Industry Report Card: April 2018

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Overview

As FY18 comes to an end, we provide a quick recap of performance of major industries during the year compared with the previous year. Performance of the industries is based on the production and sales as major indicator. Besides, the study also covers other indicators such as consumption, prices, trade data, etc. for relevant industries.

It can be seen that while some industries have fared well (automobiles, roads, airlines) in FY18 on a y-o-y basis, some industries' performance remained neutral (ports & logistics, cement) and few industries exhibited restrained performance (real estate, telecom, paints) during the year. One of the major highlights during the year has been government spending and its policies playing a major role in terms of driving demand across sectors.

The following **27 industries** have been covered in the study:

Positive – Airlines, Roads, Automobiles, Retail, Copper, Natural Gas and Sugar

Neutral - Textiles, FMCG, Consumer durables, Power, Cement, Coal, Ports & Logistics, Aluminium, Fertilizers, Paper & paper products and Crude oil

Restrained – Hospitality & Tourism, Tyres, Telecom, Drugs & Pharmaceuticals, Paints, Real Estate, Steel, Edible oils and Gems & Jewellery

1. Airlines (Positive)

- UDAN scheme was one of the highlights for the sector. The scheme is expected to add 1.3million passenger traffic over the next year. The scheme focuses on increasing frequency of flights and adding new flight from exiting airports to underserved and unserved airports.
- Total passengers carried by domestic airlines stood at 11.2 crore, a 17.7% jump for the same period during the previous year.
- PLF across the leading airlines has been above 85% with Spicejet leading at 95% PLF.
- Jan-Feb 2018 reported a 22% growth in passenger traffic.
- The ATF prices increased sharply since July 2017 trailing the Brent crude price increase. The ATF prices averaged around Rs 56,450 per kilolitre in Q3FY18, approx. 12% higher than the year-ago period.

2. Roads (Positive)

As per NHAI, dated 7th March 2018:

- Road length completed stood at 7,589 km against an average of 2,170 km for last 5 years.
- Projects awarded stood at 8,088 km. An additional 3,000 km of road projects are expected to be completed by 31st March. The average length of road projects awarded by NHAI in the last 5 years was 2,860 km.
- Toll Revenue Collection by NHAI stood at Rs. 8,140 km against a target of Rs. 8,000 crore for the entire year.
- The year recorded higher revenue collection, addition in highway length tolled.

3. Automobiles (Positive)

Table 1: Auto Sales (April - February) (in Numbers)

Year	Passenger Vehicles (PV)	Growth rate (%)	Commercial Vehicles (CV)	Growth rate (%)	Two & Three Wheelers	Growth rate (%)
2013-14	2,808,325		636,919		16,141,784	
2014-15	2,929,833	4.3	626,126	-1.7	17,812,071	10.3
2015-16	3,123,535	6.6	698,420	11.5	18,166,975	2.0
2016-17	3,452,305	10.5	725,853	3.9	18,979,248	4.5
2017-18	3,662,235	6.1	833,669	14.9	21,929,362	15.5

Source: CMIE

- Total auto sales registered a sharp growth of over ***14% in FY18 (Apr-Feb)*** and reached ***26,425,266*** *units* vis-à-vis a meagre growth of 2.9% and 5.3% in FY16 and FY17 respectively.
- In case of **PVs**, the growth can be attributed to new model launches by players during the year. Also, the multi utility vehicles (MUVs) segment registered a sharp growth of about 18.6% y-o-y
- **CVs** segment grew by about 15% led by over 10% growth in M&HCVs segment and over 18% growth in LCVs segment. Demand for CVs recovered on back of infrastructure development along with streamlining of logistics and e-commerce sectors post GST caused disruptions. M&HCVs demand got a push with restrictions on truck overloading and high replacement buying during the month while LCVs sales improved on back of two consecutive good monsoon years along with higher disposable income in the hands of rural populace
- **Two & three wheelers** registered a sharp double-digit growth of 15.5% during the period after marginally increasing during FY16 and FY17

Policy Announcements during FY18:

- Overloading restrictions for trucks
- Vehicle Scrapping Policy for CVs – set at 20 Years

4. Retail (Positive)

9M aggregate sales of retailers registered a higher growth rate of ***8.5% vis-à-vis a growth rate of about 6.6%*** during the corresponding period last year. Aggregate sales of 17 companies stood at Rs 34,209 crores at the end of Q3 FY18. Despite destocking in Q1 FY18 on account of GST implementation, sales registered higher growth on back of increasing urban demand and traction provided by the festive demand in Q2 and Q3 FY18. Also, a steady pickup in the rural consumption has aided the sales growth of retailers during FY18 (Apr-Dec).

Policy announcements in FY18:

- Cabinet approved 100% Foreign Direct Investment (FDI) via automatic route in single-brand retail

5. Copper (Positive)

India is the net exporter of refined copper. Exports during the year (April-January) were 321 thousand tonnes which have increased by 20.6% y-o-y from its previous year's levels (266 thousand tonnes) which had shrunk by 0.1% in the previous fiscal. Value-wise refined copper exports have increased by 72.6% (USD 3,452.8 million). Exports have increased on account of the robust production activities undertaken by the Indian smelters.

