

Strength and Vitality of the Indian economy

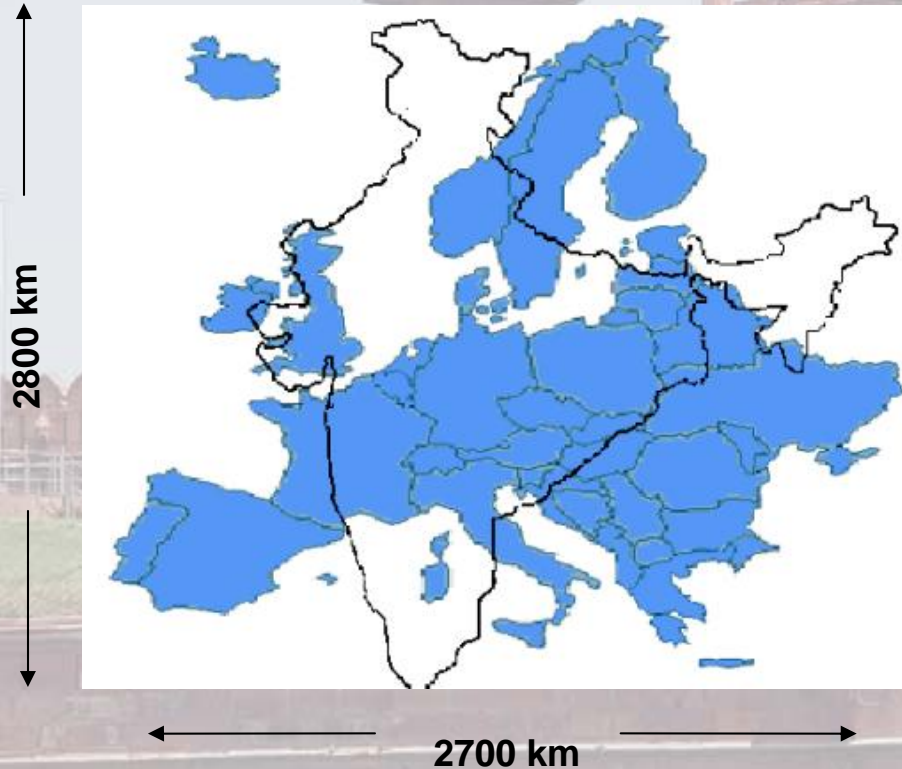


Birth of world's largest democracy - 'A tryst with destiny'

- After two centuries of British rule India gained independence in 1947.
- Nehru's dream of Public sector drove modernization but later became a burden on the state.
- In 1984 the country lost its dynamic leader Indira Gandhi who was assassinated by bodyguards.
- A nuclear weapons state, it carried out tests in the late 1990s in defiance of world opinion.
- In 1992, sectarian violence between Hindus and Muslims extremists threatened to tear the nation apart.



