

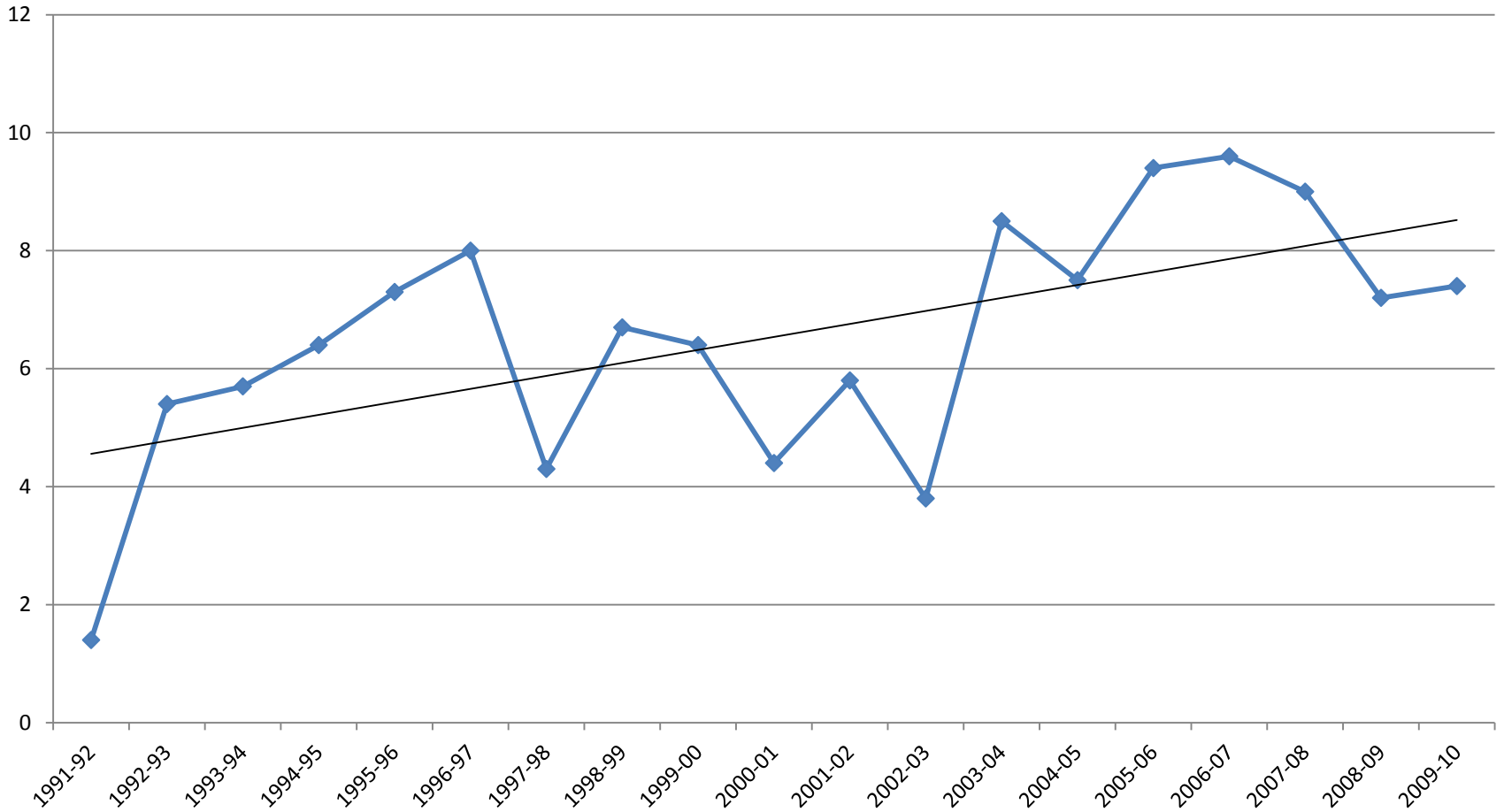
# Doing Business in India: India-U.S. Opportunity



