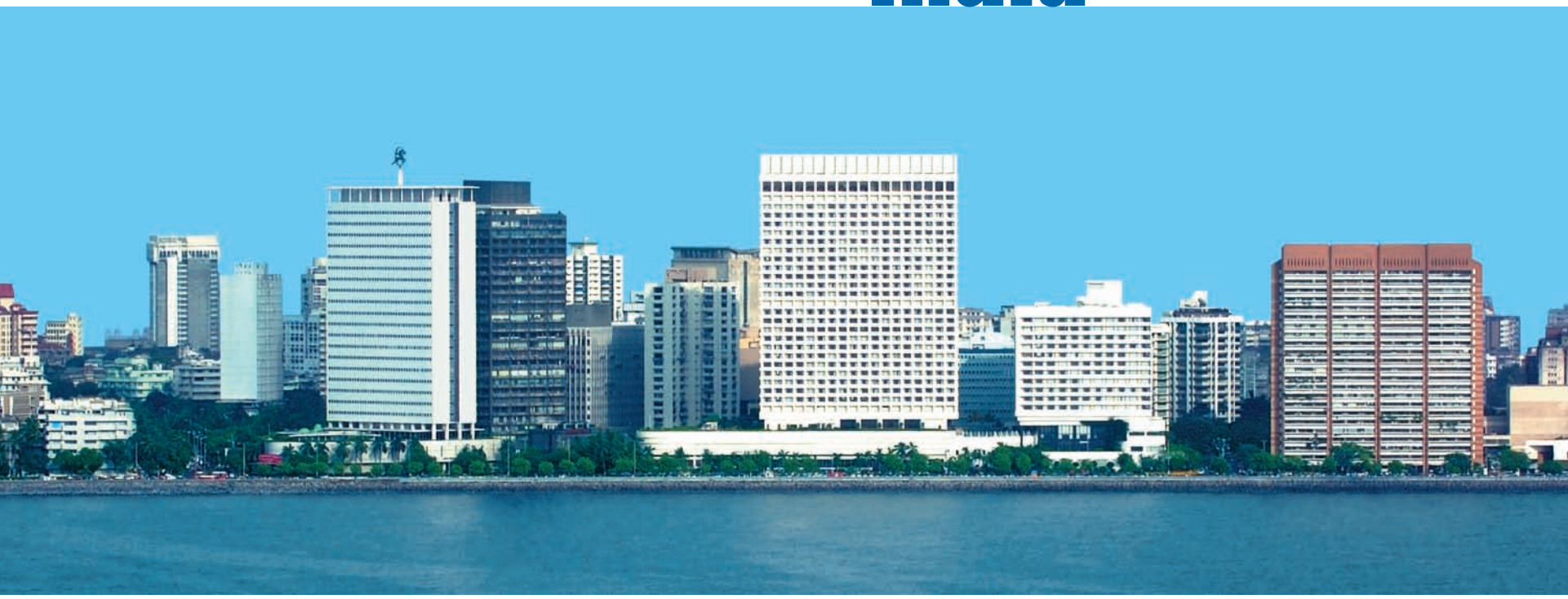
India



Opportunities in the world's largest democracy

Namaste!

India has long been known for the diversity of its culture, for the inclusiveness of its people and for the convenience of geography. Today, the world's largest democracy has come to the forefront as a global resource for industry in manufacturing and services. Its pool of technical skills, its base of an English-speaking populace with an increasing disposable income and its burgeoning market have all combined to enable India emerge as a viable partner to global industry.

Investment opportunities in India are today perhaps at a peak. Supported by natural strengths, India offers investment opportunities in excess of US$850 billion in diverse sectors over the next five years.

The Government of India is committed to enabling foreign investors discover India as a partner - with whom they can work in synergy to achieve their objectives of growth and profitability.

Welcome to India!

India is among the two most attractive FDI destinations in the world.

- A T Kearney,
FDI Confidence Index 2007

India has among the highest returns on foreign investment.

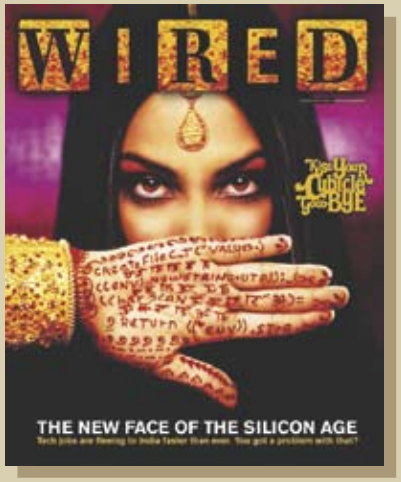
INDIA	19.3%
CHINA	14.7%
THAILAND	13.0%

- US Department of Commerce

You can't be global without being in India - with its large number of highly skilled, motivated and knowledgeable people.

- Tom Enders, *Airbus*



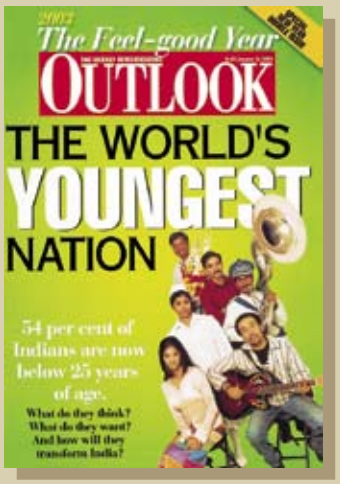


We came to India for the costs, stayed for the quality and are now investing for innovation.

- Dan Scheinman, Cisco System Inc. as told to *Business Week, August 2005*

India has evolved into one of the world's leading technology centres.

- Craig Barrett, *Intel Corporation*





By 2032, India will be among the three largest economies in the world.

- BRIC Report
Goldman Sachs, October 2003

Floorless trading system at the National Stock Exchange (NSE), India.



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Delhi - the capital city with a population of over 12 million has one of the highest per capita income levels in India.



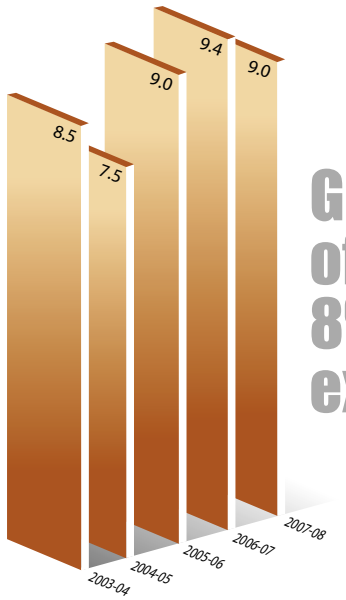
India - the fastest growing free-market democracy

India's competitiveness from a natural and human resources standpoint is making it the destination of choice for investors.

India is a fast-growing economy with a dynamic and robust financial system. Being a democracy ensures a stable policy environment and its independent institutions guarantee the rule of law.

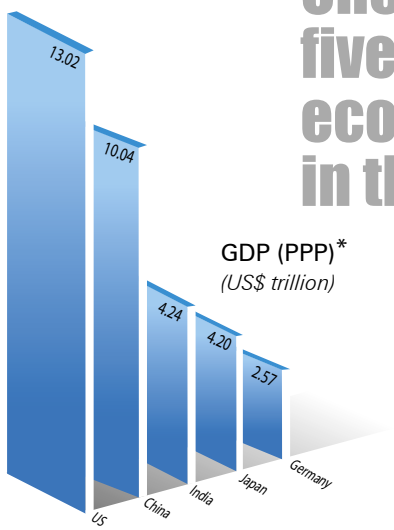
This highly diversified economy has shown rapid growth and remarkable resilience since 1991, when economic reforms were initiated with the progressive opening of the economy to international trade and investment. Events such as the Asian currency crisis, the dotcom bust and rising oil prices have had no significant impact on India's growth, with the economy recording an average annual GDP growth of over 6.5% in the past decade. Going forward, the country is targeting an average GDP growth rate of over 8% per annum.

India is in the global arena for increased foreign investment - both through the Equity markets - termed Foreign Institutional Investment (FII) and Foreign Direct Investment (FDI). While its size and growth potential make India attractive as a market, the most compelling reason for investors to be in India is that it provides a high return on investment. India is a free-market democracy with a legal and regulatory framework that rewards free enterprise, entrepreneurship and risk taking.



GDP growth of over 8% p.a. expected

Source: Central Statistical Organisation



One of the five largest economies in the world

GDP (PPP)*
(US$ trillion)

Source: World Bank
** Purchasing Power Parity*

Destination India



Large and growing domestic market

300-million-strong consuming class and growing at over 8% p.a.



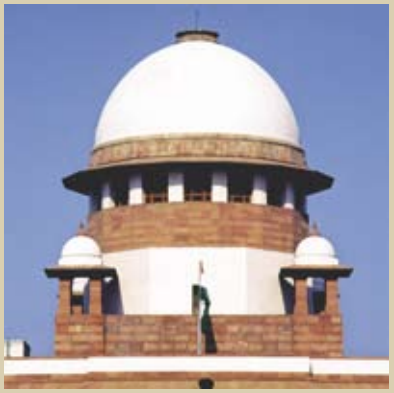
Versatile, skilled human capital

the world's largest pool of English-speaking scientists and engineers



Abundant resources

large mineral reserves and one of the largest producers of agricultural commodities



Robust legal and business support systems

independent judiciary and accounting systems



Sound economic fundamentals

moderate inflation rate and increasing savings rate



Steady economic reform regime

over a decade and a half of economic reform



Healthy, vibrant financial sector

transparent, modern and well-governed financial sector



Enriched quality of life

cosmopolitan, multicultural lifestyle

India is experiencing a boom in consumer spending



Large and growing domestic market

Over 300 million Indians (63 million households) are expected to have a household income of over US$6,000 by 2015 (over US$30,000 in PPP* terms). India is experiencing a rapid growth in consumer spending. The economic reforms since the early nineties have unleashed a new entrepreneurial spirit creating a vibrant economy supported by rising per capita income.

Fast-growing disposable incomes, increased availability and use of consumer finance and credit cards complement the keenness of the average Indian to adapt to and assimilate global trends. This has led to the creation of a rapidly growing consumer base and one of the world's largest markets for manufactured goods and services.

Growth in key sectors like infrastructure, services and manufacturing continues at about 10-12% p.a.

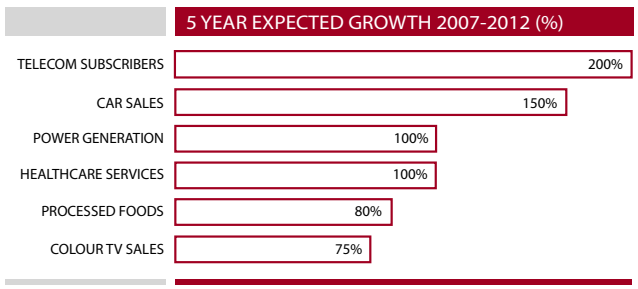
The market for basic goods such as groceries and textiles is already large, driven by the demands of an enormous population. Markets for other products are equally large and growing rapidly.

- Over 225 million telephone subscribers, growing at over ~75 million p.a.
- Over 8 million TV sets and 4 million refrigerators are sold annually and expected to growth at 20% p.a.
- Total production of vehicles has crossed 11 million in 2006-07, up from 8.6 million in 2004-05. In 1998-99, this was only 4.2 million.

India has been ranked 1st by AT Kearney in a Global Retail Development Index of 30 developing countries and is seen as a potential gold mine.

Burgeoning markets

ESTIMATED POTENTIAL BASED ON COMPARABLE BENCHMARKS

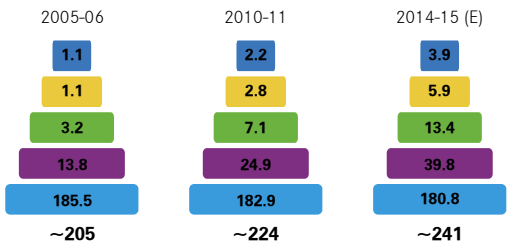


Source: Industry estimates, TSMG

By 2014-15, over 63 million households are expected to have an annual income of over US$ 6,000 per annum (US$ 30,000 in PPP* terms)

DEMOGRAPHIC TRANSFORMATION OF INDIA

No. of households in Mn
Income in 2005-06 Prices



Annual Household Income

Rich (above US$60,000)
High Income (US$30,000 - US$60,000)
Consuming Class (US$15,000 - US$30,000)
Working Class (US$6,000 - US$15,000)
Needy (below $6,000)

Note: Average household size is 5.38. All values at constant prices.
** Purchasing Power Parity*

Source: NCAER

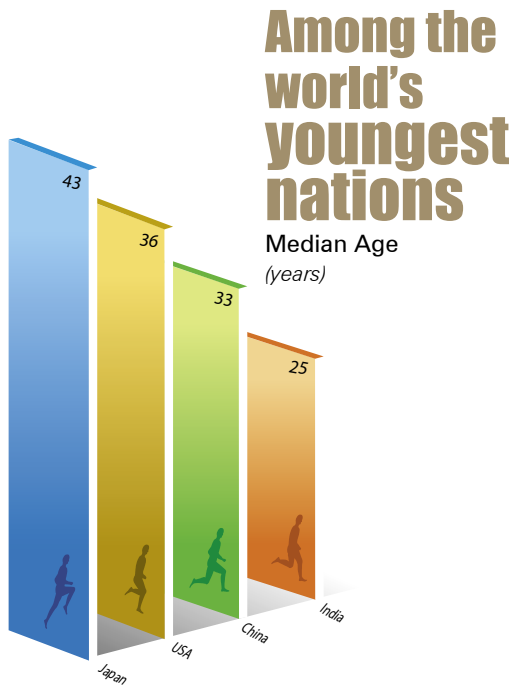
Versatile, skilled human capital

An unparalleled resource of an educated, hard-working, skilled and ambitious workforce is the hallmark of India's human capital.

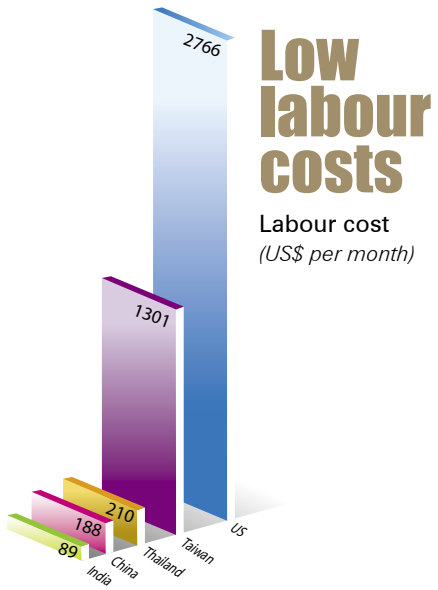
That this workforce is also one of the world's youngest adds to India's attractiveness as an investment destination. Of the BRIC* countries, India is projected to stay the youngest with its working-age population estimated to rise to 70% of the total demographic by 2030 - the largest in the world. India will see 70 million new entrants to its workforce over the next 5 years.

English is the language of business in India and the large English-speaking workforce is a benefit to investors and employers. In fact, the number of Indians who know English is more than the population of the USA. India's diverse cultural heritage puts its citizens at ease with people from other cultures and vice versa.

With over 380 universities, 11,200 colleges and 1,500 research institutions, India has the second largest pool of scientists and engineers in the world. Over 2.5 million graduates are added to the workforce every year, including 300,000 engineers and 150,000 IT professionals.



Source: The World Fact Book (www.cia.gov)

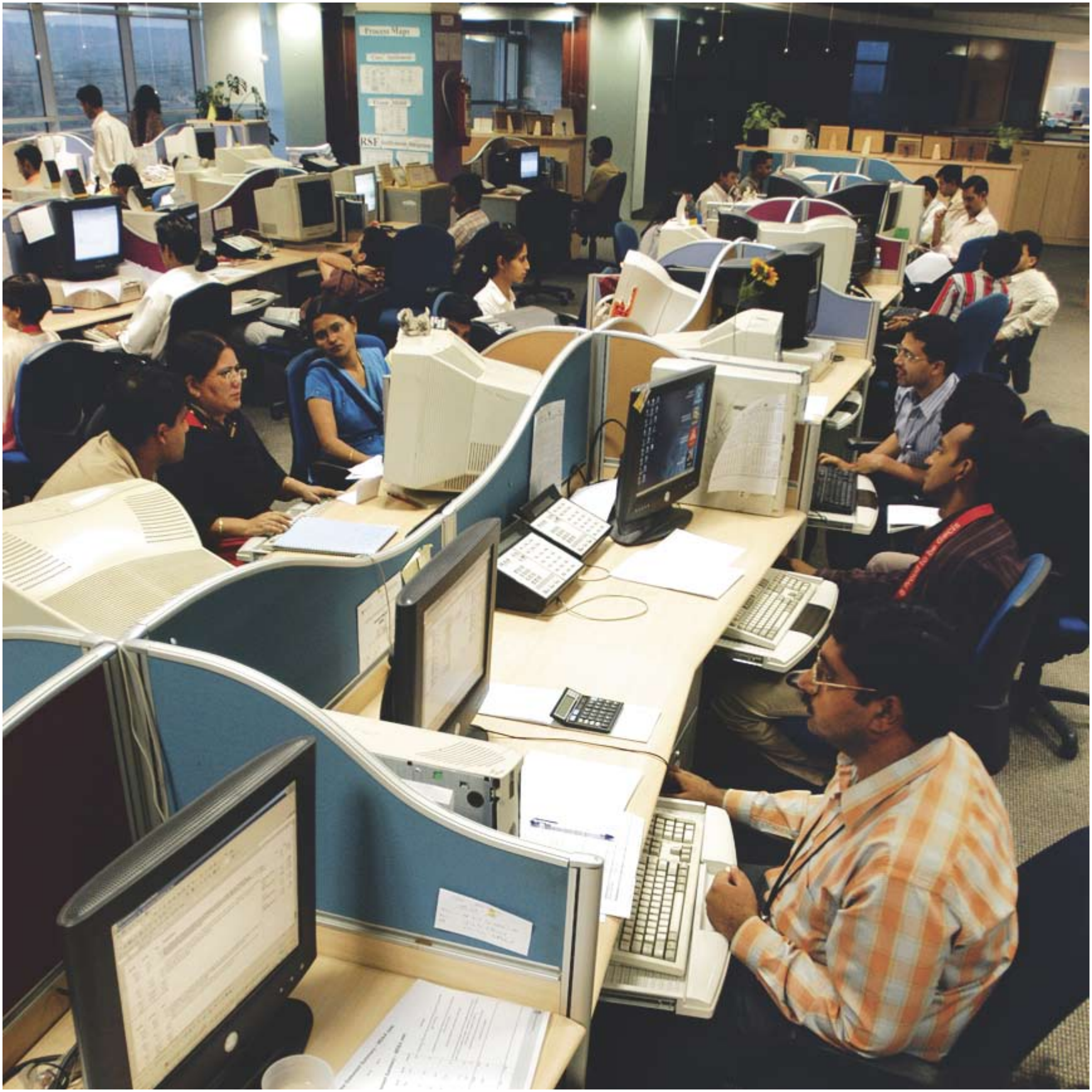


Unit: Monthly salary for manufacturing workers.

Source: CEIC, Morgan Stanley Research

* Brazil, Russia, India and China

In India, over 2.5 million graduates are added to the workforce every year.



Abundant resources

A vast geography endowed with diverse topography has made India the repository of abundant resources which provides a base for world scale manufacturing investment.

With an area of 3.3 million square kilometres, India is the seventh largest country in the world, and the second largest in Asia.

India's reserves of coal, iron ore, manganese, bauxite and chromium are among the largest in the world. Large quantities of mica, titanium ore, chromite, natural gas and limestone are also to be found in India.

India has the second largest area of arable land in the world, making it one of the world's largest food producers - over 200 million tonnes of foodgrains are produced annually. India is the world's largest producer of milk, sugarcane and tea and the second largest producer of rice, fruit and vegetables.

Though an importer of petroleum and natural gas, India has abundant coal reserves and a large untapped hydroelectric power potential estimated at 150,000 MW.



Manganese	Chromium	Coal	Bauxite	Iron Ore
2nd largest reserves (240 Mn T)	3rd largest reserves (57 Mn T)	4th largest reserves (253 Bn T)	4th largest reserves (2.4 Bn T)	5th largest reserves (24 Bn T)

Source: US Geological Survey, Department of Mines, Ministry of Coal, World Fact Book

India has among the best quality reserves of iron ore & bauxite



Milk	Sugarcane	Tea	Fruit	Vegetables	Wheat	Rice
Largest producer (100 Mn T p.a.)	Largest producer (315 Mn T p.a.)	Largest producer (930 Mn Kgs. p.a.)	Second largest producer (54.4 Mn T p.a.)	Second largest producer (113 Mn T p.a.)	Second largest producer (72 Mn T p.a.)	Second largest producer (91 Mn T p.a.)

Source: Economic Survey, Ministry of Agriculture, Government of India

Robust legal and business support systems

India is a free-market democracy with a robust, well-developed legal and administrative system. The Indian legal system has been derived originally from that of the United Kingdom and is at par with that of any developed economy.

Accounting standards in India are similar to those followed internationally. Many Indian companies are listed on the NYSE and NASDAQ and report their results under US GAAP*.

India has a long history of entrepreneurship, private enterprise and market economics that dates back to the 19th century. In fact, the Bombay Stock Exchange (BSE) was set up in 1875.

The original Indian Companies Act governing the incorporation and operation of limited liability companies dates back to 1882, though it has been extensively updated thereafter.

As a result of the pro-business environment, Indian companies have investments in most sectors of the economy spanning infrastructure, manufacturing and services.

Several Indian companies conduct their business on a global scale and have worldwide operations. These, along with numerous companies from the small and medium enterprise (SME) sector offer considerable scope for joint ventures, collaborations and partnerships.

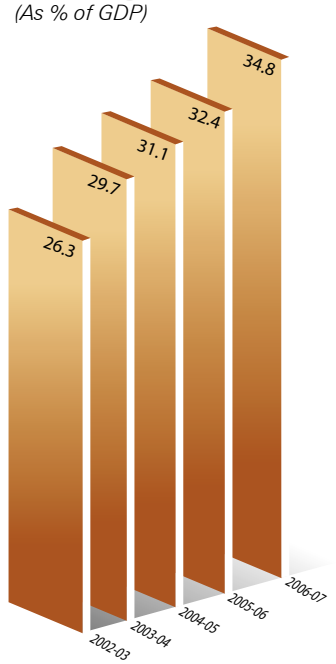
India has well-developed support services for business and industry with professional audit and accounting firms (some are affiliated with international accounting firms) and qualified corporate law practitioners. Major international advertising companies, investment banks and consulting firms are also well-represented in India.

* Generally Accepted Accounting Principles

Sound economic fundamentals

Increasing savings rates*

(As % of GDP)

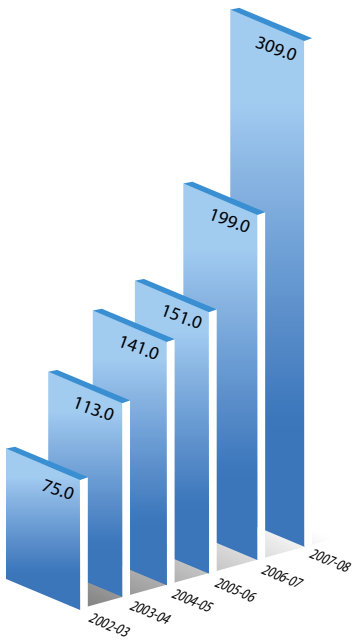


Source: Reserve Bank of India

* Gross domestic savings

Increasing forex reserves

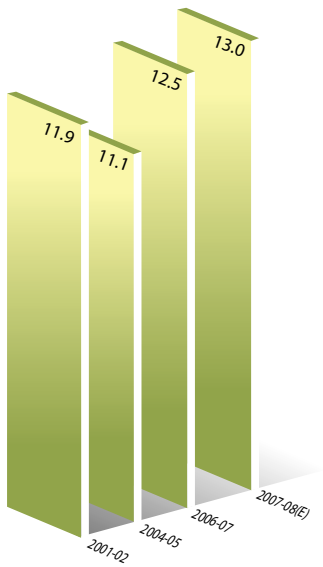
(US $ billion)



Source: Reserve Bank of India

Stable interest rates*

(% p.a.)

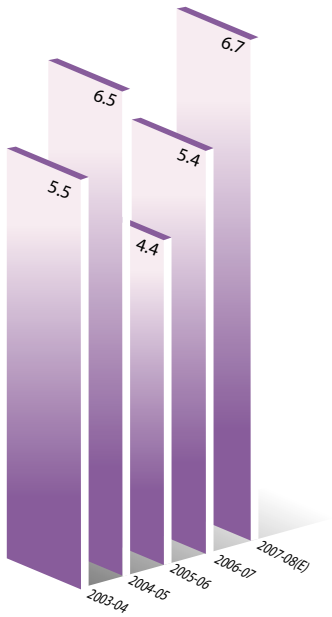


Source: Reserve Bank of India

* Prime lending rates

Stable inflation rates*†

(%)



Source: Reserve Bank of India

* WPI Annual average

† The global inflation spike, largely due to commodity prices, has resulted in WPI based inflation of over 11% in mid 2008.

Stable economic reform regime

After several years of being a largely closed economy, India initiated the process of opening up its economy in 1991 when it introduced far-reaching economic reforms of deregulation and liberalisation. These reforms have unlocked India's enormous growth potential and unleashed powerful entrepreneurial forces. Since 1991, successive governments across political parties have successfully carried forward the country's economic reform agenda.

During this reform period, India has witnessed increased participation in world trade, consistent, high economic growth and an increasingly favourable environment for domestic and foreign investors.

India is a founder member of the GATT (General Agreement on Tariffs and Trade) and is a signatory to the WTO (World Trade Organisation). India continues to play a significant role in the current WTO negotiations.