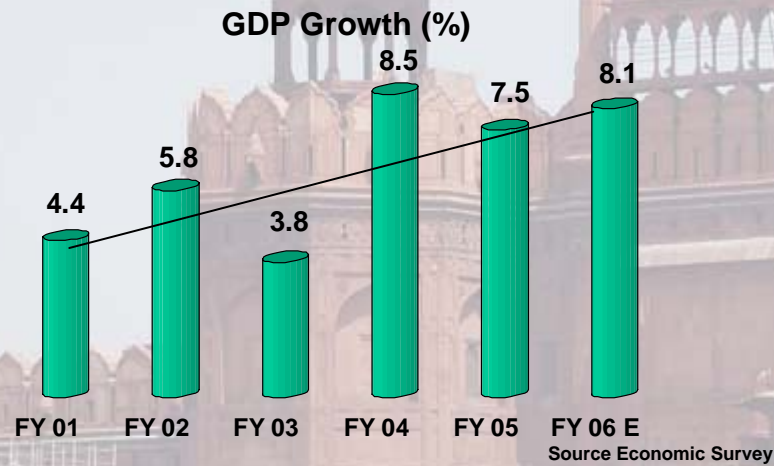
India is a large and diverse country



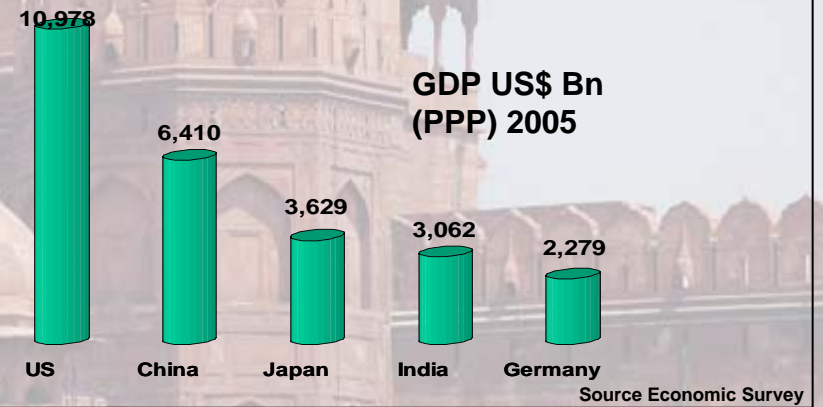
- 2nd Largest Population of 1 Billion people
 - 26 States, 6 Union Territories
 - Area similar to Greater Europe
- Multiple Religions
 - 82% Hindu 12% Muslims 3% Christians & 3% Sikhs
- Languages
 - 17 Major Languages, 70 Dialects
 - Hindi/English are the common languages
- Life Expectancy - 63 years
- 70% of population below 35 yrs of age
- GDP per caps of \$ 600



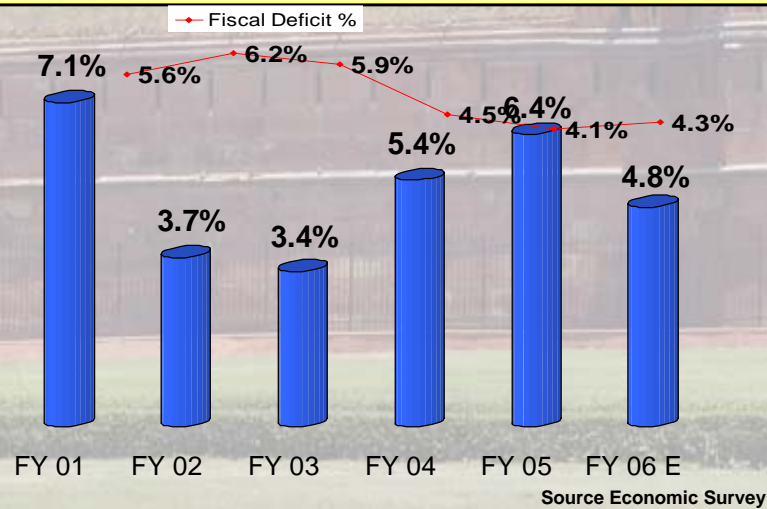
Economy expected to grow at high rates over next 3 years



