



**Interactive Meeting with
Ms Natasha Seijas, Commissioner,
Miami-Dade County, Florida, USA
& the accompanying delegation**

**Presentation by Mr Anjan Roy,
Advisor, Economic Affairs & Research, FICCI**

October 5, 2007

ABOUT FICCI

ORIGINS

Born of the freedom struggle in 1927 with the patronage of the Father of the Nation.

Largest apex organisation of the Indian business and industry

Leading the way for economic freedom.

TODAY

Huge membership, wide reach

Rallying point for free enterprise in India

Espouses the shared vision of Indian business with nation wide membership

Proactive business solutions provider through research, interaction at the political & bureaucratic level & global networking



FICCI

FICCI MEMBERSHIP

- **500 Primary Members- Regional Chambers & Industry Associations**
- **2000 Associate Members**
- **50 Corporate Members**
- **Direct & Indirect representation of 2,50,000 companies employing 20 million people**

International Division

- 74 JBCs /institutional arrangements
- Multilateral networking (CACCI, SAARC, SABF, G-15 FCCIS, NAM, ASEAN, etc.)
- Parliamentary Fora with US, Germany and UK .
- Overseas Offices: UK, US, China, Singapore, Malaysia, Kazakhstan, Thailand

National Policy Division***Select List of Expert Committees***

- Agriculture
- Aviation
- Banking
- Biotechnology
- Chemicals
- Defence
- Entertainment
- Food Processing
- Infrastructure
- Insurance
- IT
- Pharmaceuticals
- Power and Energy
- Retail
- Telecom
- Textiles
- Tourism

Allied bodies in FICCI

- ♦ICA
- ♦AIOE
- ♦AISC
- ♦CIFTI
- ♦FLO
- ♦ICC

FICCI INITIATIVES IN THE USA

<p>INITIATIVES WITH US GOVERNMENT</p> <p>FICCI is one of the key interface point with Department of Commerce, State Department and in the US embassy in India vis-à-vis US India economic relations.</p>	<p>FICCI INTERNATIONAL BUSINESS FORUM</p> <p>Provides a single point contact for potential investors to serve their business interests, meet their requirements , to provide information on policy environment and entry strategy</p>	<p>INDIAN AMERICANS</p> <p>Working with the Indian Diaspora strengthening India's cause in the US</p>	<p>US BUSINESS AND INDUSTRY ORGANISATIONS</p> <p>Delegation, Seminars , workshops & Projects in partnership with leading US Business organisations</p>
<p>COMMERCIAL DIALOGUE</p> <p>FICCI works closely with the Ministry of Commerce , Government of India to evolve the Agenda and the Modus operandi for the dialogue in partnership with the USIBC, and the Department of Commerce USG, on the other side</p>	<p>FICCI INITIATIVES IN USA</p>		<p>US INDIA BUSINESS COUNCIL</p> <p>A partnership for 30 years. FICCI to work on Knowledge Trade Initiative, Entertainment Sector, Chemicals, Special Economic Zones and Hydro Power Sector.</p>
<p>ECONOMIC DIALOGUE</p> <p>FICCI is to provide private sector input to the dialogues on Knowledge driven and Infrastructure sectors</p>	<p>Think Tanks</p> <p>Working with :</p> <ul style="list-style-type: none"> • The Heritage Foundation • Council on foreign Relations • The American Enterprise Institute 	<p>LAUNCH OF IUPF</p> <p>FICCI Supported the launch of the Indo-US Parliamentary Forum, major initiative to further politico-economic cooperation between India and US. The platform has more than 100 MPs today.</p>	<p>US OFFICE</p> <p>FICCI has a office in downtown Washington DC, 1050 17th Street, servicing business interests and furthering better relations.</p>

FICCI

**India –
The place to do business**

In this presentation....

1. **Indian economy – Touching new highs**
 - Strong macroeconomic fundamentals
 - Calibrated globalization
 - Striking future projections
2. **India as an investment destination – Our competitive edge**
 - Unmatched demography
 - Expanding domestic market
 - Large intellectual capital base
 - Cost competitiveness
3. **Sectors to look out for**
4. **Challenges for India**

Indian economy – Touching new highs

Strong macroeconomic fundamentals

Growth

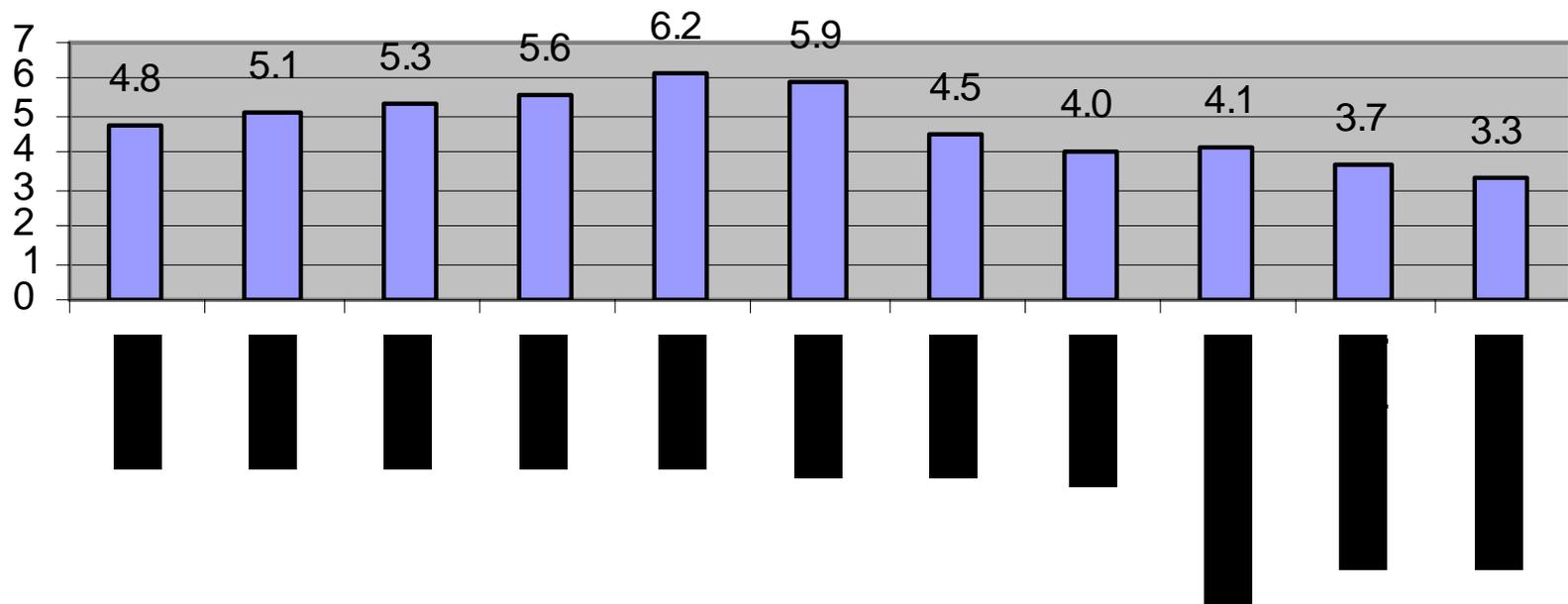
- **Average annual growth rate***
 - In the 50s, 60s and 70s – 3.5%
 - In the 80s – 5.7%
 - During 1990-2005 – 6.0%
 - During the last three years – 8.7%
 - During the last two years – 9.3%
 - **During Q1 2007-08 – 9.3%**
- **India is now targeting a growth of 10% over the next few years**

