Highlights of some industries

Automotive

7.6 Automotive industry, comprising of the automobile and auto-component sectors, is one of the key segments of the economy with extensive forward and backward linkages with other key segments of the economy. Installed capacity of the industry has been growing at a compounded annual rate of over 16 per cent since 2001-02. The automobile industry produced a wide variety of vehicles including 17 lakh four wheelers (passenger cars, light, medium and heavy commercial vehicles, multi-utility vehicles such as jeeps), and over 80 lakh two and three wheelers (scooters, motor-cycles, mopeds, and three wheelers) in 2005-06 (Table 7.4).

Table 7.4 : Automobile production

(Numbers in 000)

Category	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 (till Sept'06)
Passenger cars	513	564	609	842	961	1,046	594
Multi-utility vehicles	128	106	112	146	249	263	144
Commercial vehicles	157	163	204	275	350	391	237
Two wheelers	3,759	4,271	5,076	5,625	6,527	7,600	4,155
Three wheelers	203	213	277	341	374	434	264
Total	**4,759**	**5,316**	**6,280**	**7,229**	**8,461**	**9,735**	**5,394**
Growth in per cent	(-)2.00	11.70	18.60	15.12	16.80	14.97	18.04

Source : Ministry of Heavy Industries & Public Enterprises (Department of Heavy Industries)

7.7 Delicensing and opening up to FDI has not only helped this sector to develop in the domestic economy but also to clock impressive pefromance in the export market. Automobile exports crossed the US$1 billion mark in 2003-04 and increased to US$2.28 billion in 2005-06. The industry exported as much as 17.7 per cent and 16.3 per cent of its domestic production of three wheelers and passenger cars in 2005-06 (Table 7.5)

Table 7.5 : Automobile export

(Numbers in 000)

Category	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 (till Sept'06)
Passenger cars	23	50	71	126	161	170	98
Multi-utility vehicles	4	3	1	3	6	5	3
Commercial vehicles	14	12	12	17	30	41	23
Two wheelers	111	104	180	265	367	513	332
Three wheelers	16	15	43	68	67	77	62
Total	**168**	**185**	**307**	**479**	**620**	**806**	**519**
Growth in per cent	**20.24**	**9.74**	**65.35**	**55.98**	**31.25**	**28.03**	**27.43**

Source : Ministry of Heavy Industries & Public Enterprises (Department of Heavy Industries)

7.8 The auto component industry, comprising of around 500 firms in the organized sector and more than 10,000 firms in the small and unorganized sector has been one of the fastest growing segments of Indian manufacturing. It has the capability to manufacture the entire range of auto parts and has rapidly added to its capacity base. The turnover of the sector has grown from US$3.1 billion to US$10.0 billion between 1997-98 and 2005-06. In 2005-06, the sector's exports grew by 28 per cent to reach US$1.8 billion. The industry has also made considerable progress on the quality front as borne out by international recognition received by several producers and by the direction of extports. The major destinations of export for this sector are USA and Europe, which belong to the category of high Accepted Quality Level (AQL).

7.9 The major challenges that the auto industry is presently facing is with respect to its capability to innovate and upgrade in order to remain competitive (both qualitatively and price wise) in the international market.

7.10 The initiatives taken by the Government in 2006-07 to give a boost to the automobile sector include: a) reduction in the duty of raw material to 5-7.5 per cent from the earlier 10 per cent, b) setting up of the National Automotive Testing and R&D Infrastructure Project (NATRIP) at a total cost of Rs.1,718 crore for enabling the industry to usher in global standards of vehicular safety, emission and performance standards, and (c) finalisation of the Automotive Mission Plan (AMP) 2006-2016 for making India a preferred destination for design and manufacture of automobile and automotive components.

Textiles

7.11 Production of fabrics increased by 9.25 per cent in 2005-06 and, in the current year upto November 2006, by 8.20 per cent over the corresponding period of the previous year (Table 7.6). In US dollar terms, the value of exports increased by 21.8 per cent in 2005-06 and 11.7 per cent in the current year up to September 2006 (Table 7.7).