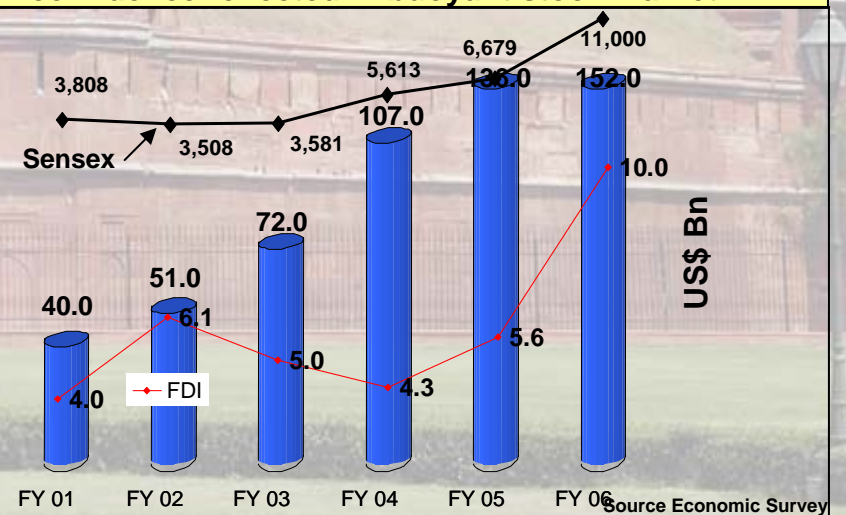
Fourth largest economy in purchasing power parity



Benefits from stable inflation, reducing fiscal deficit



Strong Forex Reserves, FDI and high business confidence reflected in buoyant stock market



The world now recognizes the rise of an Economic Powerhouse

- Far reaching economic reforms in the 80s has encouraged foreign investment.
- IT boom and skilled English speaking workforce makes it attractive to MNCs seeking to outsource work.
- Burgeoning urban middle class with a decent disposable income makes it an attractive market for all Cos.
- With a cutting edge space programme India launches its own satellites.
- It boasts a massive cinema industry, affectionately called Bollywood
- However, the vast majority of the rural population remains illiterate and impoverished.



There are two India in existence which we should recognize...

INDIA 1 : Metro – Mini Metro

Population : 221 MM
Households : 41 MM
Annual HH Income -
Metro's : \$10M +
Mini Metro's : \$4M - \$10M
Per Cap GDP (at PPP) : \$6,000

Metro/Mini Metro's ... as big as some developing economies

India (Metro-Mini Metro) indexed to developing countries		
Country	Population	GDP (at PPP)
Thailand	3.45	2.4
Brazil	1.19	0.8

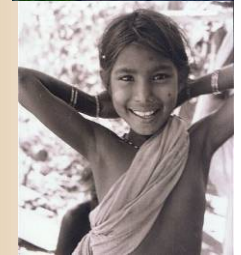
INDIA 2 : Bharat

Population : 810 MM
Households : 150 MM
Annual HH Income :
<\$1.5M - \$4M
Per Cap GDP (at PPP) : \$2,500

Geographically spread Market, Agrarian economy

Villages	600000
Outlet Base	850000
Per Caps (BSD)	5.5
TT	90%

Trickle down effect of infrastructure led investment will fuel rural growth



The differing profiles of the 2 Faces of India will drive the need for Ambidexterity

Our strength of Democracy manifests as freedom of media

- Doordarshan, the public TV service, operates 21 services, 400 m viewers.
- India's cable TV market has more than 60 million subscribers since it was opened up in 1992
- Private radio is a newcomer (2000). Only AIR can broadcasts news
- Internet use has soared, more than 38 million Indians were online by '06.



TV Stations	News Papers	Radio Stations
<ul style="list-style-type: none"> • <u>Doordarshan TV</u> - Public • <u>Zee TV</u> - satellite, cable TV services • <u>STAR TV</u> - operates satellite, cable TV • <u>Sony Entertainment</u> - commercial • <u>Aaj Tak</u> - 24-hour news • <u>New Delhi TV (NDTV)</u> - 24x7 news • <u>Sun Network</u> – comm. multi-channel 	<ul style="list-style-type: none"> • <u>Deccan Herald</u> - Bangalore-based daily • <u>The Hindu</u> - Madras-based daily • <u>The Hindustan Times</u> - N Delhi-based daily • <u>The Pioneer</u> - New Delhi-based daily • <u>The Indian Express</u>- New Delhi-based daily • <u>The Statesman</u> - Calcutta-based daily • <u>The Times of India</u> - Mumbai-based daily • <u>India Today</u> - N Delhi news magazine • <u>Outlook</u> - New Delhi-based news magazine 	<ul style="list-style-type: none"> • <u>All India Radio</u> - public, operates domestic and external networks • <u>Radio Mirchi</u> - commercial network, stations in Mumbai, Delhi and other cities, mainly music, operated by The Times Group • <u>Radio City</u> - commercial, FM stations in Mumbai , owned by News Corporation • <u>Red FM</u> - commercial, operated by India Today Group