*Source – Reserve Bank of India

Strong macroeconomic fundamentals

Fiscal deficit

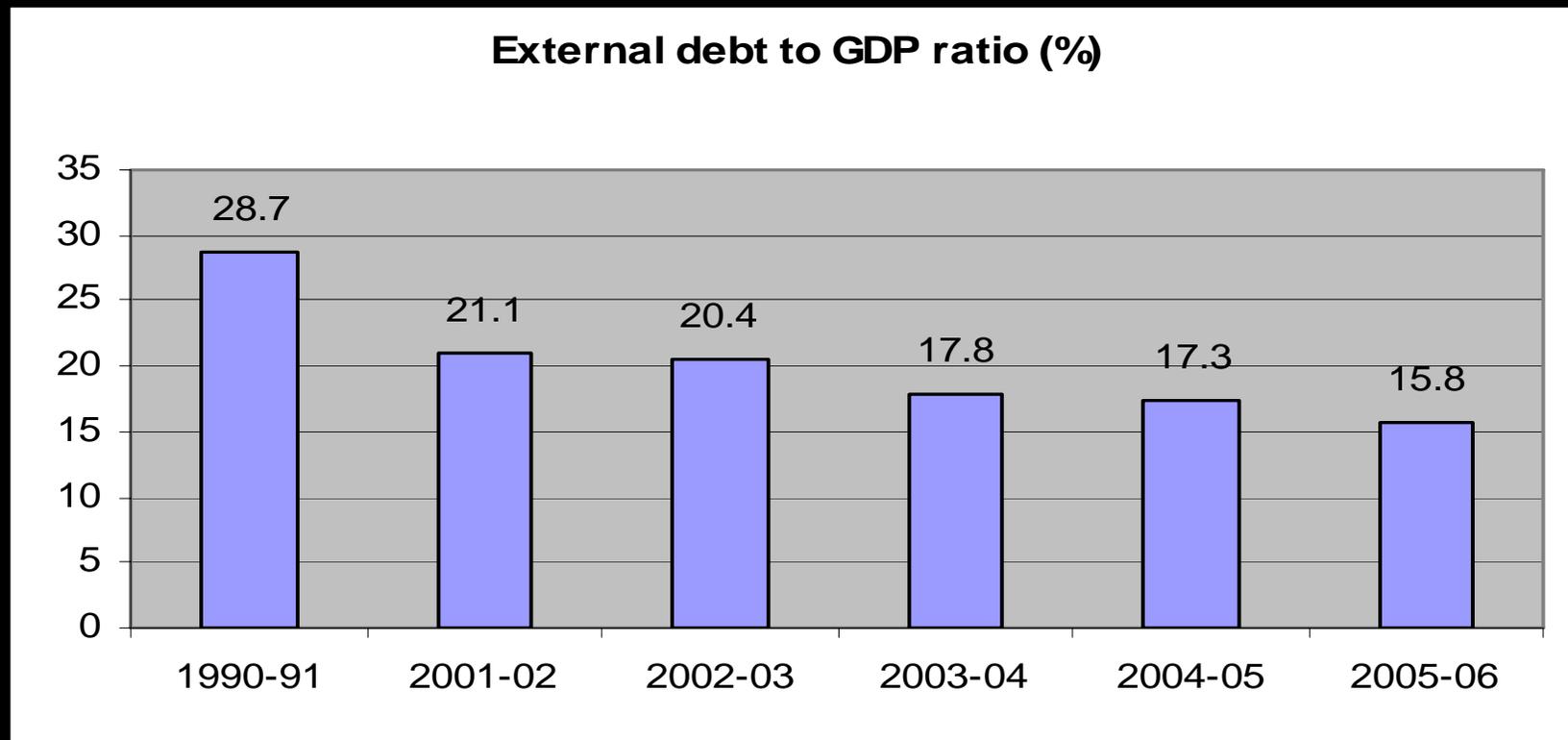
India's Gross Fiscal Deficit to GDP ratio (%)



