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 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 India's natural strengths, the country offers investment opportunities in excess of $500 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!

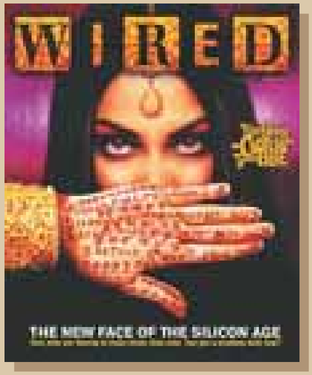
India is among the three most attractive FDI destinations in the world.

- A T Kearney,
FDI Confidence Index 2005

India has among the highest returns on foreign investment.

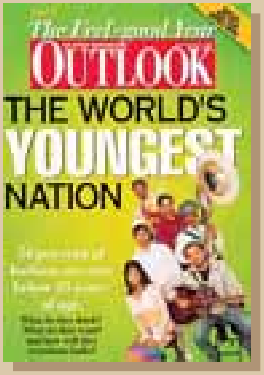
INDIA	19.3%
CHINA	14.7%
THAILAND	13.0%

- US Department of Commerce



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 is a developed country as far as intellectual capital is concerned.

- Jack Welch, *General Electric*

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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01 Destination India

02 Opportunities

03 Policies and laws

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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.

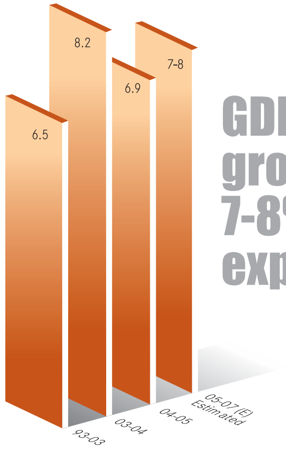
India - a fast growing free market democracy

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 6.5% over the past decade. Going forward, the country is targeting an annual GDP growth rate of 7-8%.

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.

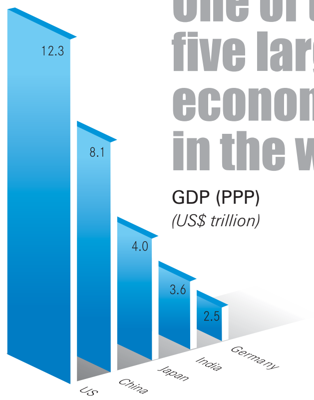


GDP growth of 7-8% p.a. expected

Source: Central Statistical Organisation

One of the five largest economies in the world

GDP (PPP)
(US$ trillion)



Source: World Bank

Destination India

Large and growing domestic market

300-million-strong consuming class and growing at 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

low, stable inflation rate and increasing savings rate

Steady economic reform regime

over one decade 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 380 million Indians (72 million households) have an annual household income of over $10,000 (in PPP terms). This is expected to increase to 550 million by 2010. 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 almost 12% p.a.

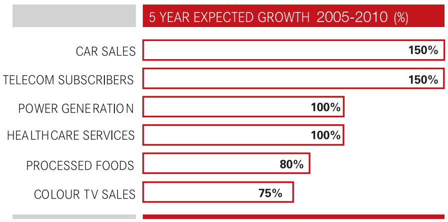
The market for basic goods such as groceries and textiles is already large, driven by the demands of an enormous population. Markets for other products are equally large and growing rapidly.

- Over 100 million telephone subscribers, growing at over 25 million p.a.
- Over 8 million TV sets and 4 million refrigerators are sold annually with a growth of over 20% p.a.
- Total production of vehicles is likely to exceed 10 million in 2005-06, up from 8.6 million in 2004-05. In 1998-99, this was only 4.2 million.

