. The imports of petroleum products were 8.83 MT in 2004-05 and 7.32 MT in April to November 2005. Against this, exports of petroleum products were 18.21 MT in 2004-05 and 12.68 MT during the period April-November 2005. Refining capacity has increased from 118.37 MT per annum (MTPA) as on April 1, 2003 to 127.37 MTPA as on October 1, 2005. The targeted capacity by the end of the Tenth Five Year Plan is 141.70 MTPA.

7.34 With the declared intention of moving towards market-determined pricing for petroleum products, Government announced the dismantling of the Administered Pricing Mechanism (APM) with effect from April 1, 2002. For kerosene and liquid petroleum gas (LPG), being items of mass consumption, it was decided that subsidies on these will continue on specified flat rate basis. Accordingly, as per the “PDS Kerosene and Domestic LPG Subsidy Scheme, 2002”, a flat rate of subsidy per selling unit was approved to be given to public sector Oil Marketing Companies (OMCs). The subsidy was equal to the difference between the cost price and the issue price per selling unit as on March 31, 2002, and was to be phased out in three to five years. The OMCs were to adjust the retail selling prices (RSP) of these products in line with international prices during this period.

7.35 There was an unprecedented sharp and spiraling increase in international oil prices from late 2003, combined with considerable week-to-week and even day-to-day volatility. Notwithstanding the consequent steep rise in international prices of sensitive petroleum products, OMCs, in consultation with Government, moderated the price increase in petrol and diesel besides maintaining the prices of already subsidized products like domestic LPG and PDS kerosene. Consequently, the OMCs suffered under-recoveries on sale of petrol and diesel. However, as the under recoveries of the OMCs were reaching untenable proportions, in October 2003, Government decided that the OMCs would make up about a third of their under-recoveries on these two products from the surpluses in petrol and diesel, and the balance would be equally shared by the upstream companies and the OMCs. In spite of this subsidy-sharing mechanism, and discounts given by the refineries to OMCs, the burden of under recoveries continues to rise steeply. The estimated under-recoveries more than doubled from Rs. 9,274 crore in 2003-04 to Rs.20,146 crore in 2004-05, and continue to rise.

7.36 Spiraling international petroleum prices not only create a pressure on budgetary resources directly and indirectly through losses of oil PSUs, but also have a debilitating effect on the performance of the industrial sector as a whole. Petroleum is a universal intermediate product. In response to the rising international prices of petroleum products, Government raised the prices of petrol and diesel per litre by a moderate Rs. 2.50 and Rs. 2.00, respectively, with effect from June 21, 2005. As the increase continued to persist, Government was forced to increase the prices of petrol and diesel further by Rs. 3 and Rs. 2 per litre, respectively, with effect from September 7, 2005. The prices of domestic LPG and PDS kerosene were, however, left unchanged. The total subsidy as on Jan., 2006 calculated at international prices for 2005-06 per cylinder of domestic LPG of 14.2 kg and per litre of PDS Kerosene, was estimated at Rs. 170.32 and Rs. 12.96 respectively. In order to compensate the public sector OMCs on account of their mounting under-recoveries, over and above the amount allowed as direct subsidy, Budget for 2005-06 provides an additional Rs. 5,750 crore for 'oil bonds'.

7.37 Liquefied Natural Gas (LNG) is being imported, and such import is permitted under the open general license (OGL) category. Petronet LNG Limited (PLL), a joint venture promoted by Gas Authority of India Limited (GAIL), Indian Oil Corporation (IOC), Bharat Petroleum Corporation Limited (BPCL) and Oil & Natural Gas Corporation (ONGC), was formed for import of LNG to meet the growing demand. In March, 2004, PLL constructed 5 MMTPA LNG terminal at Dahej in Gujarat. The terminal capacity is being expanded to 10 MMTPA. Shell's 2.5 MMTPA capacity LNG Terminal at Hazira was commissioned in April 2005. Other LNG terminals under implementation/consideration are at Dabhol, Kochi, Mangalore and Ennore. In June 2005, Sale Purchase Agreement (SPA) for import of 5 MMTPA of LNG from Iran was signed between GAIL/IOC/BPCL and National Iranian Gas Export Co. Ltd. (NIGEC) and imports are likely to start by the end of 2009.