Source – Reserve Bank of India

Strong macroeconomic fundamentals

External debt

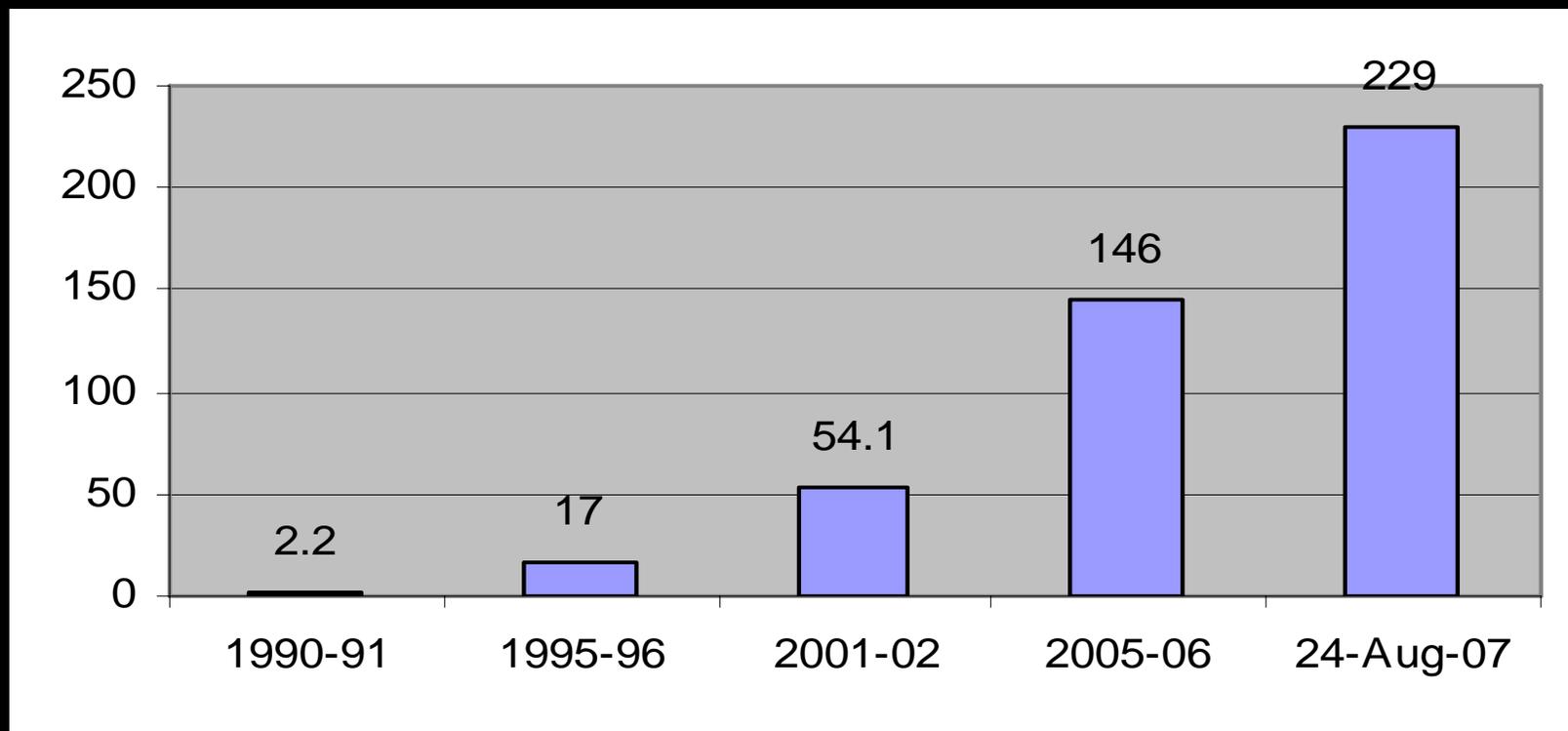


Source – Reserve Bank of India

Strong macroeconomic fundamentals

Forex reserves

(All figures are in US\$ billion)



Source – Reserve Bank of India

Strong macroeconomic fundamentals

Inflation

(All figures are in %)



WPI touched 3.94% for the week ending August 18, 2007

Source – Reserve Bank of India

Composition of GDP

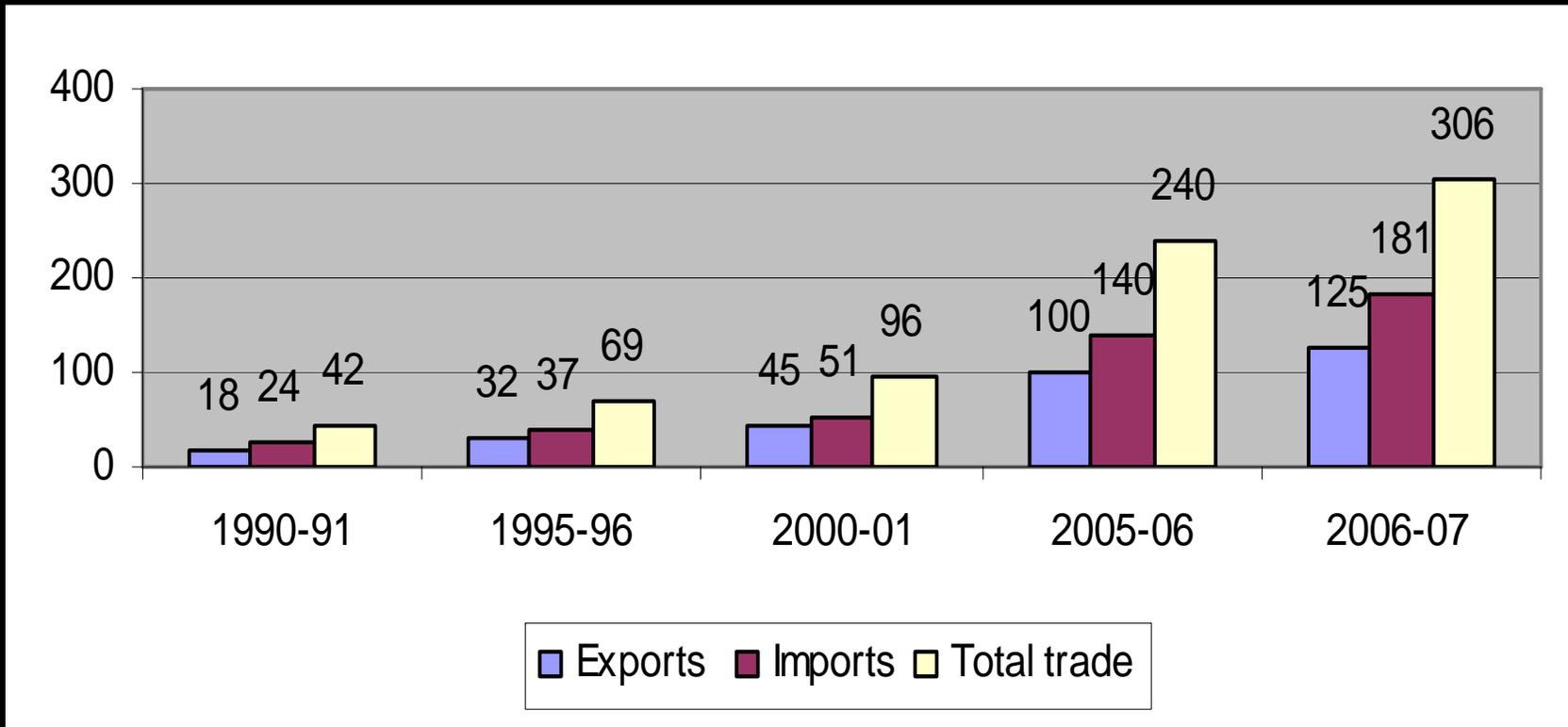
(All figures are in %)

	1990-91	1995-96	2000-01	2006-07
Agriculture	32	28	24	18
Industry	27	28	26	27
Services	41	44	49	55

Source – Reserve Bank of India

External trade

(All figures are in US\$ billion)