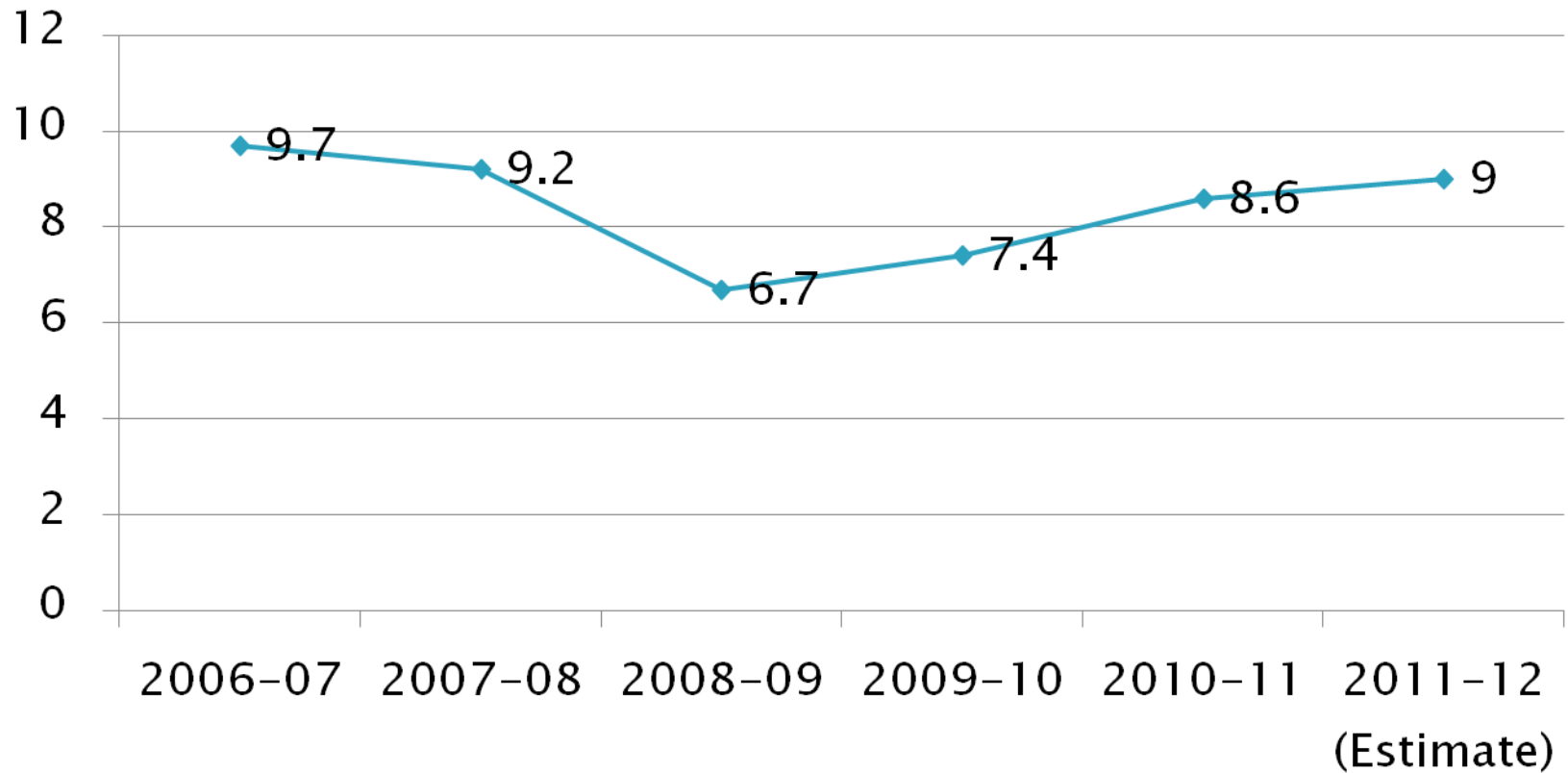
# First: The India Story



# GDP Growth Rate in (1991-2010)



# GDP Growth



# Composition of GDP (at Factor Cost)

(as % of Total)

Year	Agriculture & allied activities	Industry	Services
1950-51	55.3%	10.6%	34.1%
1960-61	50.8%	13.2%	36.0%
1970-71	44.3%	15.5%	40.2%
1980-81	37.8%	17.4%	44.6%
1990-91	31.4%	19.8%	48.8%
2000-01	23.9%	20.0%	56.1%
2009-10	14.6%	28.5%	56.9%

# Rapid Globalization

- **Trade**

- Merchandize exports + imports (as % of GDP)
  - 3% in 1980-81
  - 7% in 1990-91
  - 21% in 1997-98
  - 23% in 2000-01
  - 48% in 2009-10

# India's growth story: Principal Drivers

## Policy Drivers

- **Vibrant Democracy & Strong institutions.**
- **Steady Economic Liberalization Process.**
- Interventions to develop rural-agricultural economy.
- Pro-investment government policies.
- Major Up-gradation of Infrastructure

## Private sector and Civil Society factors

- **Culture of Entrepreneurship**
- Vibrant private sector.
- Robust Industrial and Agricultural production.
- **Strong Service Sector.**
- **Vast pool of technical & scientific manpower.**
- Robustly growing middle class.
- Private spending is 60% of GDP; growth is fuelling middle class spending.

