

PRESS RELEASE

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ENGINEERING EMERGES AS LARGEST CONTRIBUTOR TO INDIA'S EXPORTS

- **CROSSES US\$ 5 BILLION IN FIRST QUARTER of 2006-07**

The engineering sector has emerged as the largest contributor to India's total merchandise exports, even ahead of gems & jewellery, with exports of engineering goods from India having crossed US \$ 5 billion in the first quarter of the current financial year 2006-07, representing an increase of 20% over last year. This was indicated by Shri Kamal Nath, Union Minister of Commerce & Industry, at the All India Awards Function for Outstanding Export Performance organised by the Engineering Export Promotion Council (EEPC) in Chennai today.

Giving details of the performance, Shri Rakesh Shah, Chairman, EEPC, in his keynote address said that during the first quarter of this fiscal (April-June 2006) US \$ 5.5 billion worth of engineering items were exported from India. At this rate, total engineering exports would touch US \$ 23 billion in 2006-07 and "this would be the highest among all items in overall merchandise exports from India", he said.

Shri Kamal Nath also called for rapid development of Engineering Process Outsourcing (EPO) services from India as it would have a far-reaching impact on the Indian engineering industry as a whole. "The spurt in engineering outsourcing can be gauged from the fact that a number of giant automotive and aerospace companies such as Ford Motor Company, General Motors, Boeing and Airbus have some of their engineering done by Indian technology companies.

In addition to that, virtually every semi-conductor manufacturing company, electronic goods maker and mobile handset vendor have some work outsourced to India. The EPO market in India has the potential to exceed US \$ 40 billion by 2020, which will catapult India's market share in the same category to 30 percent from the current 12 percent. To tap this EPO market all the important stakeholders, including the Government, academic institutions, service providers and trade bodies will need to boost investments in infrastructure and improve marketing efforts", the minister said.

The Minister also complimented the Council for pioneering a study on EPO services, which involve delegating engineering-related work to other companies taking advantage of low labour cost, quality talented tool etc. which are abundantly available in India. Shri Shah informed that the final report on EPOs would be ready by October this year.

Earlier, Shri Shah added that growth in exports from engineering sector serves a very important purpose for the country. The export-oriented engineering sector is emerging as an engine of employment. Today, over 7% of total employment generated by export activity is in the engineering sector, and this share is increasing.

He also highlighted the problems faced by engineering exporters such as service tax on inland haulage and terminal handling charges, 80 HHC, Fringe Benefit Tax, advancement of Implementation of GST etc and assured the government of higher growth in exports of Indian engineering items if no taxes and duties to be exported and there is better inter-departmental coordination for smooth implementation of the provisions of the Foreign Trade Policy.

Shri Kamal Nath congratulated the award winners while presenting the EEPC annual awards to 62 companies including large, medium and small enterprises from all over the country. The award winners this year include established names like Tata Motors, Tata Steel, Ashok Leyland, Bharat Forge, Kirloskar Brother, BHEL, IRCON, Motor Industries, Lakshmi Machine Works and many upcoming companies.

Shri Shah also touched upon the promotional activities planned by EEPC during the current fiscal. In November 2006, the India Engineering Exhibition will be organised in Cairo, Egypt, coinciding with MACTECH 2006. Council will organise other mega event in January 2007 to facilitate matchmaking between the SME sector and 400-odd international buyers who will be invited to India. The Indian Engineering Meet is being organized specially for SME sector who cannot afford to take part in the expensive international events. A series of buyer-seller meets and business seminars would be organized during this Meet to provide a major boost to our international marketing efforts.

Council will soon open its second India Engineering Centre at Johannesburg. Strategically located on the major world trade routes, South Africa has always been a business attraction for countries in the world over. The inauguration of IEC would coincide with a multi-product delegation to South Africa, Botswana, Mozambique and Namibia. EEPC would also have an India Pavilion in SAITEX 2006 which would be held at Johannesburg around the same time

Besides, the Council is also putting up India Pavilion at many other shows in the potential markets in Europe, South East Asia, Latin America and Africa in 2006-07.