India ranks 7th in global refined copper production and during FY18 (April-February) refined copper production grew by 6.3% y-o-y compared with its previous year production which grew by only 0.9%. Production during FY18 (April-February) was 766 thousand tonnes compared with its previous year's production being 721 thousand tonnes. Increase in production can be attributed to better operational efficiencies due to better capacity utilization.

China is the main importer and accounts for 35.6% of the refined copper exports by India. Consumption of refined copper has fallen by 1.4% on the other hand during FY18 (April-January).

Globally TC/RC (Treatment Charge/ Refining Charge) has been lower in comparison to the previous year's TC/RC due to maintenance shutdown for copper smelters across Chile and China.

Global copper prices have surged during FY18 (April-February), resulting in a 25.8% increase (y-o-y). Prices have risen on account of disruptions in Chilean and Indonesian mines, coupled with improved demand and robust economic and manufacturing activities in China, Europe and U.S.

6. Natural Gas (Positive)

Natural gas production during FY18 has commenced on a positive note after years of continuous de-growth. Natural gas production during FY18 (April-January) has been 26.6 BCM and it has increased by 3.5% from it being 25.7 BCM in the previous year. Production during FY17 (April-January) had decreased by 1.8% (y-o-y). Production has increased on account of favourable acreage policies.

Imports of natural gas in the form of LNG have increased by 6.9%. India imported 21.8 BCM of LNG during FY18 (April-January) as compared with the 20.4 BCM imported in the previous year. Level of LNG imports have reduced as during FY17 (April-January) imports grew by 15.6%, thus a possible situation of import substitution as domestic gas production has also increased during FY18 (April-January).

Consumption of natural gas has increased by 17.4% during the current fiscal year. India is on a move towards a gas based economy.

Domestic natural gas price witnessed two revisions during FY18. Price of domestic natural gas was fixed at $2.48/mmBtu during 1st April 2017 to 30th September 2017 timeframe i.e. during H1FY18 and it was later increased by 16.5% to $2.89/mmBtu for the 1st October to 31st March 2018 period i.e. H2FY18. The ceiling price for gas to be produced from difficult fields was fixed at $5.56/mmBtu during 1st April 2017 to 30th September 2017 timeframe i.e. during H1FY18 and it was later increased by 13.3% to $6.30/mmBtu for the 1st October to 31st March 2018 period i.e. H2FY18.

Major Developments

- India is to set up a Natural Gas Trading platform which would lead to market determined pricing of gas. This will be much similar to the global hubs such as Henry Hub of the US and New Balancing Point of the UK. Both LNG and domestically produced natural gas will be traded at the hub. This will enable market determination of the Indian price of Natural Gas.
- During FY18 India also received its first ever shipment of LNG from US, a move which will enable India to diversify its supply base. India has also signed several MoUs and MoC with Japan for setting up a flexible LNG market. The MoC is to provide a framework to cooperate in facilitating flexibility in LNG contracts, abolition of destination clause and exploring possibilities of cooperation in establishing reliable spot price indices reflecting true LNG demand supply. This opportunity for technical and knowledge base sharing with Japan in LNG.
- ONGC has also made hydrocarbon discoveries to the west of its Mumbai High offshore discoveries which is located 10kms west of its Mumbai High basin and has found the first hydrocarbon proof in Kutch of about 29.87mt of reserves.

7. Sugar (Positive)

During 1st October 2017-15th March 2018, sugar production in India increased by a strong 47% on a y-o-y basis to 25.8 million tonnes compared with the corresponding period a year ago. ISMA estimates the country's sugar output to touch a record high and rise by a strong 45.4% y-o-y to 29.5 million tonnes in sugar year 2017-18 after declining by 19.3% to 20.3 million tonnes in 2016-17. However, small grade sugar prices in Mumbai declined by 8.7% y-o-y to Rs.34 per kg during October 2017-February 2018 due to higher sugar production during the period. The prices had averaged higher by 27.4% y-o-y at Rs.37.3 per kg during October 2016-February 2017.

Major developments:

- Import of a restricted quantity of 5 lakh tonnes of raw sugar allowed at zero duty through open general license in April 2017
- Import duty on sugar hiked to 50% from 40% in July 2017
- Import of 3 lakh tonnes of raw sugar allowed at a discounted import duty of 25% in September 2017
- Import duty on sugar doubled to 100% in February 2018
- Government scrapped 20% export duty on sugar in March 2018

- In March 2018, the government allowed export of 2 million tonnes of sugar by end of September 2018. Also, export of white sugar is allowed till September 2018 under the Duty Free Import Authorisation (DFIA) scheme and the scheme is valid for imports till end of September 2021

8. Textiles (Neutral)

A. Cotton and Cotton Yarn (Positive)

India's cotton production is estimated to increase by about 7.4% during international cotton season 2017-18 as per the latest report by ICAC (International Cotton Advisory Committee) to reach 6.3 billion kgs after increasing by meagre 2% in 2016-17. On back of higher consumption by about 3% during the year and higher MSPs announced by the government, the acreage under cotton increased by a sharp 9.7% to 11.9 million hectares during 2017-18. However, India encountered production losses on account of attack by pink bollworm in Gujarat and Maharashtra during the current season.

With increased production, cotton prices however, registered a decline of about 5-6% during the same period.