The world community is bullish on India's future

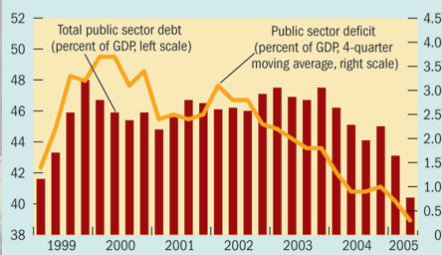
- In 2016, 110-130 m will be searching for jobs, 80-100 m looking for their first jobs.
- India's media and entertainment business to more than double over the next 5 years to US\$22.5 billion by 2011 fueled by rising incomes and a surge in consumerism
- The growth momentum in IT will continue, with an 18 % rise in sales annually over next 5 years
- The economy to grow at 8 % a year through 2020. Growth in trade at 25% a year since 2003.
- Chinese economy will pass United States around 2035, while India will do so in 2045
- India's growing prosperity, will fuel a ravenous demand for resources as per capita quadruples.
- Indians will buy five time more cars and use three times more oil than they now do.
- India has 10 of the 30 fastest- growing cities in the world. 140 million rural dwellers would migrate to the cities by 2020, and 700 million (population equivalent to that of all Europe) by 2050.
- India is liberalizing gradually (stated & stable) versus fast pace of China (efficient but sporadic)



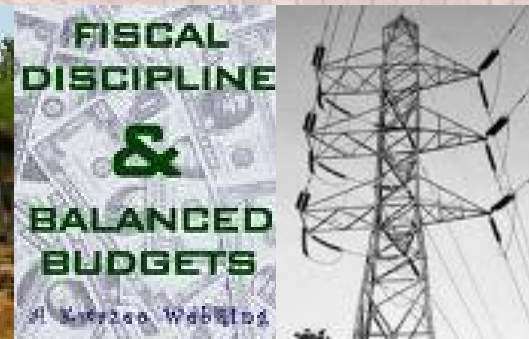
#1 FISCAL DISCIPLINE

- The combined fiscal deficit of the Central and State Government remains unacceptably high.
- Down-sizing of Government, rationalizing and better targeting of subsidies
- Curtailing of wasteful expenditure, putting a ceiling on fresh Government employment
- Implementing Power sector reforms and privatizing the loss making public sectors
- Government cannot afford to dither on privatization policies

Fiscal discipline has greatly lowered the public debt-to-GDP ratio and further reductions are planned.



Year	Central & State Public Expenditure as % of GDP	
	In crore rupees	Interest payments as % of Revenue Receipts
1994-95	44,060	48.3
1995-96	5,00,045	45.4
1996-97	59,478	47.1
1997-98	65,637	49
1998-99	77,882	52.1
1999-00	90,249	49.7
2000-01	99,314	51.6
2001-02	1,07,460	53.3
2002-03	1,15,994 *(RE)	48.96
2003-04	1,23,223 (BE)	48.53



#2 ATTITUDINAL CHANGE

- For government to realize that people in general are not anti-reforms but are pro-growth
- Economic deregulation to be coupled with credible social safety nets (health & Infrastructure)
- 700 million people (younger demographic profile) seek improved quality of life / employment
- Provision of improved infrastructure will be perceived as reforms being consumer-friendly.
- Conversely speaking, electoral penalty for weak economic management and growth is not yet high in the psyche of the average electorate.