Going forward, infrastructure development is a major focus area and the government is actively encouraging private investment to bridge the gap. Projects underway include a ~US$12 billion National Highway Development Project, the "Sagar Mala" project for the expansion and modernisation of ports, inland navigation and maritime transport, the privatisation of Mumbai and Delhi airports and development of greenfield airports at Hyderabad and Bengaluru by the private sector.

The Government passed the Special Economic Zones (SEZs) Bill in 2005. SEZs are treated as deemed foreign territory with no import or export tariffs and extended periods for waiver of income taxes. Over 130 SEZs have already been formally approved by the government.

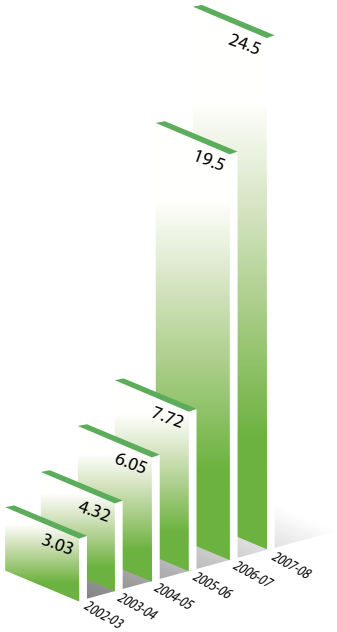
Legislation on Intellectual Property Rights (IPRs) has been adopted by the country's Parliament. All IPR laws are TRIPS (Trade Related Aspects of Intellectual Property Rights) compliant with a fully functional Intellectual Property Appellate Tribunal.

Investment friendly policies:

- **relaxed FDI norms**
- **low tax rates**
- **reduced import duties**

Increasing Foreign Direct Investment

(US$ billion)

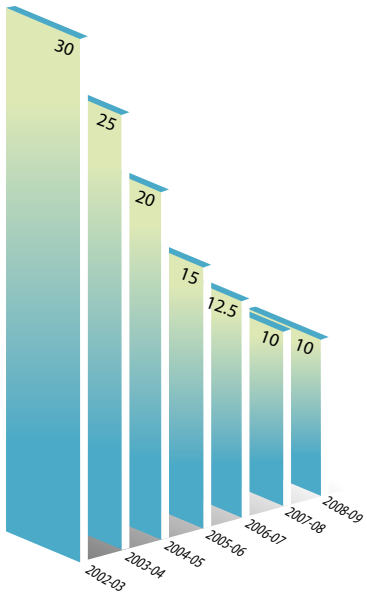


Source: RBI

Rationalised Import Duties

Peak customs duties on manufactured items

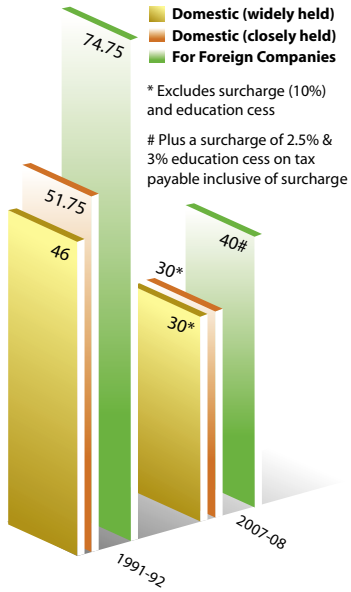
(%)



Source: FICCI, Ministry of Finance

Corporate Tax Rates

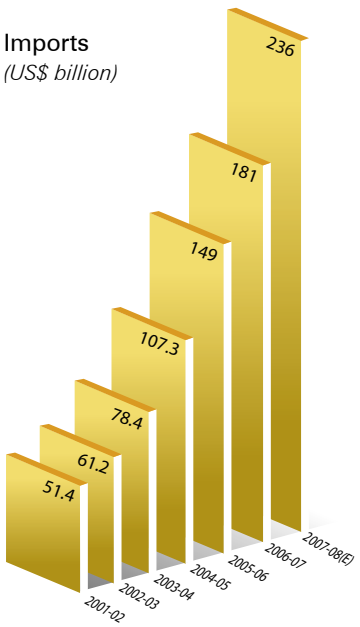
(%)



Increasing Foreign Trade

Imports

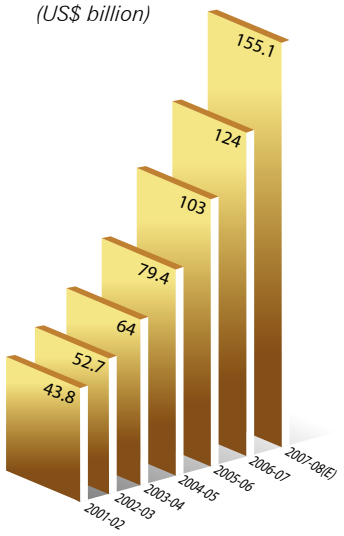
(US$ billion)



Source: RBI

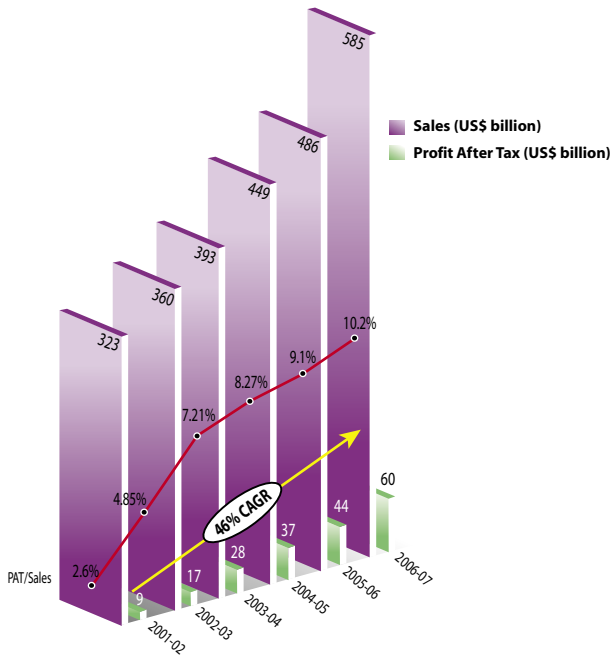
Exports

(US$ billion)



Source: RBI

Corporate Performance



Note: Based on results of around 6,800 listed companies

Source: Capitaline, TSMG Analysis

Healthy, vibrant financial sector

The financial sector in India is characterised by liberal and progressive policies, vibrant equity and debt markets and prudent banking norms.

India has a transparent, highly technology-enabled and well-regulated stock market defined by the most modern, nationwide, on-line screen-based trading system (SBTS), a T+2 rolling settlement system and a market cap of US$1.6 trillion as on 30th December 2007. With the largest number of listed companies - 10,000 - across 23 stock exchanges, India has the third largest investor base in the world.

The country also has a vibrant and modern commodities exchange market ranking among the top 3 global markets in terms of traded volumes and trades totalling over US$650 billion in 2006-07. NCDEX, MCX and NMCEI are the major national exchanges with a diversified portfolio of commodities that include agri-products, bullion, metals and energy. The exchanges offer future contracts and India was the first to provide trading in steel futures.

India's healthy banking system with a network of 70,000 branches is among the largest in the world. Aggregate deposits of commercial banks were about US$445 billion in June 2007 (50% of GDP) and the total bank credit stood at US$320 billion in June 2007 (36% of GDP). NPA levels of banks in India are under 3%, one of the lowest among emerging nations. The banking system is Basel I-compliant and moving towards Basel II norms.

The Reserve Bank of India (RBI), the country's central bank, has effectively managed the country's monetary policy over the last five decades. The country's current Prime Minister, Dr. Manmohan Singh is a former Governor of the Reserve Bank of India and a former Finance Minister.

India's financial sector has been one of the fastest growing sectors in the economy. It has also witnessed increased private sector activity including an explosion of foreign banks, insurance companies, mutual funds, venture capital and investment institutions.

India has the largest number of listed companies across 23 Stock Exchanges and the third largest investor base in the world.



Enriched quality of life



India offers a multi-cultural, tolerant, inclusive, environment and well-developed social urban infrastructure with enabling environments for foreigners to settle and do business in the country. India has five major metros and many large cities that are fast finding a place on the world map.

The capital of India is Delhi - a unique amalgam of the modern tree lined avenues of "New" Delhi juxtaposed with the old-world charm of the old city. Delhi is the centre of national politics, international embassies and has one of the highest per capita income levels in India.

Mumbai (formerly Bombay) is the commercial capital of India and one of the largest cities in the world, supporting a population of over 16 million. It is also the fashion and entertainment capital of the country.

Bengaluru (formerly Bangalore), known as the Silicon Valley of India is the nerve-centre of the country's software industry. It has also gained the reputation of one of the world's prime Business Process Outsourcing centres.

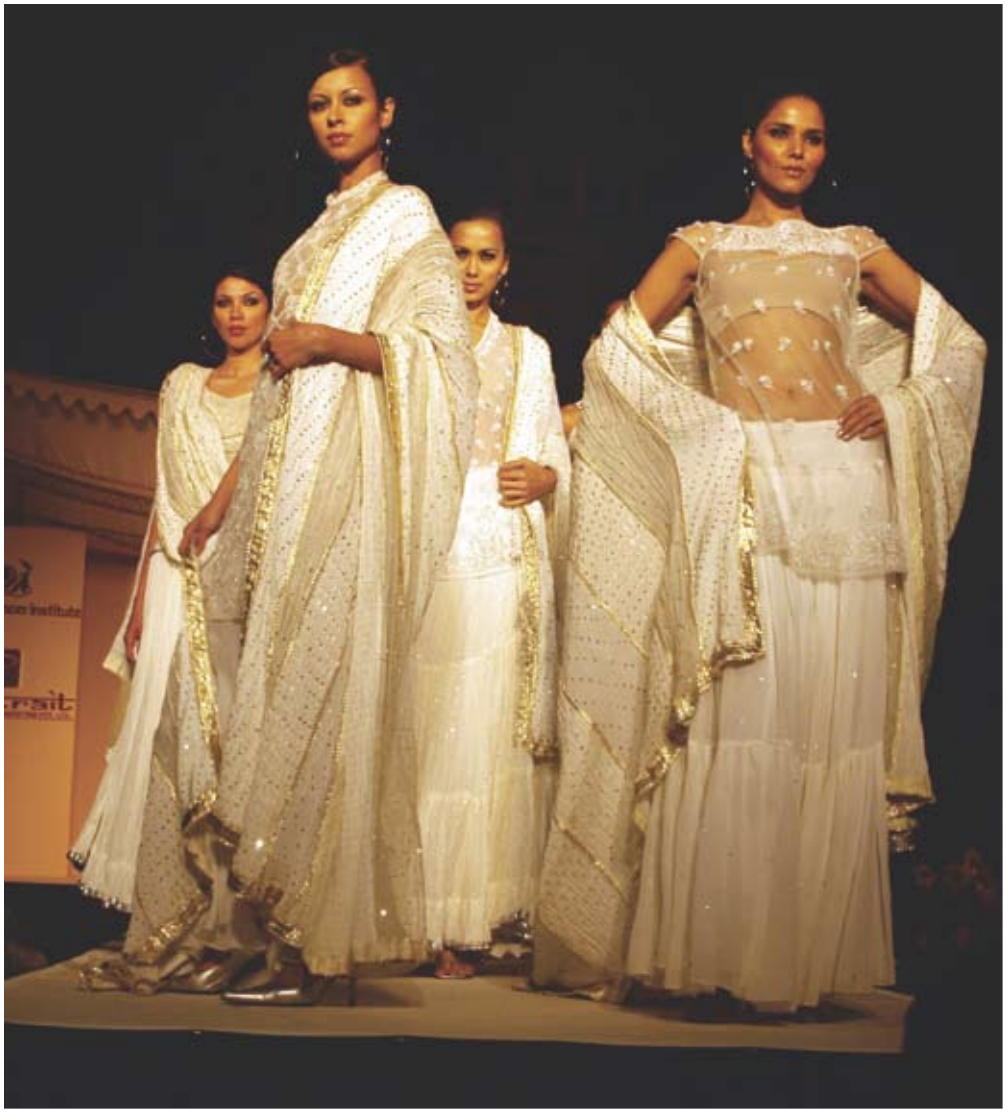
Kolkata (formerly Calcutta) is one of the largest metropolitan cities of India with strong cultural and literary traditions and is home to many old businesses and trading houses.

Chennai (formerly Madras) is a traditional city in South India and with a large industrial base. It is home to many of India's engineering and technical enterprises.

India is a country on the move! Hotels, clubs, shopping malls, golf courses, theatres, fast-food chains, fast cars ... all these define the pace, character and modernity of lifestyle in Indian cities. Indian cuisine is fast gaining popularity all over the world. International cuisines are also widely available and are received enthusiastically by the local population. Most large Indian cities have internationally recognised schools and colleges and world-class health care facilities.

In addition to extensive domestic connectivity, India is internationally well-connected by air and sea. All the major cities are on the international air routes, and international air traffic is growing rapidly.

Enriched quality of life in India

















India is among only 3 countries in the world to have built its own supercomputer.

One-fifth of Fortune 500 companies have set up R&D centres in India.

11 out of every 12 diamonds in the world are polished in India.

India is among only 7 countries in the world to have built a car indigenously.

50 percent of the world's tea is produced in India.

One out of every 6 two-wheelers in the world is manufactured in India.

220 of the Fortune 500 companies source software from India.

India has the largest film industry in the world.

India is among only 6 countries in the world to have satellite launch capabilities.

One out of every 8 new mobile users in the world is an Indian.

India has one of the largest television networks in the world, with over 300 channels and 500 million TV viewers.

opportunities at a glance

Infrastructure



Over US$380 billion of investment needed in 5 years

POWER

TELECOMMUNICATIONS

ROADS

PORTS

CIVIL AVIATION & AIRPORTS

PETROLEUM & NATURAL GAS

URBAN INFRASTRUCTURE

Services



Over 100% growth in demand for key services in the next 5 years

BANKING & FINANCE

INSURANCE

REAL ESTATE & CONSTRUCTION

RETAIL

TOURISM

Manufacturing



Over US$180 billion of investment opportunity in 5 years

METALS: STEEL, ALUMINIUM

TEXTILES & GARMENTS

ELECTRONICS HARDWARE

CHEMICALS

AUTOMOBILES

AUTO COMPONENTS

GEMS & JEWELLERY

FOOD & AGRO PRODUCTS

Resources



Large reserves with over US$40 billion of investment opportunity

COAL

METAL ORES

OIL & GAS EXPLORATION

Knowledge Economy



Over 300% growth in knowledge sectors in the next 5 years

PHARMACEUTICALS & BIOTECHNOLOGY

HEALTHCARE

IT & IT-ENABLED SERVICES


FICHER

Infrastructure

- Power
- Telecommunications
- Roads
- Ports
- Civil Aviation & Airports
- Petroleum & Natural Gas
- Urban Infrastructure

INFRASTRUCTURE

POWER



Total estimated investment opportunity of US$ 150 billion till 2012

OVERVIEW

SIZE

- Generation capacity of 141 GW; 663 billion units produced (1 unit=1kwh) - January 2008
  - CAGR of 5% over the last 5 years
- India has the fifth largest electricity generation capacity in the world
  - Low per capita consumption at 631 units; less than half of China
- Transmission & Distribution network of 6.6 million circuit km – the third largest in the world
- Coal fired plants constitute 54% of the installed generation capacity, followed by 25% from hydel power, 10% gas based, 3% from nuclear energy and 8% from renewable sources

STRUCTURE

- Majority of Generation, Transmission and Distribution capacities are with either public sector companies or with State Electricity Boards (SEBs)
- Private sector participation is increasing especially in Generation and Distribution
  - Distribution licences for several cities are already with the private sector
  - Three large ultra-mega power projects of 4000MW each have been recently awarded to the private sector on the basis of global tenders

POLICY

- 100% FDI permitted in Generation, Transmission & Distribution - the Government is keen to draw private investment into the sector
- Policy framework: Electricity Act 2003 and National Electricity Policy 2005
- Incentives: Income tax holiday for a block of 10 years in the first 15 years of operation; waiver of capital goods' import duties on mega power projects (above 1,000 MW generation capacity)
- Independent Regulators: Central Electricity Regulatory Commission for central PSUs and inter-state issues. Each state has its own Electricity Regulatory Commission

Major players and presence in value chain	Capacity (MW)	•G	•T	•D
Public Sector				
National Thermal Power Corporation	29,144	✓		
National Hydro Electric Power Corporation	2,755	✓		
Nuclear Power Corporation	4,120	✓		
Domestic Private Sector				
Tata Power	2,323	✓	✓	✓
RPG Group - CESC	975	✓		✓
Reliance Energy	941	✓	✓	✓
International Private Sector				
China Light and Power (CLP)	655	✓		
Marubeni Corporation	347	✓		

•G - Generation •T - Transmission •D - Distribution

Source: Ministry of Power, Capitaline

OPPORTUNITY

OUTLOOK

- Over 78,000 MW of new generation capacity is planned in the next five years
  - A corresponding investment is required in Transmission and Distribution networks
- Power costs need to be reduced from the current high of 8-10 cents/unit by a combination of lower AT & C losses, increased generation efficiencies and added low-cost generating capacity

POTENTIAL

- Large demand-supply gap: All India average energy shortfall of 9% and peak demand shortfall of 14%
- The implementation of key reforms is likely to foster growth in all segments
  - Unbundling of vertically integrated SEBs
  - "Open Access" to Transmission and Distribution networks
  - Select distribution circles to be franchised/privatised
  - Tariff reforms by regulatory authorities
- Opportunities in Generation for:
  - Ultra Mega Power Plants (UMPP) – 9 projects of 4000 MW each
  - Coal-based plants at pithead or coastal locations (imported coal)
  - Natural Gas/CNG-based turbines at load centres or near gas terminals
  - Hydel power potential of 150,000 MW is untapped as assessed by the Government of India
  - Renovation, modernisation, up-rating and life extension of old thermal and hydro power plants
- Opportunities in Transmission network ventures - additional 60,000 circuit km of Transmission network expected by 2012
  - Private sector participation possible through JV and 100% equity mode
- Total investment opportunity of about US$150 billion over a 5-year horizon

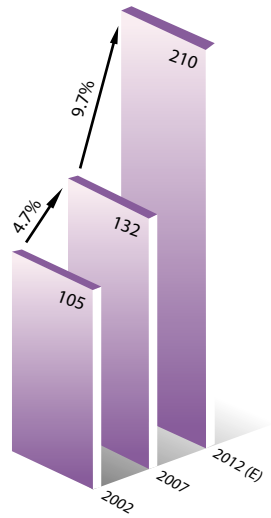


Over 150,000 MW of Hydel Power is yet to be tapped in India



India requires an additional 78,000 MW of generation capacity by 2012

Power Generation Capacity in India
(GW)



Source: Ministry of Power

For additional information: *Ministry of Power, Central Electricity Regulatory Commission, State Electricity Regulatory Commission (http://powermin.nic.in)*

INFRASTRUCTURE

TELECOMMUNICATIONS



Total estimated investment opportunity of over US$ 76 billion over the next 5 years

Major players and presence in value chain

Company	Services				Promoter
	Cellular	Basic	NLD[1]	ILD[2]	
Bharti Airtel	✓	✓	✓	✓	Bharti Group
Reliance Infocomm	✓	✓	✓	✓	Reliance ADA Group
Tata Teleservices	✓	✓	✓	✓	Tata Group
BSNL	✓	✓	✓		Government of India
Vodafone Essar	✓		*		Essar Group
IDEA Cellular	✓		*		Aditya Birla Group

* Launch planned

Source: TRAI, DoT, TSMG Analysis

Note: 1 National Long Distance
2 International Long Distance

OVERVIEW

SIZE

- India is the fifth largest Telecom services market in the world; US$23 billion revenues in FY 2007
  - Industry grew by about 22% in FY 2007 over FY 2006
  - 290 million subscribers - 39 million fixed lines and 251 million wireless - (February 2008)
- The telecom subscriber base has grown at about 40% p.a. over the last 4 years
  - Wireless segment subscriber base grew at 62% p.a.

STRUCTURE

- The Indian telecom market has both public and private sector companies participating
  - Public sector has over 27% subscriber market share, down from over 90% in 2000
  - Private companies have added subscribers at a CAGR of 80% since 2000
- Mobile operators have deployed both CDMA (62 million users) and GSM (189 million users) wireless networks (February 2008)
- Value added service features constitute about 10% of revenue (2% in 2001)

POLICY

- 74% to 100% FDI permitted for various telecom services
  - FIPB approval required for foreign investment exceeding 49% in all telecom services
  - 100% FDI permitted in telecom equipment manufacturing
- India has a telecom policy that aims to encourage private and foreign investment. Highlights are
  - An independent regulator – the Telecom Regulatory Authority of India (TRAI)
  - Revenue-sharing model for licences issued by the Government for telecom services in India. Unified access licences are available for providing telecom services on a pan-India basis in both GSM & CDMA technologies
  - Government has simplified NLD and ILD license norms and lowered entry barriers
    - New entrants given 3 years to set up infrastructure
    - Entry fee and networth requirements have been reduced
  - Policy on Mobile Number Portability (MNP) & 3G to be announced shortly
  - Policy on Active Infrastructure Sharing to be announced shortly
  - Universal Access Service License (UASL) recently issued to 5 new players

OPPORTUNITY

OUTLOOK

- India is expected to be among the fastest growing telecom markets in the world
  - Projected growth of 27% p.a. to reach 500 million subscribers by March 2010
- Over 8 million new users are added every month – mostly in wireless

POTENTIAL

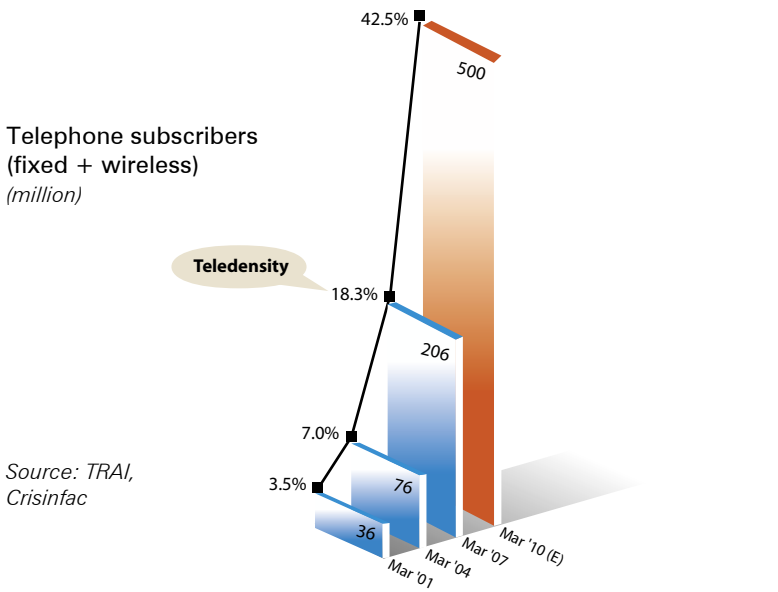
- Favourable demographics and socio-economic factors leading to high growth
  - Growth of disposable income combined with changes in lifestyle
  - Increasing affordability - low tariffs, easy payment plans and low-cost handsets
  - Increased coverage and availability of mobile services
- Investment opportunity of over US$76 billion across many areas
  - Network infrastructure to increase service coverage
  - Roll-out of additional network for 2G, 3G, WIMAX etc.
  - Applications/software for voice, data and broadcasting services
  - Devices like the mobile handset, set top box, modem, gaming console, consumer premise equipments etc.
  - Nokia, Siemens, Alcatel, Lucent, Elcoteq, LG, Ericsson are all investing in India



Over 150% growth in telecom subscribers is projected in 5 years



India will require large investments in network infrastructure



Source: TRAI, Crisinfac

For additional information: *Department of Telecommunications, Ministry of Information Technology & Communications (http://www.dotindia.com), Telecom Regulatory Authority of India (http://www.trai.gov.in)*

INFRASTRUCTURE

ROADS



Total estimated investment opportunity of US$ 90 billion in 5 years

The Golden Quadrilateral and NSEW projects



OVERVIEW

SIZE

- India has an extensive road network of 3.3 million km – the second largest in the world
- Roads carry about 65% of the freight and 80% of the passenger traffic
- Highways/Expressways constitute about 66,000 km (2% of all roads) and carry 40% of the road traffic
- The Government of India plans to spend about US$10 billion p.a. on road development over the next five years
- The ambitious 7-phase National Highway Development Project (NHDP) is India's largest road project ever. Phase II, III and IV are under implementation
  - Key sub-projects under the NHDP include:
    - The Golden Quadrilateral (Phase I: GQ-5846 km of 4 lane highways)
    - North-South & East-West Corridors (Phase II: NSEW-7300 km of 4 lane highways)
- Program for 6-laning of about 6500 km of National Highways is underway

STRUCTURE

- The National Highways Authority of India (NHAI) is the apex government body for implementing the NHDP
  - All contracts, whether for construction or BOT, are awarded through competitive bidding
- Private sector participation is increasing and is through:
  - Construction contracts
  - BOT for about 36% of total investment-based on competitive bidding or the lowest lumpsum payment from the Government.
    - BOT contracts permit tolling on those stretches of the NHDP

POLICY

- 100% FDI under the automatic route is permitted for all road development projects
- Incentives:
  - 100% income tax exemption for a period of 10 years
  - NHAI agreeable to provide grants/viability gap funding for marginal projects
  - Model concession agreements formulated

OPPORTUNITY

OUTLOOK

- Annual growth projected at 12-15% for passenger traffic, and 15-18% for cargo traffic
- Over US$90 billion investment is required over the next 5 years to improve road infrastructure
  - Road sector investments expected to grow at 19% p.a.

