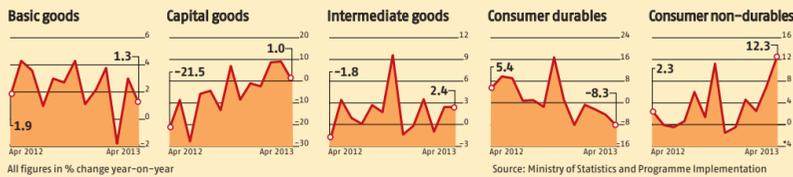


**NEWS IN NUMBERS**

**Divergence in consumer goods data**  
Segments of Indian industry showed lacklustre growth. But durable and non-durable consumer goods witnessed divergent movements in April. Consumer durables' output declined for the fifth month, by 8.3%, while non-durables' output grew substantially, by 12.3%, year-on-year



**"We have been saying that basic fundamentals have improved... the rating agency's (Fitch) shift in the outlook reflects that"**

**MONTEK S AHLUWALIA**  
Planning Commission deputy chairman

**AN ECONOMIC REVIVAL: HOPES AND IMPEDIMENTS**

# Fitch upgrades India's outlook to stable

Retains lowest investment grade rating; rupee ends up 61p after announcement

**RATING INDIA**  
Sovereign ratings by Fitch

Date	FOREIGN CURRENCY RATING			LOCAL CURRENCY RATING	
	Long term	Short term	Outlook	Long term	Outlook
8 Mar '00	BB+	B	-	BBB-	-
21 Sep '00	BB+	B	stable	BBB-	stable
31 May '01	BB+	B	negative	BBB-	negative
22 Nov '01	BB	B	stable	BB+	stable
21 Jan '04	BB+	B	stable	BB+	stable
1 Aug '06	BBB-	F3	stable	BBB-	stable
15 Jul '08	BBB-	F3	stable	BBB-	negative
14 Jun '10	BBB-	F3	stable	BBB-	stable
18 Jun '12	BBB-	F3	negative	BBB-	negative
12 Jun '13	BBB-	F3	stable	BBB-	stable

Source: Fitch Ratings

**BS REPORTER**  
New Delhi, 12 June

Fitch Ratings today scaled up the outlook on India's sovereign ratings from negative to stable, owing to the government's efforts to contain the fiscal deficit and address structural issues to perk up investment and growth. Fitch's move may boost investor confidence in India, something evident from the fact that following the rating agency's announcement, the rupee ended the day with a 61 paise gain.

The rating agency, however, affirmed its long-term foreign and local-currency issuer default ratings (IDRs) at BBB-. It also affirmed the country ceiling at BBB- and the short-term foreign currency IDR at 'F3'. These ratings point to the lowest investment grade. Today's action came less than a month after Standard & Poor's warned against downgrading India's rating to junk in a year, if reforms were not accelerated. Another US rating agency, Moody's Investors Service, already has a stable outlook on

India's ratings. All these agencies' ratings on India stand at a notch above junk grade, or the lowest investment grade. Though India has been urging the agencies to upgrade its ratings, Fitch today upgraded only the outlook. A few days ago, the finance ministry had alleged Fitch Ratings had shown confidential information on India to the Securities & Exchange Commission. Fitch, however, denied the allegation. Today, the agency said the stable outlook was a result of the

government's action to boost economic activities. "It reflects the measures taken by the government to contain the budget deficit, including commitments made in the FY14 Budget, as well as some, albeit limited, progress in addressing structural impediments to investment and economic growth," the rating agency said in a statement. It also acknowledged the government's commitment to contain the fiscal deficit in 2012-13. For full report, visit [www.business-standard.com](http://www.business-standard.com)

# Govt rolls out cyber security framework



**AJAI SHUKLA**  
New Delhi, 12 June

As Delhi prepared for the closing ceremony of the Commonwealth Games on October 14, 2010, Indian cyber security analysts carefully monitored meta-data trends for any signs of a cyber attack that could disrupt the high-profile ceremony, or throw city infrastructure like traffic lights out of gear. Already, during the course of the games, more than 8,000 cyber attacks had been detected and defused. At noon, analysts detected a spike in malware (malicious software) and found that it came from a computer in the "Games Control Room" at the Ashok Hotel, which it had entered disguised as pornography. Unable to neutralise the malware on line, a physical raid was launched on the Ashok Hotel, the offending computer taken off the network and the closing ceremony went off unimpeded.