7.12 Nevertheless, Indian textile sector's performance continues to lag substantially behind that of China even in the post –quota era. China's export of textiles and clothing reached a new peak of US$115.51 billion in 2005 which accounted for 24.07 per cent of global trade. In comparison, India's share was a miniscule 3.37 per cent amounting to US$16.14 billion. The Indian textile sector continues to suffer from ageing machinery, inadequate infrastructural facilities (power and ports), and rigid labour laws. The continuing scheme such as the Technology Upgradation Fund (TUFS) and the Scheme for Integrated Textile Parks launched last year are aimed at addressing some of these problems. Under the Technology Upgradation Fund Scheme

Table 7.6 : Production of fabrics

(in millions of square metres)

Sector	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	April-November 2005-06	April-November 2006-07(P)
Mills	1,670	1,546	1,496	1,434	1,526	1,656	1,085	1,234
	(4.2)	(3.7)	(3.6)	(3.4)	(3.4)	(3.3)	(3.3)	(3.5)
Power looms	30,499	32,259	33,835	34,794	37,437	41,044	27,105	29,471
(including Hosiery)	(75.8)	(76.8)	(80.6)	(82.1)	(82.5)	(82.8)	(82.6)	(83.0)
Handlooms	7,506	7,585	5,980	5,493	5,722	6,108	4,111	4,278
	(18.7)	(18.0)	(14.2)	(13.0)	(12.6)	(12.3)	(12.5)	(12.1)
Others	558	644	662	662	693	769	513	513
	(1.4)	(1.5)	(1.6)	(1.6)	(1.5)	(1.6)	(1.6)	(1.5)
Total	**40,233**	**42,034**	**41,973**	**42,383**	**45,378**	**49,577**	**32,814**	**35,496**

Note : Figures in parentheses indicate share in output

P – Provisional

Source : Office of Textile Commissioner, Mumbai

Table 7.7 : Export of textiles

(in US$ million)

Item	2003-04	2004-05	2005-06	April-August 2005-06	April-August 2006-07(P)
Ready made garment	5,786.37	6,024.39	7,752.44	3,085.34	3,461.88
Cotton Textiles	3,599.95	3,544.16	4,493.20	1,650.53	2,071.09
Wool & Woollen Textiles	337.98	417.09	473.91	197.42	204.89
Manmade Textiles	1,821.24	2,050.73	2,000.08	777.20	907.83
Silk	545.21	594.56	691.83	279.06	292.75
Handicrafts	1,085.36	1,013.85	1,239.26	524.11	501.46
Coir & Coir manufacture	77.77	105.56	134.25	53.99	59.44
Jute goods	242.43	276.25	294.60	127.33	128.79
Total	**13,496.31**	**14,026.72**	**17,079.57**	**6,694.97**	**7,628.13**

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

(TUFS), launched on April 1, 1999, loans amounting to Rs.14,901 crore have been disbursed to 6,739 applicants. Under the Scheme for Integrated Textile Park (SITP) launched in the last financial year to develop 25 Integrated Textile Parks (covering weaving, knitting, processing and garmenting sectors) of international standard, project proposals worth Rs.2,411 crore, (of which assistance from Government is Rs.862.55 crore) have been sanctioned. These projects are likely to be completed by March 2008.

Gems and Jewellery

7.13 The gems and jewellery sector, contributing about 15 per cent of India's total merchandise exports during 2005-06, continued to maintain India as the largest cutting and polishing centre of diamonds in the world both in terms of quantity and value. In terms of carat, India's share in this sector is about 80 per cent of the world market. Gold jewellery and coloured gem segments accounts for about 15 per cent and 5 per cent, respectively of India's gem and jewellery export in value terms.

7.14 Total exports of gems and jewellery in 2005-06 was US$15.5 billion, up from US$13.4 billion and US$10.7 billion in the previous two years. During the period April-September 2006, however, exports declined marginally by 0.66 per cent from the corresponding period of the previous year due to a reduction in the international prices. Destination wise, the major market for Indian gems and jewellery in terms of importance are USA, UAE, Hong Kong, Belgium, Israel, Japan, Thailand, UK, Singapore and Korea. USA itself accounts for 29 per cent of the total exports from India in this sector.