# India Growth Story– Rapid; stable and Inclusive

## Strengths

- **Second fastest growing economy in the world.**
- **Domestically driven, with large savings rate.**
- **Exceptional Short and Long-Term Prospects .**
- **Factor of stability in global economy.**
- **Emerging as a Manufacturing, Innovation and R&D Hub.**

## Approaches and Key Challenges

### Approaches

- **Inclusive and distributive**

### Challenges

- **Developmental challenges.**
- **Infrastructure.**
- **Food and Energy security.**

### **Immediate context:**

- **Inflation: Both food and non food**
- **Twin deficits**

# What the Market Players and Analysts Say?



WORLD BANK

**Fourth-largest economy on purchasing power parity basis**

**Economist**

**One of the fastest growing economies, second only after China**

McKinsey&Company

**Indian GDP set to multiply 5 times by 2030**

*ATKEARNEY*

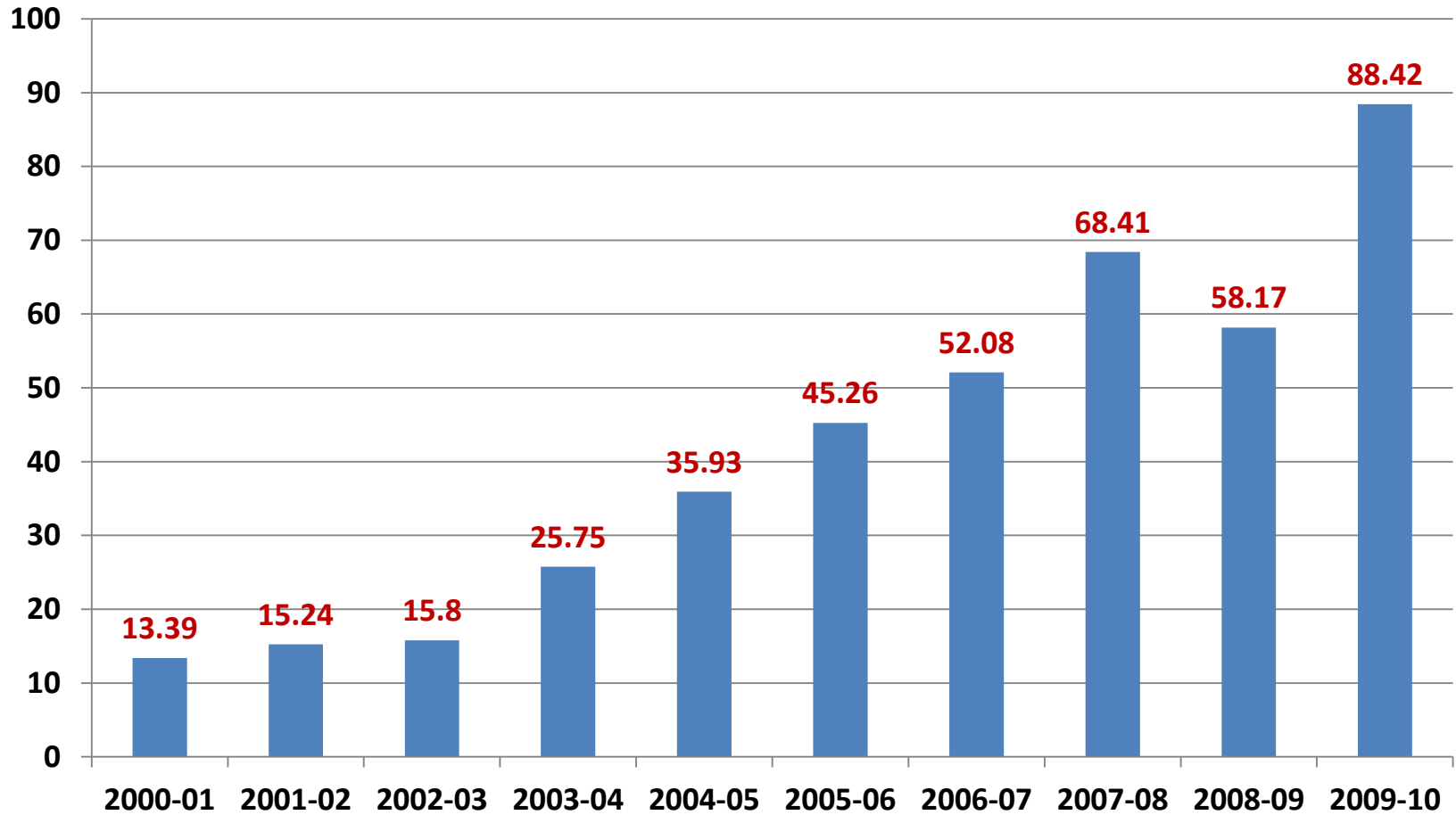
**2<sup>nd</sup> in investor confidence for FDI investments**

