

My wood by e m
forster



**ASSIGN
BUSTER**

Mr. Tanveer Malik, Ms. Shweta Pandit impact of an American Recession on India Indian companies have major outsourcing deals from the US. India's exports to the US have also grown substantially over the years. The India economy is likely to lose between 1 to 2 percentage points in GDP growth in the next fiscal year. Indian companies with big tickets deals in the US would see their profit margins shrinking. The worries for exporters will grow as rupee strengthens further against the dollar. But experts note that the long-term prospects for India are stable.

A weak dollar could bring more foreign money to Indian markets. Oil may get cheaper bringing down inflation. A recession could bring down oil prices to \$70. The whole of Asia would be hit by a recession as it depends on the US economy. Even though domestic demand and diversification of trade in the Asian region will partly counter any drop in the US demand, one simply can't escape a downturn in the world's largest economy. The US economy accounts for 30 per cent of the world's GDP. Says Sudip Bandyopadhyay, director and CEO, Reliance Money: " In the globalised world, complete decoupling is impossible.

But India may remain relatively less affected by adverse global events. " In fact, many small and medium companies have already started developing trade ties with China and European countries to ward off big losses. Manish Sonthalia, head, equity, Motilal Oswal Securities, says if the US economy contracts much more than anticipated, the whole world's GDP growth-which is estimated at 3.7 per cent by the IMF-will contract, and India would be no exception. The only silver lining is that the recession will happen slowly, probably in six months or so.

As of now, IT and IT-enabled services, textiles, jewellery, handicrafts and leather segments will suffer losses because of their trade link. Certain sections of commodities could face sharp impact due to the volatile nature of these sectors. C. J. George, managing director, Geojit Financial Services, says profits of lots of re-export firms may be affected. Countries like China import commodities from India, do some value-addition and then export them to the US. Impact of Global Recession on Indian Car Industry Indian car industry is one of the most promising car industries across the globe.

It has gradually strengthened its foothold in the international arena as well. The country is dealing with many car manufacturers, dealers, and associations in various different countries including U. S. From some countries, India imports cars and car components and to some India exports. With this, the global recession is obvious to have its impact on the Indian car industry. Though India has witnessed a growing customer base, it has not inoculated them from the global crisis. The crippling liquidity and high interest rates have slowed down the vehicle demand.

However, the falldown started in July with a decline of 1. 9% and thereafter the industry saw a major slowdown in October 2008. Business Analysts reported that Indian car market had recorded a continuous growth of about 17. 2% over the last few years but this year the recession has brought the growth to about 7-8%. Be it Tata Motors or Maruti Suzuki or even Mercedes-Benz, the car market has gone down to a tremendously negative terrain. Tata has reported that its profit fell from 34. 1 percent to 3. 47 billion rupees because of the slower growth in the industrial production.

Further, the company has also recorded a 20% decline in the sales as compared to last year. And with its Nano making a big impact before the downturn as such, but after the downturn may hold a bleak future for the world's cheapest car, because the consumer spending has gone very low. Even Maruti Suzuki reported a 7% decline in sales due to rising cost of the materials and a falling rupee value. Even Mahindra & Mahindra, the India's largest SUV and tractor manufacturer, is not immunized, showing profit fall of 20.6%. In the recent months, banks and car financiers have disbursed the approved loan because of the cash crunch.

Payments from the OEMs (Original Equipment Manufacturer) have also been delayed and in most cases banks have deferred or disbursed the approved loan. OEMs take this loan from banks and financiers for establishments, capacity expansions, or even for the requirement of high-end equipments for car designing and production. In addition, the uncertain exchange rate and a sudden increase in dollar value against Indian Rupee have contributed to the slowdown. Increasing dollar value has raised the landed cost of imported machine tools and even raw materials required for production by about 14%.

Alloy and steel prices have also not shown any reduction in their prices and this high price has actually forced the car manufacturers to hike the car prices. To make the matter worse, it is believed that steel manufacturers across the country are looking for re-imposition of custom duty on steel. Increased cost of raw materials directly affects the cost of the car rolled out, eventually tagging a particular car model with a higher price tag. The conclusion is that the present global recession has hit very hard on the Indian car industry.