7.15 In the Foreign Trade Policy updated as on April 7, 2006, Government has extended the following facilities to this sector:

- Import of gold of 8 carat and above has been 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 FOB value of exports during the previous financial year.
- Duty-free import entitlement of commercial samples fixed at Rs. 30,000.
- Duty-free re-import entitlement for rejected jewellery fixed at 2 per cent of FOB value of exports.
- Cutting and polishing of gems and jewellery to be treated as manufacturing for the purpose of exemption under Section 10A of the Income Tax Act.

- Import of precious metal scrap/used jewellery has been allowed for melting, refining and re-export of jewellery. However, such imports will not be allowed through hand baggage.
- Exporters of gems and jewellery have been allowed to export jewellery on consignment basis and export cut and polished precious and semiprecious stones for treatment and re-import as per rules.
- Value addtions norms for different categories of gems and jewellery products have been reduced.

7.16 Steps have been taken to encourage creation of training infrastructure to impart skills in jewellery designing, participation of exporters in international fairs, and arrangement of buyer-seller meets abroad to showcase the quality and variety of Indian products under the Market Development Assistance and Market Access Initiative scheme of the Government.

7.17 Based on traditional strength in craftsmanship, India has emerged as one of the key players in the gem and jewellery sector. However, in a global business worth US$80 billion annually, India's market share continues to be less than 3 per cent. In the coming years factors like changing tastes, competition from other luxury goods, growth of market share of substitutes like synthetic diamonds and non-precious metals, and growth of cutting and polishing industries in mining countries are likely to affect this sector. In order to increase its share, the country has to graduate towards the higher end of the value chain through technological upgradation. The industry will also need to explore and develop virgin markets which are likely to be high growth economies. The share of organized sector has to increase further to ensure better marketing, quality management and professionalisation.

Steel

7.18 The impressive growth of the steel sector continued for the fourth consecutive year. During April-December 2006, production of finished (carbon) steel, year-on-year, increased by 9.7 per cent to reach 35.65 million tonnes (Table 7.8). Additional capacities of four million tonnes have been commissioned in this sector in the current year. The apparent consumption of finished (carbon) steel at 31.45 million tonnes was 9.8 per cent higher than that in the comparable period of the previous year. Export of finished (carbon) steel during this period grew by 10.9 per cent to 3.50 million tonnes.

7.19 The increasing presence of the Indian steel companies in the global market with a wide-ranging export basket including complex and technologically sophisticated product is a pointer to the increased competitiveness of this industry. This is mainly due to improvement in the operational parameters of the Indian plants effected through establishment of new state-of-the-art plants and their continuous modernization and implementation of de-bottlenecking and technology upgradation schemes in the older plants. Most importantly, energy efficiency of the plants in terms of coke rate and power consumption has improved through better operating practices, use of better quality raw materials (e.g. imported coking coal) accessed from global sources and optimum processing of raw materials (e.g. washing of coal, benefication and sintering of iron ore). The average techno-economic parameters of an Indian plant vis-à-vis international bench-marks show that the Indian plants are fast catching up with the best in the world.

7.20 Domestic market prices of steel, in general, declined throughout 2005 and the trend persisted till the start of fiscal 2006-07. However, during the first three quarters of the current fiscal steel prices started firming up. The price rise has been stronger in case of flat products, where most of the key items saw marked rise during October 2006 from a year ago. For non-flat steel, the rise has been of a lesser intensity as compared to the flats. The increase has been mainly due to the strong domestic demand for steel and increase in cost of raw materials like zinc and ferro-alloys. In continuation of the policy thrust to ensure availability of steel and price stability, Government reduced the customs duty on alloy/stainless steel and non-alloy steel items

Table 7.8 : Production, consumption, export and import of finished carbon steel and pig iron

(in million tonnes)