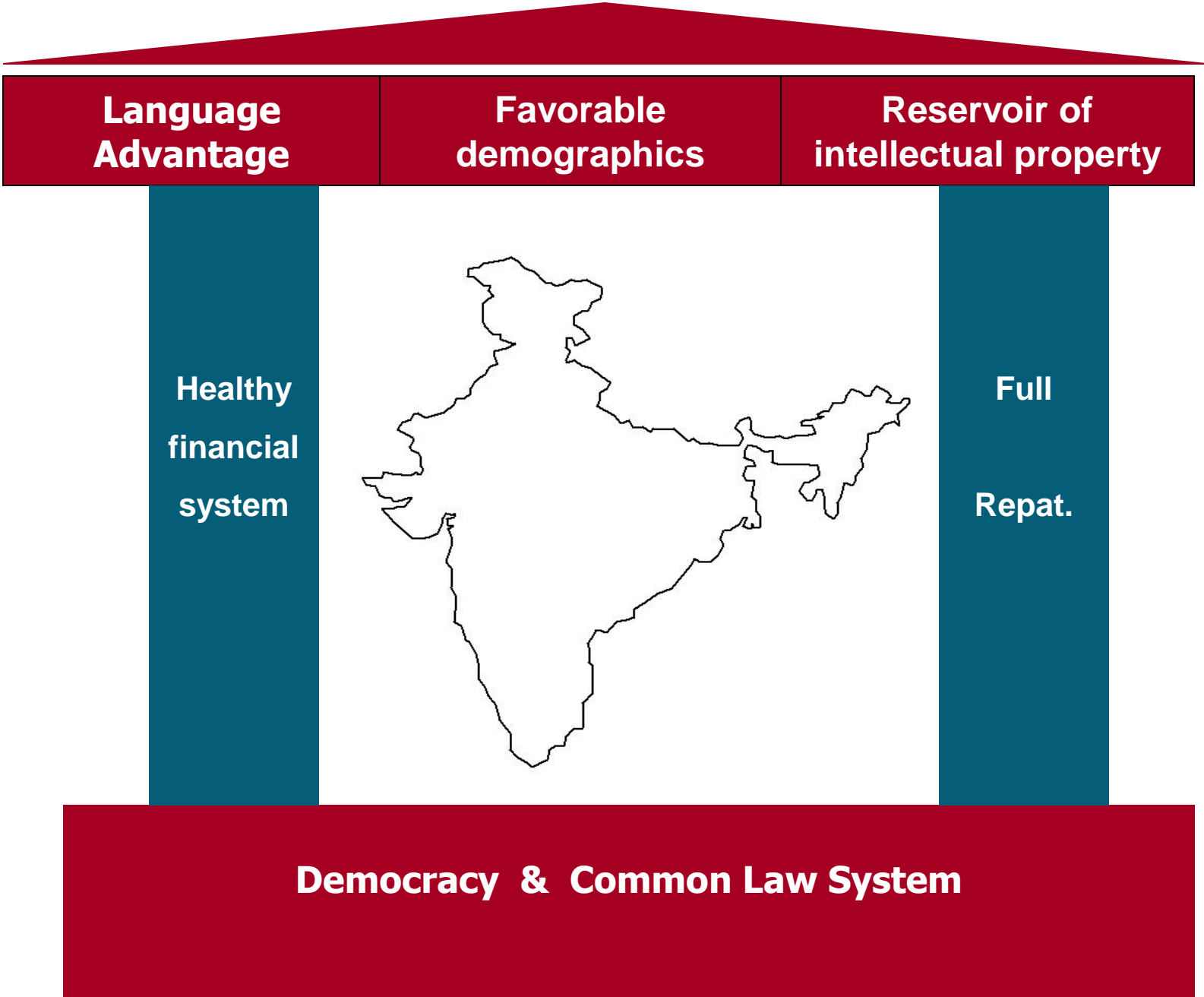
MorganStanley

**India's growth rate will outpace China's by 2013-15**

# Cumulative FII Investment (Net)

(\$ billion)