7.38 With the expected increase in gas availability from domestic sources, particularly in Krishna-Godavari (KG) basin, additional production from Tapti, which is a joint venture field, and imports of LNG by PLL at Dahej and Shell at Hazira, there is a need for commensurate increase in gas pipeline infrastructure. A gas pipeline policy, envisaging authorization from Government/regulator for all gas transmission pipelines is being worked out. For promoting competition and protecting the consumer, provision for non-discriminatory third party open access and regulation of transportation tariff are envisaged. Government is in the process of setting up the Petroleum and Natural Gas Regulatory Board which, among other things, will formulate and regulate the pricing mechanism and ensure competitive structure of this sector.

7.39 In January 1999, ONGC had acquired 9.1 per cent of total equity in IOC and 4.8 per cent in GAIL; and IOC had acquired 9.6 per cent in ONGC and 4.8 per cent in GAIL. Similarly, GAIL had acquired 2.4 per cent of total equity in ONGC. The total market valuation of these crossholdings on January 20, 2006 was estimated at Rs. 29,456 crore. Government has approved the off-loading of these cross-holdings of shares by IOC, ONGC, and GAIL. The manner and timing of off-loading these crossholdings have been left to the individual PSUs to decide keeping in view their fund requirements as well as market conditions.

7.40 As a measure to minimize green degradation, as laid down in the Auto Fuel Policy, Euro II petrol and diesel in all 13 identified cities, and Bharat Stage II petrol throughout the country is being progressively introduced with effect from April 1, 2005. It is proposed to introduce Euro II equivalent norms in the entire country from April 1, 2010, subject to a review in 2006 of the impact of introduction of Bharat Stage II norms in the entire country and Euro III equivalent norms in identified cities.

Box 7.2 : Oil price and global economic prospects

Crude oil prices remain a key input in determination of global economic prospects. A rise in crude oil prices affects the global economy through a variety of channels.

- An initial fall in aggregate demand owing to a transfer of income from oil consumers to oil producers, who tend to have a lower propensity to consume than the former.
- A supply-side effect reflecting higher production costs and lower profit margins. However, with falling oil intensity over the past three decades, especially in industrial countries, this effect has been weaker.
- A rise in inflation resulting from higher production costs, depending on the response of monetary policy and the extent to which consumers and producers can offset the declines in incomes and profits, respectively.
- A potential impact on activity through lower consumer and investor confidence and reduced willingness to commit to longer-term capital projects.
- A lasting impact on energy demand and supply over time, depending on the duration and extent of price increases.

Source : World Economic Outlook, September, 2005, IMF, page 64.

Tourism

7.41 The impressive growth profile of the tourism sector observed over the last two years appears to be continuing. As per the World Tourism Organization, about 763 million tourists traveled internationally in 2004 and spent about US$622 billion. As per an estimate, tourism accounts for 12.2 per cent of total world exports and 8.1 per cent of global employment.

7.42 In 2004-05 the Indian tourism industry registered a growth of 24.0 per cent in foreign tourist arrivals compared to the growth of 19.5 per cent registered in 2003-04 (Table 7.17). Foreign exchange earnings grew at the rate of 26.4 per cent in 2004-05 compared to 31.4 per cent in 2003-04.

7.43 Improvement of airports, passenger amenities and emphasis on targeted tourist segments need to be vigorously pursued to ensure further sustained boost in the tourism sector. The aggressive campaigns of the neighbouring South East Asian countries, which have been emerging as a major global destination for business, leisure, religious and medical tourism, need to be converted into a complementary factor for boosting the inflow of tourists in India. This requires evolving concrete strategies and improving tourism related information and infrastructure.