India has been ranked 2nd 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

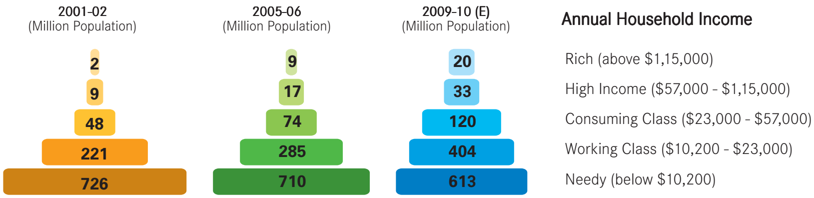


Source: Industry estimates, TSMG

By 2009-10, over 500 million Indians are expected to have a household income of over $ 10,000* per annum

*in PPP terms

DEMOGRAPHIC TRANSFORMATION OF INDIA



Note: Average household size is 5.38; All values in PPP terms at 2001-02 prices

Source: NCAER

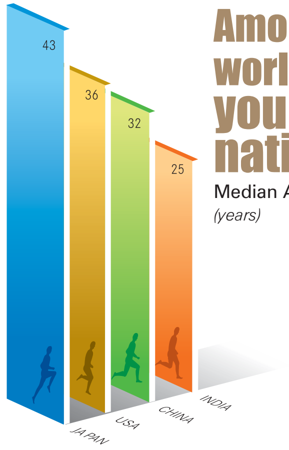
Versatile, skilled human capital

An unparalleled resource of 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 population by 2030 - the largest in the world. By then, the country is expected to have an additional 200 million people entering the job market.

English is the language of business in India and the large English speaking workforce is a benefit to investors and employers. In fact, more Indians know English than the population of the USA. India's diverse cultural heritage puts Indians 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.



Among the world's youngest nations

Median Age

(years)

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

Low labour costs

Labour cost

($ per annum)

Source: http://siakhenn.tripod.com

* 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.

With the largest area of arable land in the world, India is 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 of an estimated 150,000 MW.

Manganese	Chromium	Coal	Bauxite	Iron Ore
2nd largest reserves (160 Mn T)	3rd largest reserves (57 Mn T)	4th largest reserves (248 Bn T)	4th largest reserves (2.4 Bn T)	5th largest reserves (13 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 at 91 Mn T p.a.	Largest producer at 234 Mn T p.a.	Largest producer at 850 Mn Kgs. p.a.	Second largest producer at 47.5 Mn T p.a.	Second largest producer at 90 Mn T p.a.	Second largest producer at 72 Mn T p.a.	Second largest producer at 85 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) Limited 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 operate on a global scale, with worldwide operations. These, along with numerous companies from the small and medium enterprise (SME) sector offer considerable scope for joint ventures, collaborations and partnerships.

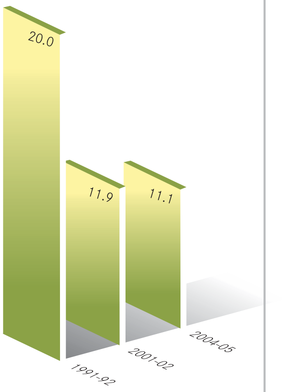
India has well-developed support services for business and industry with professional Audit and Accounting firms (some are affiliated with international Accounting firms) and qualified Corporate Law practitioners. Major international advertising companies, investment banks and consulting firms are also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

* Generally Accepted Accounting Principles

Sound economic fundamentals

Decreasing interest rates*

(% p.a.)

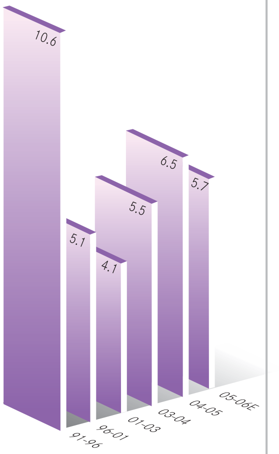


Source: Reserve Bank of India

* Prime lending rate

Stable inflation* rate

(%)