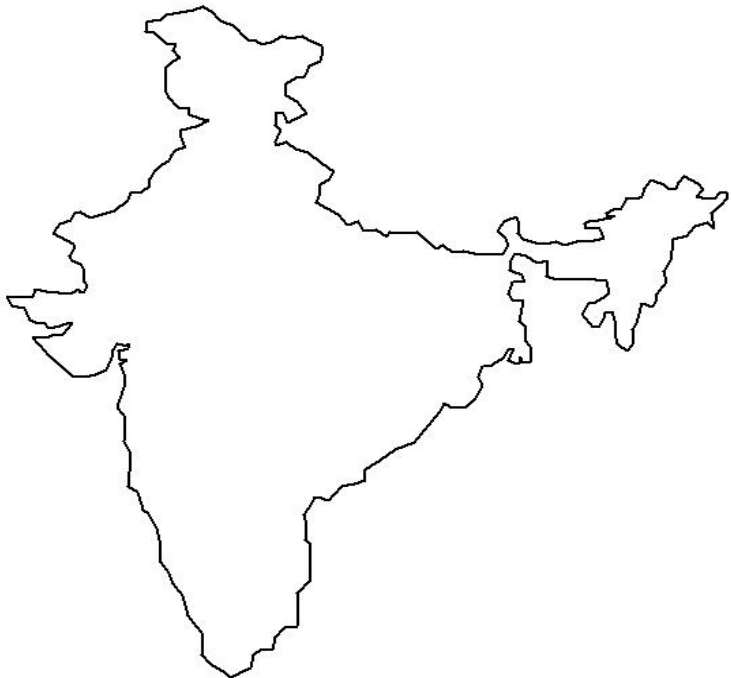


**Language  
Advantage**

**Favorable  
demographics**

**Reservoir of  
intellectual property**

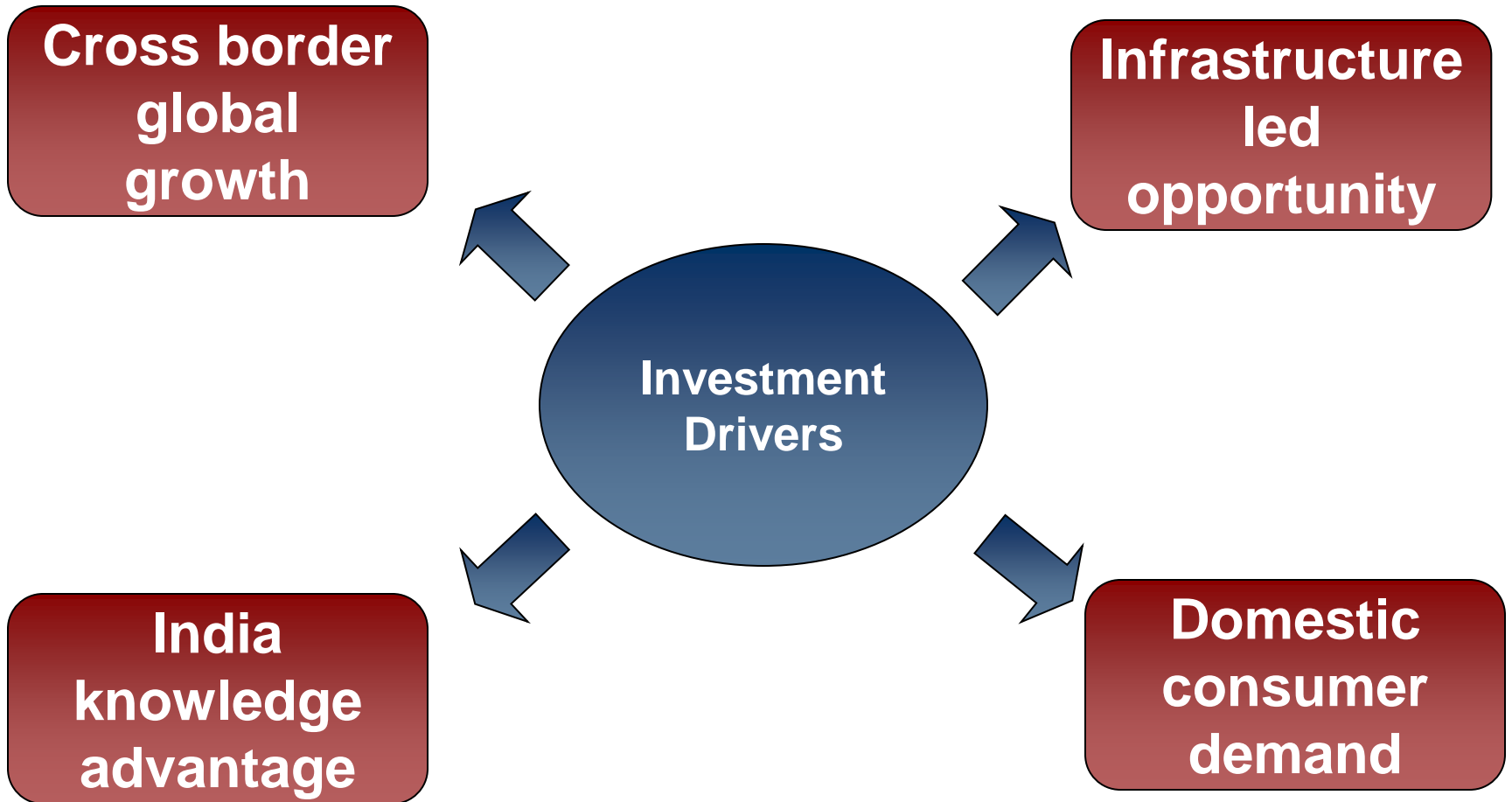
**Healthy  
financial  
system**



**Full  
Repat.**

**Democracy & Common Law System**

# Investment Drivers



# Reservoir of intellectual property

India's intellectual prowess well acknowledged by the world

- A meritocratic education system – Success rate for admission to the top technology institutes - IITs - is 2%; as compared to 10% at Harvard
- 1/3rd of start-ups in Silicon Valley are by Indians
- Pool of 23m professionals – doctors, graduates, masters, engineers : *increasing by nearly half a million every year*

India has become the hub for knowledge & manufacturing based centers for global corporations



# Our People-our strength

- India ranks first in the availability of qualified engineers in the labour market.\*
- The country adds about 69,000 engineers and science graduates every year.<sup>1</sup>
- India has world-class institutes, such as Indian Institutes of Technology (IITs), Indian Institutes of Management (IIMs) and Indian Institute of Sciences (IISc).

“ India is a developing country but it is a developed country as far as its intellectual infrastructure is concerned. We get the highest intellectual capital per dollar here.”

John Welch, Former CEO  
GE

## Young population – A Demographic Dividend

Population	2001	2006	2011	2016
Total (Million)	1,027	1,114	1,194	1,268
Age Group (Years)	Population Percentage			
0–14	35.6%	32.5%	29.7%	27.1%
<b>15–59</b>	<b>58.2%</b>	<b>60.4%</b>	<b>62.5%</b>	<b>64.0%</b>
60+	6.2%	7.1%	7.8%	8.9%

India's demographic mix is shifting towards the 15–59 years age group

\*Institute for Management Development (IMD) World Competitiveness Year Book 2006

<sup>1/2/2012</sup>  
<sup>1</sup>Source: Nasscom

# Overall

- Essence of India's growth:
  - a growing entrepreneurial spirit
  - rise in productivity
  - increasing savings
- ☛ *These fundamental strengths continue to be in place.*

# Emerging India and Innovation



# Economic Transformation and Innovation

## Global and National outlook

- **21<sup>st</sup> Century:** Century of Knowledge economy and Innovation.



- **India:** All round bloom in innovation, creativity and entrepreneurship. Country wide but with sectoral clustering.

## Approaches in the Indian context/Key Drivers

### Approaches

- Optimize and rely less on capital and physical resources in Economic development.
- Incremental vs transformative.