POTENTIAL

- Road development is recognised as essential to sustain India's economic growth
  - The government is planning to increase expenditure on road development substantially with funding already in place based on a cess on fuel
- A large component of highways is to be developed through public-private partnerships
  - Several high traffic stretches already awarded to private companies on a BOT basis
  - Two successful BOT models are in place – the annuity model and the upfront/lumpsum payment model
- 40% of India's villages do not have access to All-Weather roads
  - The government has identified rural roads as one of the 6 components of the US$40 billion Bharat Nirman Programme to improve rural India
- Investment opportunities exist in a range of projects being tendered by NHAI for implementing the remaining phases of the NHDP – contracts are for construction or BOT basis depending on the section being tendered.



Road development is a priority sector



India has the second largest road network in the world



An annual growth of 12-15% for passenger traffic has been projected

For additional information: *Planning Commission, Government of India (planningcommission.nic.in), Department of Road Transport and Highways, Ministry of Shipping, Road Transport and Highways (http://morth.nic.in), National Highways Authority of India (http://www.nhai.org)*

INFRASTRUCTURE

PORTS



Total estimated investment opportunity of US$ 21 billion till 2012

Cargo handled by Major Ports in India

Major Port	Trade (06-07, MMT)	Container Traffic (06-07) (million TEU*)
Chennai Port	53	0.79
Cochin Port	15	0.23
Ennore	10.7	–
Haldia	42.4	0.11
JNPT	44.8	3.29
Kandla Port	52.9	0.17
Kolkata Port	12.5	0.24
Mormagao	34.2	0.01
Mumbai Port	52.4	0.13
New Mangalore Port	32	0.02
Paradip Port	38.5	0.002
Tuticorin Port	18	0.37
Vizag Port	56.4	0.05

Source: Indian Ports Association
* Twenty foot equivalent unit (TEU)

OVERVIEW

SIZE

- India's major ports handled cargo of over 463 million tonnes in 2006-07 - 9.5% increase over last year
- 80% of the port traffic by volume is dry and liquid bulk, remaining 20% is general cargo, including containers
  - Containerised cargo has grown at a rate of 15% p.a. over the last 5 years
- India has 12 major ports and 187 minor ports along 7,517 km long Indian coastline
  - Cargo handled by major ports has increased by 10.4% p.a. over last 3 years
  - Major ports handle 74% of the total traffic
- Of the 12 major ports, 11ports are run by Port Trusts while the port at Ennore is a corporation under the Central Government
- Two major government projects underway
  - Project "Sethusamundram": Dredging of the Palk Strait in Southern India to facilitate maritime trade through it
  - Project "Sagarmala": US$22 billion project for the modernisation of major and minor ports

STRUCTURE

- Government of India dominated maritime activity in the past. Policy direction is now oriented to encouraging the private sector to take the lead in port development and operations
- Major ports to operate largely as landlord ports - international port operators have been invited to submit competitive bids for BOT terminals on a revenue-sharing basis
- Significant investment in port terminals on BOT basis by foreign players include Maersk (Mumbai), Dubai Ports International (Mumbai, Chennai, Vizag and Kochi), and PSA (Tuticorin, Chennai)
- Minor ports are being developed by domestic and international private investors Pipavav Port by Maersk, Mundra Port by Adani Group

POLICY

- 100% FDI under the automatic route is permitted for port development projects
- 100% income tax exemption for a period of 10 years
- Tariff Authority of Major Ports (TAMP) regulates the ceiling for tariffs charged by major ports/port operators (not applicable to minor ports)
- A comprehensive National Maritime Development Policy has been formulated to facilitate private investment, improve service quality and promote competitiveness

OPPORTUNITY

OUTLOOK

- Cargo handling at all the ports is projected to grow at 7.7% p.a. till 2013-14 with minor ports growing at a faster rate of 8.5% compared to 7.4% for the major ports
  - Traffic at major ports estimated to reach 793 million tonnes by 2013-14
- Level of containerisation expected to increase significantly over current levels of 15%
  - Containerised cargo is expected to grow at 17.3% over the next 9 years
- Exports have grown at a CAGR of 25% p.a. over the last 2 years to reach US$124 billion
  - A large portion of the foreign trade to be through the maritime route - 95% by volume and 70% by value
- Mainline operators to increase direct sailing frequency to Indian ports

POTENTIAL

- Growth in merchandise exports projected at over 13% p.a. underlines the need for large investments in port infrastructure
- Identified investment need of US$12.4 billion in the major ports under National Maritime Development Program (NMDP) to boost infrastructure at these ports in the next 9 years
  - Under NMDP, 276 projects have been identified for the development of major ports
  - Public-private partnership is seen by the government as the key to improve major and minor ports
    - 67% of the proposed investment in major ports envisaged from private players
- The plan proposes an additional port handling capacity of 545 MMTA from 2006-07 in major ports through:
  - Projects related to port development (construction of jetties, berths etc.)
  - Procurement, replacement or upgradation of port equipment
  - Deepening of channels to improve draft
  - Projects related to port connectivity
- Expected investments of US$7.7 billion in minor ports
- Fourth terminal at JNPT likely to involve an investment of US$1 billion

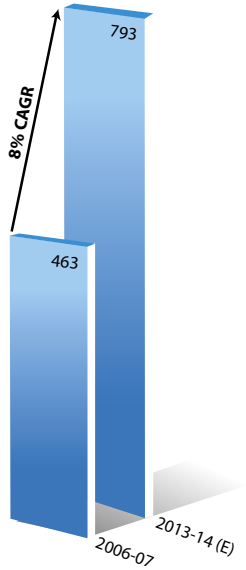


The JNPT port has capacity over 3.6 million TEU



The port sector has seen significant investment by major global port operators

Cargo handled at all Major Indian Ports *(MMT)*



Source: Department of Shipping, Capital Market, Industry Estimates.

For additional information: *Department of Shipping, Ministry of Shipping, Road Transport & Highways (http://shipping.nic.in), Planning Commission, Government of India (planningcommission.nic.in)*

INFRASTRUCTURE

CIVIL AVIATION & AIRPORTS



Total estimated investment of US$ 8-9 billion by 2012

Airport Statistics 2006-07

Airport	Passenger traffic (million, 2006-07)
Bengaluru	8.1
Chennai	8.9
Delhi	20.4
Hyderabad	5.7
Kolkata	5.9
Mumbai	22.2

Source: Director General of Civil Aviation, AAI

OVERVIEW

SIZE

- India has 454 airports and airstrips; of these, 16 are designated international airports
- In 2006-07, Indian airports handled an estimated 95 million passengers and 1.5 million tonnes of cargo
  - Passenger traffic grew in excess of 30% in 2006-07 over 2005-06; cargo grew at 11% over the previous year

STRUCTURE

- Currently 97 airports are owned and operated by the Airports Authority of India (AAI)
- The government aims to attract private investment in aviation infrastructure
  - Mumbai and Delhi airports have been privatised and are being upgraded at an estimated investment of US$4 billion over 2006-16
  - Greenfield airports at Bengaluru and Hyderabad are being built by private consortia at a total investment of over US$800 million
  - Second greenfield airport being planned at Navi Mumbai to be developed using PPP mode at an estimated cost of US$2.5 billion
  - 35 other city airports proposed to be upgraded – cityside development to be undertaken through PPP mode where an investment of US$357 million is being considered over the next 3 years
- Private airlines accounted for over 80% of the domestic passenger traffic in 2006-07. Some have started international flights

POLICY

- 100% FDI is permissible for airports
  - FIPB approval required for FDI beyond 74%
  - 100% FDI under automatic route is permissible for greenfield airports
  - Private developers allowed to setup captive airstrips and general airports 150 km away from an existing airport.
- 100% tax exemption for airport projects for a period of 10 years
- 49% FDI is permissible in domestic airlines under the automatic route, but not by foreign airline companies
  - 100% equity ownership by Non-Resident Indians (NRIs) is permitted
- 74% FDI permissible in cargo and non-scheduled airlines
- The Indian government plans to set up an Airport Economic Regulatory Authority to provide a level playing field to all players
- The "Open Sky" policy of the government and rapid air traffic growth have resulted in the entry of several new privately owned airlines and increased frequency/flights for international airlines

OPPORTUNITY

OUTLOOK

- Passenger traffic is projected to grow at a CAGR of over 15% in the next 5 years
  - Expected to cross 145 million passengers p.a. by 2010
  - Vision 2020 envisages creating infrastructure to handle 280 million passengers by 2020
- Investment opportunities of US$110 billion envisaged up to 2020 with US$80 billion in new aircraft and US$30 billion in development of airport infrastructure
- Associated areas like MRO and training offer high investment potential
- Air cargo traffic to grow at over 11.4% p.a. over the next 5 years
  - To exceed 2.8 million tonnes by 2010
- Major investments planned in new airports and upgradation of existing airports

POTENTIAL

- Favourable demographics and rapid economic growth point to a continued boom in domestic passenger traffic and international outbound traffic
- International inbound traffic will also grow rapidly with increasing investment and trade activity and as India's rich heritage and natural beauty are marketed to international leisure travellers.
  - Consequent high demand for investments in aviation infrastructure
- Major opportunities lie in
  - Greenfield airport projects in resort destinations and emerging metros such as Kannur, Goa, Pune, Navi Mumbai, Ludhiana, etc.
  - Cityside development opportunities for upgradation of 35 non-metro airports
    - 5 bidders shortlisted for Amritsar and Udaipur Airports
  - About 25 regional greenfield/unutilised airports likely to be bid out for private development

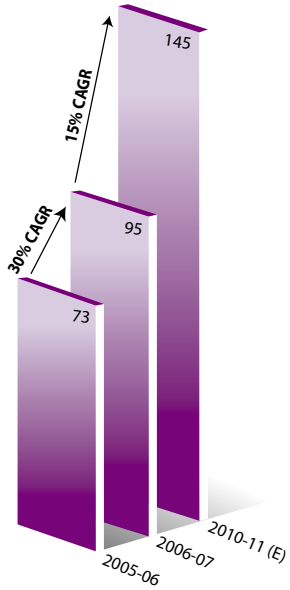


Development of airport infrastructure is a focus area for the Government



There has been a significant uptrend in domestic and international air travel

Passenger Traffic Data
(million)



Source: Ministry of Civil Aviation, TSMG Estimates

For additional information: *Ministry of Civil Aviation (http://civilaviation.nic.in), Airport Authority of India (http://www.airportsindia.org.in/aai/main.htm)*

INFRASTRUCTURE

PETROLEUM & NATURAL GAS



Total investment opportunity of US$ 35-40 billion by 2012

Major players and presence in value chain

Company	Revenue ($ billion) FY 07	Upstream	Midstream - Pipelines	Downstream	
				Refining	Retail Outlets
Public Sector					
IOC	50.8	✓	✓	✓	✓
BPCL	26.9		✓	✓	✓
HPCL	22.1		✓	✓	✓
ONGC	15.2	✓	✓	✓	✓
Domestic Private Players					
Reliance Industries	27.2	✓	✓	✓	✓
International Private Players					
Shell (FY 07)	355.8				✓
British Gas (Centrica)(FY 06)	32.9	✓			✓
Cairn Energy (FY 06)	0.29	✓			

Source: BP Statistical Review of World Energy – 2007, Capitaline Fortune, Ministry of Petroleum and Natural Gas, Government of India.

OVERVIEW

SIZE

- Petroleum & Natural Gas constitutes over 15% of GDP and includes transportation, refining and marketing of petroleum products and gas
  - Revenue of over US$130 billion in FY 07
- India has a crude oil refining capacity of about 135 MMT
- Natural gas demand is estimated of 159 MMSCMD (2007-08) with domestic supply of about 80 MMSCMD and import of about 18 MMSCMD resulting in huge unmet demand
- Production of petroleum products expected to grow at a CAGR of 9% p.a. over the next 5 years

STRUCTURE

- Public sector companies play a major role in oil refineries, oil and gas pipelines and gasoline retail outlets
  - Indian Oil Corporation and its subsidiaries control over 40% of India's refining capacity and own/franchise most gasoline retail outlets
  - Gas Authority of India Ltd. (GAIL) owns and operates a large gas grid
- Reliance Industries and Essar Group are the major Indian private sector participants
  - Reliance Petroleum is setting an export-oriented 27 MMTPA grassroot refinery at Jamnagar - the single largest grassroot refinery in the world
  - Shell has invested in refining and retail; British Gas has invested in city gas distribution

POLICY

- 100% FDI is allowed in petroleum refining, petroleum product and gas pipelines and marketing/retail through the automatic route
- Virtual administrative price control of government over most petroleum products
- Petroleum and Natural Gas Regulatory Board Bill has been enacted
  - A Regulatory Board has been constituted
- Natural Gas Pipeline Policy has been constituted to delineate policy and promote competition

Source: Directorate General of Hydrocarbons, Ministry of Petroleum & Natural Gas, BP Statistical Review of World Energy

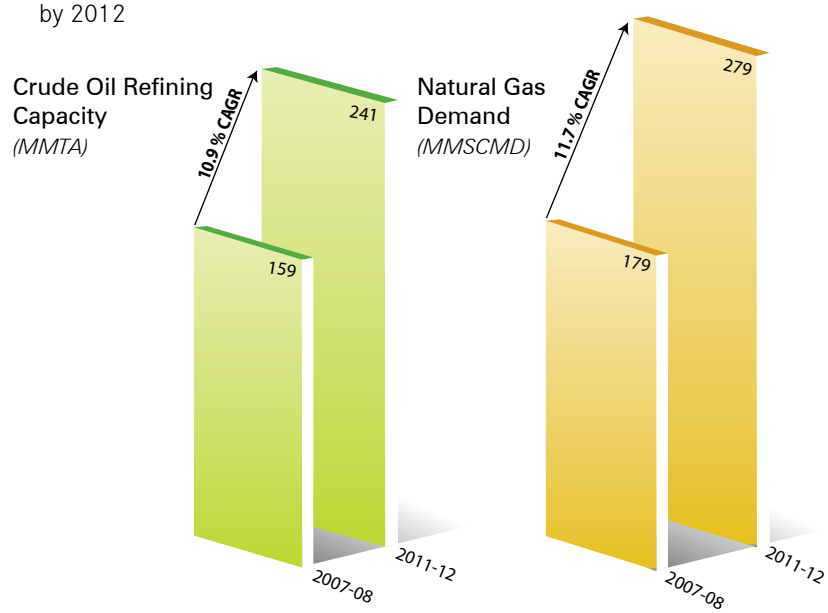
OPPORTUNITY

OUTLOOK

- High GDP growth rate, rapidly growing vehicle population and better road infrastructure will drive consumption of petroleum products
  - Industry is expected to have CAGR of about 12%
  - Over 92 MMT of additional refining capacity planned by 2012
- Over 100 MMSCMD of additional demand for Natural Gas in the next four years
  - Recent gas finds and increased use of gas for power generation, petrochemicals, fertilisers and city gas distribution

POTENTIAL

- Several areas of unexploited potential including:
  - City gas distribution
  - LNG (import) infrastructure – terminals, regasification, pipelines to industrial consumers
- Growing demand-supply mismatch provides opportunities for investment in the entire value chain for petroleum (refining, product pipelines, storage and retail) and Natural Gas
- Investment need of US$22 billion and US$15 billion estimated in refining and the marketing and gas transportation network respectively by 2012



Source: XI Planning Commission Working Group Report



Over 75 MMT of additional refining capacity planned to be added by 2012



Large growth projected in fuel retail

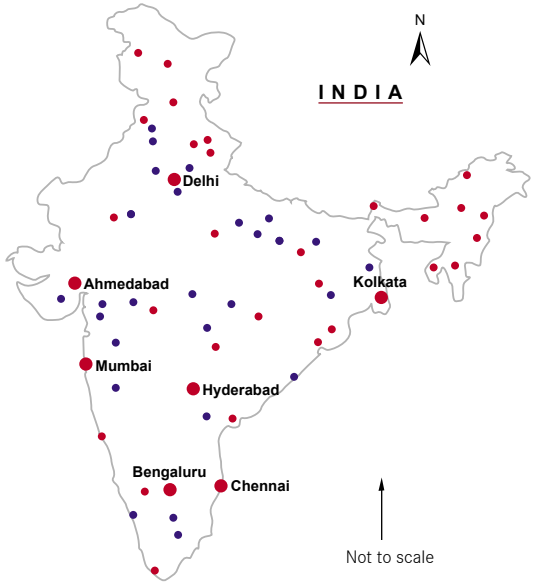
For additional information: *Ministry of Petroleum & Natural Gas (http://petroleum.nic.in)*

INFRASTRUCTURE

URBAN INFRASTRUCTURE



Total investment opportunity of US$ 50-55 billion in 5 years



OVERVIEW

SIZE

- As per Census 2001, only 28% of the 1.1 billion Indians live in urban areas
  - Expected to increase to 40% by 2021
- About 60% of the country's GDP originates from urban areas
- Allocation of US$12 billion by the Government of India under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for a period of 7 years for improving urban infrastructure across 63 cities
- Key metro cities Mumbai, Kolkata, Delhi, Bengaluru, Chennai, Hyderabad and Ahmedabad allocated 47.5% of these funds

STRUCTURE

- JNNURM functions under the overall guidance of a National Steering Group (NSG) which comes under the purview of Ministry of Urban Development
- JNNURM is aimed at fast-track planned development of identified cities. Key highlights
  - Integrated development of urban infrastructure projects
  - Renewal and redevelopment of inner city areas
  - Provision of basic services to urban poor
- Funds to be channelised through Urban Local Bodies who will be responsible for implementation
- Implementing agencies to leverage sanctioned funds to attract private sector investments through PPP contracts

POLICY

- 100% FDI under the automatic route permitted for townships, housing, built-up infrastructure and construction-development based projects subject to minimum scale norms.
- JNNURM will provide grants/viability gap funding for projects

Note: Cities eligible for assistance under JNNURM are classified into 3 categories

	Category	No. of Cities	% Investment
•	A	7	47.5%
•	B	28	47.5%
•	C	28	5.0%

OPPORTUNITY

OUTLOOK

- Investments of more than US$50 billion would be required in the next 5 years to improve and build urban infrastructure
- JNNURM is the single largest initiative of Government of India for planned development of cities
- Opportunity for private players to partner with Urban Local Bodies (ULB) in development of urban infrastructure such as
  - Water supply and sanitation
  - Slum redevelopment
  - Urban transportation including roads, highways, expressways, Mass Rapid Transport System (MRTS) and metro projects
  - Solid waste management

POTENTIAL

- A large component of development work will be through public-private partnership
- Water supply and sanitation in urban areas to attract investments of over US$30 billion
- Mumbai is planned to be developed into a international financial centre
  - Thrust on development of transportation systems
  - Estimated cost of development is US$40 billion over next 10 years
  - Demand for 1.1 million low-income houses by 2015
- Mass Rapid Transport Systems (MRTS) of many major cities such as Bengaluru, Chennai, Kolkata and Hyderabad are either being implemented or expanded through the PPP route



Major cities are implementing Metro Rail projects



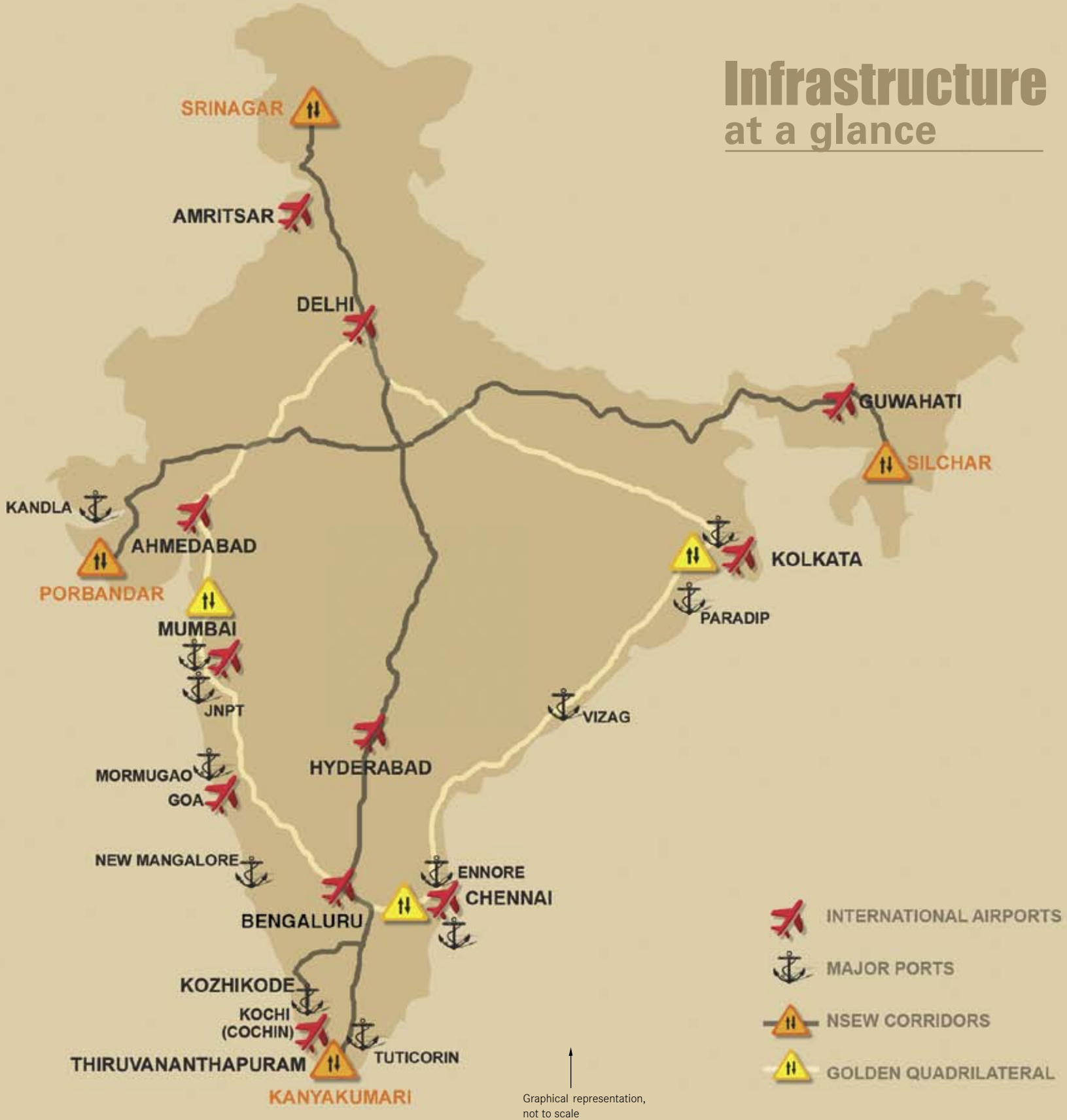
Focus on improving urban road network



Potential for PPP in development of transportation infrastructure

For additional information: *Planning Commission, Government of India (planningcommission.nic.in), Ministry of Urban Development (urbanindia.nic.in/), Jawaharlal Nehru National Urban Renewal Mission (http:///jnnurm.nic.in)*

Infrastructure
at a glance



Mumbai & Delhi, the busiest airports in India, have been privatised

New international airports developed in Bengaluru and Hyderabad by private sector led consortia commissioned in 2008

The Golden Quadrilateral and NSEW Corridor with over 13,000 km of four-lane highways is India's largest roadway project

Cochin Port is being developed as an international transhipment container terminal

JNPT, the biggest container terminal of India, handles 60% of Indian container traffic

India will add over 78,000 MW of additional power generation capacity by 2012


A STADIUM OF YOUR OWN
FABRICARE
LG

Services

- Banking & Financial Services
- Insurance
- Real Estate & Construction
- Retail
- Tourism

SERVICES

BANKING & FINANCIAL SERVICES



Total estimated investment opportunity of US$ 40 billion in 5 years

OVERVIEW

SIZE

- India has a rapidly growing Banking and Financial Services sector based on sound fundamentals (low NPAs, Basel I compliance)
  - Total banking assets of about US$816 billion in 2007: CAGR of 24% over last year
  - Liquid and well regulated equity markets
    - Market capitalisation (NSE) of over US$1.6 billion on December 2007
    - Turnover has grown at a CAGR of 24% in 2007
  - Mutual funds assets under management of US$130 billion in CY 2007; growth of 70% over previous year
  - 44 Venture Capital and over 100 Private Equity Funds are in India

STRUCTURE

- Public sector (government-owned) banks account for 75% of the assets; however, Indian private banks and foreign banks are growing rapidly and gaining a larger share
- Standard Chartered Bank, Citibank and HSBC are the 3 largest foreign banks in India with more than 65% of the total assets of foreign banks
- Most global players in Banking & Financial Services – including Goldman Sachs, Morgan Stanley, Merrill Lynch, JP Morgan, Deutsche Bank, UBS, Lehman Brothers, ABN Amro, Barclays, Calyon etc. are active in India
- The Mutual Funds industry has both domestic and foreign companies - UTI Mutual Fund, Prudential ICICI, HDFC, Franklin Templeton, Birla Sun Life Mutual Fund, Tata Mutual Fund

POLICY

- Reserve Bank of India (RBI), India's central bank is the regulator for the Banking and Financial Services industry
  - Has issued guidelines for adoption of Basel II by March 2008
- RBI approval is required for all foreign investments in this sector
  - Foreign banks can do business in India either by setting up branches or through a wholly owned subsidiary, after approval by RBI
- Indian private banks can be 74% foreign owned, with a 5% cap on ownership by any one entity

Structure of the Indian Banking Industry

Classification of Banks (2007)	Number of Banks	Total Assets (US$ billion)
Public Sector Banks	28	575
Indian Private Banks	25	175
Foreign Banks	29	48
Total	82	65