Source: Report by NK Singh in Indian Economy, Next 5 years

#3 CONTINUED POLICY OF REFORMS

- A policy of continuous reforms in areas like Banking, Coal, Ports, Company law.
- Banking reform :Reduce Government equity to 33% has yet to secure the support opposition
- An average borrower may be paying 150 basis points higher due to inefficient banking, making economic activity by small and medium entrepreneurs uncompetitive.
- Converting Indian Ports into Port Trusts will help India becoming an efficient trading nation
- Permitting private sector participation will impart competitiveness to the energy sector.

FMCG Sales Growth (%)



BSE Sensex vs FMCG Index



India's buoyancy is reflected in success stories of entrepreneurs



- Murthy borrowed \$250 from his wife Sudha to start the company.
- In '81 started with 12 employees



- On July 2, 1981. Infosys co-founder N S Raghavan's house in Mumbai, was its registered office.



- In tough times and good times 6 founders stuck together
- Infosys founders Nandan Nilekani, S Gopalakrishnan, N R Narayana Murthy, K Dinesh, N S Raghavan and S D Shibulal

Changed India's image from a land of snake charmers to an economic giant to reckon with, bursting with brilliant software engineers and ambitious entrepreneurs !!!

Among many eg. of corporate governance...Infosys sets the bar



Key milestones	
Year of Incorporation :	1981
Became a public limited company in India :	1992
ISO 9001/TickIT Certification :	1993
Attained SEI-CMM Level 4 :	1997
Listed on NASDAQ :	1999
Crossed \$100 million in annual revenues :	1999
Attained SEI-CMM Level 5 :	1999
Crossed \$400 million in revenues :	2001
Crossed \$ half a billion in revenues :	2002
Crossed \$ billion in revenues :	2004
Crossed \$ 2 billion in revenues :	2006

- In 90s Infosys began getting big breakthroughs from the US market.
- Infosys derives about two-thirds of its revenue from the United States
- Serves clients like Reebok, Visa, Boeing, Cisco Systems, Nordstrom and New York Life.
- State of the art HQ in Bangalore

- It was the first Indian company to list on the Nasdaq in 1999.

Group companies:

- Progeon Ltd: The Infosys BPO arm.
- Infosys Technologies (Shanghai) Company Limited.
- Infosys Australia Pty Ltd.
- Infosys Consulting Inc.

Has 53,000 Employees, operates in 50+ countries and a Market Cap of US\$ 22 Billion !

Story of Dhirubhai H Ambani... father of Indian capital markets

- Dhirubhai embarked on his business venture with capital of US\$ 300
- In 1977, when Reliance first went public, the Indian stock market was a place patronized by club of elite investors dabbling in a handful of stocks.
- Undaunted, he managed to convince a large number of first-time retail investors to participate and put their hard-earned money in the Reliance Textile IPO
- It was to be the start of one of great stories of mutual respect and reciprocal gain
- Over the next three and a half decades, he converted this fledgling enterprise into a US\$ 20 B colossus—which earned Reliance place on the global Fortune 500 list
- Through out this amazing journey, Dhirubhai always kept the interests of the ordinary shareholder uppermost in mind, making millionaires out of many of the initial investors in the Reliance, and creating one of the world's largest shareholder families.



Today, Reliance has 2.3 million share holders and growing...

When David took on the Goliath

- In 1969, Mr. Karsanbhai Patel, a chemist with GMDC, with a paltry salary of Rs.400 decided to concoct an inexpensive yet effective detergent.
- Rolled out the first bag of phosphate free Synthetic Detergent Powder.
- Broke all rules in the business world when he locked horns with Unilever
- As word-of-mouth spread about his product, Karsanbhai got more and more customers to whom he affected his deliveries on foot.
- Today, Nirma sells over 800,000 tones of detergent products annually, giving it a 35% share of the Indian market
- Within a short span of three decades, Nirma has completely rewritten the rules of the game. Offering high quality products at unbeatably low prices.