At that time, in 2010-11, India was the 10th most heavily cyber-attacked country; today, it is second only to the United States. With internet usage rising exponentially — from 202 million users in Mar 2010, to 412 million in Mar 2011, to 485 million in Mar 2012, India is now second only to China in the number of devices (including cellphones) connected to the internet. This also makes India uniquely vulnerable. Intelligence sources say that, in the recent past, malicious Indian networks have originated from hosts in 20 countries: the US, Brazil, Nigeria, China, Iran, Russia, North and South Korea, Japan, Taiwan, Australia, Ukraine, Romania, Israel, France, UK, Netherlands, Germany, Poland and Pakistan.

Emphasising the amorphous nature of cyber attack, sources clarify that they could have been routed through those countries without the hosts even being aware of this activity. During the same period, several attacks abroad were detected as originating from hosts located in India. Now the government is rolling out an extensive policy, which the Cabinet cleared on May 8. This consists of a National Cyber Security Framework, which broadly empowers the government to create a legal and structural framework. Based on this, a National Cyber Security Policy lays out the ground rules in a more specific manner. The aim is to facilitate the creation of a secure computing environment in which users can enjoy a level of trust and confidence in electronic transactions. The new framework is rooted in the Information Technology, Act 2000, specifically Sections 43, 43A, 72A and 79, which enjoin companies to comply with data security and

privacy protection. It provides for multi-layered protection, with responsibility allocated to various stakeholders, including the Department of Electronics and IT; Ministry of Defence; Defence R&D Organisation; and the National Technical Resource Organisation. The National Security Council Secretariat will ensure compliance of cyber security policies. Government IT officials say that the new policy has successfully straddled the spectrum of users, including central and state governments, public private entities, academia and private users. Unlike with the National Counter Terrorism Centre, which many state governments opposed as an infringement on their federal autonomy, the states have cooperated without reserve on cyber security. Already nine states have set up cyber security centres.

"As India becomes more networked, we will become more vulnerable to cyber attack. Today, we are protected by virtue of being under-networked. As a networked country, coordinating between multiple agencies will become a growing challenge," says an official who works on cyber security. New Delhi has increasingly focused on cyber security, given the threat from China-based hackers, who many people believe are directly linked with the Chinese military. In March, security consultancy, Mandiant, accused Shanghai-based People's Liberation Army (PLA) Unit 61398 of stealing commercial secrets from US companies. That same month, Tom Donilon, President Barack Obama's National Security Advisor, charged that cyber attacks were "emanating from China on an unprecedented scale."

The official adds: "Hostile cyber entities map our systems daily. They scope us out, check the effectiveness of our safeguards and see how good our reactions are. That is why we need a strong framework." To ensure the system's readiness, the Computer Emergency Readiness Team (CERT) — an umbrella body that will oversee cyber-protection — will conduct regular cyber security drills, at the national level and bilaterally with other countries. The first national drill is scheduled in August. In addition, CERT is training "cyber security auditors", who will be empanelled and listed on a website, from where they can be hired by companies for auditing their cyber security. In addition, the government has set up a website — [SecureYourPc.org](http://SecureYourPc.org) — that ordinary citizens can access to ensure that their personal computers are free of malware.