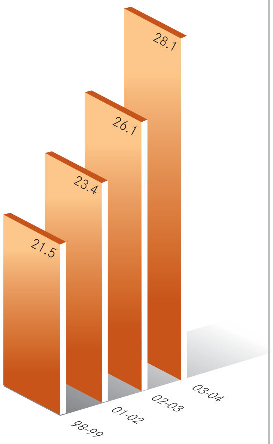


Source: Economic Survey, CMIE

* Annual average

Increasing savings rates*

(As % of GDP)

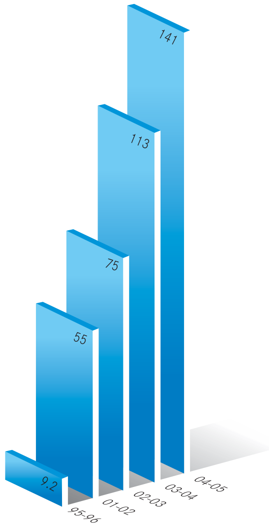


Source: RBI

* Gross domestic savings

Increasing forex reserves

(US$ billion)



Source: Reserve Bank of India

Steady 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 Organization). 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 that are already underway include the "Golden Quadrilateral" highway plan (covering 5,850 km and costing US$ 5.5 billion) to link the four major metropolitan cities (Delhi, Mumbai, Chennai, Kolkata), the "Sagar Mala" project for the expansion and modernisation of ports, inland navigation and maritime transport and the privatisation of airports of Mumbai and Delhi.

The Government has recently passed a Special Economic Zones (SEZs) Bill. SEZs are treated as deemed foreign territory with no import or export tariffs and extended periods for waiver of income taxes. Fourteen SEZs have been set up and many more are in the pipeline.

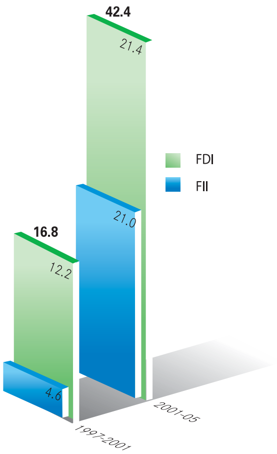
Legislation on Intellectual Property Rights (IPRs) has been adopted by the country's Parliament. All IPR laws are TRIPS (Trade Related Aspects of Intellectual Property Rights) compliant with a fully functional Intellectual Property Appellate Tribunal.

Investment friendly policies:

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

Increasing Foreign Investment

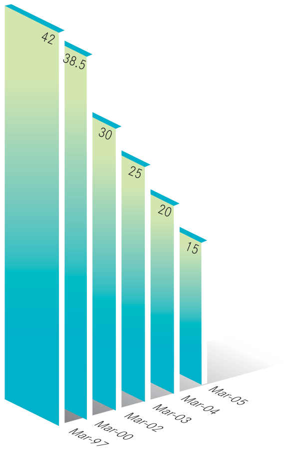
(US$ billion)



Source: RBI

Rationalised Import Duties

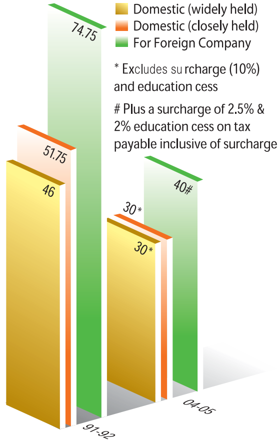
Peak customs duties on manufactured items
(%)



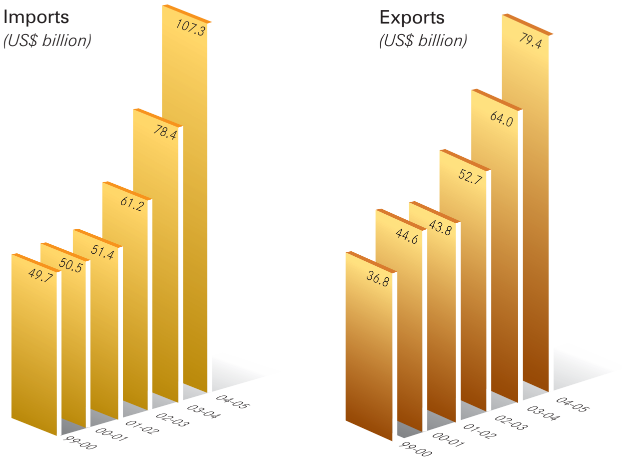
Source: FICCI

Corporate Tax Rates

(%)