Cotton Yarn production stood at 4,061 million kgs as of 2016-17. Cotton yarn production witnessed a marginal growth of 0.8% during 2017-18 (Apr-Jan) after declining by about 2.2% during the same period previous year. CY production stood at 3,403 million kgs in current year. During the same period, CY prices registered a growth of over 8% and are currently trending at Rs 263 per kg.

B. Man-made Fibres (Negative)

Table 2: MMF production (April-January) (Million Kgs)

Fibres/Filaments	FY16	FY17	FY18	Y-o-Y Change (%)	
				FY17	FY18
Viscose Staple Fibre (VSF)	282.2	305.3	315.6	8.2	3.4
Polyester Staple Fibre (PSF)	742.8	759.2	726.6	2.2	-4.3
Acrylic Staple Fibre (ASF)	89.4	83.06	78.1	-7.1	-6.0
Polypropylene Staple Fibre (PPSF)	3.9	3.0	2.9	-22.2	-4.0
Total Staple Fibre	**1118.2**	**1,149.20**	**1,123.20**	**2.8**	**-2.3**
Viscose Filament Yarn (VFY)	37.8	38.7	39.6	2.3	2.3
Nylon Filament Yarn (NFY)	30.5	33.7	32.5	10.6	-3.6
Polyester Filament Yarn (PFY)	895.0	881.4	915.6	-1.5	3.9
Polypropylene Filament Yarn (PPFY)	N.A	9.5	8.8	-	-7.4
Total Filament Yarn	**963.3**	**963.3**	**996.5**	0.0	**3.4**
Total MMF Production	**2081.5**	**2,112.50**	**2,119.70**	**1.5**	**0.3**

Source: Office of Textile Commissioner

MMF production grew only marginally by about 0.3% y-o-y in FY18 (Apr-Jan) vis-à-vis a growth of 1.5% y-o-y a year back on back higher availability of substitute cotton in the domestic market that led to subdued MMF demand during the year.

In terms of prices, PSF prices grew by 11.6% y-o-y, PFY prices grew by 8.5% y-o-y and VSF prices grew by about 11.2% y-o-y. However, VFY prices in the domestic market registered a decline of about 4.5% during the period. Polyester prices grew on account of higher feedstock PTA and MEG prices during the period led by over 17% higher crude prices.

Policy Announcements during FY18:

- New skill development scheme with an outlay of Rs 1,300 crore for 2 years for capacity building in the entire textile value chain was approved

9. FMCG (Neutral)

Under FMCG, we have 2 categories, namely,

A. *Food products* – includes dairy products, tea, coffee, sugar, edible oils and other food products that include Cocoa products & confectionery, bakery products, processed foods, starch, poultry & meat products and milling products.

   Under food products, demand being non-discretionary, most of products have registered a y-o-y increase in production indicating an increase in consumption. However, production of some food products such as ghee, sweetmeat & sugar confectionary, cakes and pastries and some of the processed foods have registered a y-o-y decline referring to a drop in consumption of these products.

B. *Consumer non-durable goods* - On the other hand in terms of personal products, majority of the products have registered a negative growth rate in production. Production of most of the goods declined or grew only marginally during 9M period on account of *GST related destocking* by players during Q1 and Q2 FY18. Within non-durable goods, the maximum decline of about 30% y-o-y was registered by tooth paste, creams and lotion and organic surface active agents. However, the decline was limited as compared to a year ago (demonetization) when the decline was much higher at over 40%, on back of improvement in demand from the urban markets as well as a pickup in demand from rural markets led by higher farm incomes and near normal monsoon in most parts of the country during the year. While production of hair oil, hair dyes, washing soaps and fragrances and essential oils registered a strong growth on a y-o-y basis. Demand for natural FMCG products – ayurvedic and herbal products have been witnessing a steady growth and are expected to grow at a strong rate going forward.

Table 3: Production of FMCG (April-January)

Major products that registered y-o-y growth		Major products that registered y-o-y decline	
Products	**Growth Rate (%)**	**Products**	**Growth Rate (%)**
A. Food Products			
Milk powder	15.5	Ghee	-8.8
Milk	16.0	Cakes, pastries & muffins	-39.7
Butter	7.5	Honey, artificially preserved	-23.3
Ice cream	9.3	Bottled water	-10.7
Instant food (ready to eat)	15.6	Pickles & sauces	-26.0
Milled dal	18.1	Jams, jellies, marmalades and puree	-28.3
		Wheat bran	-15.1
B. Consumer Non-durable Goods			
Hair shampoo	8.1	Organic surface active agents	-25.0
Fragrances & oil essentials	11.5	Tooth paste	-29.4
		Creams & lotions	-32.6
		Agarbatti	-10.9

Note: For sugar, sugar season (October-December) data has been considered

Source: CMIE

10. Consumer Durables (Neutral)

Out of the 30 products analysed, production of 15 consumer durables registered a y-o-y decline during FY18 (Apr-Jan) while the remaining posted a y-o-y growth during the same period. The growth rates varied in the wider range of 4.5% to 36% while the contraction in the production of durables also witnessed to vary from 1.5% to 70%. The sharpest decline of over 69% was witnessed in production of Air coolers during the period followed by electric water heaters/geysers and electric heaters. On the other hand, production of watches, computers and peripherals, electric cooking appliances among others witnessed strong growth during the period.