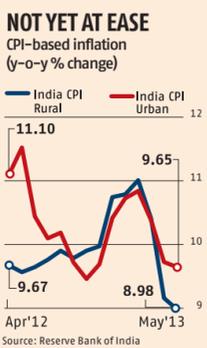
The framework aims at creating a secure cyber space for users to enjoy confidence in electronic transactions. The Liberation Army (PLA) Unit 61398 of stealing commercial secrets from US companies. That same month, Tom Donilon, President Barack Obama's National Security Advisor, charged that cyber attacks were "emanating from China on an unprecedented scale." The official adds: "Hostile cyber entities map our systems daily. They scope us out, check the effectiveness of our safeguards and see how good our reactions are. That is why we need a strong framework." To ensure the system's readiness, the Computer Emergency Readiness Team (CERT) — an umbrella body that will oversee cyber-protection — will conduct regular cyber security drills, at the national level and bilaterally with other countries. The first national drill is scheduled in August. In addition, CERT is training "cyber security auditors", who will be empanelled and listed on a website, from where they can be hired by companies for auditing their cyber security. In addition, the government has set up a website — [SecureYourPc.org](http://SecureYourPc.org) — that ordinary citizens can access to ensure that their personal computers are free of malware.

# May retail inflation at 15-month low

**BS REPORTER**  
New Delhi, 12 June

Consumer Price Index-based inflation fell in May for a third straight month, and to a 15-month low. However, it remained at a high level, of 9.31 per cent, official data showed today. In April, retail inflation was 9.39 per cent.

However, food inflation (including beverages) inched up to 10.65 per cent in May, compared to 10.61 per cent the previous month, pushed by a surge in the rate of price rise in vegetables. This, coupled with the rupee's depreciation against the dollar, might make the Reserve Bank of India cautious on cutting the policy rate in its monetary review later this month to propel sagging growth, analysts said. A number of items - cereals, eggs, fish, meat, non-alcoholic beverages and prepared meals -



continued to see double-digit inflation. However, inflation in pulses and sugar fell to single digits. Inflation in fruits also came down sharply. Inflation in cereals remained high at 16.29 per cent in May, even as it came down from 16.65 per cent in April.

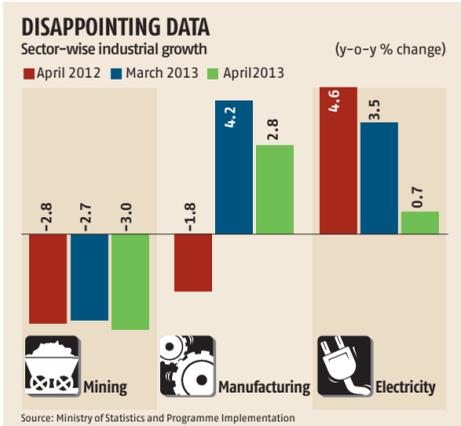
# Industrial growth muted at 2%

**BS REPORTER**  
New Delhi, 12 June

Industrial production grew at a sluggish two per cent in April, the first month of the current financial year, despite a low base (data in the same month last year) of minus 1.3 per cent, official data showed today.

While mining output fell three per cent in April, a straight sixth monthly decline, electricity generation rose just 0.7 per cent, which might further affect industrial growth. Manufacturing managed to grow a little over four per cent, on a low base of a decline a year before.

The data came as the government looked for industrial production numbers to show some sign of recovery, after the Index of Industrial Production (IIP) grew at a two-decade low of 1.1 per cent in 2012-13, reminiscent of the balance of payments crisis period of 1991-92. Industrial growth was 3.4 per cent in March. The IIP growth is



broadly in line with the forecasts of various economists that *Business Standard* had talked to yesterday. They had projected 2-2.5 per cent in April. The sluggish growth of two per cent was driven by manufacturing, which constitutes a little

over 75 per cent of the IIP. It rose 2.8 per cent in April, driven largely by a base effect of minus 1.8 per cent. Manufacturing had grown 4.4 per cent in March. Consumer non-durables largely gave impetus to manufacturing growth. Fast moving

consumer goods expanded considerably by 12.3 per cent, compared to 2.3 per cent in April last year.

However, consumer durables output fell sharply by 8.3 per cent in April from a growth of 5.4 per cent in the same month of 2012. According to the Federation of Indian Chambers of Commerce and Industry, this segment registered one of its steepest falls since 2009.