Item	2003-04	2004-05	2005-06	2005-06 (April-December)	2006-07 (April-December)
PRODUCTION					
Finished Carbon Steel					
Main producers	15.19	15.61	16.21	11.79	12.75
	(5.60)	(2.79)	(2.79)		(8.10)
Secondary producers	21.77	24.44	28.33	20.70	22.90
	(12.91)	(12.28)	(15.90)		(10.60)
Total	**36.96**	**40.06**	**44.54**	**32.49**	**35.65**
	(9.70)	**(8.38)**	**(11.20)**		**(9.70)**
Pig Iron					
Main Producers	0.97	0.63	1.01	0.79	0.65
	(-12.70)	(-35.30)	(61.12))		(-17.60)
SecondaryProducers	2.80	2.60	3.69	2.55	2.80
	(-32.90)	(-6.96)	(41.68)		(10.00)
Total	**3.76**	**3.23**	**4.70**	**3.33**	**3.45**
	(-28.70)	**(-14.24)**	**(45.44)**		**(3.50)**
EXPORTS					
Finished Carbon Steel	4.84	4.38	4.48	3.16	3.50
	(7.30)	(-9.38)	(2.21)		(10.90)
Pig Iron	0.52	0.40	0.44	0.30	0.20
	(-17.64)	(-24.13)	(11.95)		(-7.00)
IMPORTS					
Finished Carbon Steel	1.54	2.11	3.85	2.87	2.70
	(1.98)	(36.94)	(82.55)		(-6.00)
Pig Iron	0.00	0.01	0.00	0.00	0.00
	(100.00)	(300.00)	(62.50)		
APPARENT CONSUMPTION					
Finished Carbon Steel	31.17	34.39	39.19	28.63	31.45
	(7.88)	(10.33)	(13.94)		(9.80)
Pig Iron	3.26	2.79	4.14	2.92	3.22
	(-29.67)	(-14.46)	(48.19)		(10.30)

Note: Figures in parenthesis indicate variation over the previous year.

Source : Joint Plant Committee.

to 7.5 per cent and 5 per cent respectively with effect from April 1, 2006. Customs duty on alloy and stainless steel was further reduced to 5 per cent from January 22, 2007.

Chemical, Petrochemical and Pharmaceutical

7.21 The chemical sector, comprising basic chemicals and its products, petrochemicals, fertilizers, paints, gases and pharmaceuticals, accounted for about 17.6 per cent in the output of manufacturing sector, 13-14 per cent in total exports and 8-9 per cent in total imports of the country in 2005-06. This well-diversified sector, covers more than 70,000 commercial products and is intensive in knowledge, capital and power. This sector has made good progress during the last five years, and turned from a net importer in the 1990s to a net exporter. During 2005-06, however, there was a deceleration in the growth rate of the sector to 8.2 per cent from 14.5 per cent in 2004-05.

Basic Chemicals

7.22 The production of major basic chemicals comprising alkalies, inorganic and organic chemicals, pesticides and dyes and dyestuffs was up by 3.61 per cent from 7.38 million tonnes to 7.64 million tonnes between 2004-05 and 2005-06. However, the output of basic chemicals showed a marginal decline of 2.22 per cent, year-on-year, in the first half of the current fiscal (April-Sept) vis-à-vis that in the comparable period last year. Within basic chemicals, growth of dyes and dyestuffs, and inorganic chemicals accelerated from over 7 per cent in 2005-06, to over 10 per cent in the first half of the current year.

Petrochemicals

7.23 The production of petrochemicals which mainly comprise of synthetic fibres, polymers, elastomers, synthetic detergent intermediates and performance plastics increased by 1.61 per cent from 7.35 million tonnes in 2004-05 to 7.47 million tonnes in 2005-06. Output of elastomers, synthetic detergent intermediates and performance plastics was higher by 13.40 per cent, 13.93 per cent and 12.39 per cent, respectively, in 2005-06. The overall growth performance of petrochemicals improved to 7.97 per cent in the first half of the current year.

Pharmaceuticals

7.24 Driven by the knowledge skills, growing enterprises, low costs, improved quality and buoyant demand (both domestic and international), the pharmaceutical sector's value of output grew more than tenfold from Rs. 5,000 crore in 1990 to over Rs. 55,000 crore during 2005-06. With value of exports at over Rs. 21,000 crore or US$4.7 billion in 2005-06, India is today recognized as one of the leading global players in pharmaceuticals. Internationally, recognized as amongst the lowest-cost-producers of drugs, India holds fourth position in terms of volume and thirteenth position in terms of value of production in pharmaceuticals. It is estimated that by the year 2010, the Indian pharmaceutical industry has the potential to achieve over Rs. 1,00,000 crore in formulations and bulk drug production.