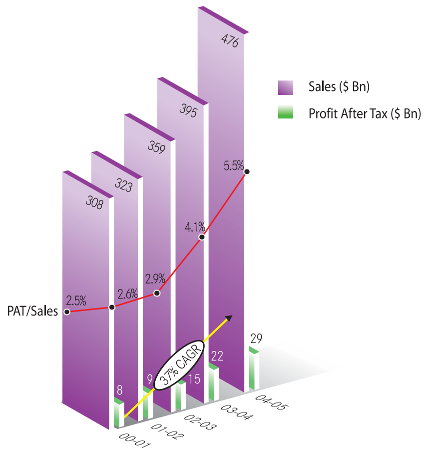
Increasing Foreign Trade



Source: RBI

Source: RBI

Corporate Performance



Note: Based on results of around 6,800 listed companies
Source: CMIE, 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 over $450 billion. With the largest number of listed companies - 10,000 - across 23 Stock Exchanges, India also has the third largest investor base in the world.

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 $400 billion in March 2005 (60% of the GDP) and the total bank credit stood at $250 billion (about 38% of the GDP). NPA levels of banks in India are under 5%, 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.

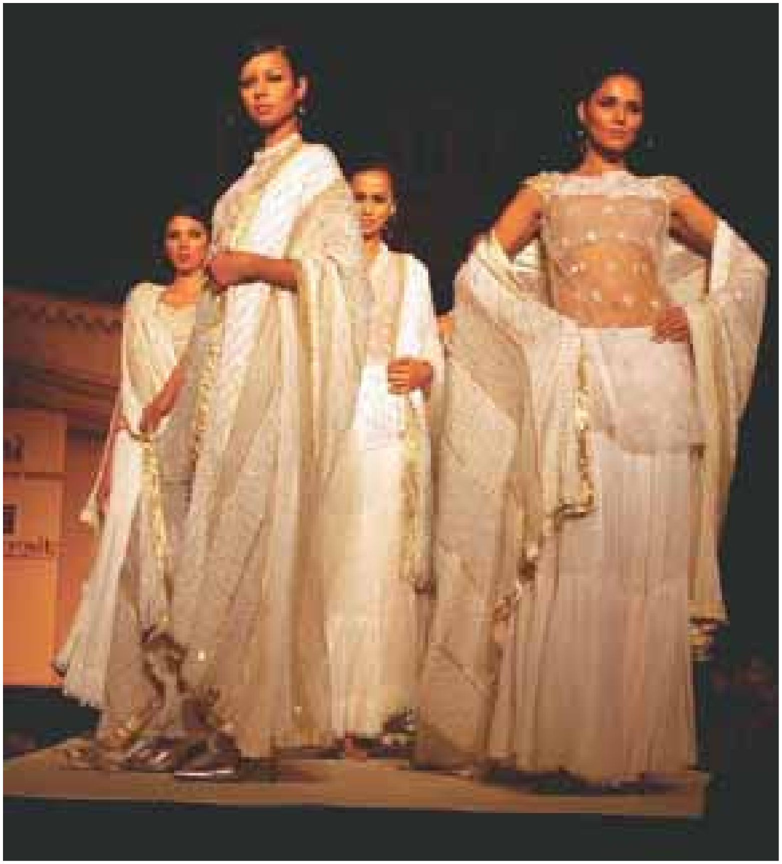
Bangalore, known as the Silicon Valley of India is the nerve-centre of the country's software industry. It has also gained the reputation of one of the world's prime Business Process Outsourcing centres.

Kolkata (formerly Calcutta) is one of the largest metropolitan cities of India with strong cultural and literary tradition 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, 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 available widely 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 international air routes, and international air traffic is growing rapidly.