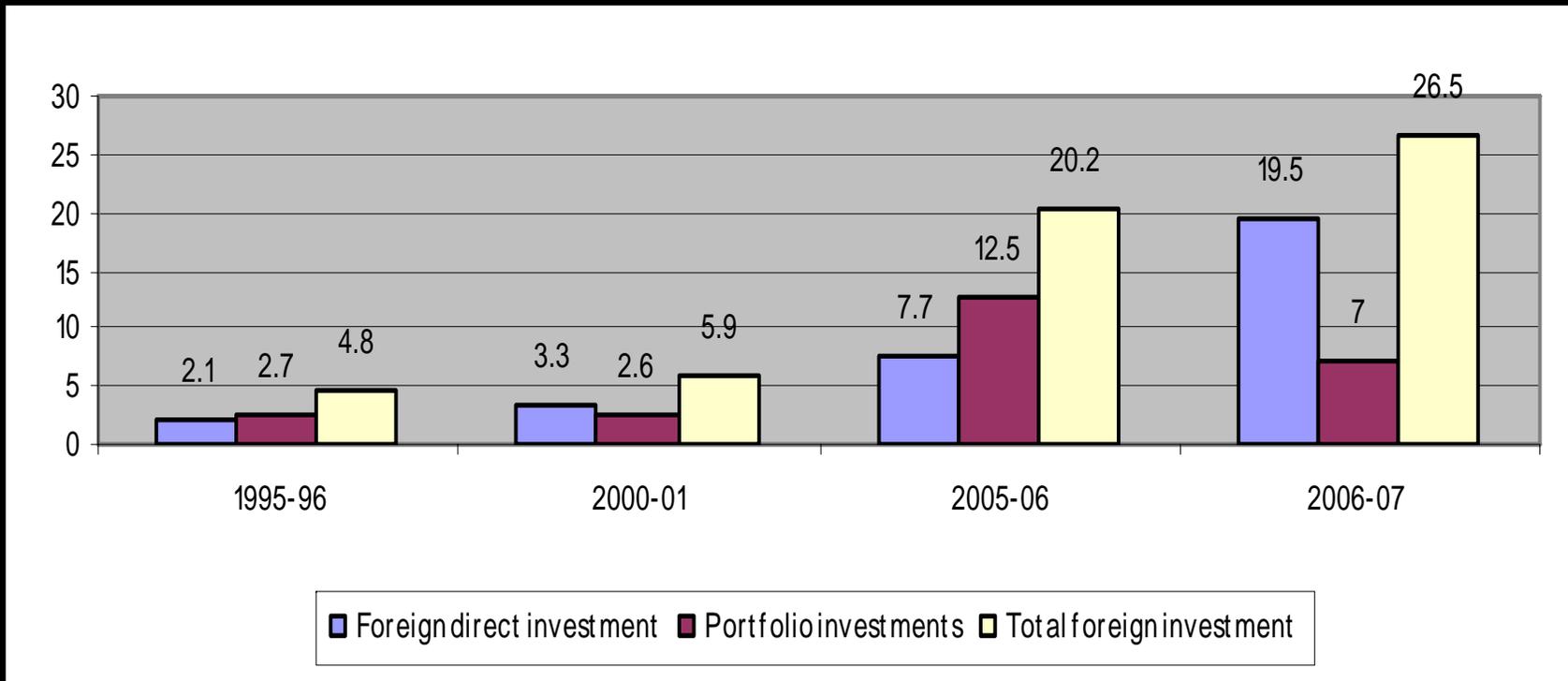
Exports during April – June 2007-08 – US\$ 34.3 billion (YoY growth of 18.1%)

Imports during April – June 2007-08 – US\$ 54.9 billion (YoY growth of 34.3%)

Source – DGCI&S

Foreign investments

(All figures are in US\$ billion)



FDI in 2007 – 08 (Apr-May) totaled US\$ 3.6 million

Portfolio investments in 2007 – 08 (Apr-May) totaled US\$ 3.8 million

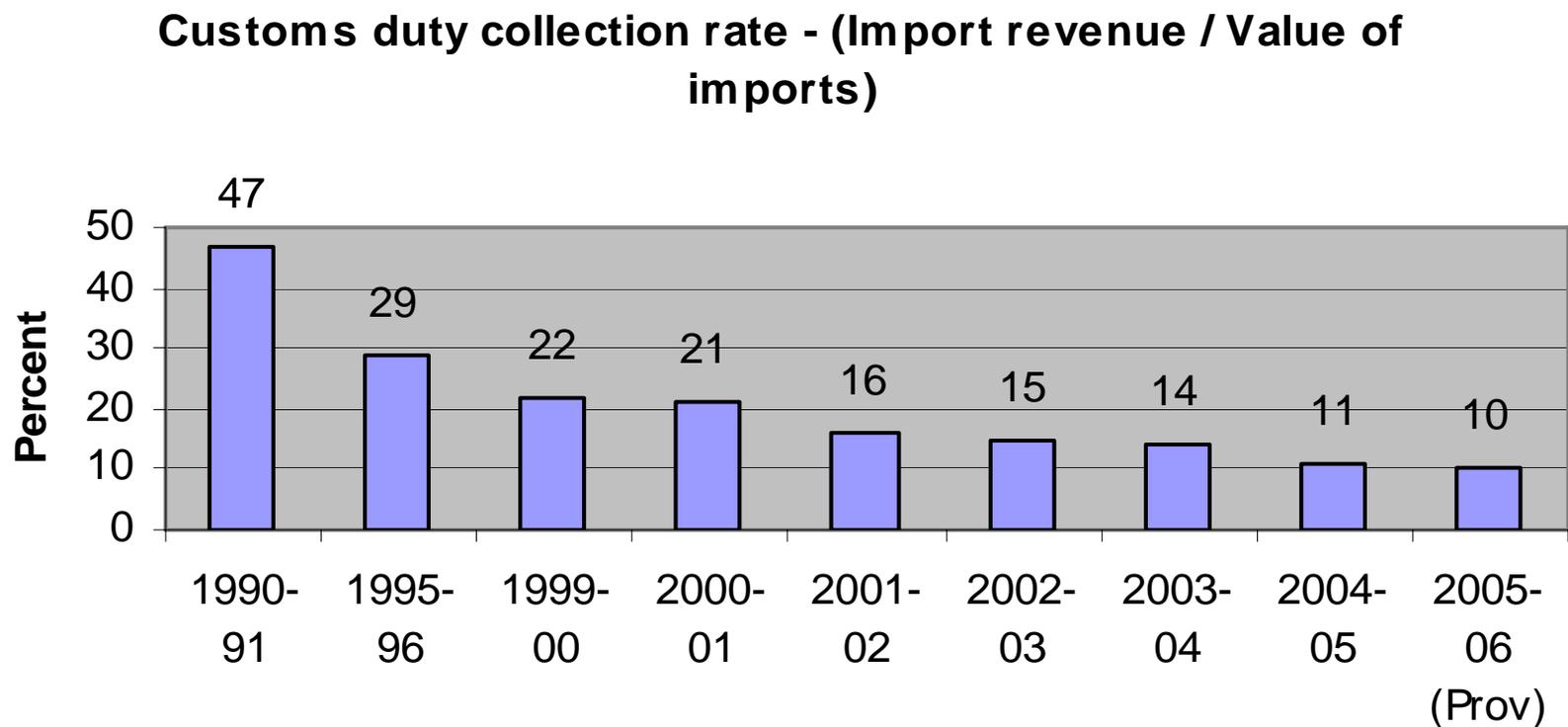
Source – Reserve Bank of India

Calibrated globalization

- **Reduction in import tariffs**
- **Liberalization of FDI regime**
- **Fully convertible current account**
- **Moving towards fuller capital account convertibility**
- **Complying with WTO norms to plug into the global economy**