7.25 Increasing number of Indian pharmaceutical companies have been getting international regulatory approvals for their plants from agencies like USFDA (USA), MHRA (UK), TGA (Australia), and MCC (South Africa). India has the largest number of USFDA-approved plants for generic manufacture. Considering that the pharmaceutical industry involves sophisticated technology and stringent "Good Manufacturing Practice" (GMP) requirements, major share of Indian pharma exports going to highly developed western countries bears testimony to not only the excellent quality of Indian pharmaceuticals but also price-competitiveness. Indian companies are now seeking more Abbreviated New Drug Approvals (ANDAs) in USA in specialized segments like anti infectives, cardiovasculars and central nervous system groups.

7.26 Due to various policy intitiatives taken by Government in the recent past, research and development (R&D) activites in this sector has not only increased quantitatively but also qualitatively. The National Pharmaceutical Policy, aimed at ensuring availability of life saving drugs at reasonable prices, is being finalized and will be implemented shortly.

Oil and Gas

7.27 Crude oil production in 2006-07 up to December 2006 was 25.40 million tonnes, up 6.03 per cent from 24.03 million tonnes in the first nine months of 2005-06. Natural gas production up to December 2006 at 23.53 billion cubic metres, however, was down 2.42 per cent from 24.10 billion cubic metre in the same period of the previous year. Thus, on the aggregate, oil and oil equivalent of gas

Box 7.2 Under recovery by Oil Marketing Companies

(Rupees in Crore)

Under-recovery	2003-04	2004-05	2005-06 (Estimate)	April- June 2006	April-September 2006
PDS Kerosene and domestic LPG*	9,274	17,842	24,630	6,803	14,875
Petrol and Diesel	0	2,304	15,370	10,243	18,310
Total	**9,274**	**20,146**	**40,000**	**17,046**	**33,185**

***On gross basis, i.e. before sharing of losses by upstream oil companies.**

Source: Ministry of Petroleum & Natural Gas

(O+OEG) production in 2006-07 up to December 2006, year-on-year, increased by only about 1.85 per cent.

7.28 With 19 refineries – 17 in the public sector and 2 in the private – the domestic refining capacity in December 2006 was 148.97 million tonnes per year. During 2005-06, refinery throughput at 130.11 million tonnes was up 2.1 per cent from 127.42 million tonnes in the previous year. During April-December 2006, such throughput was 107.42 million tonnes.

7.29 Global prices of crude oil and petroleum products reached new highs in the past two years. The Indian basket of crude oil prices touched an all-time high of US$75.20 per barrel on August 8, 2006. Government tried to distribute the heavy burden of this oil price hike equitably amongst various stakeholders, namely upstream companies, oil-marketing companies, Government and the consumers. As in 2004 and 2005, Government tried to further restructure the duties on petroleum products to mitigate the burden of price rise on the common man. In the Union Budget 2006, LPG (Domestic) was categorized as "Declared Goods" requiring State Governments to peg the sales tax rate to no more than 4 per cent and thereby partially reduce the severe under-recoveries (Box 7.2) suffered by oil marketing companies in sensitive petroleum products. Further, with effect from June 14, 2006, customs duty on petrol and diesel was reduced from 10 per cent to 7.5 per cent. Since mid-June 2006, in line with the recommendation of the High–Powered Inter-Ministerial Committee headed by Dr. C. Rangarajan, the basis of pricing was changed from import-parity to trade-parity. Trade-parity price is the weighted average of import-parity (4) and export-parity (1) prices.

7.30 During 2006, in view of the very high under-recoveries and acute financial distress having a direct bearing on the corporate image and strength of the oil marketing companies, Government was compelled to increase the prices of petrol and diesel by Rs.4 per and Rs.2 per litre respectively with effect from June 6, 2006. Prior to this the prices of petrol and diesel were revised on September 7, 2005. However, the prices of PDS Kerosene and domestic LPG were not touched. Government also decided to issue bonds worth Rs.28,300 crore to oil marketing companies for losses suffered due to non-revision of prices in respect of sensitive petroleum products for the current financial year 2006-07. During the year 2005-06, such bonds worth Rs.11,500 crore were issued by Government.