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 10 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 $250 billion of investment needed in 5 years

POWER

TELECOMMUNICATIONS

ROADS

PORTS

CIVIL AVIATION & AIRPORTS

PETROLEUM & NATURAL GAS

Services

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

BANKING & FINANCE

INSURANCE

REAL ESTATE & CONSTRUCTION

RETAIL

TOURISM

Manufacturing

Over $130 billion of investment opportunity in 5 years

METALS: STEEL, ALUMINIUM

TEXTILES & GARMENTS

ELECTRONICS HARDWARE

CHEMICALS

AUTOMOBILES

AUTO COMPONENTS

GEMS AND JEWELLERY

FOOD & AGRO PRODUCTS

Resources

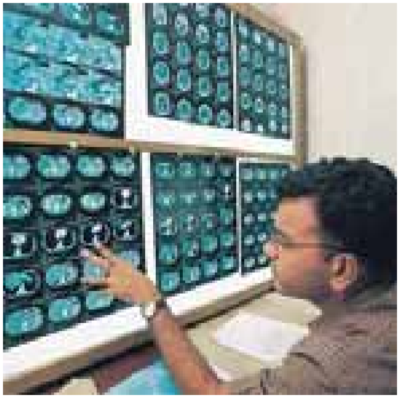
Large reserves with over $60 billion of investment opportunity

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

Infrastructure

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

INFRASTRUCTURE

POWER

Total estimated investment opportunity of US$ 200 billion till 2012

OVERVIEW

SIZE

- Generation capacity of 122 GW; 590 billion units produced (1 unit = 1kwh)
  - CAGR of 4.6% over the last four years
- India has the fifth largest electricity generation capacity in the world
  - Low per capita consumption at 606 units; less than half of China
- T&D network of 5.7 million circuit km – the 3rd largest in the world
- Coal fired plants constitute 57% of the installed generation capacity, followed by 25% from hydel power, 10% gas based, 3% from nuclear energy and 5% 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
  - Many large generation projects have been planned in the private sector

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	23,749	✓		
National Hydro Electric Power Corporation	3,615	✓		
Nuclear Power Corporation	2,770	✓		
Domestic Private Sector				
Tata Power	2,203	✓	✓	✓
RPG Group - CESC	1,005	✓	✓	✓
Reliance Energy	885	✓	✓	✓
International Private Sector				
China Light and Power (CLP)	655	✓		
Marubeni Corporation	330	✓		

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

Source: Ministry of Power, Capitaline

OPPORTUNITY

OUTLOOK

- Over 90,000 MW of new generation capacity is required in the next seven 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

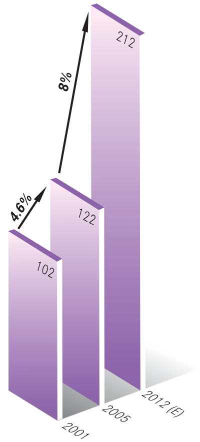
POTENTIAL

- Large demand-supply gap: All India average energy shortfall of 7% and peak demand shortfall of 12%
- The implementation of key reforms is likely to foster growth in all segments:
  - Unbundling of vertically integrated SEBs
  - "Open Access" to transmission and distribution network
  - Distribution circles to be privatised
  - Tariff reforms by regulatory authorities
- Opportunities in Generation for:
  - 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
- Opportunities in Distribution through bidding for the privatisation of distribution in thirteen states that have unbundled/corporatised their State Electricity Boards – expected to take place over the next 2-3 years
- Total investment opportunity of about US$ 200 billion over a seven year horizon

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

India requires an additional 100,000 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 US$ 22 billion over the next 5 years