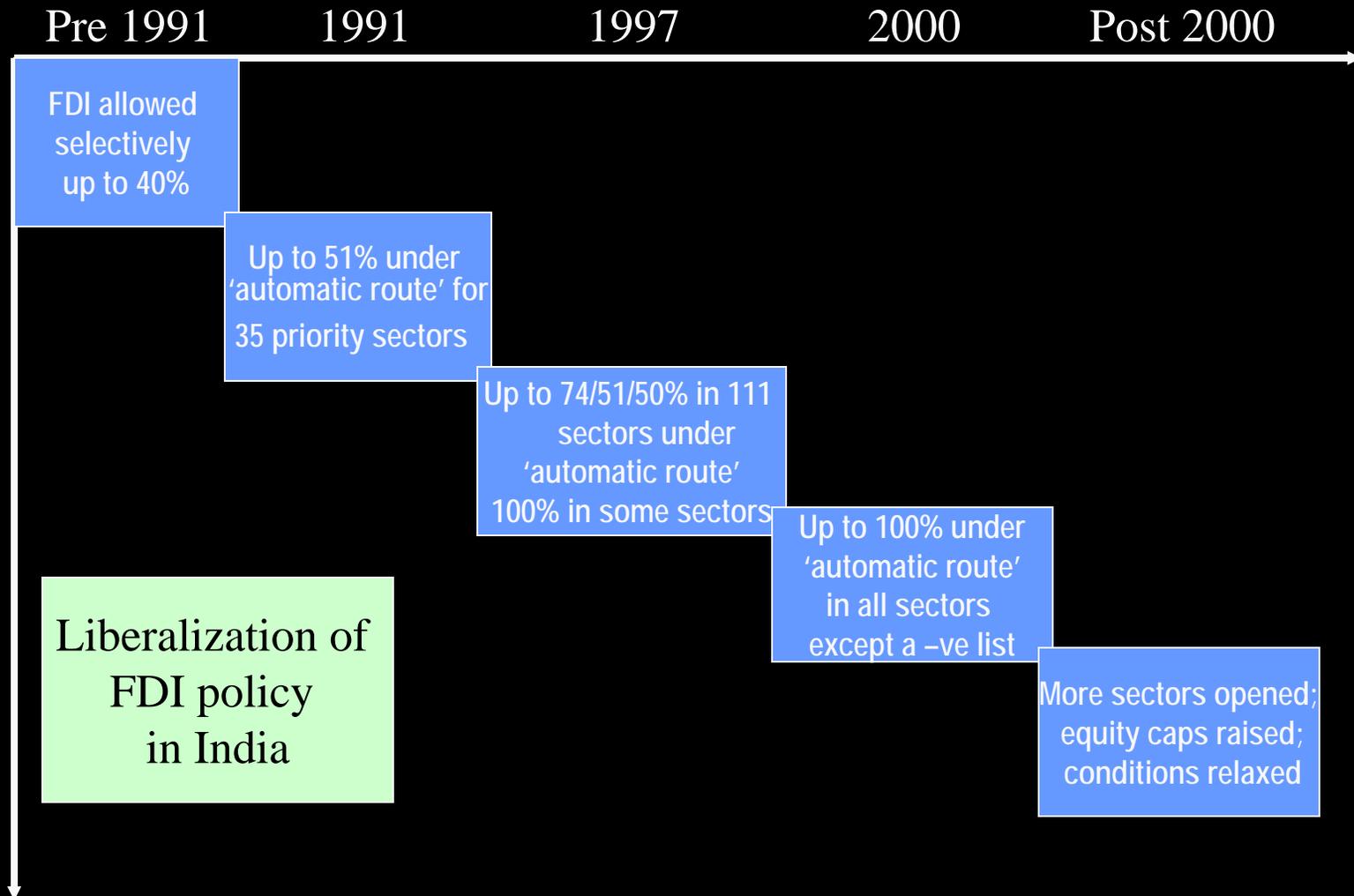
Calibrated globalization

- Reduction in collection rates



Source – Economic Survey 2006-07

Calibrated globalization



Calibrated globalization

- India's global integration is greater than that of US and Japan

	Share of goods trade in GDP (%)		Share of services trade in GDP (%)		Share of trade in goods & services in GDP (%)	
	1991	2005	1991	2005	1991	2005
India	11.7	28.5	3.3	8.2	15.0	36.7
USA	15.5	21.2	4.1	5.6	19.7	26.8
Japan	15.8	24.5	3.7	5.4	19.5	29.9
China	33.4	63.6	2.7	7.1	36.1	70.7
Germany	44.6	62.4	7.8	12.8	52.4	75.2

Source – World Development Indicators 2007

Striking future projections

What **Goldman Sachs** says -

- India's GDP growth to remain higher than 8% until 2020
- India to become the world's 2nd largest economy by 2050

What **McKinsey&Company** says –

- India to become 5th largest consumer market by 2025
- India's aggregate consumption to quadruple in next 20 years

**India as an investment
destination –
Our competitive edge**

Investment outlook

- **Several studies have highlighted the growing attractiveness of India as an investment destination**
- ✓ **Most preferred global services location – AT
Kearney Global Services Location Index, 2005**
- ✓ **Third most attractive investment destination – AT
Kearney Business Confidence Index, 2004**
- ✓ **Among the top 3 investment ‘hot spots’ for the next four years – UNCTAD Corporate Location Survey, 2004**
- ✓ **Most preferred off-shoring destination – AT
Kearney Offshore Location Attractiveness Index, 2004**

Unmatched demography

- Over 1 billion population – 52% below the age of 25
- Median age of India's population would remain 30 even as late as in 2025
- India's workforce (15-59 age group) would go up by around 324 million by 2050
- Today's youth would drive tomorrow's boom