Table 4: Production of Consumer Durables (April-January)

Major products that registered y-o-y growth		Major products that registered y-o-y decline	
Product	**Growth rate (%)**	**Product**	**Growth rate (%)**
Stainless steel utensils	24.2	Blank digital media for recording	-58.0
Computers & peripherals	12.5	T.V. sets	-9.1
Air conditioners (ACs)	4.4	Digital indicator - all types	-11.4
Watches, automatic/quartz	19.4	Electric heaters	-62.4
Watches, scientific/digital & special purpose	16.4	Electrical apparatus for switching or protecting electrical circuits	-26.5
Light fitting accessories	35.9	Electric filament type lamps	-8.7
Electric cooking appliances	17.9	Fluorescent Tubes and CFLs	-17.1
Steel Furniture including safety vaults	16.4	Ceiling or table or pedestal fans	-7.4
LCD/ LED monitor	18.0	Air Coolers	-69.0

Source: CMIE

Policy announcements in FY18:

- Import duty on open cell used in manufacturing LCD/LED television panels reduced to 5%

11. Power (Neutral)

- *The Government introduced three key schemes during the year for the sector. SHAKTI was introduced during the year to ensure coal linkage to thermal power plants with PPA. The Government auctioned 27MT of coal linkage to thermal power plants with an aggregate capacity of 9.1 GW.*
- *SAUBHAGYA Scheme was introduced for 100% rural electrification in the country. Post introduction of the scheme in September 2017, out of the targeted 37 million homes which were to be electrified, the government has completed 10% of its target as on date. The scheme is expected to achieve target by Dec 2018. The total outlay for the scheme is Rs. 16,320 crore.*
- *KUSUM Scheme, the latest among the various schemes, was introduced to harness solar power for irrigation. The scheme will start with building 10,000 MW solar plants on barren lands and providing 1.75 million off-grid agricultural solar pumps. The scheme is also expected to provide a source of income for farmers.*

Demand-Supply and Capacity:

- Installed capacity increased by 7.3 GW (2.2%) during April-Feb 2018 to 334.1 GW vs 326.8GW as on March 31st 2017. Renewable energy addition stood at 5.6 GW followed by thermal power at 1.3GW.
- Total electricity production in India stood at 1100 BU, 4% improvement over previous year between April-Feb 2018. PLF of thermal power plants recorded an improvement of 130 BPS over the same period for the previous year. Electricity produced from renewable sources stood at 93BU, a 23.3% increase over the previous year production.
- Share of electricity produced from thermal energy stood at 78.8% followed by Hydro Power at 10% and Renewable energy at 7.8%. Rest was from nuclear power and Imports from Bhutan.

12. Cement (Neutral)

- Cement production for the period stood at 243.5 MT, 4.4% growth for the same period in the previous year. Cement production growth estimate by CARE was 3 - 4.5% for FY18.
- The total capacity utilization is expected to remain in the 63-64% range by year end.
- Capacity addition during the year has been tepid and no major capacity expansion was reported in the sector. Under-utilization of capacity can be attributed to low activity is the real estate sector which constitutes for 2/3rd of the cement demand in the country.

13. Coal (Neutral)

- SHAKTI Scheme was introduced to provide fuel linkage to thermal power producers was launched during the year. During the first auction, 27 MT on coal linkage was auctioned to thermal power plants with PPAs.
- The Union Cabinet Approved Commercial Mining for domestic and International companies. The move is expected to help the government of achieving its annual coal production target of 1 billion tonnes. The Commercial Mining approval would help in setting up additional mining capacity of 250-300 MT in the next 3-5 years.
- Total Production by Coal India and Its subsidiaries stood at 495 MT as end of February 2018. Total production of coal in the country stood at 536.7 MT, 1.5% growth over previous year's production for the period.

14. Ports & Logistics: (Neutral)

- Traffic at major ports was 616.6 MT for April-Feb 18. The cargo traffic reported almost 5% growth over the previous years reported numbers. Kandla, Paradip, JNPT, Mumbai and Vizag reported the highest traffic handled among ports and accounted for 60% of the total cargo handled among major ports.
- Commodity-wise percentage share of POL stood at 33.74%, followed by Container (19.7%), Thermal & Steam Coal (13.7%), Other Misc. Cargo (12.1%), Coking & Other Coal (7.6%), Iron Ore & Pellets (6.7%), Other Liquid (4.1%), Finished Fertilizer (1.2%) and FRM (1.1%).
- Railways handled 1049.4 MT for the period April-Feb 2018. Growth of freight handled for the period stood at 5%.
- Among individual major commodities handled by railways, coking coal (16%), cement (11%) and containers (14%) accounted for highest growth in terms of freight handled.

15. Aluminium (Neutral)

Production of primary aluminium has increased by 5.8% y-o-y compared with its previous year production which also grew by 5.9%. Production during FY17 (April-February) was 1,583 thousand tonnes as compared with the current year's production of 1,675 thousand tonnes during FY18 (April-February). Due to the rise in production and fall in internal consumption exports have risen by 34.6% y-o-y from 972 thousand tonnes to 1309 thousand tonnes during the April- Jan.