Source: RBI

OPPORTUNITY

OUTLOOK

- Total banking assets expected to grow to US$1 trillion by 2010 – a CAGR of 11%
  - Over US$70 billion additional equity needed for growth plus Basel II compliance
- Consolidation in the banking space likely to be driven by private players
- Mutual funds: Assets Under Management (AUM) are expected to grow by 15% till 2010
- Retail finance is expected to grow at an annual rate of 18%, from US$27.6 billion in 2003-04 to over US$75 billion by 2010
- Demand for credit likely to grow at 25% p.a. with rapid GDP growth

POTENTIAL

- Several factors favour high growth
  - Demographic profile favours higher retail offtake - 54% of the population is in the 15-35 years age group
  - Capital expenditure by government and private industry expected to grow at a high rate
  - Economic growth of about 14% p.a. in nominal terms
- SME lending, a largely untapped market, presents a significant opportunity - SMEs account for 40% of the industrial output and 35% of direct exports
- Regulatory and technological enablers leading to high growth
  - The banking system is technologically enabled with RTGS and cheque truncation in place
  - Improved asset management practices - Gross NPAs to Advances ratio reduced from 24-25% in 1993 to 2.5% in 2006-07
- Investment opportunity across all segments in the banking and financial services sector
  - Low penetration in the pension market makes it a lucrative business segment
  - Foreign banks likely to be allowed to acquire local banks after March 2009, when the next stage of banking reforms is proposed

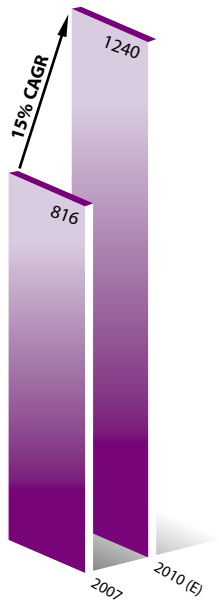


Foreign banks gaining prominence and popularity in India



India has a highly developed Financial Services sector

Asset Growth: Indian Banks
(US$ billion)



Source: Industry Estimates

For additional information: *Ministry of Finance (http://finmin.nic.in), Indian Banks' Association (http://www.indianbanksassociation.org), AMFI*

SERVICES

INSURANCE



Total estimated investment opportunity of US$ 15 billion in 5 years

OVERVIEW

SIZE

- Insurance is a US$41-billion industry in India, and grew by 36% in 2006-07 over the previous year
  - Life Insurance - a US$35-billion industry with US$24 billion accounting for First Year Premium (inclusive of Single Premium)
  - Non-Life Insurance - a US$5.6-billion industry; motor and health segments account for 56% of total business

STRUCTURE

- Indian Insurance market was opened to private and foreign investment in 1999-2000
- The Indian Insurance industry consists of a total of 34 players
  - Life: 1 public sector player; 16 private players
  - Non-life: 6 public sector players; 11 private players
- Major international players like AIG, Aviva, MetLife, New York Life, Prudential, Allianz, Sun Life, Standard Life and Lombard are already present with minority stakes in joint ventures with Indian companies for both Life and Non-life segments
- The Life Insurance market is still dominated by Life Insurance Corporation (LIC) - a public sector company which had 75% share of first year premium in 2006-07
- In non-life, private sector companies (almost all are joint ventures with foreign insurers) accounted for 34% of the market in 2006-07

POLICY

- FDI up to 26% is permitted under the automatic route subject to obtaining a license from the Insurance Regulatory and Development Authority (IRDA)
  - Intention to increase FDI up to 49%
- Insurance Regulatory Development Authority (IRDA) is the regulator for the Insurance industry
- In a landmark move the government detariffed the General Insurance business on 1st January, 2007

Life Insurance: Major Players

Name of Company	First year Premium (2006-07, US$ million)
Public Sector	
LIC	13642
Private Sector	
ICICI Prudential	1281
Bajaj Allianz	1041
HDFC Standard Life	395
Birla Sun Life	214
Tata AIG	156

Non-life Insurance: Major Players

Name of Company	First year Premium (2006-07, US$ million)
Public Sector	
New India Assurance	1222
National Insurance	929
Oriental Insurance	960
United India Insurance	855
Private Sector	
ICICI Lombard	732
Bajaj Allianz	440
IFFCO Tokio	280
Reliance General Insurance	222
Tata AIG	180

Source: IRDA (Provisional)

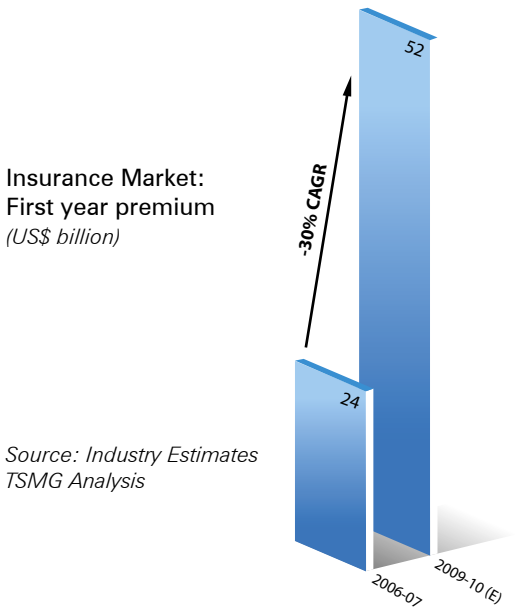
OPPORTUNITY

OUTLOOK

- The Indian Insurance market is expected to be around US$52 billion by 2010
  - Expected CAGR of over 30% p.a.

POTENTIAL

- Largely untapped market with 17% of the world's population
  - Nearly 80% of the Indian population is without Life, Health and Non-life insurance
  - Life Insurance penetration is low at 4.1% in 2006-07
  - Non-life penetration is even lower at 0.6% in 2006-07
  - The per capita spend on Life and Non-Life Insurance is US$33.2 and US$5.2 (2006-07), respectively compared to a world average of US$330 and US$224
  - Strong economic growth with increase in affluence and rising risk awareness leading to rapid growth in the insurance sector
- Innovative products such as Unit Linked Insurance Policies are likely to drive future industry growth
- Investment opportunities exist in both life and non-life segments
  - Total estimated investment opportunity of US$14-15 billion



Source: Industry Estimates
TSMG Analysis



Many international players have entered the Indian Insurance market



Non-Life Insurance penetration is low in India - a potential growth area of the future

For additional information: *Ministry of Finance (http://finmin.nic.in), Insurance Regulatory and Development Authority (http://www.irdaindia.org)*

SERVICES

REAL ESTATE & CONSTRUCTION



Investment opportunity of over US$ 70-75 billion in the next 5 years

OVERVIEW

SIZE

- Real Estate and Construction is a US$16-billion (2006) industry in India
- There has been a rapid growth in the industry in the past few years
- Real estate share in total FDI increased from 10% in 2004-05 to over 25% in 2006-07 (estimated at over US$5 billion)
- High-demand growth has led to prices doubling over 3 years in many cities

STRUCTURE

- Fragmented sector with relatively few organised players of scale
  - Large corporations beginning to show active interest
  - Margins are higher in India (>20%) as compared to the developed markets (5-6%)
- Active participation of institutional finance in real estate
  - Real estate venture funds permitted: Prominent Indian corporates like Tata Group, ICICI Bank, SBI and HDFC have promoted real estate venture funds
  - Real estate Investment Trusts (REITs) expected to be set up shortly.
  - Several Private Equity firms have specific funds for real estate investments. Real estate fast displacing IT/ITeS as the top private equity investment sector in India
- Various foreign real estate and finance companies such as GE Commercial Finance, Tishman Speyer, Ascendas and Farallon Capital, Goldman Sachs, Lehman Brothers etc. have entered the Indian market

POLICY

- 100% FDI is allowed in real estate development subject to minimum scale norms of either:
  - 25 acres in case of serviced plots or integrated townships; or
  - 50,000 sq. mtrs. of built-up area for construction development projects
- Initial investment is locked-in for a 3 year period

Top Players in the Real Estate & Construction industry

Company	Sales Turnover (2007, US$ million)
Unitech	784
DLF Ltd.	590
HDIL	286
Ansal Properties	190

Source: Capitaline, Business Press

OPPORTUNITY

OUTLOOK

- The real estate market is projected to grow to US$60 billion by 2010 at a CAGR of 40%
- Real estate companies have been successfully tapping the country's booming capital markets for funds
  - Companies have also raised equity internationally at the AIM in London
- Tier 2 cities (non-metros) likely to experience faster growth in the future

POTENTIAL

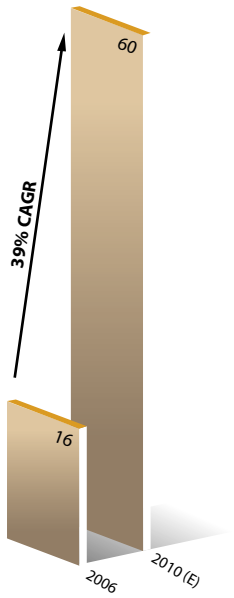
- Several factors are expected to contribute to the rapid growth in real estate
  - Large demand-supply gap in affordable housing, with demand being fuelled by tax incentives and a growing middle class with higher savings
  - Increasing demand for commercial and office space especially from the rapidly growing Retail, IT/ITeS and Hospitality sectors
  - The recently announced JNNURM expected to provide further impetus
- Investment opportunities exist in almost every segment of the business
  - Housing: about 25 million new units expected to be built in 7 years
  - Office space for IT/ITES: 150 million sq. ft. across urban India by 2010
  - Commercial space for organised retailing: 220 million sq. ft. by 2010
  - Hotels and Hospitality: Over 100,000 new rooms in the next 5 years
- Investment opportunity of over US$75 billion in the next 5 years
- Major foreign institutional investors including Morgan Stanley, Goldman Sachs, Merrill Lynch, AIG, Blackstone and Calpers have invested or are in the process of investing in Indian real estate



Commercial and office complexes mushrooming in major Indian metros


Over 25 million new housing units required in 7 years

Real Estate Market
(US$ billion)



Source: ASSOCHAM Report

For additional information: *Ministry of Urban Development (http://urbanindia.nic.in), Confederation of Real Estate Developers Associations of India (http://www.credai.com), Indian Brand Equity Foundation (http://ibef.org)*

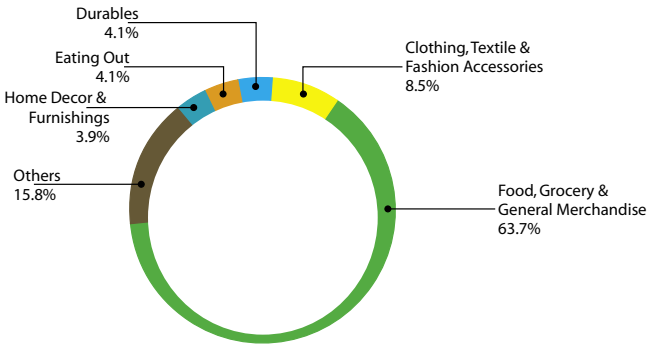
SERVICES

RETAIL



Total estimated investment opportunity of US$ 5-6 billion in 5 years

Indian Retail Market:
Market Size: US$262 billion in FY 06



Source: TSMG Analysis

OVERVIEW

SIZE

- India is one of the 10 largest retail markets in the world
- Retail sales were US$262 billion in 2006, constituting over 30% of India's GDP
- "Organised Retail" constitutes only 4.6% of total retail sales - about US$12 billion p.a.
  - Has been growing at over 40% p.a. in the last 2 years

STRUCTURE

- The Indian retail sector is highly fragmented: mostly owner-run "Mom and Pop" outlets
- There are over 15 million such "Mom and Pop" retail outlets
- Retail chains such as Pantaloon, Trent and RPG Retail have been growing rapidly; while Reliance, Bharti and Aditya Birla Group have announced investments of over US$9 billion in the sector
- Dairy Farm, Metro, Shopritem, Wal-Mart and Marks & Spencer are some of the major international retail chains that are already present or in the process of entering the market
- More than 100 international luxury brands are planning to set up shop in India

POLICY

- 100% FDI is allowed in Cash and Carry Wholesale formats. Franchisee arrangements are also permitted in retail trade
- 51% FDI is allowed in single brand retailing
- The government is examining further liberalisation of FDI in retail trade

Top Players in the Retail Industry

Players	Revenues for 2006-07 in US$ millions.	Retail Space as on May 2007 (Sq. ft.)	Format
Future Group (Pantaloon Retail)	821.0	6,630,000	F&G, Specialty
Raheja Group (Shoppers' Stop)	219.7	1,590,000	F&G, Specialty
Tata Group (Trent, Infiniti Retail)	145.2	880,000	Speciality Retail, Electronics, Hyper Markets
RPG Retail	146.0	810,000	F&G, Specialty
A V Birla Group	61.0	890,000	F&G

Source: TSMG

OPPORTUNITY

OUTLOOK

- The overall retail market is expected to grow from US$262 billion to about US$1065 billion by 2016, with organised retail at US$165 billion (approximately 15.5% of total retail sales)
  - India is expected to be among the top 5 retail markets in the world in 10 years
  - India has been identified as the most attractive destination for retail in AT Kearney's Global Retail Development Index

POTENTIAL

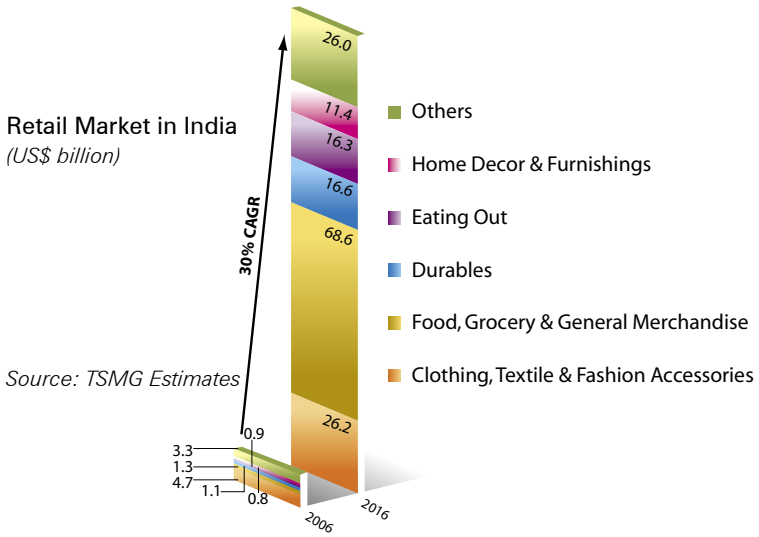
- The high growth projected in domestic retail demand will be fuelled by:
  - The migration of population to higher income segments with increasing per capita incomes
  - Increasing urbanisation
  - Changing consumer attitudes, especially the increasing use of credit cards
  - Growth of the population in the 20 to 49 years age band
- There are retail opportunities in most product categories and for all types of formats
  - Food and Grocery: the largest category but largely unorganised today
  - Home Improvement and Consumer Durables: over 20% p.a. CAGR estimated in the next 10 years
  - Apparel and Eating Out: 13% p.a. CAGR projected over 10 years
- Opportunities exist for investment in supply chain infrastructure: cold chain and logistics
- India also has significant potential to emerge as a sourcing base for a wide variety of goods for international retail companies
  - Many international retailers including Wal-Mart, GAP, JC Penney etc. are already procuring from India



Apparel retail is the largest organised segment in India



Reaching out to fulfill the needs of the modern customer



Source: TSMG Estimates

For additional information: *Ministry of Commerce and Industry (http://commin.nic.in)*

SERVICES

TOURISM



Total estimated investment of over US$ 13 billion in 5 years

Key Statistics - India	
Travel & Tourism Revenue (US$ billion, 2006)	41.8
Inbound Tourist Arrivals million nos. (2007)	4.9
Inbound Tourism Revenue (US$ billion, 2007)	7.7
Average Spend per Tourist (US$, 2007)	1566
Domestic Tourism (million visits., 2005)	382
Outbound Tourism (million nos., 2005)	7.18
Hotel Industry – number of hotels (2006)	1,980
Hotel Industry – number of rooms (2006)	1,09,392

Source: WTTC Country Reports, FHRAI, HVS, Dept. of Tourism

OVERVIEW

SIZE

- Travel and Tourism is a US$41.8-billion industry in India, 5.3% of GDP
- 4.9 million international tourist arrivals in 2007, an increase of over 9% from the previous year
- 382 million domestic visits estimated in 2006; the domestic tourism market grew at about 12% CAGR in the last 5 years
- Only 109,000 rooms in 1,980 hotels across the country registered in 2006*
  - Five-star hotel rooms constitute 27%, four-star 7.5% and three-star 22%
- All India industrywide occupancy of over 66.9% in 2006-07
  - Scarcity of rooms in several cities such as Mumbai, Delhi and Bengaluru has resulted in rates of over US$300 per night

STRUCTURE

- The industry is dominated by 4-5 large Indian hotel owner-managers – The Taj Group, Oberoi, ITC, Leela and Bharat Hotels
- Most major international chains like Sheraton/Starwood, Inter Continental, Hyatt, Marriott, Hilton, Le Meridien, Carlson, Shangri-La, Four Seasons are represented by management or franchise contracts. Aman and Accor plan to own hotels as well.
- Others such as Ritz Carlton and Mandarin are in the process of establishing their presence in India, primarily through management contracts
- The branded segment represents approximately 30,000 rooms or 30% of the total hotel stock
- Compounded growth in the last 5 years, in terms of rooms added, was the strongest in the five-star deluxe category at 6%

POLICY

- 100% FDI is permitted in Hotels and Tourism, through the automatic route
- Hotels in Delhi set up before 2010 have been granted infrastructure status with special tax concessions

* Registered with the Dept. of Tourism.

OPPORTUNITY

OUTLOOK

- Foreign tourist arrivals are targeted to grow to 10 million in 5 years
- Domestic tourism is expected to increase by 15% to 20% p.a. over the next 5 years
- Rapid growth in average room rates is expected to continue until sufficient new supply comes on stream
  - Average room rates increased by over 15% in 2007; the fastest growth rate was in 4-star and 5-star segments

POTENTIAL

- Favourable demographics and rapid economic growth point to a long-term secular uptrend in the domestic demand for hotels – for business and leisure
- International inbound traffic is expected to grow rapidly with increasing investment and trade activity
  - WTTC has identified India as one of the fastest growing countries in terms of tourism demand
  - India has benefited from an aggressive promotion campaign and an out-performing economy
- The growth momentum in domestic and international travel is expected to receive a further boost with more budget airlines/lower air-fares, open sky policies and expected improvements in travel infrastructure (roads, airports, railways)
- There are opportunities in all price and value chain segments due to the shortage of hotel stock; plans are on to increase quality accommodation from the current 110,000 rooms to 200,000 rooms by 2011
  - Hotel-asset construction and ownership
  - Low penetration of brands (about 30%) provides opportunities for management contracts and franchising with local hotel owners/developers
  - Serviced apartments in major cities – no chain operating in all cities, very little stock
  - Need for world-class MICE infrastructure in major Indian cities
  - Significant requirement of hotel stock and tourist infrastructure for the Commonwealth Games in New Delhi in 2010

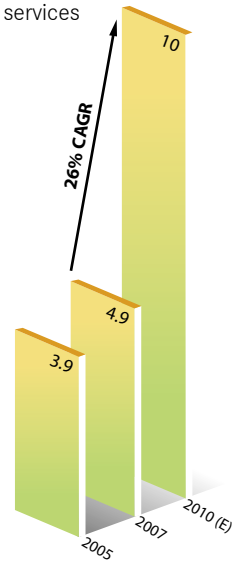


Kerala is one of the most preferred destinations for the international tourist



India's luxury hotels offer world-class services

International Tourist Arrivals in India
(million)



Source: WTTC, WTO, Planning Commission, Business Press, TSMG Analysis

For additional information: *Ministry of Tourism (http://tourismindia.com), Federation of Hotel & Restaurant Associations of India (http://www.fhrai.com)*


Goa


Bharatpur


Kashmir


Agra


Alleppey







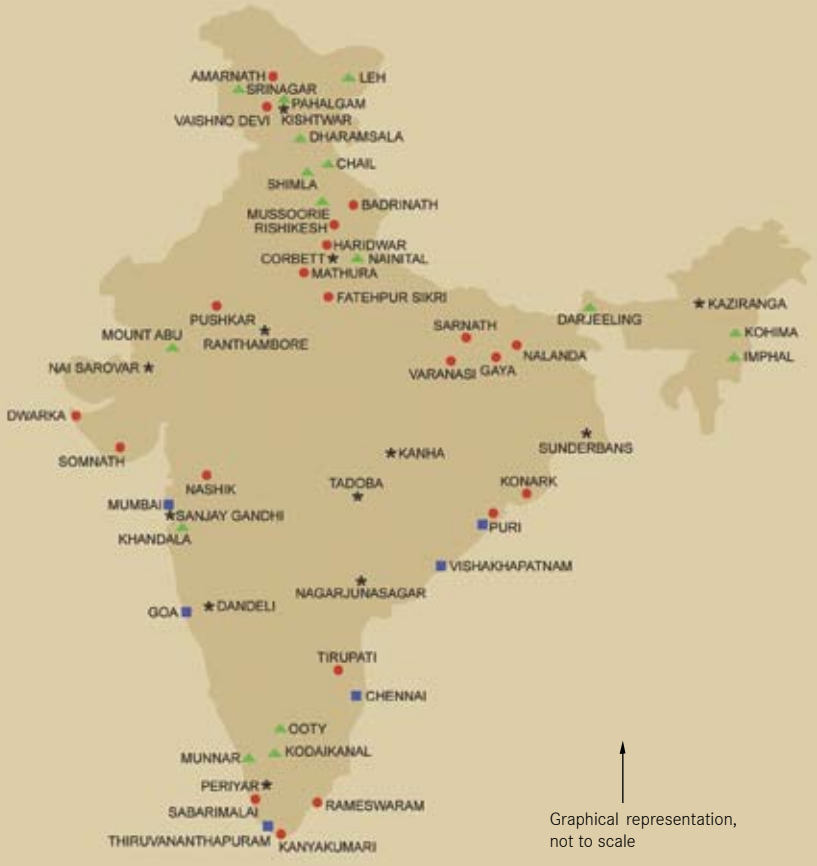


Chennai



Jaisalmer

Tourism
at a glance



Graphical representation, not to scale

- BEACHES
- MONUMENTS & PILGRIMAGE CENTRES
- HILL RESORTS
- WILDLIFE SANCTUARIES


KAWASAKI

Manufacturing

- Metals: Steel & Aluminium
- Textiles & Garments
- Electronics Hardware
- Chemicals
- Automobiles
- Auto Components
- Gems & Jewellery
- Food & Agro Products

MANUFACTURING

METALS: STEEL & ALUMINIUM



Total estimated investment opportunity of over US$ 50-55 billion in 5 years

OVERVIEW

SIZE

- India is among the top 10 global producers of aluminium and steel in the world
  - Produced 49.4 million tonnes of finished carbon steel in 2006-07
  - The second largest producer of sponge iron in the world
- India consumed 1.2 million tonnes of aluminium in 2006-07, a rise of 11% over 2005-06
- India accounted for 2.5% of world's refined copper consumption in 2006-07; Indian demand for copper is expected to grow at 9.5% in the next 2 years

STRUCTURE

- The industry is dominated by large integrated players like SAIL and Tata Steel in steel and Hindalco and Nalco in aluminium
- The public sector has a significant presence in most metal industries
  - Steel Authority of India Ltd. (SAIL) has 32% of India's installed capacity of crude steel
  - Nalco has 38% of India's installed capacity of aluminium
- Tata Steel, Hindalco and Sterlite are the major private players
- Recent international acquisitions by Indian companies include Tata Steel's takeover of Corus (2006) and Hindalco's takeover of Novelis (2007)

POLICY

- 100% FDI is allowed under the automatic route for metallurgy and processing of all metals
- National Steel Policy – 2005 aims to increase annual production of steel to 100 million tonnes annually by 2019-20 at a compounded annual growth of 7.3%

Metal	Key End Use Sectors	Key Players	Revenues 2006–07 (US$ million)	Promoters
Steel	Infrastructure and Automotive (long and flat products)	• SAIL • Tata Steel	8,313 4,256	- Public Sector - Tata Group
Copper	Electronics and Telecom (51%)	• Sterlite Industries • Hindustan Copper	2,857 223	- Sterlite Group - Public Sector
Aluminium	Electricity and Transportation (50%)	• Hindalco • Nalco	4,412 1,452	- AV Birla Group - Public Sector

Source: Capitaline

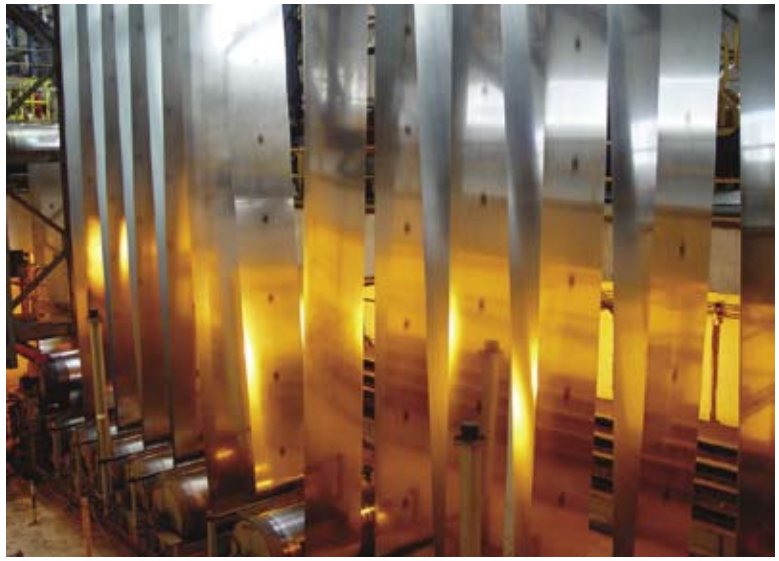
OPPORTUNITY

OUTLOOK

- India has the potential to be among the world's top 5 producers and markets for aluminium and steel
  - Domestic steel consumption is expected to grow by 8% p.a. to 60 million tonnes by 2010
  - Aluminium demand is expected to grow at a CAGR of 9% till 2010-11
- India's per capita consumption of metals is projected to increase substantially in the future
  - Low per capita consumption today: 30 kg. of steel as compared to an average 150 kg. globally; 0.6 kg. of aluminium as compared to 3–4 kg. in other developing countries