7.31 However, in view of declining international prices, Government reduced the prices of petrol and diesel with effect from November 30, 2006. The impact of this reduction was around Rs.2 per litre for petrol and Rs.1 per litre for diesel. A further reduction of the same magnitude was made effective from February 16, 2007. International prices of oil are projected to remain high in winter,

Box 7.3 : Policy Decisions during 2006-07

- Petroleum and Natural Gas Regulatory Act, 2006 has been notified on April 3, 2006 to regulate specific activities relating to petroleum, petroleum products and natural gas consequent to deregulation of the petroleum sector.
- Taking into account the oil security of India, Government has decided to set up strategic crude oil storage facility of 5 million tonnes at various locations in the country.
- Sale of 5 per cent ethanol blended petrol in various parts of the country has been allowed, subject to commercial viability, from November 1, 2006.
- Sixth Round of New Exploration Licensing Policy (NELP) was launched on February 23, 2006 by offering 55 exploration blocks covering an area of 3.52 lakh square kilometers.
- Coal Bed Methane (CBM) has emerged as another alternative viable source of gas. The third round of CBM-II policy was launched, and 10 CBM blocks have been awarded.
- On December 20, 2006 Government has notified the Policy for Development of Nautral Gas Pipelines and City or Local Natural Gas Distribution Networks, which inter alia seeks to promote competition and arm's length business.
- Along with intensifying exploration efforts in the country, the oil companies are aggressively following a policy of gaining global properties. ONGC Videsh Limited (OVL) has presence in 15 countries and has set a target to acquire 20 million tonnes per annum of oil and oil equivalent gas production by 2020.

with OPEC announcing a cut in output by 1.2 million barrels per day with effect from November 1, 2006 and a further cut of 0.50 million barrel per day with effect from February 1, 2007 with a view to maintain oil prices. Government has taken several steps to effectively control and regulate the volatility in prices, and augment production of oil and natural gas (Box 7.3).

Tourism

7.32 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 808 million tourists travelled internationally – a growth of 5.6 per cent over 2004 – and spent about US$680 billion. Furthermore, according to the World Travel and Tourism Council (WTTC), tourism accounted for 10.6 per cent of global GDP, 12.0 per cent of the total world exports and 8.3 per cent of global employment in the year 2005.

7.33 The double-digit growth in both number of foreign tourist arrivals and foreign exchange earnings therefrom continued for the third consecutive year in 2005-06. However, there was a deceleration in the growth rate of foreign tourist arrivals and foreign exchange earnings therefrom between 2004-05 and 2005-06 (Table 7.9).

7.34 Sustained improvement in tourist infrastructure, such as airports, rail and roads leading to connectivity of tourist destinations, development of tourist destinations and circuits, improving and expanding existing products such as cultural and heritage tourism, rural tourism, adventure tourism and health and healing tourism, need to be pursued to establish India's competitive advantage in this critical sector.

Table 7.9 : Foreign tourist arrivals and foreign exchange earning

Year	Foreign tourists		Estimated foreign Exchange Earnings	
	Number in Lakh	Growth Rate	Million US$	Growth Rate
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	36.03	22.8	5029	26.4
2005-06	40.53	12.5	5931	17.9

Source : Ministry of Tourism

Electronics & Computer Technology

7.35 The Indian IT-enabled Services and Business Process Outsourcing (ITES-BPO) have demonstrated their superiority, sustained cost advantage and fundamentally-powered value propostion in the international market. This sector is growing with Indian companies expanding their service offerings, enabling customers to deepen their offshore engagements and shifting from low-end business processes to high-value ones. The software and ITES exports from India grew from US$12.9 billion (Rs. 58,240 crore) in 2003-04 to US$17.7 billion (Rs. 78,230 crore) in 2004-05 (Table 7.10). Software and ITES exports from India estimated at US$23.4 billion during 2005-06 was up 32 per cent from the previous year.