Global aluminium prices have surged during FY18 (April-February), resulting in a 22.4% increase (y-o-y). The rise in prices can be attributed to supply cuts undertaken by the Chinese government to reduce overcapacity and to address environmental issues. The Chinese government's efforts are expected to translate into the closure of around 4 million MT which is around 10% of the country's total smelting capacity.

Major development:

The US government has imposed tariffs of 10% on imported aluminium a measure aimed reviving and boosting the US metals industry. The imposition of tariffs on imported aluminium is aimed at protecting the internal economy of the United States which has been affected by cheap imports.

16. Fertilizers (Neutral)

Table 2: Production-Import performance of the Fertilizer sector. (LMT)

				Y-o-Y Change (%)	
	FY16	FY17	FY18	FY17	FY18
Overall Fertilizer Production	347	350	347	1.0%	-0.7%
Overall Fertilizer Imports	201	155	160	-22.6%	2.9%
Urea Production	205	203	199	-1.0%	-2.3%
Urea Imports	83	53	56	-36.2%	6.5%
Non- Urea* Production	141	147	149	3.8%	1.4%
DAP Production	30	36	40	21.8%	10.1%
DAP Imports	60	44	40	-27.2%	-7.4%
SSP Production	36	36	33	0.0%	-8.4%
MOP Imports	31	35	43	11.9%	23.5%

Source: CMIE Non-Urea* Fertilizers include NPK fertilizers, Ammonium nitrate, ammonium sulphate, DAP and SSP . Note: Production numbers are during April-Jan while imports numbers are during April- February

Fertilizer production has been subdued since this the start of this financial year. Urea dominates about 57-60% of the overall fertilizer production. Overall fertilizer production has reduced by 0.7% as since the start of the year fertilizer production was subdued due to the clearing of the stockpile of inventory, in anticipation of the introduction of GST.

Imports have increased by 2.9% during FY18 (April-February). India imports almost 32% and produces 68% of its consumption needs and is shifting towards import substitution. Production of decontrolled fertilizers has increased due to the importance towards the balanced use of fertilizers.

Urea production down by 2.3% while imports increased by 6.5% indicating thereby that the decline in domestic production has been compensated by the increase in imports. Production was also down due to the effectiveness of the practise of neem coating of urea.

Major Developments

- Since the start of the FY18, the government has been installing POS machines in different states in phased manner to test the implementation of Direct Benefit Transfer on a pilot basis. The POS machines are also supposed to be linked with the soil health card, which will indicate how much fertilizers will be needed to be bought for the land. Now the Department of Fertilisers is rolling out DBT in the nationwide basis.
- The Cabinet Committee on Economic Affairs, (CCEA) approved the proposal of the Department of Fertilizers to continue with the urea subsidy scheme up to 2019-20. This decision assures that the MRP of urea will not be changed till 2020.
- The Government of India has introduced 45 Kg bag of urea in place of existing 50 Kg bags. This decision was taken initially in September 2017, but a period of 6 months was granted to urea units as lead time to ensure smooth implementation of the change. This change comes in light of bringing down consumption by 10%.
- The Government declared it would be reviving 5 closed fertilizer plants - 4 of Fertilizer Corporation of India Limited (FCIL) in Talcher, Ramagundam, Gorakhpur and Sindri and 1 of Hindustan Fertilizer Corporation Ltd. (HFCL) in Barauni. This is being done by setting up new ammonia-urea plants with a capacity of 12.7 LMT per annum.

17. Paper and Paper Products Industry (Neutral)

For the nine months ended December 2017, revenue growth has been almost flat for the major companies, as they have been operating at close to full capacity; however, profitability was maintained due to improved efficiency, a favourable pricing environment, volume growth, lower finance costs, better product mix and operational efficiencies.

Rs in crore	Jan 2017	Jan 2018	% Growth	Apr-Jan 2017	Apr-Jan 2018	% Growth
Imports	1,131	972	-14.1	11,593	12,893	11.2
Exports	157	436	177.5	2,589	3,481	34.5
in million tonnes	**Jan 2017**	**Jan 2018**	**% Growth**	**Apr-Jan 2017**	**Apr-Jan 2018**	**% Growth**
Imports	0.2	0.2	-16.5	2.5	2.9	15.2
Exports	0.1	0.1	97.9	0.6	0.8	38.7

Source: Department of Commerce, IPMA, HS Code: 4801, 4802, 4803, 4804, 4805, 4808 and 4810

Paper and paper products imports rose by 11.2% to Rs 12,893 crore for the Apr-Jan 2018 period from Rs 11,593 crore for the comparable period in the previous year. In quantitative terms, imports increased by 15.2% to 2.9 million tonnes for the Apr-Jan 2018 period from 2.5 million tonnes for the comparable period in the previous year. Paper and paper products exports grew by at 34.5% to Rs 3,481 crore for the Apr-Jan 2018 period from Rs 2,589 crore for the comparable period in the previous year. In quantitative terms, exports increased by 38.7% to 0.8 million tonnes for the Apr-Jan 2018 period from 0.6 million tonnes for the comparable period in the previous year. This increase in imports has been led by the duty-free import from ASEAN countries and Korea. The Directorate General of Anti-Dumping and Allied Duties initiated investigations in November last year into imports of uncoated copier paper from Indonesia, Thailand, and Singapore and another investigation in January this year into imports of coated paper from China, the U.S. and the EU.