POTENTIAL

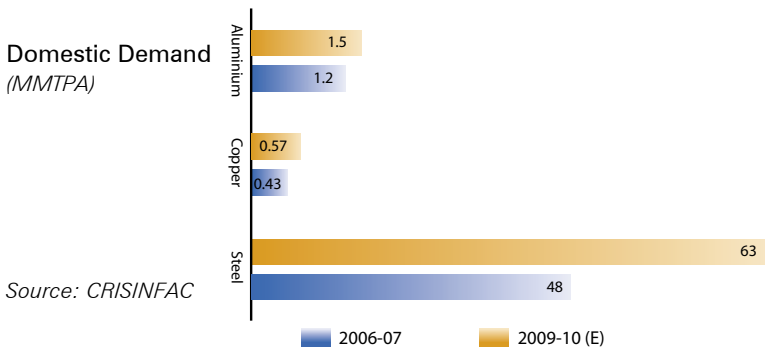
- India is one of the lowest cost producers of steel, alumina and aluminium
- India presents large investment opportunities across the value chain:
  - Integrated steel, copper and aluminium plants
  - Recycling plants for secondary aluminium
- Booming automotive and infrastructure sectors are likely to drive future demand for steel
- Currently only 5% of steel is routed through Steel Servicing Centres; likely to increase to 35% by 2012
- Large integrated international metal manufacturers including Mittal Steel and Dubai Aluminium have announced plans for setting up plants in India
- POSCO's proposed US$12 billion investment in the mineral rich state of Orissa could be India's largest FDI till date
- Investments of over US$30 billion in steel and about $20 billion in aluminium are in the pipeline over the next 5 years



India offers tremendous opportunities for integrated metal manufacturers



POSCO and Mittal Steel plan to set up greenfield operations in India



Source: CRISINFAC

For additional information: *Ministry of Mines, Ministry of Steel (http://mines.nic.in, http://steel.nic.in)*

MANUFACTURING

TEXTILES & GARMENTS



Total estimated investment opportunity of US$ 57 billion in 5 years

OVERVIEW

SIZE

- Textiles is a $49 billion industry in India and constitutes about 4% of GDP
- India's share of the world trade in textiles (3.9%) and apparel (3%) is increasing
  - Exports grew by 8% in 2006-07 over the last year
- India is amongst the largest producers of:
  - Raw cotton – 24.46 million bales in 2006-07 (16.5% of world production)
  - Yarn – 3,827 million kgs. in 2006-07
  - Fabrics - 52,124 million sq.mts. in 2006-07
- Textiles is the second largest employer after agriculture, with about 35 million people directly employed

STRUCTURE

- The Indian textile industry is fragmented with only a few large, and numerous small and medium companies
- Most domestic companies lack a global presence but are cost-competitive due to the ready availability of raw material and low-cost manpower
  - Major expansions are now underway or planned by almost every large Indian manufacturer
- Cotton and synthetic fibre is available in large quantities with players across the entire value chain
- India has become a sourcing base for many international labels such as GAP, Tommy Hilfiger, Benetton, G Star, Levi's and Marks & Spencer and for retailers like Wal-Mart and Tesco

POLICY

- 100% FDI is allowed through the automatic route

Major players and presence in value chain

	Revenue US$ million (2006-07)	Value Chain Presence			
		Yarn	Weaving	Processing	Garmenting
Domestic Private Players					
Indo Rama Synthetic	525	✓			
Vardhman Textiles	524	✓	✓		
Arvind Mills	451	✓	✓	✓	✓
Alok Industries	453	✓	✓	✓	✓
Raymond	318		✓	✓	✓

Source: Capitaline

OPPORTUNITY

OUTLOOK

- High growth is expected in the domestic market as well as exports
  - The industry is expected to grow to US$120 billion by 2012
- The domestic market growth is driven by a large consuming class and increasing per capita consumption (currently only 3 kg. of fibre per capita: 1/3rd of world average)
- India aims to become the second largest exporter of apparel among LCCs by 2010, next only to China

POTENTIAL

- The removal of international quota restrictions should allow India to convert its cost advantages into a larger share of the global market
- Opportunity to exploit India's large and growing consumer market with increasing spending power
- Cost advantages of manufacturing textiles and garments in India derive from:
  - Abundant supply of inputs at competitive prices
  - Low-cost manpower with a range of skill levels – from unskilled labour to fashion design
- SEZs being set up will build on these advantages by:
  - Exemption from domestic taxes or import duties
  - A 5-year income tax holiday followed by income taxes at 50% of the normal rate for as long as 10 years
  - Reduced transaction costs
  - Better infrastructure
- The Ministry of Textiles plans to set up 30 integrated textile parks by March 2008 at an investment of US$3.2 billion
- Total investment opportunity of over US$57 billion for capacity expansion and modernisation

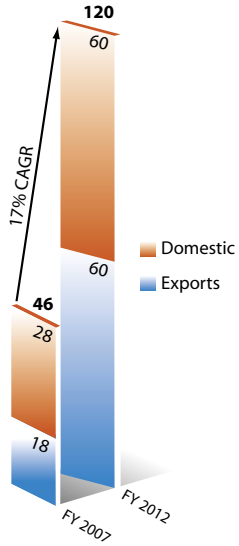


India boasts several advantages for textiles and garment manufacture



Visibility of Indian textiles has increased over the years adding to its popularity internationally

Indian Textile Industry
(US$ billion)

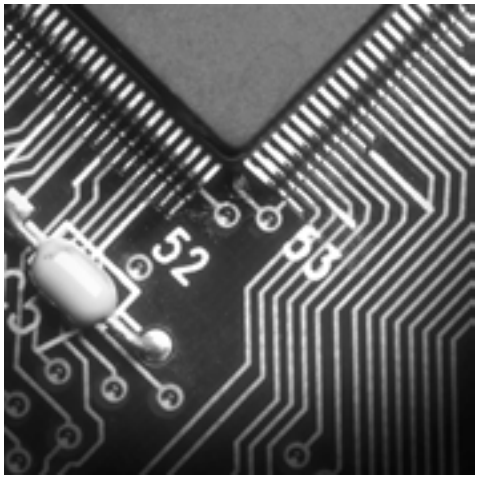


Source: Compendium of International Textile Statistics 2005-06, analysis by TSMG

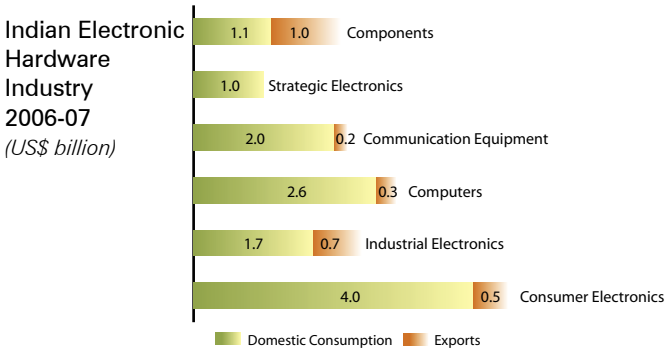
For additional information: *Ministry of Textiles (http://texmin.nic.in), Indian Cotton Mills Federation (http://www.icmfindia.com), Textile Associations India (http://www.textileassociationindia.com)*

MANUFACTURING

ELECTRONICS HARDWARE



Total investment opportunity of US$ 20 billion in next 5 years



Source: Ministry of Information Technology

OVERVIEW

SIZE

- Electronics Hardware is a US$15-billion (2006-07) industry in India
  - India constitutes 0.7% of the global market
- Includes design, manufacture and assembly of products related to:
  - Consumer electronics (TV, DVD, Audio systems): about US$4.5 billion
  - Industrial electronics: about US$2.4 billion
  - Computers (PC, Servers, Laptops): about US$2.9 billion
  - Communication and Broadcast equipment: about US$2.2 billion
  - Strategic electronics: about US$1.0 billion
  - Electronic components: about US$2.0 billion

STRUCTURE

- Indian industry caters primarily to the domestic market. Exports are limited to passive components like capacitors, resistors, wound components, CD-ROMs, colour picture tubes, etc.
- India is becoming a manufacturing base in the areas of consumer electronics and telecom equipment
  - Major international players like Nokia, Motorola, Siemens, Texas Instruments, Matsushita, Alcatel, LG, Samsung, Sharp and Lenovo have already set up manufacturing operations in India; many more have R&D centres
  - International contract manufacturers like Flextronics, Solectron and Jabil Circuit have set up base in India

POLICY

- 100% FDI is allowed under the automatic route with a few exceptions:
  - Aerospace and defence equipment manufacturers require an industrial licence
- The government has recently announced a progressive Semi-Conductor Policy
  - Special incentive package for setting up semi-conductor fabrication and other micro and nanotechnology manufacturing industries.
  - Incentives include upto 25% subsidy towards capital expenditure
- Electronic Hardware Technology Parks set up to encourage investment in the sector in several cities e.g. Chennai, Bengaluru and Cuttack
- No custom duty on all the raw materials and inputs required in the manufacture of electronic equipment
  - No custom duty on all capital goods for IT & Electronics sectors
  - Rationalization of Sales Tax/proposed VAT on all Electronic Products to 4%

OPPORTUNITY

OUTLOOK

- The Electronics Hardware industry is expected to grow rapidly in the coming years
  - Projected US$62 billion in 2010 from about US$15 billion in 2006-07
  - 44% CAGR in domestic consumption (FY 2007-FY2010)
  - Rapid growth in exports

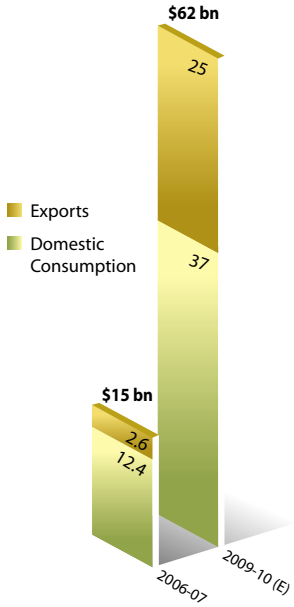
POTENTIAL

- Availability of low-cost, high-skill manpower
- Growing domestic market due to low penetration levels today (see chart)
  - Domestic market provides opportunities in manufacture of consumer electronic goods and mobile handsets
- Electronics Hardware is one of the largest and fastest growing industries globally
  - New SEZ Act with duty-free imports and income-tax concessions will facilitate creation of large-scale manufacturing units for the world market
- Global market opportunities in Electronics Manufacturing Services
  - Contract Manufacturing: a US$500 billion outsourcing opportunity by 2010 of which India can tap US$11 billion
  - Design Services: US$7 billion projected by 2010
  - Component Exports: US$5 billion projected by 2010
- Nokia and Elcoteq Network have set up a manufacturing base for mobile handsets in India
- India could emerge as the next hub for semiconductor manufacturing
  - Major international chipmakers are planning to enter India
  - National Semiconductor policy to provide an impetus
  - Government expects to attract an investment of US$6-10 billion by 2010



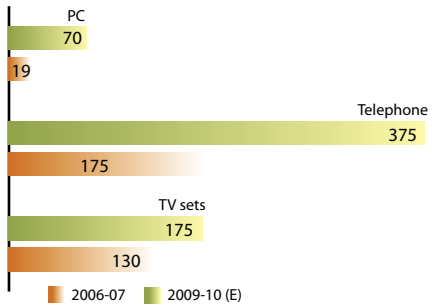
Electronics hardware is growing at over 30% p.a.

Electronics Hardware Manufacturing in India
(US$ billion)



Source: MAIT E & Y Survey, CETMA, Ministry of Information Technology, Industry Estimates

Penetration of Key Electronics Hardware Items
(Per 1000 people)



Source: MAIT E & Y Survey, CETMA, Industry Estimates

For additional information: *Planning Commission (http://planningcommission.nic.in), Ministry of Information Technology (http://www.mit.gov.in), Electronics & Software Export Promotion Council (http://www.escindia.org), Consumer Electronics and Television Manufacturers Association India (CETMA), (www.ibef.org, www.isaonline.org) Indian Semiconductor Association*

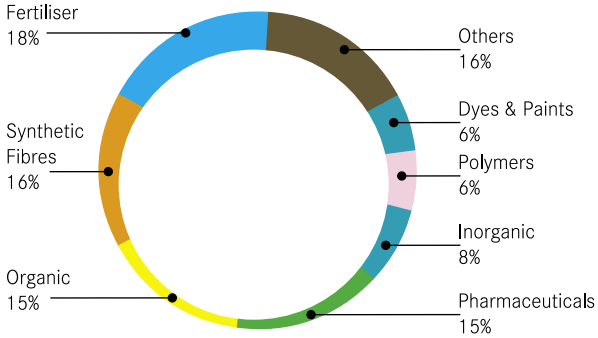
MANUFACTURING

CHEMICALS



Total estimated investment opportunity of US$ 75 billion over 10 years

Sub-sectors - Chemicals Industry
(% value)



Source: Chemcon 2004, KPMG Report

OVERVIEW

SIZE

- Over $35 billion industry in 2006-07 - constitutes about 3% of GDP; 17.6% of manufacturing sector - a significant component of the Indian economy
  - India is the 12th largest producer of chemicals in the world
    - Manufactures more than 70,000 products
    - Exports of over $17 billion in 2006-07 (14% of total exports from India)
- However, India constitutes a relatively small portion of the global market
  - 1.9% of global sales and 1.5% of international trade

STRUCTURE

- The Chemicals industry in India is fragmented with few large companies
  - Over 6,600 chemical manufacturers
  - Basic chemicals constitute major share of exports
  - Major international companies such as BASF, Bayer and Du Pont have operations in India

POLICY

- 100% FDI under the automatic route is allowed for all chemical items except hazardous chemicals where government/FIPB approval and license to manufacture are required
- Petroleum, Chemicals and Petrochemical Investment Regions (PCPIR) policy aimed at developing India as a hub for these sectors
  - Investment regions with an area of around 250 sq. km
- Plans are underway to set up port based chemical parks in SEZs to encourage clustering, provide infrastructure and enable tax concessions
  - Downstream SEZs have been planned to use the output of Chemical Parks

Major Players	Revenue (US$ million) (FY 2006-07)	Areas of Operation	Promoter
Public Sector			
Indian Farmers Fertilizer Co-operative Ltd.	2,348	Fertiliser	GOI
National Fertilizer Ltd.	865	Fertiliser	GOI
Rashtriya Chemical Fertilizers Ltd.	793	Fertiliser	GOI
Domestic Private Sector			
Indian Petrochemicals Corporation Ltd.	2,757	Petrochemicals	Reliance Group
Tata Chemicals	897	Fertiliser, Soda Ash, Food Additives	Tata Group
Haldia Petrochemicals Ltd.	860	Petrochemicals	Chatterjee Group
International Private Sector			
Castrol India	460	Lubricants	BP Plc
ICI India	237	Paints	ICI
Bayer India	200	Agrochemicals	Bayer

Source: Capitaline

OPPORTUNITY

OUTLOOK

- Projected to grow to a US$70 billion industry by 2012
  - Growth rate of over 15% p.a. projected over the next 5 years
  - Share of the global industry could increase from 1.9% (2007) to 2.6% (2012)
  - India is expected to be the third largest polymer consumer by 2010

POTENTIAL

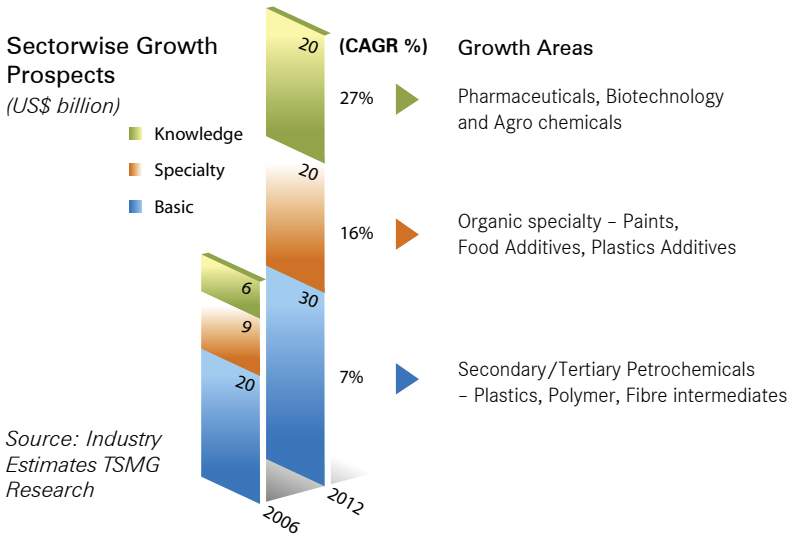
- Large and growing domestic market potential due to low per capita consumption of key petrochemical derivatives
  - 5 kg. against global average of 25 kg. for plastics
  - 4 kg. against global average of 23 kg. for polymers
- Good R&D base with access to low-cost, high-quality human resources
  - Proven capability for chemical process development
- Major raw materials are available within the country or readily importable
  - SEZs have no import tariffs and provide income tax concessions
  - PCPIRs with a refinery/ petrochemical feedstock company as an anchor tenant would be suitable locations for domestic and export led production in petroleum, chemicals & petrochemicals
- Strategic location: In the heart of the high-growth markets of India, Asia and the Middle East
- Vibrant downstream industry and a large number of manufacturers provide options for joint ventures, alliances and acquisitions
- Major opportunities lie in all segments: Basic, Specialty and Knowledge Chemicals
  - A strong global presence in the export of dyes, pharmaceuticals and agrochemicals
- Investment opportunity of over US$75 billion in the next 10 years



Chemicals sector is expected to grow at over 15% p.a.



India requires large investments in chemical plants



Source: Industry Estimates TSMG Research

For additional information: *Department of Chemicals and Petrochemicals, Ministry of Chemicals (http://www.nic.in/cpc), Indian Chemical Manufacturers Association India (http://www.icmaindia.com)*

MANUFACTURING

AUTOMOBILES



Potential for investment of over US$ 20 billion in the next 5 years

OVERVIEW

SIZE

- A US$34-billion industry, exports constitute 5% of revenues
- The Auto Industry in India has witnessed very high growth rates: appproximately 14% CAGR in vehicle production in the last 3 years
- 11 million vehicles produced in India in 2006-07
  - 1.5 million Passenger Cars; 21% CAGR over the last 4 years
  - 8.4 million Two-wheelers (motor cycles and scooters); 13.3% CAGR over the last 4 years
  - 0.52 million Commercial Vehicles; 25.7% CAGR over the last 4 years
  - 0.56 million Three-wheelers; 31.6% CAGR over the last 4 years
- However, India still has low vehicle penetration
  - Only 3 cars, 50 two-wheelers per 1000 individuals

STRUCTURE

- Industry has a mix of large domestic private players (Tata Motors, Mahindra & Mahindra, Ashok Leyland, Bajaj Auto, Hero Honda) and major international players including Suzuki, GM, Ford, Daimler, Toyota, Honda, Hyundai, Renault, VW and Volvo
  - All major international players have set up manufacturing capacities in India

POLICY

- 100% FDI allowed through the automatic route.

Major players and sales volumes

Company	Revenues (US$ million)	Sales Volume in India (FY 07)			
		Commercial Vehicles	Passenger Cars	Two-wheelers	Three-wheelers
Major Indian Private Players (FY 07)					
Tata Motors	7,679	336,590	245.556		
Hero Honda	2,815			3,339,896	
Bajaj Auto	2,594			2,379,512	329,485
Ashok Leyland	2,067	83,104			
TVS Motors	1,090			1,513,764	
Major International Private Players (CY 06)					
Suzuki	27,049		582,228		
Hyundai	66,663		314,604		
Ford	160,126		41,451		
GM	207,349		36,894		
Toyota	204,754		50,210		
Honda	94,974		59,152	713,889	

Source: SIAM, Annual Reports

OPPORTUNITY

OUTLOOK

- The Automobile Mission Plan envisages industry to grow 5-fold to US$145 billion by 2016
- Vehicle production expected to increase from 11 million vehicles in 2006-07 to 17 million by 2011-12
- Overall growth of over 9% p.a. will have some segments that outperform
  - Passenger cars expected to be the fastest growing segment at a CAGR of 15% over next 5 years
  - Heavy trucks and small commercial vehicles (below 1.5T payload) to drive growth in commercial vehicles

POTENTIAL

- India has several advantages making it an attractive destination for investment in the automobile sector
  - Low-cost, high-skill manpower with an abundance of engineering talent – the second largest in the world
  - Well-developed, globally competitive Auto Ancillary Industry
  - Established automobile testing and R&D centres
  - Among the lowest-cost producers of steel in the world
- National Automotive Testing and R&D Infrastructure Project (NATRIP), a US$400 million initiative, aims to create the state-of-art dedicated Testing, Validation and R&D infrastructure across the country
- Opportunity to address the global auto market while leveraging the domestic market
  - Hyundai, Honda and Suzuki are planning to use India as a global hub for manufacture of small cars and have already committed resources over US$2 billion for capacity expansion
  - Nissan Renault have set up alliances with local players for entering the lucrative auto segment
  - Indian manufactures – Tata Motors, Mahindra & Mahindra, Bajaj Auto have major expansion plans planned in commercial vehicles and passenger car segment
- Opportunity to set up R&D and Engineering centers

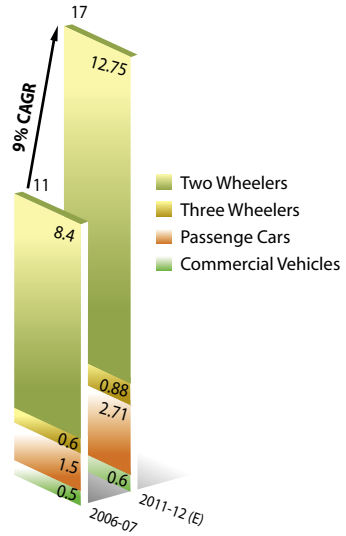


India is one of the fastest growing passenger car markets in the world



International companies have already committed over US$2 billion to manufacturing capacity

Vehicle Production
(million units)



Source: SIAM data, Industry Estimates, TSMG Estimates

For additional information: *Ministry of Heavy Industries and Public Sector Enterprises (http://dhi.nic.in/dpi), Society of Indian Automobile Manufacturers (http://www.siamindia.com)*

MANUFACTURING

AUTO COMPONENTS



Total estimated investment opportunity of US$ 5 billion in 5 years

OVERVIEW

SIZE

- A US$15-billion industry in 2006-07; ~20% exports (US$2.9 billion)
- The Auto Components industry has experienced high growth in the past few years
  - Domestic market CAGR of 30% in the last 4 years
  - Exports CAGR of 40% in the last 4 years
- India's share, 0.9% of the global Auto Components Industry, is growing rapidly

STRUCTURE

- A highly fragmented industry with 500 organised and 5,000 unorganised players
  - Fewer than 5 domestic players with revenues over US$250 million
- Indian manufacturers are gaining recognition as "global quality" players
  - Over 60% of Indian Auto Component exports are to Europe and USA
  - 5 Indian companies in the automotive sector have received the coveted Deming Prize: the largest number outside Japan
- Many international auto-component majors including Delphi, Visteon, Bosch and Meritor have set up operations in India
- Auto manufacturers including GM, Ford, Toyota, etc. and Auto Components manufacturers have set up International Purchasing Offices (IPOs) in India to source for their global operations
- India is also becoming a global hub for R&D: GM, Daimler Chrysler, Bosch, Suzuki, Johnson Controls etc. have set up development centres in India

POLICY

- 100% FDI allowed through the automatic route

Major players and their presence in value chain

Company	Revenues (US$ million FY 07)	Value Chain Presence in India		
		Design	Manufacturing	Exports
Domestic Private Players[1]				
Bharat Forge Limited	1049	✓	✓	✓
Tata Auto Component Systems	710	✓	✓	✓
Sundaram Fasteners	405	✓	✓	✓
Brakes India	375	✓	✓	✓
International Private Players[2]				
MICO	1021	✓	✓	✓
Visteon	NA		✓	✓
Delphi	NA		✓	✓

Note: [1] Consolidated Revenues
[2] Indian Revenues

Source: Capitaline, Annual Reports

OPPORTUNITY

OUTLOOK

- The auto component industry in India has potential to grow at a CAGR of 13% to reach US$40 billion by 2015
  - India's share in world auto components could grow from 0.9% in 2005-06 to over 2.5% by 2015
  - Domestic market projected to grow at around 8-10% p.a. in the next 10 years
  - Exports projected to grow at over 30% p.a.