With USD 1 B in sales, NIRMA is acknowledged as a marketing miracle

Indian start-ups which dreamt big and made it happen

WIPRO

- Journey of Vanaspati maker to an IT leader
- **Azim Premji**, the founder started the co. in 1970 and today finds himself in the Forbes Billionaire List
- Wipro works with leading global companies, such as Alcatel, Nokia, Cisco and Nortel
- In 2003 Premji was named by Fortune as one of the 25 most powerful business leaders outside the US and Forbes listed him in top ten people globally.
- Leads Corporate India in Business Ethics
- USD 2 Billion organization with 40,000 employees

ASIAN PAINTS

- In '47 four friends with USD 100 each started a co.
- It was a period of MNCs like ICI and BP and the Asian Paints struggled in Metros so went rural !
- Driven by its strong consumer-focus and innovative spirit, in '68 **Asian Paints** outperformed competition and became the leader...today has > 45% share
- Has World's latest technology for its manufacturing capabilities: Powder coatings and high-tech resins
- Today operates in over 26 countries and ranks among the top ten coatings companies in the world
- From USD 400 to a USD 1Billion company shows the commercial competence of Indian Businessmen

Companies like Wipro and Asian Paints hold the high Moral ground of Business ethics

WIPRO
Applying Thought

Indians who made an impact Globally in the last 10 years

Sabeer Bhatia : Hotmail

- **Sabeer Bhatia** came to USA in '88 as 19 year old with only \$250 in his pocket
- His first job was with Apple Computers. In mid-1995, he began his business plan for a net based personal database called Javasoftware.
- In July 4, 1996 – Hotmail launched because Sabeer thought free email was a great Independent idea and populist tool.
- In 2 1/2 years, he built Hotmail's user base faster than any media company in history. By summer '98, with 25 million active e-mail accounts, the company was signing up new users at the rate of 125,000 a day.
- Microsoft bought Hotmail for 700 Million in 2000

L N Mittal : World's 3rd Richest Man

- Mittal began his career working in the family's steelmaking business. LNM Group formed in 1976.
- Focused on buying sick Steel mills in East Europe and Latin America and turning them around.
- 2006 takeover of Luxemburg-based Arcelor has seen the creation of the world's largest steel entity.
- He was awarded Fortune magazine's 'European Businessman of the Year 2004' and also the 'Steelmaker of the Year' '96
- Mittal, who was born in a village in India with no electricity, bought what is believed to be the world's most expensive house -- a 12-bedroom, \$131 million property in Kensington Palace Gardens in London.

Today the world recognizes the spirit and tenacity of an Indian to play in a global space

Indian companies are globalizing as well...another healthy trend

Tata Steel (post Corus):

- Bid USD12 billion and won control of A/D steelmaker Corus Group
- The deal is the largest Indian takeover of a foreign company
- Will create the world's fifth-largest steel group from 56th place in '05



Birlas (of Hindalco fame):

- In Feb'07, Hindalco announced intention to buy Novelis for \$6 billion



OVERSEAS ACQUISITIONS BY INDIAN COMPANIES

		2002	2003	2004	2005
E	Number of overseas acquisitions	28	49	60	100
	Value of overseas acquisitions				
	Indian rupees billion	9.4	80.4	76.5	106.7
	US dollars million	209	1,789	1,700	2,370

Source: India Advisory Partners

company in the world

- Customers include the top five Passenger Car & top five Commercial Vehicle Manufacturers in the world



Suzlon:

- Suzlon was first in Asia to see the opportunities offered by the global wind energy markets
- In 2005, Suzlon ranked as the fifth leading wind turbine supplier in the world, with over 6% of global market share



Four great reason to visit India...