Domestic paper prices have risen marginally in FY18 till date. Tight markets, low Chinese pulp inventories, lack of supply coming to the market, and healthy demand were the primary factors that provided an upside to the prices. Since mid-2017, China banned the use of mixed grade waste paper and demand for wood pulp (natural fibre) increased. Major pulp exporters such as Indonesia, Malaysia and Chile diverted pulp to China at a higher price, leading to a rise in price of end product.

Furthermore, the Government has released the draft National Forest Policy in March 2018 for comments. The draft policy amongst other proposals, does propose agro forestry and access to degraded land on a public private participation model fulfilling a long standing industry demand.

18. Crude Oil (Neutral)

India's crude oil consumption basket comprises of 15% of the crude oil which is produced domestically, and the rest of the 85% is imported. The country wants to reduce import dependency of oil by 10% by 2022.

Domestic production of crude oil during FY18 (April-January) has marginally declined by 0.7% (y-o-y), which is an improvement from the decline of 2.8% during FY17 (April-January). Production has declined due to poor performance of fields under the production sharing contract. Since the past few months production of crude oil from the fields belonging to ONGC and Oil India seemed to have picked up where as production of oil from private upstream companies has declined (these are the fields under the Product Sharing Contract). India produced 219 million barrel of during FY18 (April-January) vis-à-vis to 221 million barrel produced in the previous year.

India imported 1480 million barrels of crude oil during FY18 (April-February) as compared with 1245 million barrels imported in the previous year. There has been an increase 19% (y-o-y) in the volume of imports as compared with a 6.2% increase during FY17 (April-February) compared with its previous fiscal year.

Global crude prices have been volatile during FY18, resulting in an increase in prices in an upward direction. The rise in prices is due to production cuts posed by OPEC and Non OPEC countries causing supply disruptions but on the other hand the rise production of shale oil is keeping the price of crude oil at bay. The increase in demand of oil due to the recovery of European economies and unrest in the Middle Eastern countries has also attributed to the rise in prices. Brent has increased by 18.9% from it being $49.6/bbl during FY17 to $59/bbl while WTI and Indian Basket of crude (IBC) have risen by 12% and 18.4 % respectively. (WTI during FY17 was $48.8/bbl to $54.65/bbl and IBC from $47.4/bbl to $56.1/bbl)

Major Developments

- India received its first ever shipment of crude oil from US which is approximately $2/bbl cheaper than dubai crude after considering shipping cost as well
- The government conducted the OALP Bid Round-I, under the Hydrocarbon Exploration and Licensing Policy (HELP), where 55 selected blocks spread over 59,282 sq km, located across 11 states, had been offered. Of these 55 blocks, five located in the Krishna-Godavari basin.

19. Hospitality & Tourism (Restrained)

In terms of Hotels and restaurants, aggregate sales of 50 companies stood at Rs 7,036 crore registering a growth of just about ***2.5% in FY18 (9M period – Apr-Dec) vis-à-vis a growth of 4.4% a year ago***. The slow growth can be attributed to the some of the temporary regulatory hurdles such as liquor ban in hotels near the highways and GST roll-out faced by the industry. Also, stiff competition from the non-branded hotels in terms of average room rates, services provided, etc has marginally impacted the industry.

However, foreign tourists arrivals (FTAs) registered a sharp growth of ***16.2% during FY18 (Apr-Dec) period vis-à-vis 9.8% growth during FY17 (Apr-Dec)***. Cumulative FTAs for the period stood at 7.3 million at the end of December 2017 vis-à-vis 6.3 million at the end of December 2016.

Approximately 2,850 rooms were added between July and December 2017 across categories and locations in the country.

20. Tyres (Restrained)

Tyre production witnessed a decline of about 4.3% y-o-y during FY18 (Apr-Jan) period. Production stood at 1,556 lakh units of tyres during FY18 till January 2018 vis-à-vis 1,626 lakh units during the same period last year.

The tyre industry faces a grim situation in terms of availability of Natural Rubber in the domestic market. According to the data published by the Rubber Board of India, the production of natural rubber increased by about 3.2% y-o-y during FY18 (Apr – Nov) while the consumption registered a 3.5% y-o-y growth during the same period. Out of the total rubber consumed (natural and synthetic), 70% rubber was consumed by the Auto Tyre Manufactures (ATM). Rubber consumption (natural and synthetic) by ATMs registered a growth of 4.6% y-o-y.

Policy announcements during FY18:

- 10% increase in import duty of natural rubber
- Anti-dumping duty on import of certain type of radial tyres used in buses and trucks from below cost shipments from China for 5 years
- National Rubber Policy is currently in the development stage

21. Telecom (Restrained)

The telecom industry has been witnessing intense competition since the entry of new player in September 2016. After distorting the industry with its free services for initial months, the telco started charging for its services. However, the new entrant provided services at very cheap rates compared to other telcos which prompted these service providers to cut their tariffs to retain customers. Consequently, while the data usage and internet subscribers increased, the industry's Average Revenue Per User (ARPU) declined on a y-o-y basis.