POTENTIAL

- India amongst the most competitive manufacturers of auto components, especially:
  - Metal intensive components: forgings, stampings, castings
  - Skilled labour-intensive components: machining, wiring-harness, other electrical components
  - Hi-tech components: electronic fuel injectors
- Opportunity to address the global Auto Components market while leveraging India's large and growing domestic market
- Opportunity to set up R&D centres in India
  - Indian technical skills acknowledged as among the best in the world
- High level of sourcing of auto components from low cost countries (LCC's) to act as a driver for growth
- Potential of over US$5 billion for investment in India

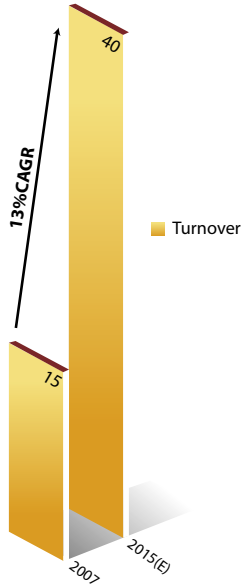


India is emerging as a global manufacturing hub for auto component manufacture



India is among the most competitive manufacturers of auto components in the world

Auto Component industry in India *(US$ billion)*



Source: ACMA, Crisinfac, Capitaline

For additional information: *Ministry of Heavy Industries and Public Sector Enterprises (http://dhi.nic.in/dpi), Automotive Component Manufacturers Association of India (http://acmainfo.com)*

MANUFACTURING

GEMS & JEWELLERY



Estimated export revenues of upto US$ 25-30 billion in next 5 years

OVERVIEW

SIZE

- Large market for Gems & Jewellery with domestic sales of over US$10 billion
  - 4% of the global Gems & Jewellery market
- Exports of over US$17 billion in 2006-07; about 14% of India's exports
- India is the largest consumer of gold jewellery in the world
  - Accounts for about 20% of world consumption
- India is the largest diamond cutting and polishing centre in the world
  - 60% value share, 82% by carats and 95% share of the world market by number of pieces
  - Third largest consumer of polished diamonds after USA and Japan
- The Bharat Diamond Bourse in Mumbai expected to channel 90% of diamond trade activity in the country, when fully operational

STRUCTURE

- The Indian Gems & Jewellery industry is highly fragmented with a large number of domestic private sector companies
  - A large portion of the market is in the unorganised sector
- India is gaining prominence as an international sourcing destination for high quality designer jewellery
  - Wal-Mart, JC Penney etc. procure jewellery from India

POLICY

- 100% FDI is permitted in the Gems & Jewellery sector through the automatic route
- SEZs and Gems & Jewellery Parks have been set up to promote investments in the sector
- In May 2007, the Government of India abolished import duty on polished diamonds.

OPPORTUNITY

OUTLOOK

- India is the fastest growing jewellery market in the world
  - Branded jewellery likely to be the fastest growing segment in domestic sales
    - Expected to grow at 40% p.a. to US$2.2 billion by 2010
  - Exports expected to grow from US$17 billion in 2006 to over US$25 billion by 2012

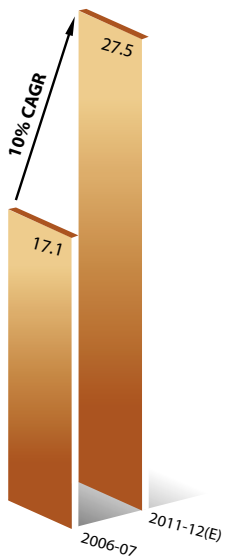
POTENTIAL

- India has several well-recognised strengths which have made it a significant force in the global Gems & Jewellery business
  - Highly skilled, yet low-cost labour
    - Several design centres and training institutes are being set up
  - Established manufacturing excellence in jewellery and diamond polishing
  - India is the most technologically advanced diamond cutting centre in the world
- Opportunity to address one of the world's largest and fastest growing Gems & Jewellery markets
- Opportunity to leverage India's strengths to address the global market



India is one of the largest exporters of gems & jewellery

Indian Gems & Jewellery Exports
(US$ billion)



Source: Statistical Outline of India, TSMG Estimates



India is the diamond polishing capital of the world

For additional information: *Gems & Jewellery Export Promotion Council (http://www.gjepc.org/gjepc)*

MANUFACTURING

FOOD & AGRO PRODUCTS



Total estimated investment opportunity of over US$ 24 billion by 2015

OVERVIEW

SIZE

- India consumes about US$200 billion worth of food products p.a.; 53% of this is processed food – mostly primary processing
- India has a huge output of agricultural produce, with the second largest arable land area in the world
  - The largest producer of milk, pulses, sugarcane and tea in the world
  - The second largest producer of wheat, rice, fruits and vegetables in the world
- Primary food processing (packaged fruit and vegetables, milk, milled flour and rice, tea, spices, etc.) constitutes around 60% of processed foods
  - Processing of perishables is only about 6% of the total output
  - Only 2% of fruits and vegetables is processed compared to up to 80% in many developing countries

STRUCTURE

- The Indian food processing industry has limited private sector participation and has few plants with scale economies
- Some co-operatives, such as the Gujarat Co-operative Milk Marketing Federation in milk with its Amul brand of dairy products, have transformed certain sub-sectors.
- Major international companies such as Nestle, Cargill, Kellogs, Unilever, Danone, General Mills, PepsiCo and Cadbury are already present in India

POLICY

- 100% FDI is permitted under the automatic route for the Agro-processing industry
- The policy framework is being made more investment friendly with several steps taken and more underway, such as:
  - De-licensing, establishment of food parks and exemption from Excise Duty
  - Establishment of a regulatory authority and implementation of a unified Food Standards and Safety Law
  - Contract farming is already permitted in 19 states/UTs, while other states/UTs are in different stages of implementation
  - 12 states have modified the APMC Act that earlier restricted trade in agri-produce to select market yards. Most states are expected to modify the APMC Act over the next 2-3 years

OPPORTUNITY

OUTLOOK

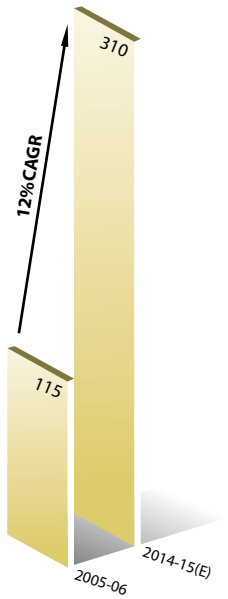
- The domestic processed-food market, at US$115 billion in FY 06, is expected to grow to US$310 billion by FY 15
- India aims to increase its share of world trade in this sector from 1.7% currently (US$7.5 billion) to 3% by 2015 (US$20 billion)

POTENTIAL

- Factors that are likely to fuel rapid growth in demand for processed foods in the domestic market are:
  - Changing lifestyles and growth in disposable income
  - Rising double-income families and proportion of women in the workforce
  - Decreasing prices of processed foods, making them more affordable thereby accessing a much larger market
  - Rapid growth in organised retail (> 20% p.a.) with a variety of retail formats being developed
- Estimated investment opportunity of about US$24 billion in the next 8 years
- Major investment opportunities lie in processing milk, sugar, fruit, vegetables, grain-based snacks and marine products
  - An estimated 30% of new capacity could be for the export market

Indian Food Processing Market Growth

(US$ billion - 2004-05 prices)



Source: Ministry of Food Processing - Draft Vision Document



Agro-based industries are growing rapidly in India



Food processing is set to grow at over 12% p.a.

Targets for Processed Food (% of total production)

Item	2004	2010 (E)	2015 (E)
Fruit and Vegetables	1	4	8
Dairy	15	20	30
Marine Products	11	15	20
Meat	21	28	35
Poultry	6	10	15

Source: Ministry of Food Processing - Vision Document

For additional information: *Ministry of Consumer Affairs, Food and Public Distribution (http://fcamin.nic.in)*

Manufacturing
at a glance



Chennai is called the **Detroit of India**, with companies like Ford and Hyundai having plants in Chennai

Gurgaon is home to Maruti Udyog Ltd.,
India's largest car manufacturer

Ludhiana, called the Manchester of India, produces 95% of India's woollen knitwear

Reliance in Jamnagar has one of the **largest petroleum refineries in the world**

Surat is the **diamond-cutting and polishing capital** of the world

Jamshedpur is home to **Tata Steel,**
one of the world's lowest-cost steel plants,
and India's oldest



Natural Resources

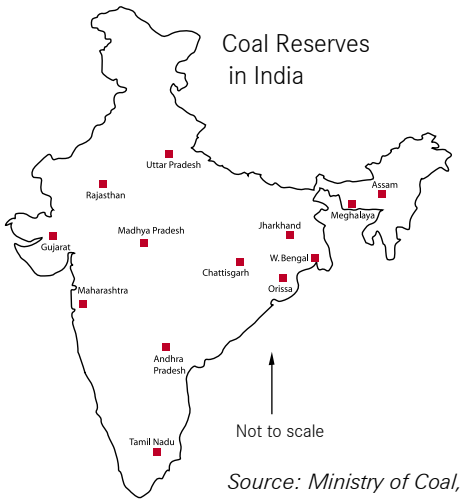
- Coal
- Metal Ores
- Oil & Gas Exploration

NATURAL RESOURCES

COAL



Total estimated investment opportunity of US$ 10-15 billion in 5 years



Source: Ministry of Coal, Vision Coal-2025

OVERVIEW

SIZE

- Coal is the backbone of the Indian Energy Sector
  - 78% of the coal mined is used in electrical power generation
  - Source for about 54% of the electricity generated
- India has large coal reserves estimated at 253 billion tonnes, (96 billion tonnes proven reserves)
  - Fourth largest proven coal reserves in the world
  - Third largest coal producer in the world - production of 432 million metric tonnes in 2006-07
- The Ministry of Coal has identified 143 blocks with about 11% of the total coal reserves for captive use (i.e. power generation, steel plants) of which 123 coal blocks have been allotted

STRUCTURE

- Coal Mining is predominantly a public sector activity - Coal India Ltd. (CIL) accounts for 85% of total coal production
- Limited private sector participation, primarily captive mines for steel plants (such as Tata Steel) and for power generation

POLICY

- Private sector participation is currently restricted to captive coal mines or coal processing for captive mines
  - Merchant sale of coal is not permitted, all sales are through CIL
- Government likely to allow competitive bidding for mining leases
- 100% FDI allowed under the automatic route for coal and lignite mining for captive consumption

Major players in coal mining

Name of Company	Production 2006-07 (MMT)
CIL (Public Sector)	363
SCCL (Public Sector)	37.5
Captive Collieries	31.2
Total	432

OPPORTUNITY

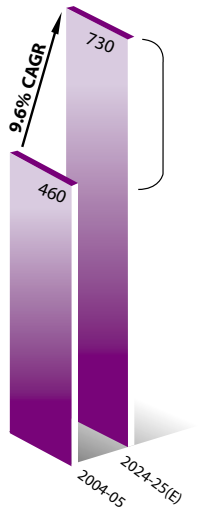
OUTLOOK

- Demand for coal expected to increase to 730 MMT p.a. by 2011-12
  - Current shortage of coal is expected to increase to over 50 MMT by 2011-12

POTENTIAL

- Availability of large reserves suitable for thermal power generation could be used for power plants and metal manufacturing
- The coal sector is expected to grow rapidly, driven by the increasing, gap between power supply and demand due to rapid economic growth
- 9 coal-fired Ultra Mega Power Projects planned over the next 5 years could utilise over 40 MMT PA of coal
  - 4 captive coal plants will each consume over 15 MMTPA of domestically mined coal
  - 5 coastal plants will each need over 11 MMTPA imported coal
- Need for improved technology, higher production and better productivity at existing mines
- A US$10-15-billion investment opportunity over the next 5 years to:
  - Explore and develop new coal mines
  - Manufacture and sell state-of-the-art mining equipment and technology
  - Create related infrastructure for efficient channelisation of mined coal

Coal Demand Projection
(million tonnes)



Source: Ministry of Coal



India has the 4th largest coal reserves in the world

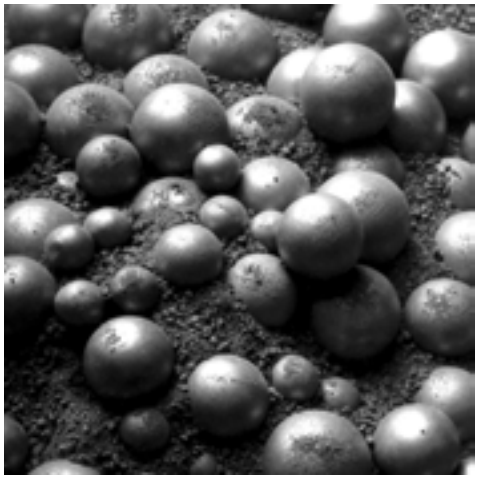


India is focusing on setting up infrastructure for offtake of mined coal

For additional information: *Ministry of Coal (http://coal.nic.in), Coal India Ltd. (http://www.coalindia.nic.in)*

NATURAL RESOURCES

METAL ORES



Total estimated investment opportunity of US$ 5 billion in 5 years

Mineral production in India

Mineral	Production 2005-06 (MMTPA)	World Rank
Bauxite	12.3	5
Chromite	3.4	3
Iron ore	154	3
Manganese ore	2.0	6

Source: Indian Bureau of Mines, EIU

OVERVIEW

SIZE

- India is rich in mineral resources with large reserves of several primary metal ores like iron ore, bauxite, chromium, manganese and titanium
- India has
  - 24 billion tonnes of iron ore reserves - the fifth largest reserve base in the world
  - 2.4 billion tonnes of bauxite reserves - the fourth largest reserve base in the world
  - 240 million tonnes of manganese reserves - the second largest reserve base in the world
  - 57 million tonnes of chromium reserves - the third largest reserve base in the world
- Indian deposits of bauxite and iron ore are among the best in the world in terms of quality and mineability

STRUCTURE

- Mining has a large presence of public sector companies which account for over 80% of the total value of minerals produced
- Large integrated players with interests from mining to metallurgy and processing like SAIL and Tata Steel in steel and Hindalco and Nalco in aluminium, dominate the metal and mining industry
- Sesa Goa (a subsidiary of Vedanta Resources) is one of the largest companies in mining and export of iron ore
- Orissa, Jharkhand and Chhattisgarh are the key mineral-rich states of India
- Orissa has over 50% of India's bauxite reserves and over 20% of India's reserves of iron ore

POLICY

- 100% FDI is allowed under the automatic route for mining of metal ores
- Government keen to encourage investments for value added metal manufacturing
- 100% FDI is allowed in Titanium bearing minerals and ores and its value addition
- The 2008 National Mining Policy has made it attractive for prospectors and mining companies to invest in mineral exploration and development in India

OPPORTUNITY

OUTLOOK

- Indian mineral production is expected to grow rapidly in the coming years – driven by growth in metal manufacturing
  - Iron ore production is expected to grow at a CAGR of 10-12% over the next 5 years, in step with rapid growth in the steel industry
  - Bauxite production is expected to double to over 23 million tonnes by 2010
- High growth expected in the consumption of manganese and chromium

POTENTIAL

- India has several advantages, making it an attractive destination for mining and value addition
  - India is relatively under-explored in terms of mineral prospecting
  - Large quantity of high-quality reserves
  - Low labour and conversion costs
    - India is among the lowest cost producers of steel and alumina
  - Large and growing domestic demand
  - Strategic location: proximity to the developed European market and the fast-developing Asian markets for export of steel, aluminium
- India presents substantial mining opportunities across all metal ores
  - Estimated 82 billion tonnes of reserves of various metals yet to be tapped
- Large scope for investments in mining of iron ore and bauxite
  - While India has 7.5% of the world's total bauxite deposits, aluminium production capacity is only 3% of world capacity, indicating the scope and need for new capacities
  - Recent acquisitions by Indian companies (Tata Steel and Hindalco) in the metals space auger well for increased mining activity in India
- National Mineral Policy will encourage mineral prospecting and mining investments in India



India is rich in mineral resources with large reserves of several primary metals



India is an attractive destination for metal-making

For additional information: *Ministry of Mines (http://mines.nic.in), Planning Commission, Government of India (planingcommission.nic.in)*

NATURAL RESOURCES

OIL & GAS EXPLORATION



Total estimated investment opportunity of US$ 20-25 billion by 2012

Sedimentary Basins in India



OVERVIEW

SIZE

- Oil & Gas provide 45% of India's primary energy requirements
  - It is a critical input for downstream industries like petrochemicals, fertilizers and energy
- Crude oil demand is currently about 146 MMT while the domestic production of crude is only 34 MMT
  - India's crude oil import dependency is likely to increase to 90% by 2025 from the current level of 72%
- Natural gas demand is currently about 179 MMSCMD while the domestic supply is only 80 MMSCMD
  - The demand-supply gap is likely to reduce in the near future on account of the several major gas finds, especially those in the Krishna Godavari (KG) basin

STRUCTURE

- Oil and Natural Gas Commission (ONGC) and Oil India Limited (OIL), both public sector companies, are the largest with about 82% share of the total domestic oil and gas production
- The Exploration and Production (E&P) sector is witnessing increasing private sector participation, both domestic and foreign
  - In the last 2 years, private sector/JV companies have made 17 significant hydrocarbon discoveries
  - The world's largest gas discovery in 2002 (about 10 trillion cubic feet) was made by Reliance Industries Ltd.
- International E&P companies like Hardy Oil & Gas, Santo, Geoglobal, Newbury, Petronas, Niko Resources and Cairn Energy are already present in India

POLICY

- 100% FDI is allowed in the exploration of Crude Oil and Natural Gas through the automatic route
- The New Exploration Licensing Policy (NELP) is in place (since 1998) to facilitate private sector participation in Oil and Gas exploration
  - Over 164 oil blocks have been awarded since 1999 via 6 rounds of global competitive bidding under the NELP programme
  - 57 blocks are expected to be awarded in 2008 under NELP VII
- A Coal Bed Methane (CBM) Policy has been formulated which provides for attractive fiscal and contract terms for the exploration of CBM blocks
  - Over 26 blocks have been awarded under 3 rounds of global competitive bidding
- Petroleum and Natural Gas Regulatory Board Bill enacted, Regulatory Board constituted

Source: Directorate General of Hydrocarbons, Ministry of Petroleum and Natural Gas, BP Statistical Review of World Energy

OPPORTUNITY

OUTLOOK

- Crude oil demand is likely to increase to about 235 MMT by 2012
  - Rising global crude oil prices have triggered increased E&P focus to expand domestic production
- Gas demand is expected to reach 279 MMSCMD by 2012
  - A CAGR of 12% for the next 5 years
  - Increased use of gas for power generation, petrochemicals, fertilisers and city gas distribution will drive demand growth

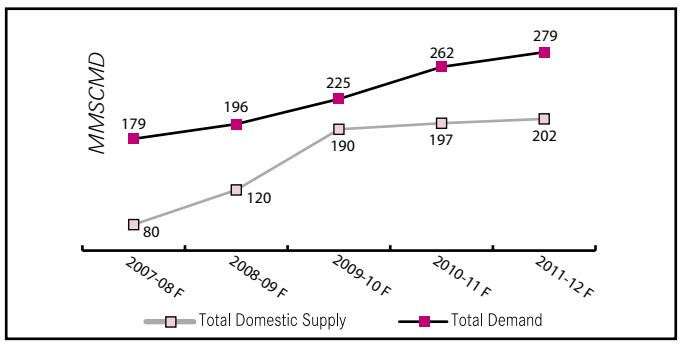
POTENTIAL

- Growing demand-supply mismatch provides ample opportunities for investment
  - Exploration and production of crude oil, gas and CBM
- The government is actively promoting the creation of strategic oil and gas reserves through partnerships with the private sector
- 22% of the Indian sedimentary area is unexplored – discovery of oil fields by investors such as Cairn Energy and "giant" gas fields by Reliance, ONGC, etc. indicate a large potential for profitable investment in exploration
- An investment need of US$40 billion is expected in exploration and production by 2012
  - Reliance alone plans to spend over US$10 billion in oil & gas exploration and production over the next 3 years.

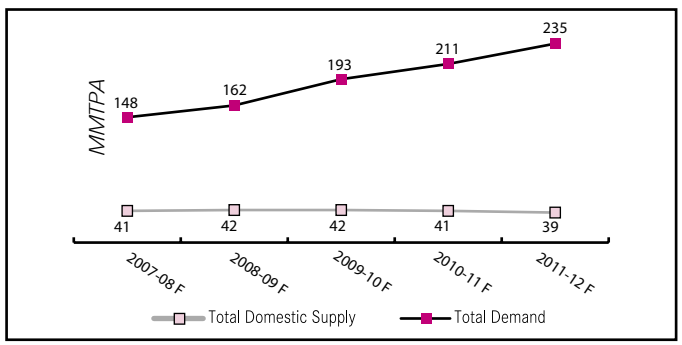


Several major gas finds have taken place in India in the last few years

Demand Supply Mismatch – Natural Gas

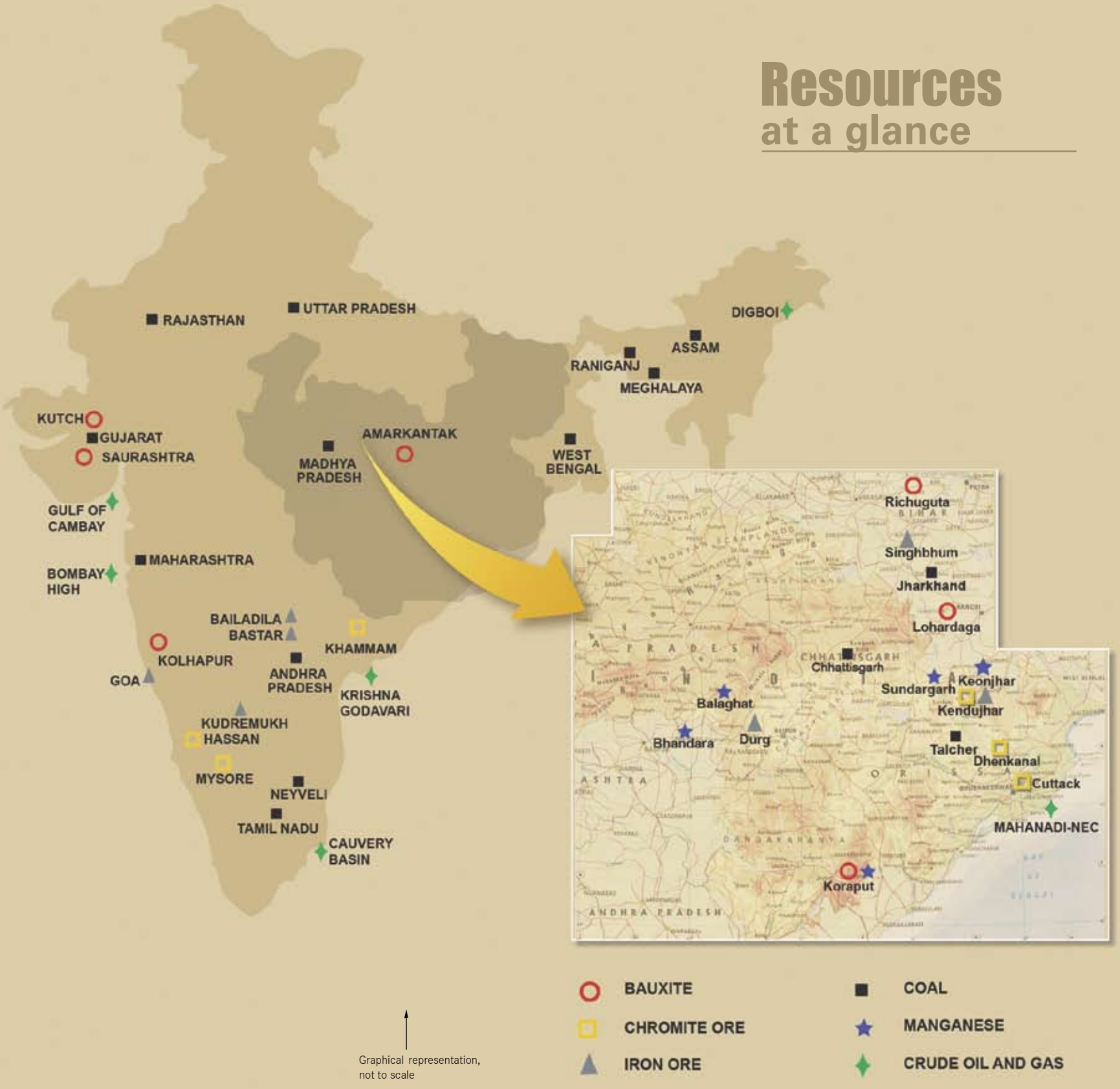


Demand Supply Mismatch – Crude Oil



For additional information: *Ministry of Petroleum and Natural Gas (http://petroleum.nic.in)*

Resources
at a glance



Graphical representation, not to scale

Jharkhand and Orissa account for over 50% of India's reserves of iron ore

POSCO plans to set up an integrated steel plant in Orissa with a total investment of US$12 billion

India has among the best quality of bauxite and iron ore deposits in the world

Bombay High accounts for over one-third of India's crude oil output

Krishna-Godavari Basin had the world's largest gas find of 2002



Knowledge Economy

- Pharmaceuticals & Biotechnology
- Healthcare
- IT & IT-Enabled Services

KNOWLEDGE ECONOMY

PHARMACEUTICALS & BIOTECHNOLOGY



Total estimated investment opportunity of US$ 10 billion in 5 years

Major players and presence in value chain

Company	Revenues[1] (FY 07, US$ million)	Value Chain Presence		
		R & D	Manufacturing	Marketing
Domestic Private Players				
Ranbaxy (CY 07)	1,498	✓	✓	✓
Dr. Reddy's	1,617	✓	✓	✓
Cipla	877	✓	✓	✓
International Private Players (CY 06)				
Glaxo SmithKline India	387	✓	✓	✓
Pfizer - India	167	✓	✓	✓
Novartis - India	135	✓	✓	✓

[1] Revenues in India, consolidated

Source: Capitaline Database, Company web-site

OVERVIEW

SIZE

- The Indian Pharmaceutical industry is about US$13 billion (2006-07 revenues)
- India occupies a significant position in the world pharma market
  - 8% by volume (fourth largest in the world) and 1% by value
  - The pharma industry exports over US$6 billion. It ranks 17th in terms of export value
- India has a low per capita annual spend of US$5 on pharma products and ranks 67th in the world
- India accounts for 22% of the global generics market
- India has a nascent but rapidly growing Biotech industry - US$2.1 billion in revenues in 2006-07
  - 58% of revenue from exports

STRUCTURE

- The Pharmaceutical industry in India is fragmented with over 3,000 small/medium sized generic pharma manufacturers
  - International pharmaceutical majors like Pfizer, Johnson & Johnson, Glaxo SmithKline and Novartis have an established presence in India
- The Biotech industry is seeing the emergence of several domestic private players with world-class capabilities
  - International majors like Monsanto, Syngenta and Aventis are already in India and are focusing on the Bio-agriculture segment

POLICY

- FDI up to 100% is permitted through the automatic route for the manufacture of drugs and pharmaceuticals provided the activity does not attract compulsory licensing or involve the use of recombinant DNA technology and specific cell/tissue targeted formulations
- The Patent (Amendment) Act enacted in April 2005 introduces product patent regime for food, chemical and pharmaceutical products – TRIPs compliant
- Consolidation likely in the fragmented Pharma industry due to recent legislation and policy updates
  - Good Manufacturing Practices (GMP) outlined in Schedule M to the Drugs and Cosmetics Rules revised
  - Manufacturing units are required to comply with the WHO and international standards of production

OPPORTUNITY

OUTLOOK

- The Indian Pharmaceutical industry (including exports) is expected to grow at 24% p.a. till 2010
  - The pharma industry is expected to grow to US$25 billion by 2010
- The Biotech industry is projected to grow at a CAGR of 33%, with India expected to have a significant share of the global market

POTENTIAL

- India is an attractive global sourcing destination for pharmaceuticals
  - Availability of low-cost, high-quality production and regulatory compliance
  - Large and growing US FDA-approved plant capacity
  - Synthetic chemistry talent for early stage compound development
  - Low cost of research and world-class testing facilities
    - Cost of a research scientist in India is only about 1/6th to 1/4th of that in USA
- Major opportunities in pharmaceuticals are in the following areas:
  - Marketing of Patented Drugs
  - Contract Research and Manufacturing (CRAM)
  - IT-enabled services including clinical/market data analysis
  - Clinical trials: revenues to grow from US$70 million (2002) to US$1-1.5 billion by 2010 driven by a 60% cost advantage and large gene pool for trials
- Major opportunities in Biotechnology are in the areas of Bio-informatics, Bio-pharma, Bio-agri and Bio-services
- Many international biotech companies like Chiron Corp, GSK and Sigma Aldrich Corp have expressed interest, especially in Bio-manufacturing
- Organised pharma retail is at a nascent stage in India with several corporates expressing interest in making an entry

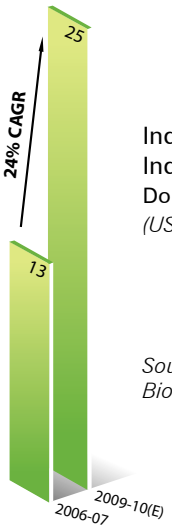


Pharma Industry is growing at over 20% p.a.