The divergent trend showed that demand in the economy was yet to pick up, since consumers are postponing purchases of items which could be put off, as retail inflation remained high.

Growth in other segments of manufacturing remained marginal. After recording an average of nine per cent growth in February-March, volatile capital goods rose by only one per cent in April, driven by 98 per cent growth in rubber insulated cables.

# Industrial production dogged by data issues

**KUNAL KUMAR KUNDU**

India released its industrial production (IP) data for April on Wednesday. With an annual growth rate of 1.95 per cent, IP grew for a fourth consecutive month, after having contracted during six out of the previous nine months.

However, the good story ended here. A sub-two per cent growth rate was lower than the market expectation of around 2.5 per cent growth. Also, as expected, accumulated inventory did play a role in the minds of the manufacturers, as the index for April was lower by nearly 14 per cent as compared to the upwardly revised index in March. More notably, it was the highest month-on-month decline since April 2011.

The growth rate of the capital goods sector, which rebounded sharply in March, having recorded an annualised growth of nine per cent (revised upward from 6.9 per cent by preliminary data), slumped to a mere one per cent in April. However, the third consecutive month of positive growth indicates some sense of stability in this sector, as it contracted during nine out of the previous 10 months. However, it is difficult to conclude, at this point in time, that the capital goods production might have bottomed out, since it could be the result of pure base effect. Interestingly, while the capital goods segment is one of the more volatile components of IP, there is one trend that repeats with unerring regularity. Every

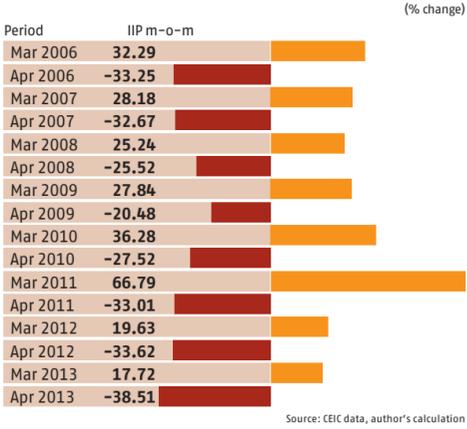
year, the index of capital goods production shoots up in March as compared to February, only to retrace in April from the March high. Given this, it is difficult to conclude that capital goods production has indeed bottomed out. One needs to keep an eye on the data for the next few months to be able to arrive at a conclusion. Moreover, even the April Index of Industrial Production (IIP) data looks suspect. When one considers the disaggregated data at the two-digit level, a major distortion is visible in the category of wearing apparel; dressing and dyeing of fur. The index value for this segment rose sharply to 24.1 in April as compared to 129.2 in April 2012 — an annualised jump of 86.6 per

cent. Even on a month-on-month basis, the index rose by nearly 40 per cent. This has pulled up the overall index substantially. In fact, despite having a weight of only 2.78 per cent in the IP, this segment contributed as much as 3.1 points to the overall index on an annual basis, while the IIP in itself increased by only 3.2 points over the same period.

If we extrapolate the average growth rate in production of this segment for the past 12 months, it would have grown by only 15.8 per cent. Had that been the case, overall IP would have increased by only 0.4 per cent in April and not 1.95 per cent, as the official data suggests.

The author is a Delhi-based independent economist

## CONTRARY TO EXPECTATIONS



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**No Air Surchage**

# Curtains down for 160-year-old telegram service

**PRESS TRUST OF INDIA**  
Tiruchirappalli (Tamil Nadu), 12 June

Smartphones, emails and SMS seem to have pushed the humble telegram service to the grave, with the Bharat Sanchar Nigam Ltd (BSNL) deciding to discontinue the 160-year-old telegraph service from July 15.

Once the main source of quick and urgent communication, the service delivered happy and sad news to people all over the country. However, with the advent of technology and newer means of communication, the telegram found itself edged out.

A circular issued by Shameem Akhtar, senior general manager (telegraph services) (BSNL), New Delhi, says the telegraph service is to be discontinued from July 15.