The ARPU declined in each of the quarters on a y-o-y basis during April-December 2017. The all-India GSM ARPU fell in the range of 24%-37% y-o-y to Rs.80 in the June 2017 quarter, Rs.84 in the September 2017 quarter and Rs.79 in the December 2017 quarter. As on 31st January 2018, the wireless subscriber base stood at 1,151.9 million, a y-o-y growth of 0.13%. As per TRAI, the total wireless internet subscribers as on 31st December 2017 increased by 14.8% y-o-y to 424.7 million subscribers from 370 million subscribers and the mobile average data usage per subscriber per month for GSM more than doubled to 1,955 MB in a year from 884.29 MB as on 31st December 2016. This is primarily on the back of cheap data services offered by the telecom industry.

Major developments

- In September 2017, the TRAI reduced the Interconnect User Charges (IUC) by more than 50% to 6 paise per minute from 14 paise per minute earlier w.e.f. 1 October 2017
- In January 2018, the TRAI imposed stricter norms as w.e.f. 1 February 2018, the interconnect service providers will have 30 days to sign interconnection agreement as against 90 days earlier
- In February 2018, the TRAI notified Regulatory Principles of Tariff Assessment to ensure transparency, non-discrimination and non-predation in telecommunication services
- In March 2018, the Cabinet cleared some recommendations which are stated below:
  - ✓ The deferred payment liabilities of telcos for spectrum acquisition is extended to 16 years from the existing 10 years period
  - ✓ The overall spectrum cap is revised from the current limit of 25% to 35%
  - ✓ The current intra-band cap is removed. Instead, there is a cap of 50% on the combined spectrum holding in the sub-1 GHz bands (700 MHz, 800 MHz and 900 MHz bands)
  - ✓ There will be no cap for individual or combined spectrum holding in above 1 GHz band.

22. Drugs & Pharmaceuticals (Restrained)

Aggregate sales of 150 drugs & pharmaceuticals companies declined by 2.2% y-o-y during April-December 2017. In the corresponding period a year ago, sales of the industry had grown by 3.8% on a y-o-y basis. (This does not corroborate with the industrial production number that shows production growth of 25.7% y-o-y for pharma during April 2017-January 2018). The Indian Pharmaceuticals Industry (IPI) earns around 50% of its revenue from exports. During April 2017-February 2018, exports to the largest market USA (that accounts for about 30% of the total exports) declined by 8.7% y-o-y to USD 4.6 million compared with a y-o-y marginal growth of 0.5% in the corresponding period a year ago where exports to USA stood at USD 5.1 million. Increase in scrutiny, regulatory intervention which raised quality and compliance issues with the USFDA impacted the export sales. This was also coupled by price erosion in the generic market in USA due to consolidation of distribution channels and increase in competition. However, total exports from India grew by a marginal 2.4% y-o-y to USD 15.5 million during April 2017-February 2018. Total exports had declined by 1.4% y-o-y to USD 15.2 million during April 2016-February 2017.

Major developments

- The Draft Pharmaceutical Policy 2017 was released with objective of making essential drugs affordable, making India sufficiently self-reliant in end to end indigenous drug manufacturing among others
- In March 2018, the Central Drugs Standard Control Organisation (CDSCO) stated in a notice that pharma exports can be made without obtaining no-objection certificate (NOC) from authorities if the stakeholders comply with the regulatory requirements of importing countries

23. Paints (Restrained)

During April-December 2017, aggregate sales of five paint companies grew by a slower 1.4% on a y-o-y basis compared with y-o-y sales growth of 20.7% reported by the industry during the nine month period April-December 2016. Slower recovery in demand post GST affected the industry's sales. Further, no price hikes were taken by the companies after May 2017 which is also believed to have impacted the industry's sales during the period. This was despite an increase in raw material prices of the industry.

24. Real Estate (Restrained)

- *Pradhan Mantri Awas Yojana (PMAY) which focuses on "Housing for all" and Credit Linked Subsidy Scheme for affordable housing were expected to be revenue drivers for the industry. But the schemes are yet to make a major impact with regard to demand or construction activity in the sector.*
- *RERA: The Real Estate Regulation Act came into effect from May 1st 2017. The regulation focuses on consumer protection, both financial as well as qualitative.*
- *RERA has led to a slow-down in the sector as the regulations now require developers to maintain capital in line with the construction work.*
- Commercial real estate witnessed few marquee transactions. Global PE's and Sovereign funds have been consistently accumulating commercial property. Commercial A-Grade inventory addition has been slow over the past few years and rental yields have been correcting.
- The stress in residential space is expected to continue for another 1-2 years given the sustained inventory levels and slow sales across major markets and many large developers under NCLT proceedings.
- The revenue growth of 121 companies analysed on Ace-equity reported a 2% growth for the 9 month period ended Dec-17.

25. Steel (Restrained)

During April 2017-January 2018, finished steel output and exports on a y-o-y basis grew by 5.1% to 88.4 million tonnes and 40.1% to 8.2 million tonnes, respectively. This growth is slower compared with the growth rate reported by the industry on a y-o-y basis during April 2016-January 2017 where output had increased by 12.4% to 84.1 million tonnes and exports had grown by 71.1% to 5.9 million tonnes.

The y-o-y growth in imports was restricted to 5.8% to 6.4 million tonnes during April 2017-January 2018. Imports however had declined by 37.8% to 6.1 million tonnes during April 2016-January 2017. Steel consumption increased at a faster pace of 5.5% y-o-y to 86.4 million tonnes during April 2017-January 2018 compared with y-o-y consumption growth of 2.5% to 81.9 million tonnes during April 2016-January 2017.