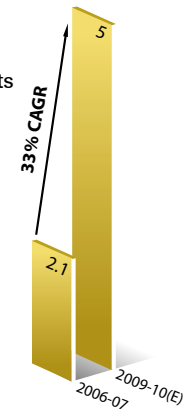
India is emerging as a hub for biotech research

Indian Pharma Industry:
Domestic + Exports
(US$ billion)



Source: FICCI, OPPI

Indian Biotech Industry:
Domestic + Exports
(US$ billion)



Source: FICCI, BioSpectrum

For additional information: *Department of Pharmaceuticals, Ministry of Chemicals and Petrochemicals (http://www.nic.in/cpc), Organisation of Pharmaceutical Producers of India, Indian Drugs Manufacturers Association (http://www.indiaoppi.com, http://www.idma-assn.org), Department of Biotechnology, Ministry of Science and Technology (http://dbtindia.nic.in), All India Biotech Association (http://www.aibaonline.com)*

KNOWLEDGE ECONOMY

HEALTHCARE



Total estimated investment opportunity of US$ 25 billion by 2010

OVERVIEW

SIZE

- The Indian Healthcare market is estimated at about US$34 billion (FY 2006)
- The industry is expected to grow at 15% p.a., to reach US$79 billion by FY 2012
- The large domestic market complemented by the inflow of medical tourists
  - Medical tourists have increased almost 20-fold from 10,000 in 2000 to about 1,80,000–2,00,000 in 2006

STRUCTURE

- The industry is fragmented with a large number of independent, privately run hospital and healthcare centres
- Private sector corporate entities like the Apollo Hospitals, Wockhardt Hospitals and Fortis Healthcare have aggressive expansion plans
- Indian hospitals are gaining reputation globally as “quality” service providers
  - Many Indian hospitals have secured accreditation from the British Standards Institute and Joint Commission on Accreditation of Healthcare Organisations
  - NHS, UK has indicated India to be a preferred destination for surgery

POLICY

- 100% FDI is permitted for all health-related services under the automatic route
- Infrastructure status has been accorded to hospitals
  - Lower tariffs and higher depreciation on medical equipment
- Income tax exemption for 5 years to hospitals in rural areas, Tier II and Tier III cities

Top Private Healthcare Providers in India

Player	FY07 Revenues (US$ million)	Number of Hospitals
Apollo Hospitals	225	41
Wockhardt Hospitals	59	12
Fortis Healthcare	31	11
Manipal Group	NA	20

Source: Company websites, Capitaline Database

OPPORTUNITY

OUTLOOK

- The industry is expected to grow to US$79 billion by 2012
- Medical tourism is expected to become a US$2.2 billion industry by 2012

POTENTIAL

- High-growth in the domestic market arising from:
  - Increasing health awareness: share in total private consumption expected to increase by 10%
  - Increasing penetration of health insurance
  - Rapid growth in private sector companies owning and managing hospitals
- High-growth in medical tourism
  - Cost of comparable treatment is on average 1/8th to 1/5th of those in western countries.
- Opportunities exist in multiple segments along the value chain
  - Service providers: curative and preventive in primary, secondary and tertiary care
  - Diagnostics services: imaging and pathology labs
  - Infrastructure: hospitals, diagnostic centres
  - Health insurance: less than 10% of the population is covered by health insurance. The medical insurance premium income is expected to grow to US$3.8 billion by 2012
    - 44% growth in health insurance during 2006-2007
  - Healthcare BPO: medical billing, disease coding, forms processing and claims adjudication
  - Training: large opportunity for training doctors, managers, nurses and technicians
- Investment opportunity of over US$25 billion by 2010

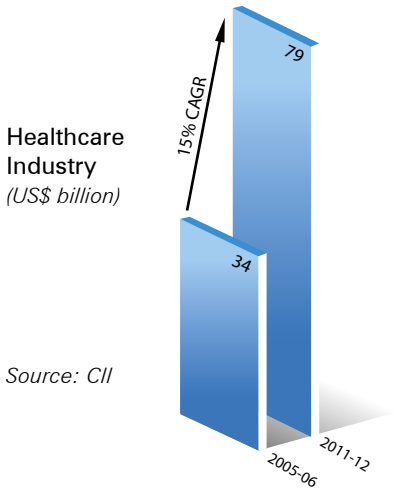
Source: IBEF, Indian Healthcare Foundation, India Country Commercial Guide 2002



Healthcare delivery is one of the largest service sector industry in India



World-class healthcare facilities are available in India

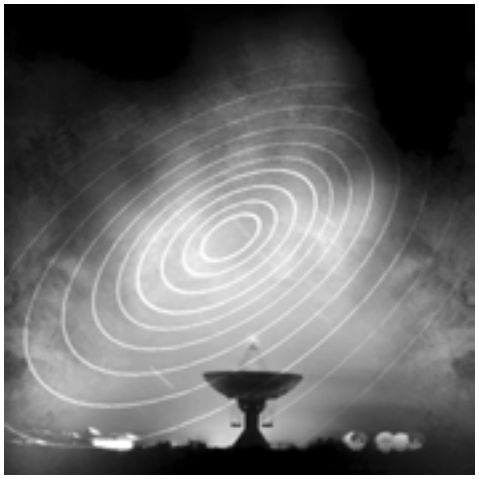


Source: CII

For additional information: *Ministry of Health and Family Welfare (http://mohfw.nic.in), Indian Medical Association (http://www.imanational.com)*

KNOWLEDGE ECONOMY

IT & IT-ENABLED SERVICES



Total estimated investment opportunity of US$ 3-4 billion in 5 years

Major IT & ITeS Companies in India

	Revenues[1] (US$ million) (FY 08)	Nos. of Employees
Domestic Private Companies		
Tata Consultancy Services	5,676	85,582
Wipro Technologies	4,970	67,800
Infosys Technologies	4,144	59,831
Satyam	2,103	40,000
International Private Companies		
IBM (CY 07)	98,786	386,558
Accenture (CY 07)	19,696	170,000

1 Global Revenues, Consolidated

Source: Bloomberg, Fortune

OVERVIEW

SIZE

- India is the leading destination for providing IT and IT-Enabled Services (ITeS), with revenues of about US$40 billion in 2006-07 of which:
  - IT Services and Software constituted 58%, ITeS about 21%, and the domestic market about 21%
  - Exports constituted 79% of the total IT and ITeS revenues

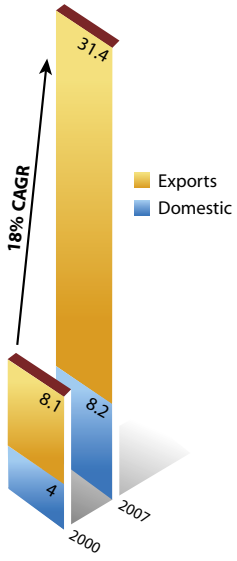
STRUCTURE

- The industry has 3 broad categories of companies:
  - Indian IT and ITeS companies ranging from large companies (Tata Consultancy Services, Infosys, Wipro, HCL) to small niche companies
  - Global IT companies such as IBM, Dell, Microsoft, HP, Accenture, etc. all of whom have set up development centres in India
  - Captive back office operations of large global corporations like JP Morgan, American Express, GE, HSBC, British Airways, etc.

POLICY

- 100% FDI is permitted in this sector under the automatic route
- SEZs, EOUs and Software Technology Parks have been set up across India – income tax exemptions are available for units in these designated areas/zones
- IT Act, 2000 legalises the acceptance of electronic records and digital signatures providing a legal backbone to e-commerce

IT/ITeS Revenues
(US$ billion)



Source: NASSCOM, Ministry of Information Technology

OPPORTUNITY

OUTLOOK

- The Indian IT and ITeS industry is expected to grow to US$77 billion by 2010
  - Over 25% p.a. CAGR expected
  - Exports expected to reach US$60 billion in 2010

POTENTIAL

- India's inherent IT capabilities - talented workforce and world-class companies
  - Availability of technically skilled and English-speaking labour force at a fraction of the costs in USA and Europe
  - Quality orientation, project and process management expertise
  - Enhanced global service delivery capabilities of Indian companies through a combination of greenfield initiatives, M&A, alliances and partnerships with local players
- International recognition of India's strengths
  - Increasing awareness among global companies about India's capabilities in higher, value-added activities and in the Global Delivery Model
  - Leading international companies have identified custom application development and maintenance as priority areas due to a high offshoreable component
- High growth of domestic IT & ITeS market due to several regulatory and technological factors:
  - Increased investments by enterprises in IT infrastructure, applications and IT outsourcing
  - Demand for domestic BPOs has been largely driven by faster GDP growth and by sectors such as telecom, banking, insurance, retail, healthcare, tourism and automobiles.
- Opportunity to supply to the global market in addition to serving the growing domestic demand

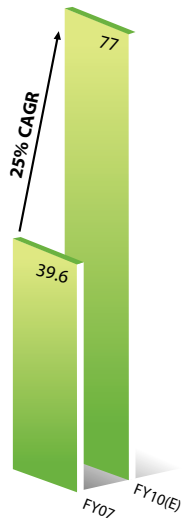


World leaders in IT have a significant presence in India



ITeS is set to grow to three-folds over the next 5 years

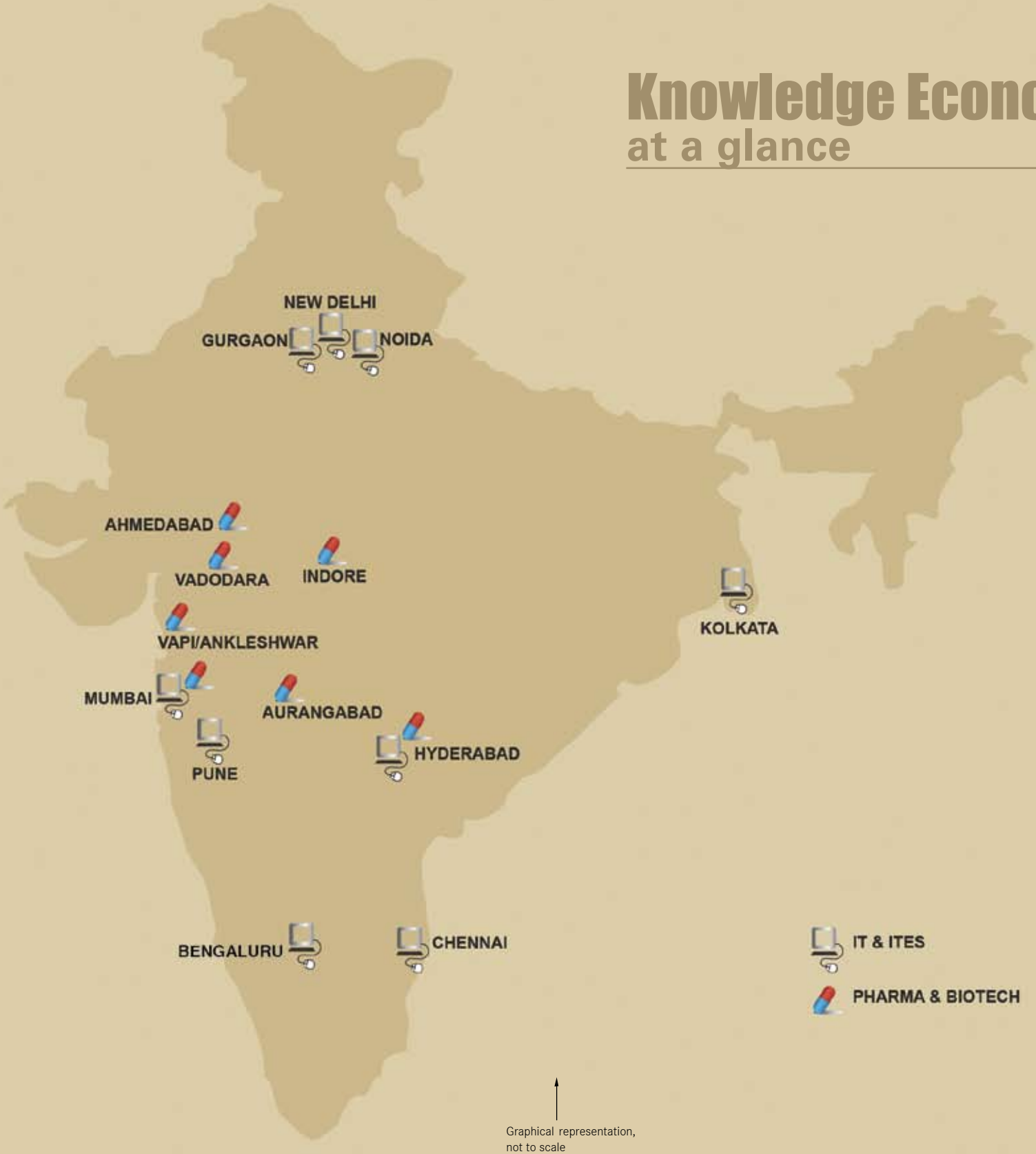
IT/ITeS Industry
(US$ billion)



Source: NASSCOM, Ministry of Information Technology

For additional information: *Ministry of Information Technology and Communications (http://www.mit.gov.in), National Association of Software and Services Companies (http://www.nasscom.org)*

Knowledge Economy
at a glance



Bengaluru is regarded as the software capital of India

Microsoft's second Product Development Centre outside the USA is in Hyderabad

Gurgaon is home to several large BPO organisations including those of GE and American Express

Global Pharma majors Pfizer, Novartis and Johnson & Johnson are based in Mumbai

Dr. Reddy's Laboratories, largest pharma company, has manufacturing facilities in Hyderabad



Policies and laws

FDI POLICY OVERVIEW*

India has one of the most transparent and liberal Foreign Direct Investment (FDI) regimes among emerging and developing economies. Differential treatment is limited to a few entry rules, predominantly in some Services sectors, spelling out the proportion of equity that the foreign investor can hold in an India-registered company or business – termed "sector caps". Foreign corporate and individual investment in India, termed collectively as Foreign Direct Investment (FDI) when it relates to control or ownership of a company in India, takes one of two routes:

Automatic Route or Automatic Approval:

This requires no prior approval for FDI. Post-facto filing of data relating to the investment made with the Reserve Bank of India (RBI) are for record and data purposes. This route is available to all sectors or activities that do not have a "sector cap" i.e. where 100% foreign ownership is permitted, or for investments that are within a sector cap (e.g. less than or equal to 26% share of an Insurance company).

FIPB Approval – the Foreign Investment Promotion Board (FIPB) approves investment proposals:

- where the proposed shareholding is above the prescribed sector caps, or
- where the activity belongs to that small list of sectors where FDI is either not allowed or where it is mandatory that proposals be routed through the FIPB (e.g. sectors that require industrial licensing)

The FIPB ensures a single-window approval for the investment and acts as a screening agency (for sensitive/negative list sectors). FIPB approvals (or rejections) are normally received in 30 days. Some foreign investors use the FIPB application route where there may be absence of stated policy or lack of policy clarity.

An outline of the broad policies for groups of sectors is provided below:

MANUFACTURING

- Most manufacturing sectors are on the 100% automatic route. Foreign equity is limited only in production of defence equipment (26%) and 5 specific industries where an Industrial License (IL) is mandatory[1].
- Most mining sectors are similarly on the 100% automatic route, with foreign equity limits only on atomic minerals (74%), coal and lignite (74%).

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* Please refer to the latest Consolidated Policy on Foreign Direct Investment available at http://siadipp.nic.in/policy/changes.htm

[1] IL is required for * distillation and brewing of alcoholic drinks * tobacco cigars, cigarettes and substitutes * electronic aerospace and defence equipment * industrial explosives * hazardous chemicals

- 100% equity is also allowed in non-crop agro-allied sectors (agro-processing) and crop agriculture under controlled conditions (e.g. hot houses).

INFRASTRUCTURE

100% FDI under the automatic route is allowed for most infrastructure sectors - highways and roads, ports, inland waterways and transport, and urban infrastructure. Select infrastructure sectors have defined caps for e.g., Telecom Services has a sector cap of 74% and Airlines have a 49% sector cap of foreign entities that are not airlines.

SERVICES

100% FDI under the automatic route is permitted for many service sectors such as real estate construction, townships[1], resorts, hotels and tourism (including tour operators and travel agencies, serviced apartments, convention and exhibition centres), films, IT and IT-enabled services, ISP/email/voice mail services, business services and consultancy, renting and leasing, Venture Capital Funds/Companies (VCFs/VCCs), medical/health services, education, advertising and wholesale trade and courier services. 100% FDI permitted in non-banking financial services subject to minimum capitalisation norms.

Certain service sectors are being opened up in a phased manner to allow domestic companies to prepare for global competition. In both banking and insurance, foreign investment is permitted subject to specific caps or entry conditions. FDI in media is permitted with varying sector caps. Retail trade is currently restricted to 51% FDI permitted in single brand retail stores and 100% FDI permitted in wholesale cash and carry. Legal services are currently not open to foreign investment.

Restricted List of Sectors

Sectors where FDI is prohibited are Retail Trading (except single brand product retailing), Atomic Energy, Lottery Business, Gambling and Betting, Business of Chit Fund, Nidhi Company, Trading in Transferable Development Rights (TDRs) and any activity/sector that is not opened to private sector investment. Besides the above, FDI is not allowed in plantations*.

Subject to these foreign equity conditions, a foreign company can set up a registered company in India and operate under the same laws, rules and regulations as any India-owned company.

India extends National Treatment to foreign investors with absolutely no discrimination against foreign-invested companies registered in India or in favour of domestic ones.

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* However, FDI is allowed in Tea Plantations, Floriculture, Horticulture, Development of Seeds, Animal Husbandry, Pisciculture and Cultivation of Vegetables, Mushrooms etc. under controlled conditions and allowed in services related to agro and allied sectors.

[1] Subject to minimum scale norms of 25 acres or 50,000 sq. metres of constructed area.

Sector Caps and Entry Route*

A. Infrastructure

Sector	Ownership Limit	Entry Route	Remarks
Power	100%	Automatic	Includes generation (except nuclear power where FDI is prohibited), transmission and distribution of power
Telecom			
Basic, cellular and value-added services	74%	FIPB beyond 49%	
ISP with gateways	74%	FIPB beyond 49%	Subject to licensing and security requirements; FDI cap of 74% for global mobile personal communications by satellite
ISP without gateways	100%	FIPB beyond 49%	
Email, Voice mail	100%	FIPB beyond 49%	
Radio Paging	74%	FIPB beyond 49%	
End-to-End Bandwidth	74%	FIPB beyond 49%	
Infrastructure Providers providing Dark Fibre	100%	FIPB beyond 49%	
Telecom Manufacturing	100%	Automatic	
Roads	100%	Automatic	Includes construction and maintenance of roads, highways, bridges and tunnels
Ports	100%	Automatic	Applies to construction and maintenance of ports
Civil Aviation			
Airports	100%	Automatic	FIPB beyond 74% for existing airport
Domestic Airlines	49%	Automatic	Subject to no direct or indirect equity participation by foreign airlines. FDI up to 100% allowed for NRIs
Cargo, chartered and Non Scheduled Airlines	74%	Automatic	Investment up to 100% allowed for Non-Resident Indians
Ground Handling Services	74%	Automatic	Investment up to 100% allowed for Non-Resident Indians
MRO, flying training and technical institutes	100%	Automatic	
Petroleum & Natural Gas			
Petroleum refining	100%	Automatic	
Petroleum product pipelines	100%	Automatic	
Petroleum product marketing	100%	Automatic	
Petroleum refining-PSUs	49%	FIPB	
Others			
Mass Rapid Transport System	100%	Automatic	Includes associated real estate development in all metropolitan cities
EOU/SEZ/Industrial park construction	100%	Automatic	100% allowed in Industrial park subject to
			• Minimum of 10 units and no unit occupies more than 50% allocable area
			• Minimum industrial area of 66%
Satellite establishment and operation	74%	FIPB	

B. Services

Sector	Ownership Limit	Entry Route	Remarks
Banking			
Indian Private Banks	74%	Automatic	Foreign banks can take an equity stake of more than 5% (up to 74%) only in those private sector banks which have been identified by the RBI for restructuring
PSU Banks	20%		Subject to compliance with RBI guidelines
NBFCs	100%	Automatic	Includes 19 specified activities; subject to minimum capitalisation norms and compliance with RBI guidelines
Microfinance	100%	Automatic	
Insurance	26%	Automatic	Includes both Life and Non-Life Insurance; subject to licence from Insurance Regulatory & Development Authority
Real estate and construction			
Townships	100%	Automatic	Subject to minimum land area of 10 hectare for serviced housing plot and built-up area of 50,000 sq. mts. for construction development projects. Also minimum capitalisation and completion norms. Minimum 3 years lock-in from the completion of capitalisation
Housing	100%	Automatic	
Construction – Development Projects including Townships and housing	100%	Automatic	
Build-up Infrastructure	100%	Automatic	
Credit Information companies	49%		Prior clearance from FIPB. FII investment permitted up to 24%
Trading			
Retail Trade - Single Brand	51%	FIPB	
Retail Trade - Multi Brand	Not Permitted	–	
Trading (Export, Cash and Carry Wholesale)	100%	Automatic	
Commodity Exchanges	49%		FDI upto 26%, FII upto 23%. No single investor can hold more than 5%
Tourism			
Hotels, restaurants, beach resorts	100%	Automatic	Includes facilities for providing accommodation and food services
Tour and travel agencies	100%	Automatic	
Broadcasting			
TV software production	100%		Subject to maximum foreign equity up to 49% including FDI/NRI/FII

B. Services

Sector	Ownership Limit	Entry Route	Remarks
Hardware facilities - (Uplinking, HUB, etc.)	49%		Subject to maximum foreign equity up to 49% including FDI/NRI/FII; FDI in news and current affairs channels which uplink from India is capped at 26%
Cable network	49%		Subject to maximum foreign equity up to 49% including FDI/NRI/FII
DTH	20%		Subject to maximum foreign equity upto 49% including FDI/NRI/FII. FDI not to exceed 20%
Terrestrial Broadcast FM	20%		Subject to licensee being a company registered in India under the Companies Act, 1956
Terrestrial TV Broadcast	Not Permitted		
Print Media			
Scientific/Technical journals	100%		
Other non-news/non-current affairs/ specialty publications	74%		
Newspapers, Periodicals dealing with news and current affairs	26%		
Other Services			
Advertising and Film	100%	Automatic	Includes all film related activities
Courier and express services	100%	FIPB	Includes all express postal services except the distribution of letters
Lottery, Betting and Gambling	Not Permitted	–	
Defence and Strategic Industries	26%	FIPB	Subject to security and licensing requirement; products to be sold primarily to the Ministry of Defence
R&D activities	100%	Automatic	

C. Manufacturing

Sector	Ownership Limit	Entry Route	Remarks
Metals	100%	Automatic	Includes manufacture of Steel, Aluminium, Titanium etc.
Textiles and Garments	100%	Automatic	
Electronics Hardware	100%	Automatic	
Chemicals and Plastics	100%	Automatic	Includes plastics
Automobiles	100%	Automatic	Includes Two-wheelers, Cars and Commercial Vehicles
Auto Components	100%	Automatic	
Gems and Jewellery	100%	Automatic	
Food and Agro Products			
Food Processing	100%	Automatic	
Agriculture (including contract farming)	Not Permitted	-	
Plantations (except Tea)	Not Permitted	-	
Other Manufacturing			
Items reserved for Small Scale	24%	Automatic	100% FDI permitted through FIPB route subject to undertaking of export obligation of 50%

D. Resources Based Sectors

Sector	Ownership Limit	Entry Route	Remarks
Coal and Lignite			
Coal Processing	100%	Automatic	
Captive Coal mining for Power	100%	Automatic	
Captive Coal mines – non-power	74%	Automatic	
Other Mining and Quarrying			
Mineral Ores	100%	Automatic	Including Gold, Silver and other mineral ores
Diamonds and precious stones	100%	Automatic	
Titanium Mining and mineral separation	100%	FIPB	Value addition facilities to be setup within India along with transfer of technology
Atomic Minerals	74%	FIPB	Includes only mining, mineral separation and subsequent value addition
Oil and Natural Gas Exploration	100%	Automatic	

E. Knowledge Economy

Sector	Ownership Limit	Entry Route	Remarks
Pharma and Biotech	100%	Automatic	FIPB route is needed if industrial licence is required or involves recombinant DNA technology, cell/tissue formulations
Healthcare	100%	Automatic	
Information Technology	100%	Automatic	

* Please note that the tabulation in this section relates only to FDI limit/sector cap and entry route. Investment in most sectors is also subject to sectoral regulations and legislations; these are typically applicable to all investment in that sector – whether domestic or foreign.