Unmatched demography

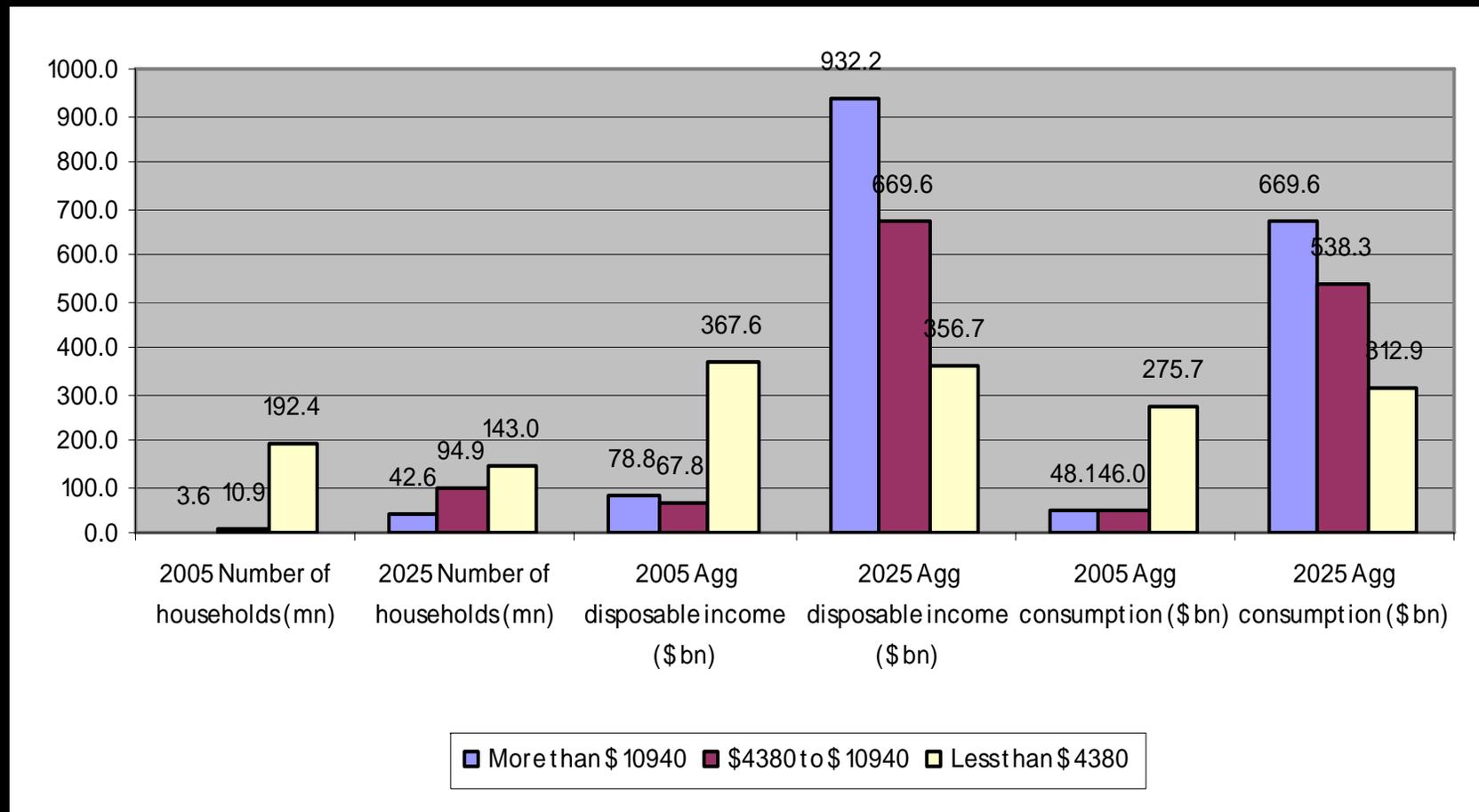
Growth in global working-age population (15-59) in millions

	Size of 15-59 age group in 2007 (in million)	Size of 15-59 age group in 2050 (in million)	Growth of 15-59 age group (in million)
India	696	1020	324
United States	191	225	34
Japan	76	45	-31
Germany	50	36	-14
United Kingdom	36	36	0
France	37	35	-2
China	895	755	-140

Source – United Nations

Expanding domestic market

Distribution of households by annual income – 2005 and 2025



Source – McKinsey Global Institute

Untapped market potential

Figures for 2005	Penetration rate (per 1000 people)		Market size (Annual sales in Mn)	
	India	China	India	China
Passenger cars	10	14	1.1	3.2
Motorcycles	39	59	5.8	10.5
Internet subscribers	6	85	1.1	17
Televisions	104	416	12	87

While the absolute size of the market is large, penetration rates are still low – untapped potential

Source – Morgan Stanley

Untapped market potential

Penetration rates for non-durable products

Figures for 2004	Unit	India	China
Skin care	US\$ spending per person	0.3	2.3
Detergents	US\$ spending per person	1.4	3.4
Shampoo	US\$ spending per person	0.3	0.2
Toothpaste	US\$ spending per person	0.4	0.5
Soft drinks	Litres per person	1.3	4.3
Bottled water	Litres per person	1.2	7.5