During April 2017- February 2018, the prices of HR Coils, CR Coils and TMT bars averaged higher y-o-y by 16.7% to Rs.45,168.2 per tonne, 16.8% to Rs.48,476.6 per tonne and 19.9% to Rs.39,309.3 per tonne, respectively, on account of improved domestic consumption, higher international prices backed by production cuts undertaken by China and rise in raw material prices. On a y-o-y basis, the prices of HRC and CRC had grown by 4%-9.5% and that of TMT bars had declined by 4.8% during April 2016-February 2017.

Major developments

- The Union Cabinet gave its approval for National Steel Policy 2017 in May 2017. The policy aims to give momentum to India's steel sector and increase the country's steelmaking capacity to 300 million tonnes by 2030 among others
- In May 2017, the government imposed anti-dumping duties on 47 steel products for a period of five years applicable from 8 August 2016
- In March 2018, the USA government imposed 25% import duty on foreign made steel imported by the country. However, the two neighbouring countries Canada and Mexico have been exempted from the tariff hike

26. Edible oils (Restrained)

Edible oil production is expected to fall in the ongoing oil year November 2017- October 2018 due to lower availability of oilseeds for crushing. As per the second advance estimates released by Department of Agriculture, Cooperation and Farmers Welfare, oilseed production is anticipated to fall by 4.5% y-o-y to 29.9 million tonnes. Edible oils production had increased by 12.5% y-o-y to 8.3 million tonnes during oil year 2016-17 according to CMIE. The import of edible oils increased by 1.7% on a y-o-y basis to 4.7 million tonnes during November 2017-February 2018 as per the data released by the Solvent Extractors' Association of India (SEA) while the imports had declined by 10.2% y-o-y to 4.6 million tonnes in the corresponding period a year ago.

Major developments

- In August 2017, the government increased the import duty on crude palm oil to 15% from 7.5% and raised the import duty on refined palm oil to 25% from 15%. Along with this, the government hiked import duty on crude soya bean oil to 17.5% from 12.5%
- In November 2017, the import duty was raised in the range of 12.5%-15% for most of the edible oils imported by the country
- In March 2018, the government hiked the import duty on crude palm oil to 44% from 30% and increased the import duty on refined palm oil to 54% from 40%
- In March 2018, the CCEA allowed bulk exports of all edible oils with the exception of mustard oil.

27. Gems and Jewellery (Restrained)

According to the World Gold Council, in CY17, demand for gold in India stood at 727 tonnes against 666.1 tonnes in CY16. The demand rose due to positive consumer sentiment in the October-December quarter and appreciation in the rupee. However, despite the 9% increase, the demand was below the five-year average of 810 tonnes. The diamond industry started FY18 on a positive note, however towards the end was severely impacted by the financial scam. The industry has been negatively impacted with financiers asking for additionally collateral or reducing borrowing limits, with small and medium-sized companies being the most affected.

Overall Trade	Feb-17	Feb-18	Apr 16 - Feb 17	Apr 17 - Feb 18	% Growth / Decline	
					Feb-18	Apr 17 - Feb 18
Exports ($ mn)	3,491	3,133	32,391	30,667	-10.2%	-5.3
Imports ($ mn)	2,242	2,640	25,240	28,262	17.8%	12.0

Source: Gems & Jewellery Export Promotion Council

Imports of gems & jewellery increased by 17.8% to $2,640 mn in February 2018 as compared to the year-ago month, while the gems and jewellery imports increased by 12% to $28,262 mn during the April to February period compared with $25,240 mn in the year-ago period. The increase in imports was primarily due to imports of rough diamonds and gold bars. The gems and jewellery exports are likely to remain flat this financial year due to global economic slowdown. The exports of gems & jewellery fell by 10.2% $3,133 mn in February 2018 as compared to the year-ago month, while the net exports during the April to February period were down by 5.3% to $30,667 mn, compared with $32,391 mn in the year-ago period. The decline is primarily due to lower gold (Gold Medallions & Coins) exports.

Prices	Feb-17	Feb-18	Apr 16 - Feb 17	Apr 17 - Feb 18	% Growth / Decline	
					Feb-18	Apr 17 - Feb 18
Gold (Rs./10 gm)	29,283	30,426	29,780	29,200	3.9	-1.9
Gold ($/troy oz)	1,234	1,332	1,260	1,281	7.9	1.7
Silver (Rs./kg)	42,526	38,370	42,089	38,888	-9.8	-7.6
Silver ($/troy oz)	18	17	18	17	-6.7	-5.1

Note: Silver Prices ex Delhi
Source: CMIE

Gold prices increased for February 2018 by 3.9% domestically and 7.9% internationally. Domestic gold prices dropped by 1.9%, while international prices rose by 1.7% for the Apr 17 - Feb 18 period. The international prices rose at a faster rate as investors bought gold to hedge international market volatility. However, silver prices showed an opposite trend with domestic prices and international prices dropping by 9.8% and 6.7%, respectively, for February 2018. For the Apr 17 - Feb 18 period, domestic and international prices fell by 7.6% and 5.1%, respectively. This reduction could be attributed to reduced purchases by industrial units and coin makers.

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