ENTRY OPTIONS FOR FOREIGN INVESTORS

A foreign company planning to set up business operations in India has the following options:

- Incorporate a company under the Companies Act, 1956 through
  - Joint Venture or
  - Wholly owned Subsidiary

Foreign equity in such Indian companies can be up to 100% depending on the requirements of the investor, subject to equity caps in respect of the sector/area of activities under the FDI policy.

- Enter as a Foreign Company through:
  - Liaison Office/Representative Office
  - Project Office
  - Branch Office

Such offices can undertake activities permitted under the Foreign Exchange Management Regulations 2000 (Establishment in India of branch or office of other place of business).

INCORPORATION OF A COMPANY

For registration and incorporation, an application has to be filed with the Registrar of Companies (ROC). Once a company has been registered and incorporated as an Indian company, it is subject to Indian laws and regulations as applicable to other domestic Indian companies.

For additional information: Ministry of Company Affairs, website: http://dca.nic.in

LIAISON OFFICE/REPRESENTATIVE OFFICE

The role of the liaison office is limited to collecting information about possible market opportunities and providing information about the company and its products to prospective Indian customers. It can promote export/import from/to India and also facilitate technical/financial collaboration between the parent company and companies in India. A liaison office cannot however, undertake any commercial activity directly or indirectly and cannot, therefore, earn any income in India. Grant of approval for the establishment of a liaison office in India is by the Reserve Bank of India (RBI).

PROJECT OFFICE

Foreign companies planning to execute specific projects in India can set up temporary project/site offices in India. The RBI has now granted general permission to foreign entities to establish project offices subject to specified conditions. Such offices cannot undertake or carry on any activity other than that which is related and incidental to the execution of the projects. Project offices may remit the surplus of the project on completion outside India, a general permission for which has been granted by the RBI.

BRANCH OFFICE

Foreign companies engaged in manufacturing and trading activities abroad are allowed to set up Branch Offices in India for the following purposes:

i. Export/Import of goods.
ii. Rendering professional or consultancy services.
iii. Carrying out research work in which the parent company is engaged.
iv. Promoting technical or financial collaboration between Indian companies and parent or overseas group companies.
v. Representing the parent company in India and acting as buying/selling agent in India.
vi. Rendering services in Information Technology and development of software in India.
vii. Rendering technical support to the products supplied by the parent/group companies.
viii. Foreign airline/shipping company.

A branch office is not allowed to carry out manufacturing activities on its own but is permitted to subcontract these to an Indian manufacturer. Branch offices established with the approval of the RBI may remit outside India the profit of the branch net of applicable Indian taxes and subject to RBI guidelines. Grant of permission for setting up branch offices is by RBI.

BRANCH OFFICE ON 'STAND-ALONE BASIS' IN SEZ

Such branch offices would be isolated and restricted to the Special Economic Zone (SEZ) and no business activity/ transaction will be allowed outside the SEZ in India, which include branches/subsidiaries of their parent office in India.

No approval shall be necessary from the RBI for a company to establish a branch/unit in SEZs to undertake manufacturing and service activities, subject to specified conditions.

Application for setting up a Liaison/Project/Branch office may be submitted in form FNC 1 (available at RBI website at www.rbi.org.in)

INVESTMENT IN A FIRM OR A PROPRIETARY CONCERN BY NRIs

A Non-Resident Indian (NRI) or a Person of Indian Origin (PIO) residing outside India may invest by way of contribution to the capital of a firm or a proprietary concern in India on non-repatriation basis provided:

i. the amount is invested by inward remittance or out of specified account types (NRE/FCNR/NRO accounts) maintained with an Authorised Dealer (AD).

ii. the firm or proprietary concern is not engaged in any agricultural/plantation or real estate business i.e. dealing in land and immovable property with a view to earning profit or earning income therefrom.

iii. the amount invested shall not be eligible for repatriation outside India. NRIs/PIOs may invest in sole proprietorship concerns/partnership firms with repatriation benefits with the approval of government/RBI.

INVESTMENT IN A FIRM OR A PROPRIETARY CONCERN BY INVESTORS OTHER THAN NRIs

No person residing outside India other than NRI/PIO shall make any investment by way of contribution to the capital of a firm or a proprietorship concern or any association of persons in India. The RBI may, on an application made to it, permit a person residing outside India to make such an investment subject to such terms and conditions as may be considered necessary.

INDUSTRIAL POLICY

The system of obtaining government approvals has been progressively liberalised over the 1990s, commencing with the watershed changes in the industrial policy announced on 24 July, 1991. This abolished industrial licensing substantially, announced measures for facilitating foreign investment and technology transfers and opened most areas which were earlier reserved for the public sector. The Industrial Policy Resolution of 1956 and the Statement on the Industrial Policy of 1991 provide the basic framework for the overall industrial policy of the government.

The requirement of obtaining an industrial license for manufacturing activities is now limited only to the following:

- Industries reserved for the public sector.
- Five industries of strategic, social or environmental concern. These are:
  - Distillation and brewing of alcoholic drinks
  - Cigars and cigarettes of tobacco
  - Electronics aerospace and defence equipment
  - Industrial explosives
  - Hazardous chemicals
- Manufacture of items reserved for the small scale sector (SSI Units) by non-small scale industrial units or by units in which foreign equity is more than 24%. A list of items reserved for the small scale sector is available at www.smallindustryindia.com

All other industries are exempt from licensing subject to certain locational restrictions in metropolitan areas. In the event locational restrictions are not adhered to, the unit is required to obtain an industrial license.

KEY ACTS GOVERNING FOREIGN INVESTMENT

FOREIGN EXCHANGE MANAGEMENT ACT, 1999 (FEMA)

FEMA provides for virtually full convertibility on capital and current account transactions for non-residents, while it subjects residents to non-convertibility on capital account transactions only. Under FEMA, an Indian company with foreign equity participation is treated at par with other locally incorporated companies. Accordingly, the exchange control laws and regulations for residents apply to foreign-invested companies as well.

REPATRIATION

Repatriation of capital: Foreign capital invested in India is generally allowed to be repatriated along with capital appreciation, if any, after the payment of taxes due on them, provided the investment was approved on a repatriation basis.

Repatriation of dividends and profits: Profits and dividends earned in India are repatriable after the payment of taxes due on them. No permission of RBI is necessary for effecting remittance, subject to compliance with certain specified conditions.

ACQUISITION OF IMMOVABLE PROPERTY

Acquisition of immovable property by a non-resident: A person residing outside India, who has been permitted by RBI to establish a branch, or office, or place of business in India (excluding a Liaison Office), has general permission of RBI to acquire immovable property in India that is necessary for, or incidental to, the activity. However, in such cases, a declaration, in prescribed form (IPI), is required to be filed with the RBI, within 90 days of the acquisition of immovable property.

Foreign nationals of non-Indian origin who have acquired immovable property in India with the specific approval of the RBI cannot transfer such property without prior permission from the RBI.

Acquisition of immovable property by an NRI: An Indian citizen residing outside India (NRI) can acquire by way of purchase any immovable property in India other than agricultural/plantation/farm house. He may transfer any immovable property other than agricultural or plantation property or farm house to a person resident outside India who is a citizen of India or to a person of Indian origin resident outside India or a person resident in India.

IMPORTANT LAWS GOVERNING BUSINESS

India has an exhaustive legal framework governing all aspects of business. Some of the important legislations include:

Arbitration and Conciliation Act, 1996
Act relating to alternative in redressal of disputes amongst parties.

Central Excise Act, 1944
Act governing duty levied on manufacture.

Companies Act, 1956
Act governing all corporate bodies.

Competition Act, 2002
Act to ensure free and fair competition in the market.

Consumer Protection Act, 1986
Act relating to the protection of consumers from unscrupulous traders/manufacturers.

Customs Act, 1962
Act dealing with import regulations.

Customs Tariff Act, 1985
Act that has put in place a uniform commodity classification code based on globally adopted system of nomenclature for use in all trade-related transactions.

Electricity Act, 2003
Act that regulates generation, transmission, distribution, trading and use of electricity and generally for taking measures conducive to the development of the electricity industry, promotion of investment and competition, protection of the interests of consumers and the assured supply of electricity to all areas.

Environment Protection Act, 1986
Act providing the framework for seeking environmental clearances.

Factories Act, 1948
Act regulating labour in factories.

Foreign Exchange Management Act, 1999
Act regulating foreign exchange transactions including foreign investment.

Income Tax Act, 1961
Act governing direct taxes on income of all persons, both corporate and non-corporate as well as residents and non-residents.

Industrial Disputes Act and Workmen Compensation Act
Labour laws dealing with disputes.

Industries (Development & Regulation) Act, 1951
Act governing all industries.

Information Technology Act, 1999
Act governing e-commerce transactions.

Preventing of Money Laundering Act

Act preventing money laundering and providing for confiscation of property derived from, or involved in, money laundering.

Patent (Amendments) Act, 2004

The Act amends the Patent Act, 1970 to extend the product patent protection to all fields of technology, including drugs, foods and chemicals.

Central Sales Tax Act, 1956

Act governing the levy of tax on sales. Each state has legislation on Value Added Tax (VAT).

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

Act seeking to put in place securitisation and asset foreclosure laws creating a legal framework for the establishment of Asset Reconstruction Companies.

The Special Economic Zones Act, 2005

Provides a long-term, stable policy framework and establishes a single-window clearance mechanism for the establishment, development and management of SEZs and units operating in such zones. An SEZ is a specifically delineated duty-free enclave and shall be deemed to be foreign territory for the purposes of trade operations and duties and tariffs.

The major fiscal and economic incentives for SEZ units include 15-year income-tax exemption from the date of commencement of operations, exemption of excise tax, sales tax and other levies on purchases from Domestic Tariff Areas and access to cheaper global capital through Offshore Banking Units.

The Act allows 100% FDI through automatic approval route in most sectors. Over 130 such SEZs have been formally approved by the government of India.

INVESTMENT FACILITATION AGENCIES

FOREIGN INVESTMENT PROMOTION BOARD (FIPB)

The FIPB is a specially empowered board chaired by the Secretary, Ministry of Finance (MoF), set up specifically for expediting the approval process for foreign investment proposals.

There are no prescribed application forms for applying to FIPB, except in the case of purely technical collaborations. Proposals for FDI may be sent to the FIPB unit, Department of Economic Affairs, Ministry of Finance or through any of India's diplomatic missions abroad. The government has introduced a mailbox facility for accepting FDI proposals through the Internet and providing an acknowledgement number for these, with the condition that a hard copy should be received in original before the proposal is considered by the government.

For more details, please visit the website at http://finmin.nic.in/the_ministry/dept_eco_affairs/fipb/fipb_index.htm

FOREIGN INVESTMENT IMPLEMENTATION AUTHORITY (FIIA)

The Government of India has set up FIIA in the Ministry of Industry and Commerce to facilitate quick translation of FDI approval and implementation. The organisation also provides a proactive one-stop, after-care service to foreign investors by helping them obtain the necessary approvals, sort out operational problems and meet various government agencies to find solutions to problems and maximise opportunities through the partnership approach.

FIIA, in accordance with its mandate, assumes the following role:

- Understands and addresses concerns of investors
- Understands and addresses concerns of approving authorities
- Initiates multi-agency consultation
- Refers matters not resolved at the FIA level to higher levels on a quarterly basis, including cases of project slippage on account of implementation bottlenecks

website: www.siadipp.nic.in/sia/fiia.htm

INVESTMENT COMMISSION (IC)

The three-member Investment Commission, set up in the Ministry of Finance in December 2004 by the Government of India, has Mr. Ratan Tata as Chairman and Mr. Deepak Parekh and Dr. Ashok Ganguly as members. The Investment Commission advises the Government of India on changes in policy and procedures that will enhance investment in India, recommends projects and investment proposals that should be fast tracked/mentored and promotes India as an investment destination.

Contact details: Mr. Ratan N. Tata, Chairman - Investment Commission, Bombay House, 24 Homi Mody Street, Mumbai-400 001 Email: coffice@tata.com

website: www.investmentcommission.in

SECRETARIAT FOR INDUSTRIAL ASSISTANCE (SIA)

The SIA, functioning with the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, acts as a gateway to industrial investment in India. It provides a single-window clearance for entrepreneurial assistance and facilitates the processing of investors' applications requiring government approval.

website: http://dipp.gov.in

INDIA BRAND EQUITY FOUNDATION (IBEF)

IBEF collects, collates and disseminates comprehensive information on India. The website, www.ibef.org has been developed as a single-window resource for in-depth information and insight on India. IBEF also produces a wide range of well-researched publications focused on India's economic and business advantages.

website: www.ibef.org



General Information



JAMMU & KASHMIR
HIMACHAL PRADESH
PUNJAB
UTTARANCHAL
HARYANA
Delhi
RAJASTHAN
UTTAR PRADESH
BIHAR
SIKKIM
ARUNACHAL PRADESH
ASSAM
NAGALAND
MEGHALAYA
MANIPAL
TRIPURA
MIZORAM
GUJARAT
MADHYA PRADESH
JHARKHAND
WEST BENGAL
Kolkata
CHHATTISGARH
ORISSA
MAHARASHTRA
Mumbai
ANDHRA PRADESH
KARNATAKA
Bengaluru
Chennai
TAMILNADU
KERALA
Thiruvananthapuram
Port Blair
ANDAMAN & NICOBAR ISLANDS
Graphical representation, not to scale

ADMINISTRATIVE DIVISIONS:

29 STATES AND 6 UNION TERRITORIES

Andaman and Nicobar Islands•
Andhra Pradesh
Arunachal Pradesh
Assam
Bihar
Chandigarh•
Chhattisgarh
Dadra and Nagar Haveli•
Daman and Diu•
Delhi
Goa
Gujarat
Haryana
Himachal Pradesh
Jammu and Kashmir
Jharkhand
Karnataka
Kerala
Lakshadweep•
Madhya Pradesh
Maharashtra
Manipur
Meghalaya
Mizoram
Nagaland
Orissa
Puducherry•
Punjab
Rajasthan
Sikkim
Tamil Nadu
Tripura
Uttaranchal
Uttar Pradesh
West Bengal

• Union territory

Location	South Asia
Total Population	1,095,000,000
Government type	Federal republic
Currency	Indian National Rupee (INR)
Area	Total: 3,287,590 sq. km Land: 2,973,190 sq. km Water: 314,400 sq. km
Area comparative	Slightly more than one-third the size of USA
Climate	Varies from tropical monsoon in the south to temperate in the north
Languages	Hindi (official); English for commerce; 14 regional dialects
Legal system	Based on English common law; limited judicial review of legislative acts; accepts compulsory ICJ jurisdiction, with reservations

The Government of India



EXECUTIVE

President of India

Prime Minister
(chosen by the majority party or coalition in the Lok Sabha and formally appointed by the President)

Central Government
(Ministries)

Central Government
(Independent Departments)

Apex/Independent Offices

LEGISLATURE

Rajya Sabha
(Council of States or the Upper House) (with a maximum strength of 250 members, of which 238 are to be elected and 12 nominated by the President of India)

Lok Sabha
(House of the People or the Lower House) (with a maximum strength of 550 members, of which 530 are to be elected from the States and 20 elected from Union Territories)

JUDICIARY

Supreme Court of India

High Courts
(in each state)

District Courts

Boards and Tribunals

Consumer Courts

Rights Commissions

Economic and Social Indicators

ECONOMIC INFORMATION

	Unit	Value
Demography		
Population		1,095
Urban population	(% to total)	28
Birth rate	(Per 1,000)	23.8
Death rate	(Per 1,000)	7.6
Infant mortality rate	(Per 1,000 live births)	63
Life expectancy	(Years)	65
Labour force	(Mn)	427
National Income		
Gross Domestic Product (GDP)	(US$ billion)	913
Share in GDP		
Agriculture		20.5
Industry		24.6
Manufacturing		15.5
Services		54.9
Net National Product	(US$ billion)	784
Per capita NNP	(US$)	700
Per capita PPP	(US$)	3,940
Gross Domestic Savings	(% to GDP)	34.8
Gross Domestic Capital formation	(% to GDP)	35.9
Agriculture		
Production		
Foodgrains	(Mn tonnes)	208
Rice	(Mn tonnes)	91
Wheat	(Mn tonnes)	70
Sugar*	(Mn tonnes)	25
Tea	(Mn tonnes)	0.9
Tobacco	(Mn tonnes)	0.6
Oilseed	(Mn tonnes)	23.6
Cotton	(Mn tonnes)	21
Fruits	(Mn tonnes)	54
Vegetables	(Mn tonnes)	113
Fertiliser Consumption		
per hectare of arable land	(kg.)	104

* Centrifugal sugar expressed in raw value

ECONOMIC INFORMATION

	Unit	Value
Infrastructure & communications		
Electricity production	(Bn kwh)	624
Electricity consumption		
Per capita	(kwh)	631
Rail route	(km)	63,500
Air passengers carried	(Mn)	95
Motor vehicles	(per 1,000 people)	11
TV sets	(per 1,000 people)	85
Telephone main lines	(per 1,000 people)	51
Cellular Mobile subscribers	(per 1,000 people)	124
Personal computers	(per 1,000 people)	22
Internet Users	(per 1,000 people)	26
Researchers in R & D	(per Mn people)	119
R & D Expenditure	(% to GDP)	0.9
External Sector & Exchange rate		
Exports†	($ Bn)	155
As % of world exports	(%)	0.9
Imports†	($ Bn)	236
Forex reserves†	($ Bn)	309
Exchange rate†	(Rs./ per US$)	39.97

† As of March 2008

ECONOMIC INFORMATION

	Unit	Value
Inflation, Banking & Capital market		
Consumer prices	(Ave. %)	4.3
Domestic credit by		
Banking sector	(% to GDP)	42
Commercial bank		
Lending rate	(%)	12.75-13.25
Total Insurance density	($ on '05-06)	38.4
Total Insurance penetration	(% to GDP)	4.8
FDI inflows	($ Bn on 31/12/08)	24.5
Listed domestic companies	(No.)	4,763
Market capitalisation	($ Bn on 30/12/07)	1,600
External debt		
Total Debt outstanding	($ Bn)	155
Debt service ratio	(%)	4.8
Social sector indicators		
Gross enrolment ratio in primary schools	(%)	107
Adult literacy	(%)	61
Labour cost per worker in manufacturing	($ per year)	1,068
Education expenditure (Public)	(% to GDP)	2.81
Physicians	(per 1,000 population)	0.6
Health expenditure (Public) Health	(% to GDP)	4.8
Health expenditure per capita	($)	27
Conventional contraceptive users	(Mn)	16.5
Overall pill users	(Mn)	8.2
Poverty		
Population below poverty line	(%)	190

Note: Data generally relate to the latest available period, 2006-07

Source: Statistical Outline of India 2006-07, RBI, TSMG Estimates.

Key metros with high per capita income

India has 35 cities with over one million population.

City	Population ('000)	Average Household Income ($)
Mumbai	16,368	6,326
Kolkata	13,217	3,744
Delhi	12,791	9,982
Chennai	6,425	4,797
Bengaluru	5,687	4,102
Hyderabad	5,534	5,534
Ahmedabad	4,519	4,192
Pune	3,755	6,277
Surat	2,811	3,737
Kanpur	2,690	3,092
Jaipur	2,324	3,278
Lucknow	2,267	3,158
Nagpur	2,123	5,142
Patna	1,707	2,540
Indore	1,639	2,891
Vadodara	1,492	3,665
Bhopal	1,455	2,782
Coimbatore	1,446	4,844

City	Population ('000)	Average Household Income ($)
Ludhiana	1,395	7,785
Kochi	1,355	3,965
Vishakhapatnam	1,329	3,687
Agra	1,321	2,328
Varanasi	1,212	3,174
Madurai	1,195	2,448
Meerut	1,167	2,306
Nasik	1,152	3,409
Jabalpur	1,117	2,538
Jamshedpur	1,102	2,510
Asansol	1,090	3,316
Dhanbad	1,064	2,502
Faridabad	1,055	6,938
Allahabad	1,050	2,299
Amritsar	1,011	3,695
Vijayawada	1,011	6,787
Rajkot	1,002	3,982

Source: Census Bureau, NCAER data, TSMG Estimates.

Glossary of Terms

Glossary

Terms and Abbreviations	Meaning
BSE	**Bombay Stock Exchange Ltd.:** is the largest stock exchange in India having over 6,000 listed stocks - www.bseindia.com
CAGR	**Compounded Annual Growth Rate:** is the average annual growth rate calculated over a period (either forecast or historical)
CII	**The Confederation of Indian Industry:** Founded in 1895, CII is an Indian business association, with a direct membership of over 5,300 companies from the private as well as public sectors, including SMEs and MNCs and indirect membership of over 80,000 companies from around 300 national and regional sectoral associations - www.ciionline.org
CMIE	**The Centre for Monitoring Indian Economy:** is an independent economic organisation which specialises in monitoring and researching the Indian economy - www.cmie.com
Economic Survey	A document released annually by the Government of India that provides updated socio-economic information of the Indian Economy
FII	**Foreign Institutional Investments:** Portfolio Investments by Foreign Asset Management Companies, Pension Funds, Mutual Funds etc., which are registered with the SEBI. FIIs can buy and sell listed as well as unlisted securities
FDI	**Foreign Direct Investment:** refers to an investment made to acquire lasting interest in enterprises operating outside of the economy of the investor. According to IMF, a minimum of 10% of equity ownership is required to qualify an investor as a foreign direct investor
FICCI	**Federation of Indian Chambers of Commerce and Industry:** Set up in 1927, it is a business association with over 1,500 corporate members - www.ficci.com
FIPB	**Foreign Investment Promotion Board** is a specially empowered board, chaired by Secretary, Department of Economic Affairs, which acts as the approving authority for foreign investment not falling under the automatic approval route and as a facilitator/ single-window clearance agency for large foreign investment proposals. Please refer to page 114 for details
FY	**Financial Year:** Usually April 1 to March 31; e.g. FY 04 would refer to the period, April 1, 2003 to March 31, 2004. Also referred to as 2003-04
GDP	**Gross Domestic Product** is a measure of the value of economic production of a particular territory in financial capital terms during a specified period
IBEF	**India Brand Equity Foundation** is a public-private partnership between the Ministry of Commerce and Industry, Government of India and the Confederation of Indian Industry. It collects, collates and disseminates comprehensive and current information on the Indian economy and business - www.ibef.org (Please refer page 117 for details)
Investment Commission	Headed by Mr. Ratan Tata, the Commission advises the Government of India on changes in policies and procedures that will enhance domestic investment. Also recommends projects and investment proposals to be mentored and promotes India as an investment destination. Please refer to page 115 for details

Terms and Abbreviations	Meaning
NASDAQ	**National Association of Securities Dealers Automated Quotations** (originally): is the largest US electronic stock market with approximately 3,300 companies listed on it
NCAER	**National Council of Applied Economic Research:** is one of India's premier economic research institutions - www.ncaer.org
NRI	**Non-Resident Indian:** an Indian citizen who stays abroad for employment/carrying on business or vocation outside India, or stays abroad under circumstances indicating an intention for an uncertain duration of stay abroad
NYSE	**The New York Stock Exchange:** is the world's leading equities market with 2,800 world-class companies listed on it with a total global market value of $20 trillion
p.a.	**Per annum:** per year
PPP	**Public Private Partnership**
Private Sector Company	A company (majority) owned, managed and run by private entities or individuals, whether Indian or foreign, and not by the government
Public Sector Company (PSU)	**Public Sector Undertaking:** a company (majority) owned, managed and run by the Government of India
RBI	**Reserve Bank of India:** is the central bank of India which regulates and supervises the Indian financial system apart from regulating foreign exchange and managing monetary policy - www.rbi.org.in
SEBI	**Securities and Exchange Board of India:** is a regulatory body appointed by the Government of India, which supervises the Indian Debt and Equity markets - www.sebi.gov.in
SEZ	**Special Economic Zone:** is a geographical region governed by the SEZ Act, 2005 (please refer to page 114) that is deemed to be foreign territory for the purposes of trade operations, duties and tariffs to enhance foreign investment and promote exports from the country
SME	**Small and Medium Enterprise:** as defined by the Draft SME Bill is a company with an investment of less than Rs. 100 million (US$2.2 million) for a manufacturing unit and Rs. 50 million (US$1.1 million) for services
SSI	**Small-Scale Industry Unit:** is an industrial undertaking with an investment of less than Rs.10 million (US$0.2 million) in plant and machinery and an annual turnover of Rs. 10 million to Rs. 100 million
TSMG	**Tata Strategic Management Group:** is one of the leading management consulting firms in South Asia - www.tsmg.com

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