The circular sent to various telecom district and circle offices says all telegraph offices under the management of BSNL will have to stop booking telegrams from July 15. The circular has also direct-

ed the telecom offices to maintain log books, service messages and delivery slips only for six months from the date of bookings. However, complaints, press reports and other messages from consumer forum are to be kept for one year.

Sources at BSNL Delhi said, "We had asked the government to support the service as it was not commercially viable and the government said the BSNL board should decide on it. So, we decided to close the service after consultation with the Department of Posts. They also said there are better options available," the sources said.

BSNL has instructed that surplus telegraph staff members would be deployed to mobile services, landline telephony, broadband services and shifting could take place within the next three months. Faced with declining revenues, the government had in May 2011, revised the telegram charges after a gap of 60 years.

# Road contract award far behind year's target

**BS REPORTER**  
Mumbai, 12 June

If construction companies were pinning their hopes on a steady flow of highway projects in the current financial year, they might have to wait longer. A report by CARE Research says the National Highways Authority of India (NHAI) will be able to award only one-third of its current target.

The Union Ministry of Road Transport and Highways had set a target of awarding around 9,000 km of road projects in 2013-14. CARE Research expects that road projects with the length of about 3,000 km would be completed.

"The target seems to be unattainable, given the continued impediments faced by the road sector. Delay in obtaining land, forest and environmental

clearances, coupled with a slowdown in macro economic conditions continue to hit projects in the sector," the report said.

Analysts say the state-of-affairs of slow order inflows of the last financial year will continue to the first half of the current financial year as well. Many of them had expected NHAI to award as much as 3,000-4,000 km worth of projects in the first half of the year.

# JD(U) split with BJP looks imminent

**BS REPORTER**  
Patna/Kolkata/Delhi, 12 June



**IN POLITICS**

The National Democratic Alliance (NDA) seemed headed for a split, with Bihar Chief Minister Nitish Kumar's Janata Party apparently on the verge of breaking the long alliance with the Bharatiya Janata Party in that state.

Nitish Kumar's core supporters confirmed this and said their government (presently a JD(U)-BJP coalition) would be

in no danger, as Kumar also had the support of six independent members in the Legislative Assembly. With 117 MLAs of his own in a House of 243, Kumar will need at least 122 and four Independents are ready to join the government.

Sources told *Business Standard* that Kumar had called a meeting of senior leaders of the party on Saturday. He has also asked all JD(U) MLAs to be present in Patna on Friday and Saturday. Party seniors say the decision has already been taken and only an announcement is required now. Therefore, the JD(U) ministers

and leaders went overboard this morning to denounce Modi and BJP.

"They have given the leadership in the hands of a tainted person," said Narendra Singh, agriculture minister of Bihar, about the BJP. "They (BJP) want to continue with fundamentalist politics. This will not be tolerated." Another JD(U) leader, Shivnand Tiwari, called Modi a divisive personality. The attacks became so strong that Kumar had to issue an unofficial gag order later in the evening to restrain party leaders from making any more comments. BJP leaders also

retaliated, but with caution. Cooperative Minister in the state, Ramadhir Singh said, "We have elected him (Modi) our leader. We will not go back. We want to continue the coalition."

However, some of its MLAs like Vikram Kunwar came out against the JD(U) and asked the party leadership to break away as soon as possible. The party workers feel the break-up will help the BJP to regain its upper caste voters, who have been unhappy with the Nitish government since the murder of Brahmeshwar Singh, leader of the infamous upper caste militia Ranveer Sena. Deputy

Chief Minister and BJP leader Sushil Kumar Modi called a late evening meeting of the core committee of the state party leadership. Even if the break-up seems imminent, neither the JD(U) nor BJP want to be seen as the one who broke the alliance. NDA Chairman L K Advani called both Kumar and JD(U) president Sharad Yadav to reason with them. Now, with Modi becoming the reason for the walkout, the signal is that it can do business with Advani but not Modi.

For full report, visit [www.business-standard.com](http://www.business-standard.com)