

# Sports & Money



Market Scan

## India Fears For Company Profits

Lionel Laurent, 12.26.08, 10:00 AM ET

LONDON - India caught a glimpse of just how nasty the past three months have been for business on Friday, when the finance ministry revealed that advance quarterly taxes from companies had slumped 22.0% over the year.

The news pushed Indian stocks down at the end of trading on Friday, with the Bombay Sensex index falling 2.5%, to 9,328.92 points. Outsourcing specialist Infosys slumped 5.3%, automaker Tata Motors fell 2.5% and engineering firm Punj Lloyd fell 6.2%.

"This quarter had been very bad, so we were expecting a bad number," said Ashok Jainani, vice-president of research at Khandwala Securities in Mumbai. "It is a significant drop."

Jainani told Forbes.com that the past three months had been affected by a piling-up of inventories at automakers, production shutdowns across various sectors and seasonal holidays such as Diwali. He said that although the Indian government was discussing a fresh stimulus plan for areas such as housing to try and revive demand, further falls in house prices would be needed to ease the strain on domestic consumption.

According to press reports citing an unnamed finance ministry official, Indian companies paid 426 billion rupees (\$8.8 billion) in advance taxes between October and December. This was down 22.4% from the corresponding period a year ago, which saw 549 billion rupees (\$11.3 billion) raked in. It will also put more pressure on state finances at a time when India's fiscal deficit is gnawing at the government's ability to throw money at the slowdown.

"The fiscal deficit is already high," said Anubhuti Sahay, an economist with Standard Chartered, "and a very high deficit can lead to repercussions." On Tuesday, India's top economic adviser was cited as saying that extra stimulus spending would push the deficit to at least 5.0% of gross domestic product.

The Indian finance ministry said on Wednesday that the economy had grown at 7.8% for the first six months of the fiscal year, between April and September, a drop of 1.5 percentage points from the year before. The ministry said that growth would be "significantly slower" between October 2008 and March 2009, as slower export growth and weaker domestic demand weighed on the economy.