- Role of the private sector.
- Agent of social change and inclusive growth.

**Key principles: social relevance and commercial viability.**

**Key Drivers: Economic Policies; Population and per-capita mix; Human Resources; and Large Market**

# Infrastructure---A Challenge and an Opportunity



- **Power**
- **Transportation**
- **Industrial development**

# The Opportunities – Industry and Services



- **Automotive**
- **Pharmaceuticals**
- **Bio-technology**
- **Innovation economy areas**
- **Energy, including renewable**
- **Food processing**
- **Retail**

# Opportunities in High Technology Areas

## IT



- India is among the top 30 countries with regard to parameters supporting IT services.<sup>1</sup>

## Telecommunications



- India is the fastest growing telecommunications market in the world.
- It has the world's lowest call rates (2–3 US cents) and fastest growing subscriber rates (Approximately 15 million per month).
- Leading global telecom equipment manufacturers are present in India.

## Health Care



- The Indian health care sector is valued at USD 34 billion.

<sup>1</sup>Gartner  
1/2/2012

# India-U.S.—case studies of cooperation in Innovation and Entrepreneurship.

- **Clean Vehicles:** Curtis Instruments with Mahindra-Reva electric car.
- **Clean Energy:** Suniva manufactured solar panels used in cell towers in India.
- **Clean water:** Pentair Filtration Systems being used in clean water solutions.
- **Drug Discovery:** Optical bio-sensor technology of Corning Incorporated being used in partnership with Advinus Therapeutics for new therapies.
- **Innovation IT solutions** by CISCO Systems developed by their Globalization Centre in India.

- **IBM India Research Lab's 'Spoken Web'** to bring power of the internet to masses through telephones.
- **Intel's India Centre** chipsets for digital home technology ; chip's performance is up by 50% but consumes 50% less power); developed low cost processor 'Pine Trail' for low cost net books.
- **Microsoft India Business Development Centre** has contributed to filling 220 patents by the parent company
- **Honeywell India's Honeywell Enterprise Buildings Integrator** for building automation solutions.

# Luxury Goods

- i. The luxury goods market in India is one of the world's most diverse and exciting – and a challenging one for brands seeking to gain a presence there. It is one of the great untapped opportunities in the luxury business.
- ii. It includes Luxury clothing, auto, fragrances, wines, premium footwear, home electronics and high-end time-wear.