Experience Incredible India

- A trip in Palace of Wheels will stump you
- Himalayas in North and the 3200 KM of beaches
- Wild life Sanctuaries :80 N P and 441sanctuaries



Ideal place for medical tourism

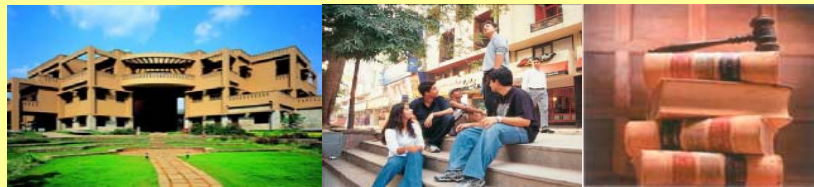
- Tourists are combining holidays with health care.
- Offers first-rate medical care at third-world prices.
- 1,50,000 visitors a year already spend about USD 300M expected to grow to USD 2.2B in 2012



- Visit IndiaMedicalTourism.net

Education Institutions which are world class

- World class Engineering, Medical & Biz. schools
- Young student population shows high D&I
- World famous IITs and IIMs



Global business environment

- Presence of Global players ensures new global launches in the market.
- Strong MNC presence characterized by a well established distribution network
- Good distribution key to achieving high penetration



There are success stories but India has battles to fight as well...

- **China started their family planning policy in 1970, India in 1952**
 - ✓ India has 27 births per 1000 as against 8.8 for China!
- **How will we provide additional 10 million jobs per year?**
 - ✓ The Public Sector and Govt is overstaffed : 18.7 million employees
- **The Govt can only facilitate jobs, cannot provide for the 300 million partly or fully unemployed**
 - ✓ At 10 m jobs /yr it will take us 30 years, at 5 m jobs /yr it will take us 60 years!
- **India's per capita earning is US\$440 per year against US\$990 per year in China**
 - ✓ China has 3% pop below poverty line vs India's 26%! Only better governance will help
- **China attracts 87 million tourists per year against 2.5 million per year to India.**
- **In FDI, China received US\$106 billion vs US\$3.6 billion for India!**
 - ✓ Only better Governance attracts FDI and Tourists. China exports is +700% of India
- **In Education, 99.1% of Chinese attend school for 9 years. In India, literacy is 50 to 60%**
 - ✓ IIT and IIMs are good but real growth comes from primary /secondary / vocational education

With hope and excitement India takes a step forward...

- **Infrastructure** which is being rapidly modernized to meet global challenges
 - ✓ Telecom rates are internationally competitive
 - ✓ Road connectivity is improving dramatically
 - ✓ Turn-around time in Ports are no more a strain on international trade
 - ✓ Power sector is bracing itself for a major reform
- Reforms of the **health and education sectors**
 - ✓ Beneficiaries will have a greater role in the management of primary schools and health centers
 - ✓ Fostering some competition between public and private institutions to broaden consumer choice.
- Deregulation of the Urban and the **Construction sector**
 - ✓ Computerization of Land records, modern tenancy regulations
 - ✓ Easier access to housing finance should free up the latent energy giving incremental 1.5% to GDP

Dec'06 economic roadmap is a 8% growth for next decade...

- By then, the **per capita income** would double with multiplier effects
- Our share in **global exports** would be 540 B US\$, making us a formidable global player
- **Stable macro-fundamentals** makes us less susceptible to exogenous vulnerabilities
 - ✓ Modest inflation, High forex reserves
 - ✓ Rising industrial growth rate, sustained growth of services sector
 - ✓ Self-sufficiency in food grains
- **Large reservoir of skilled manpower** with 700 million Indians in the younger age group
 - ✓ Rest of world due to ageing population and social pressures on the wrong side.
- **Emphasis on Knowledge economy** will move us to a society driven by science / technology / innovation
 - ✓ Harness country's skills in IT, IT Enabled Services, e-medicine, bio-technology
- A **financial sector** which is robust and will continue to impart confidence to foreign investors



Thank You