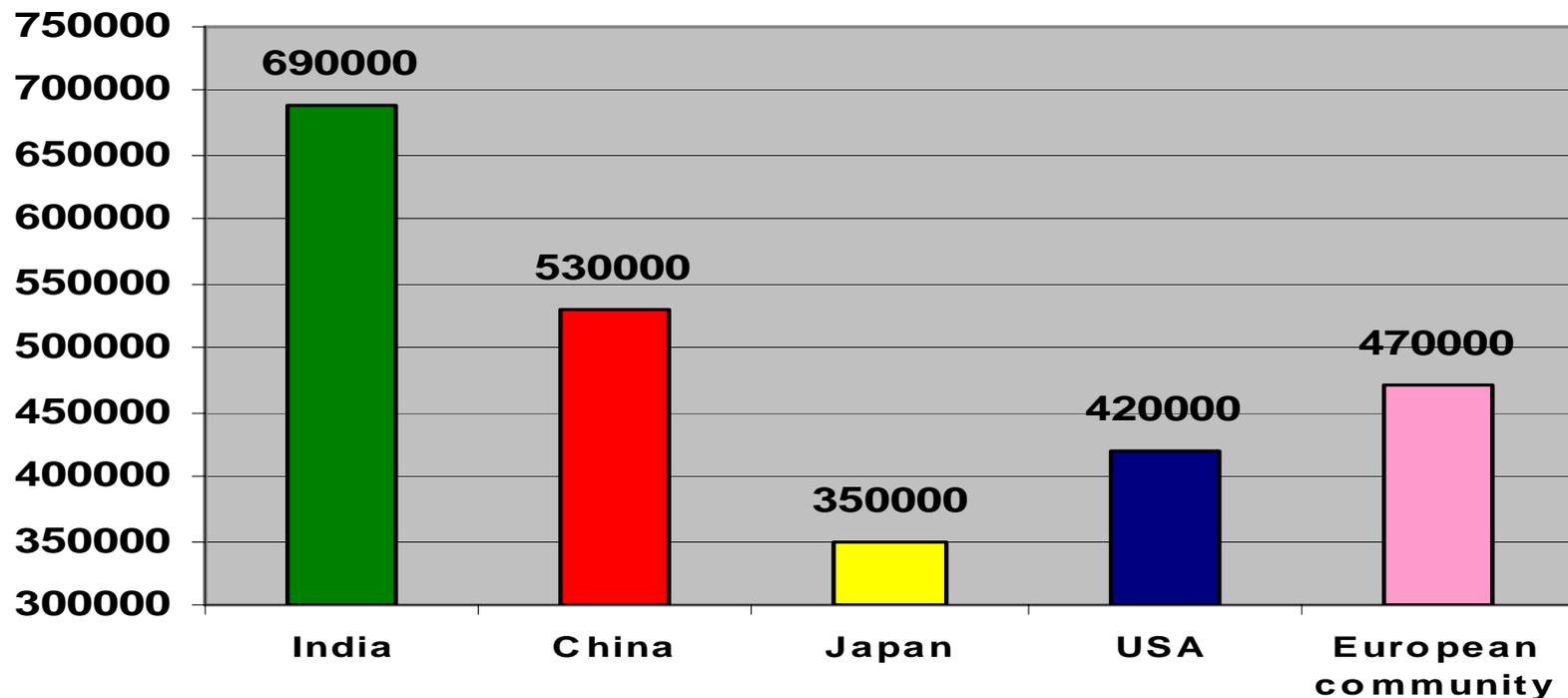
Source – Morgan Stanley

Large intellectual capital base

- Over 380 universities (11200 colleges)
- 1500 research institutions
- Over 3 million scientific and technical manpower
- Stock of over 0.8 million post graduates in science
- Over 1 million graduate engineers
- 0.4 million doctors
- Today India turns out more than 50,000 computer professionals and 360,000 engineering graduates each year

Large intellectual capital base

Annual additions to the stock of science and engineering graduates



Source – Morgan Stanley

India - An emerging hub for knowledge based industries

- India is set to attain leadership position in sectors like pharma, chemicals, biotechnology, avionics, nanotechnology, material sciences
- Over 100 MNCs have set up their R&D centers in India



Cost competitiveness

Average annual pay for various jobs in India and China (US\$)

Position	India	China
HR manager	15,100	32,000
Marketing manager	14,300	25,800
Project manager	10,000	23,400
Software developer	10,300	13,400
Financial analyst	8,400	13,200
Accountant	5,700	9,000
Sales representative	4,700	5,100
Production worker	1,900	2,300

Source – FICCI Compilation

Sectors to look out for

1. Infrastructure
2. Real estate
3. Retail
4. IT and ITeS
5. Pharmaceuticals
6. Biotechnology
7. Entertainment
8. Auto and auto ancillary

Infrastructure

- Investments in infrastructure projected at US\$ 350 billion over 5 years

Sector	Amount (US\$ billion)	% share
Energy	120	34
Railways	67	19
Nat. Highways	49	14
Irrigation	18	5
Airports	9	3
Ports	11	3
Other sectors*	76	22
Total	350	100

*Telecom, tourism, SEZs & townships, supporting urban infrastructure, water & sanitation, State & rural roads, logistics, etc.

Source – Feedback Ventures

Real estate

Highlights

- Partial relaxation of FDI regulations in Feb 2005
- Real estate investment market growing rapidly
- Rising cross border real estate investment
 - Already here: Tishman Speyer, Ascendas, IREO, Lee Kim Tah Holdings, Salim Group, Emaar Group, Keppel Land, Even Lee & Co Pte Ltd., Universal Success Enterprise, Capitaland, Morgan Stanley Real Estate Fund
- India has seen significant improvements in real estate transparency over past 3 years (Global Real Estate Transparency Index, 2006)
- Rise in sophisticated real estate capital markets
 - New investment products and options emerging
 - Tax-efficient Real Estate Investment Trusts (REITS) likely by 2008

Real estate Opportunities

Special
Economic Zones

Tax concessions and one-stop development approval mechanisms

Suburban
Offices

Rapidly expanding state-of-the art campus developments
Occupier demand to be supported by 30%+ growth in IT/ITES sectors
Emergence of sale and leaseback opportunities

Residential
Complexes

Urbanization, rising incomes and easier access to finance
Average age of homeowners reduced from 45 to 32 within a decade
Acute shortage of housing, with a shortfall in urban areas of over 20 million units

Retail

Huge largely untapped potential for high quality shopping mall development
51% FDI in "single brands" retail outlets allowed since 2006

Retail

Highlights

- Organized retail at a nascent stage
- Retail is amongst the fastest growing sectors in the country



- India's 'rich' population (about 6 million) shops worth US\$ 28.36 billion per year

Source – Ernst & Young

Retail

Opportunities

- Entry of foreign retailers possible through 3 channels:
 - Franchisee agreements
 - Cash & Carry wholesale trading (FDI up to 100% allowed under automatic route)
 - Strategic licensing agreements
- FDI up to 51% allowed with prior Government approval for 'Single Brand' products with objective of attracting investment, technology and global best practices

Information Technology and ITeS Highlights

- CAGR of over 28% since 1999-00
- GDP share of 5.4% in 2006-07, up from 1.9% in 1999-00
- Nearly 1.6 million-strong workforce to be employed in FY 2007
- Expected to exceed US\$ 47.8 bn in annual revenue in FY 2006-07
- Exports in FY07 expected to be US\$ 31.3 bn with a growth of 32% over FY 2006
- Domestic market expected to cross US\$ 16.5 billion in FY 07, (growth of 21% over FY06)

IT-ITeS exports projected to reach US\$ 60 billion by 2010

Information Technology and ITeS

Opportunities

- Software product development
- Embedded software
- Offshore product development / R&D outsourcing
- IT application solutions
- Business Process Outsourcing
- Knowledge Process Outsourcing

Pharmaceuticals

Highlights

- Size of the industry – US\$ 8 billion; to touch US\$ 20 billion by 2015
- Retail sales account for US\$ 5 billion and exports for US\$ 2.5 billion*
- Industry accounts for 8% of global market (volume terms) and 1.5% (value terms)
- Exports to over 200 countries
- Strong branded generics market