Top purchases of the Indian affluent consumer include:

- i. Jewellery
- ii. Clothing
- iii. Digital accessories
- iv. Time wear
- v. Cosmetics and skincare

# Key Constitutents

## KEY DRIVERS

- (i) The new generation affluent.
- (ii) Fastest growing population of millionaires (19.3% annually).
- (iii) Entrepreneur's in new businesses.
- (iv) Franchisees, and small and medium retailers.
- (v) Rapidly growing Middle class with large disposal income.
- (vi) Estimated CAGR of 28%.  
Estimates on current market size vary (appx US\$2.5-3 billion)
- (vii) Policy framework in place for Single Brand Retail



# Infrastructure : Opportunities & Approach

- Investment likely to rise from 5.15 percent of GDP during the tenth five year plan period (2002-2007) to about 7.55% during the Eleventh Five Year plan (2007-2012).
- 11<sup>th</sup> Five Year Plan (2007 to 2012) estimates demand of USD 500 Billion for Infrastructure Development in India.
- Total Investments in infrastructure sector doubled from 4% in 2004-05 to 8 %of GDP over the past five years.
- Tremendous opportunities for partnership with the Foreign Owned companies.
- Liberal Policy framework for Foreign Investment.
- Strong Opportunities for bilateral cooperation



# Infrastructure: Investment estimates

<b>(US\$ bn)</b>	<b>Tenth Plan 2002-2007</b>	<b>Eleventh Plan 2007-2012</b>
<b>Energy</b>	70.5	150.4
<b>Roads and bridges</b>	31.7	76.1
<b>Telecommunication</b>	22.5	65.1
<b>Railways</b>	20.3	62.2
<b>Irrigation</b>	32.1	53.1
<b>Water supply and sanitation</b>	15.6	48.6
<b>Ports</b>	1.3	18.0
<b>Airports</b>	2.1	8.5
<b>Storage and gas</b>	4.4	10.5
<b>Total</b>	<b>200.5</b>	<b>492.4</b>

# Energy Security

- **Energy Security – a must to maintain growth trajectory of 8-10% that India hopes to regain.**
- **Fifth largest electricity generation capacity in the world and the world's third largest transmission and distribution network**
- **India's power capacity need to increase from current 170,000 MW to 400,000 MW by 2030**
- **Ambitious solar energy mission which aims to generate 20,000 MW of solar power by 2022.**
- **Opportunities for partnership with the US in Power Generation; Energy Efficiency; development of environmentally sustainable technologies including clean energy etc. Mechanisms of Bilateral Energy Dialogue and Energy Cooperation Programme bring together various stakeholders.**

# India-U.S. Relationship



# INDIA AND THE UNITED STATES – PARTNERSHIP OF 21<sup>ST</sup> CENTURY

- **Strategic Partnership:** Shared values; fostered on common global concerns and common global threats.

- **Visionary Leadership**

## Major markers:

- **Impressive Balance Sheet under Security; Political; Economic; Commercial; Development and Innovation templates.**
- **India – US Civil Nuclear Agreement: A game changer.**
- **High Technology Cooperation.**
- **Strong trade, investment and people to people linkages. and**
- **Vibrant Dialogue Mechanisms: Health, Education, Open Government, Energy, S&T domains.**