7.36 With strong demand over the past few years placing India among the fastest growing IT markets in the Asia-Pacific region, the industry's contribution to GDP rose from 1.2 per cent in 1999-2000 to an estimated 4.8 per cent in 2005-06. Indian companies are enhancing their global services delivery capabilities through a combination of greenfield initiatives, cross-border mergers & acqusitions, partnerships and alliances with local players. This is enabling them to execute end-to-end delivery of new services. Global software giants such as Microsoft, Oracle and SAP, have established their captive development centres in India. A majority of the companies in India have already aligned their internal processes and practices to international standards such as ISO, CMM, and Six Sigma. This has helped establish India as a credible sourcing destination. As of December, 2006, over 400 Indian companies have acquired quality certifications with 82 companies certified at SEI CMM Level 5 – higher than any other country in the world.

Table 7.10 : Electronics exports

(Rs. Crore)

Items		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
1.	Electronics Hardware	4,788	5,800	5,600	7,700	8,000	8,500
2.	Computer Software	28,350	36,500	46,100	58,240	78,230	103,200
	Total	**33,138**	**42,300**	**51,700**	**65,940**	**86,230**	**111,700**

Table 7.11 : Electronics production

(Rs. Crore)

Items		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
1.	Consumer Electronics	11,950	12,700	13,800	15,200	16,800	18,000
2.	Industrial Electronics	4,000	4,500	5,550	6,100	8,300	8,800
3.	Computers	3,400	3,550	4,250	6,800	8,800	10,800
4.	Communications and Broadcasting Equipments	4,500	4,500	4,800	5,350	4,800	7,000
5.	Strategic Electronics	1,750	1,800	2,500	2,750	3,000	3,200
6.	Components	5,500	5,700	6,600	7,600	8,800	8,800
	Sub-Total	31,100	32,750	37,500	43,800	50500	56,600
7.	Software for Exports	28,350	36,500	46,100	58,240	78,230	103,200
8.	Domestic Software	9,400	10,874	13,400	16,250	19,630	26,460
	Total	**68,850**	**80,124**	**97,000**	**118,290**	**148,360**	**186,260**

Source : Ministry of Information and Technology

7.37 While there have been no spectacular achievements in the hardware segment as in the case of the software segment of the IT sector, there has been a steady progress in production (Table 7.11) and exports (Table 7.10) of hardware.

7.38 Contrary to some popular misperceptions, the growth of the IT and ITES sector has had a salutary effect on the employment scenario with total number of professionals employed in this sector growing from an estimated 284,000 in 1999-2000 to 1,287,000 in 2005-06. The increase in the number of employed person in the sector was as high as 230,000 in 2005-06 itself. In addition, Indian IT-ITES is estimated to have helped create an additional 30 lakh job oppurtunities through indirect and induced employment in telecom, power, construction, facility management, IT transportation, catering and other services. Government has taken several steps to further enhance this industry (Box 7.4).

Box 7.4 : Policy Initiatives For Electronics and IT Sector

- The Information Technology Amendment Bill has been introduced in the Parliament on December 15, 2006. This proposes to put in place technology applications, security practices and procedures relating to such applications. Furthermore, it addresses the issue of technological neutrality in IT laws as recommended by UNCITRAL Model Law on Electronic Signature.
- A proposal for Electronics & IT Hardware Manufacturing Policy is also under consideration which aims to i) rationalize tariff structure on capital goods and inputs, ii) unifiy manufacturing for domestic market and exports, iii) facilitate registration of international patents, iv) transfer state-of-the-art technology(TOT) and v) enhance Research and Development.
- In order to ensure that the benefits of IT reach the common man, Government has initiated a move to make available tools and fonts in various Indian languages freely to the general public. Tamil, Hindi and Telugu software tools and fonts have already been released. All Indian languages are expected to be covered in the next one year.
- Government , to ensure penetrations of the IT and ITES in the rural areas, has formulated a proposal to establish 1,00,000 Common service Centres (CSCs) in rural areas, which will serve not only as the front-end for most government services but also as a means to connect the citizens of rural India to the World Wide Web. The scheme will be implemented through Public Private Partnership (PPP). An outlay of Rs. 5,742 has been approved of which the share of the Central Government and the State Governments would be Rs.856 croe and Rs.793 crore, respectively. The balance would be invested by the private sector.