Table 7.17 : Foreign tourist arrivals and foreign exchange earning

Year	Foreign tourists		Estimated foreign Exchange Earnings	
	Number in Lakh	Growth Rate	Million US$	Growth Rate
1997-98	23.71	1.6	2914	1.3
1998-99	23.97	1.1	2993	2.7
1999-00	25.05	4.5	3036	1.4
2000-01	26.99	7.7	3168	4.3
2001-02	24.28	-10.0	2910	-8.1
2002-03	24.54	1.0	3029	4.1
2003-04	29.33	19.5	3979	31.4
2004-05	36.38	24.0	5029	26.4

Source : Ministry of Tourism

Electronics & computer technology

7.44 Information Technology (IT) and IT-enabled business process outsourcing (ITES-BPO) services continue to be on a robust growth path. Exports of the Indian software and services sector was Rs. 78,230 crore (US$17.2 billion) in 2004-05, up 34 per cent from Rs. 58,240 crore (US$12.8 billion) in 2003-04 (Table 7.18). The IT exports are likely to grow by 30-32 per cent in the current year. Output of the Indian electronics and IT industry was Rs. 1,48,360 crore during 2004-05, up 25.4 per cent from Rs. 1,18, 290 crore in 2003-04 (Table 7.19).

7.45 With satisfactory growth of the Indian ITES-BPO sector both on-shore as well as offshore, export revenues from this sector increased rapidly from US$2.5 billion in 2002-03 to US$3.6 billion in 2003-04 and further to US$5.1 billion in 2004-05. A major impact of this growth has been on employment creation, which has almost doubled every year. The number of professionals employed in India by IT and ITES sectors is estimated at 10.45 lakh

Table 7.18 : Electronics exports

(Rs. Crore)

Items		1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
1.	Electronics Hardware	1,400	4,788	5,800	5,600	7,700	8,000
2.	Computer Software	17,150	28,350	36,500	46,100	58,240	78,230
	Total	**18,550**	**33,138**	**42,300**	**51,700**	**65,940**	**86,230**

Table7.19 : Electronics production

(Rs. Crore)

Items		1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
1.	Consumer Electronics	11,200	11,950	12,700	13,800	15,200	16,800
2.	Industrial Electronics	3,750	4,000	4,500	5,550	6,100	8,300
3.	Computers	2,500	3,400	3,550	4,250	6,800	8,800
4.	Communications and Broadcasting Equipments	4,000	4,500	4,500	4,800	5,350	4,800
5	Strategic Electronics	1,450	1,750	1,800	2,500	2,750	3,000
6	Components	5,200	5,500	5,700	6,600	7,600	8,800
	Sub-Total	28,100	31,100	32,750	37,500	43,800	50,500
7.	Software for Exports	17,150	28,350	36,500	46,100	58,240	78,230
8.	Domestic Software	7,200	9,400	10,874	13,400	16,250	19,630
	Total	**52,450**	**68,850**	**80,124**	**97,000**	**1,18,290**	**1,48,360**

as on 31st March 2005. While some initiatives, including fiscal, have been taken recently, a lot still remains to be done to improve the competitive edge of this sector (Box 7.3).

Box 7.3 : Policy initiatives for electronics and IT sector

- Customs duty on all the 217 tariff lines covered under the Information Technology Agreement (ITA-1) of WTO has been abolished;
- All goods required in the manufacture of ITA-1 items have also been exempted from customs duty subject to Actual user condition;
- An additional duty of 4 per cent has been imposed on items bound by ITA-1 (except IT software) and their inputs, raw materials, parts, capital goods covered under various customs notifications;
- Specified capital goods required in the manufacture of capacitors, electronic fuses, [full pls] TDM, DC micro motors, PCBs, relays and switches have been exempted from customs duty;
- Expenditure incurred on in-house R&D facility for scientific research by a company engaged in the business of electronic equipments, computers, telecom, etc. has been allowed a weighted deduction of 150 per cent of the expenditure incurred. Time limit for availing this benefit has been extended up to March 31, 2007;
- In order to improve information security with growing applications of IT, an Information Security Management System has been set up. A security cooperation agreement has been signed with Microsoft to exchange computer security related information and training of technical personnel;
- An expert committee has been set up to review the IT Act;
- A national facility for Electro Magnetic Interference (EMI) and Electro Magnetic Compatibility (EMC) evaluation of electronic equipments and systems has been set up at SAMEER – Chennai; and
- A joint project for setting up Nanoelectronics centers at the Indian Institute of Science, Bangalore and the Indian Institute of Technology, Bombay has been sanctioned with a total outlay of Rs.99.80 crore over a period of five years.