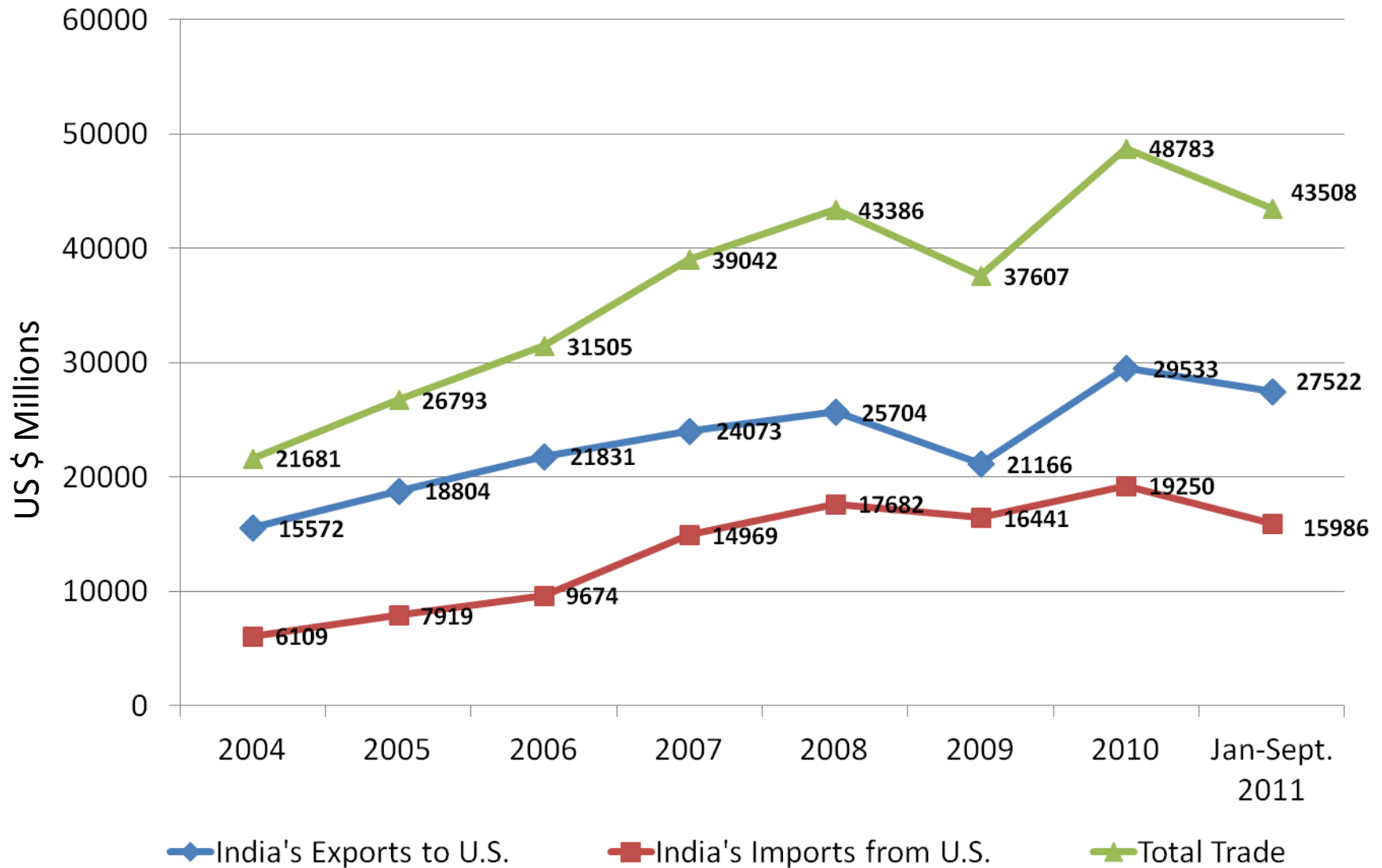


# KEY MANIFESTATIONS IN BILATERAL ECONOMIC TIES



- Rapidly growing Bilateral trade: Goods trade (2010):US\$48.75 billion (Strong growth in US Exports).
- Two way Trade in Services(2009): US\$ 41 billion (broadly balanced).
- Strong two way investment flows, both as Foreign Direct Investments and in M&A space.
- Value creation and job creation by Indian companies in the U.S. Economy.
- Expanding and deepening B-to-B and Tech-to-Tech linkages

# India – U.S. Bilateral Merchandise Trade



Source: US Department of Commerce, Bureau of Census

# INDIA-U.S. Partnership: the way forward

- Potential for mutually beneficial long-term partnership.
- In economic sense, there is a change in the mindset of various U.S. stakeholders – look beyond “buy-sell” paradigm.
- Enabling environment within India and the US.
- Imaginative entrepreneurship and vision to see the opportunities hidden in challenges.

# Current and Emerging Opportunities – Industry and Services

- **Innovation and Entrepreneurship economy**
- Growing Domestic consumption including Retail and Luxury goods
- Development of globally relevant products, processes, and technology solutions with incremental and transformative commercial gains
- Health including Pharmaceuticals
- **S&T including Bio-technology and Education**
- **Infrastructure space: including energy.**
- **Automotive sector**



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# Security and Defense

- **Cooperative platform is founded on shared common concerns and challenges including emerging threats.**
- **Partnership in cooperation for a safer world.**
- **Shared challenges are opportunities for sharing of information, best practices as well as technology and equipment.**
- **Liberalized Offset policy under the new Defense Procurement Policy.**
- **Concrete bilateral commercial opportunities.**

- **India has budgeted approximately \$40 billion in its 11<sup>th</sup> Five Year Plan (2007-12) to procure defense equipment and technologies.**
- **Growing opportunities in Home Land Security space: estimated at US\$8-10 billion by the private sector stakeholders.**
- **Security Up-gradation – A priority for Private Sector as well.**

# Next?

- India's development story will continue to offer concrete opportunities for global, including U.S. businesses.
- Yes, there are transitory challenges but embedded in them are clear opportunities.
- Go long in India not short



# Incredible India

- Have an India Strategy!
- Thank you.