Pharmaceuticals

Opportunities

- Large potential domestic market
 - Current size of US\$ 8.0 billion and set to increase to US\$ 25 billion by 2010
 - Per capita spending on pharma among lowest in world: US\$ 3; Japan (412), Germany (222), USA (191)
- Leveraging India's advantages in global markets
 - Low cost sourcing base with skill and scalability
 - Strong research capabilities

Opportunities in collaborative research, custom synthesis, drug development, in-licensing, clinical trials support, API supply, contract manufacturing

Biotechnology

Highlights

- Indian biotech industry grew at about 35% during 2006 against global average of 18%
- Sustained growth rate of over 35% since last 3 years
- Government allocated US\$ 550 million to fund biotech research during 2002-07
- No. of biotech firms have increased exponentially, more than 280 biotech companies

Biotechnology

Opportunities

- Developing biotech based therapeutic products costs \$250 million or lower in India while \$500 million to \$1 billion in other countries
- Large base of low cost, skilled technical personnel
- Investment opportunities estimated at \$1.5 - \$2 billion
- Indian biotech industry expected to touch US\$ 5 billion mark by 2010*

*Source – Frost & Sullivan

Entertainment and media

Highlights

- Currently US\$ 9.5 billion industry
- Poised to grow at CAGR of 18%
- Expected to cross US\$ 21 billion by 2011

	Current size (US\$ Mn)	Projected size by 2011 (US\$ Mn)	CAGR
Television	4179	11357	22
Filmed entertainment	1860	3829	16
Print media	2801	5077	13
Radio	109	372	28
Music	158	190	4
Live entertainment	197	416	16
Out-of-home advertising	219	470	17
Internet advertising	35	208	43

Source – FICCI-PricewaterhouseCoopers report

Entertainment and media

Opportunities

Advertising	FDI permitted up to 100% (automatic route)
Films	FDI in all film-related activities such as financing, production, distribution, exhibition, marketing etc. permitted up to 100% for all companies under the automatic route
TV Software	100 % FDI subject to broadcasting laws and government approval
Cable Networks	Up to 49% (FDI and Portfolio Investment)
Direct-to-home	Max 49% foreign equity (FDI/NRI/FII). FDI component not to exceed 20% within foreign equity
FM Radio	Max 20% of the paid up equity in the entity holding a permission for a radio channel subject to the conditions
Print FDI	Up to 100% in publishing/ printing scientific & technical magazines, periodicals and journals FDI up to 26% in news & current affairs subject to conditions

Source – PricewaterhouseCoopers

Automobiles and auto ancillary

Highlights

- Largest 3 wheeler manufacturer
- 2nd largest 2 wheeler manufacturer
- 3rd largest car market in Asia
- 5th largest commercial vehicle manufacturer
- Most major auto companies present – Daimler Chrysler, Suzuki, Ford, Fiat, etc.
- India exports automobiles to critical markets

Automobiles and auto ancillary

Opportunities

- Auto ancillary output projected to go up from US\$ 10 billion in 2005-06 to US\$ 40 billion by 2015
- Auto ancillary exports crossed US\$ 1 billion in 2003-04 and projected to touch US\$ 25 billion by 2015
- With design, engineering and components manufacturing facilities India can be an important R&D hub

FICCI's FDI Survey findings in 2006 indicate

- ✦ Nearly 70% of the foreign companies are **making profits** in their Indian operations. A further 4% are breaking even. Nearly 90% are able to meet or surpass their profitability targets
- ✦ 83% of the foreign companies have **plans for expansion** of their Indian operations
- ✦ 86% of the foreign companies **rated India 'positive' as an investment destination**
- ✦ An impressive 87% of the foreign companies perceive opportunities for further FDI in their own industry

Challenges for India

Challenges for India

- **Sustaining high GDP growth rate –**
Bridging the sectoral inequalities
We need to push manufacturing growth to 15% and agriculture sector growth to 4% to 5%
- **Balanced regional development –**
Spreading growth to Central and Eastern India
- **Making growth equitable and inclusive –**
Accelerating the pace of employment generation
Improving access to healthcare and education

FICCI

To bring it all together

To bring it all together

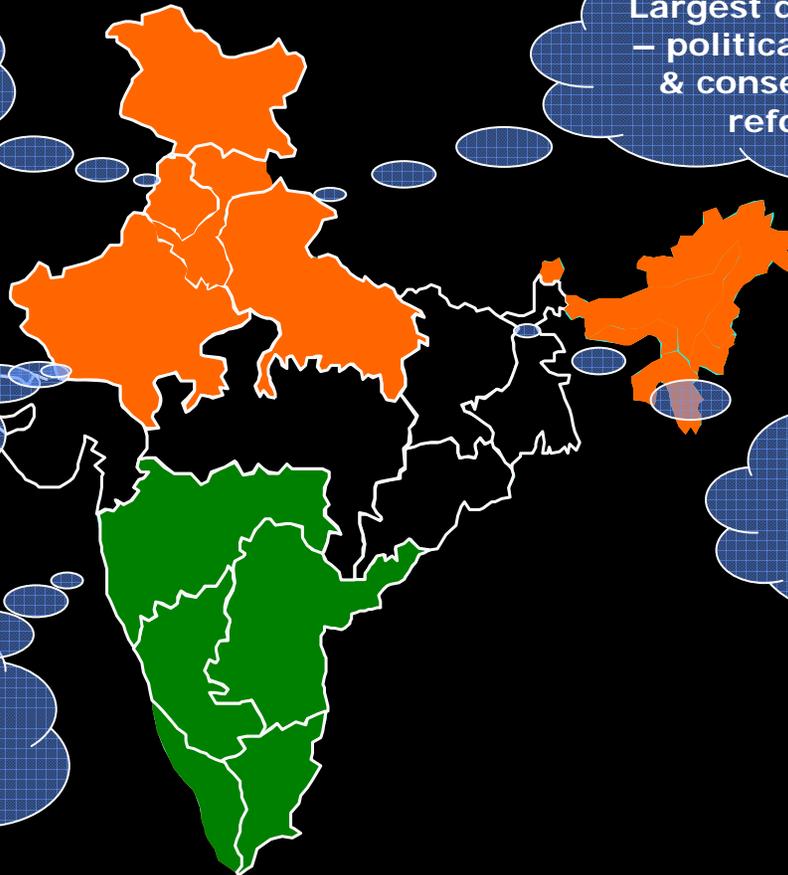
Fourth largest
Economy (PPP)
- A safe place
to do business

Largest democracy
- political stability
& consensus on
reforms

Largest reservoir
of skilled/semi-
skilled manpower

Liberal &
transparent
investment
policies

Long-term
sustainable
Competitive
advantage
- High growth rate
economy



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Thank you