Major players and presence in value chain

Company	Services				Investor
	Cellular	Basic	NLD[1]	ILD[2]	
1. Bharti Televentures	✓	✓	✓	✓	Vodafone, Singapore Telecom, Warburg Pincus
2. Reliance Infocomm	✓	✓	✓	✓	Reliance Group
3. Tata Indicom	✓	✓	✓	✓	Tata Group
4. BSNL	✓	✓	✓		Government of India
5. Hutchison Essar	✓				Hutchison Whampoa, Essar Group
6. IDEA Cellular	✓				AT&T, Tata Group, Birla Group

Note: 1 National Long Distance
2 International Long Distance

Source: TRAI, DoT, TSMG Analysis

OVERVIEW

SIZE

- India is the fifth largest telecom services market in the world; $17.8 billion revenues in FY 2005
  - Industry grew by about 36% in FY 2005 over FY 2004
  - 119 million subscribers - 48 million fixed lines and 71 million wireless - November 2005
- Telecom market has grown at about 25% p.a. over the last 5 years
  - Wireless segment subscriber base grew at 85% p.a.; fixed line segment at about 10% p.a.

STRUCTURE

- The Indian telecom market has both public and private sector companies participating:
  - Public sector has over 60% market share, down from over 90% in 2000
  - Private companies have added subscribers at a CAGR of 192% since 2000
- Mobile operators have deployed both CDMA (16 million users) and GSM (55 million users) wireless networks
- Value added service features constitute 10% of revenue today (2% in 2001)

POLICY

- 74% to 100% FDI permitted for various telecom services (for details, please refer to table on page 104)
  - 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-share 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
  - Planned opening up of National Long Distance (NLD), International Long Distance (ILD) and other value added services.

OPPORTUNITY

OUTLOOK

- India expected to be among the fastest growing telecom markets in the world
  - Projected growth of 30-40% p.a. to reach 250 million subscribers by 2009-2010
- Over 3 million new users are added every month – mostly in wireless

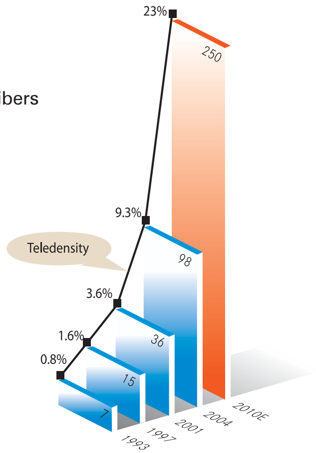
POTENTIAL

- 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 handset financing
  - Increased coverage and availability of mobile services
- Investment opportunity of $22 billion across many areas:
  - Telecom Devices and Software for Internet, Broadband and Direct To Home Services. Set Top boxes, Gateway exchange, Modem, Mobile handsets and consumer premise equipments, Gaming devices, EPABX, Telecom Software
  - Telecom Services for voice and data via a range of technologies
  - Applications and Content development ranging from gaming to education
- Nokia, Elcoteq, Alcatel, LG, Ericsson are all investing in India

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

India will require large investments in network infrastructure

Telephone subscribers (fixed + wireless)
(million)

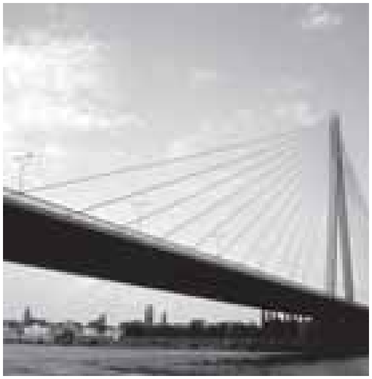


Source: TRAI, TSMG Estimates

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$ 25-30 billion in 5 years

The Golden Quadrilateral and NSEW projects

Not to scale

OVERVIEW

SIZE

- India has an extensive road network of 3.3 million km – the second largest in the world
- Roads carry about 70% of the freight and 85% 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 spends about $4 billion p.a. on road development
- The ambitious National Highway Development Project (NHDP) of the Government is at an advanced stage of implementation. Key sub-projects under the NHDP include:
  - The Golden Quadrilateral (GQ-5846 km of 4 lane highways)
  - North-South & East-West Corridors (NSEW-7300 km of 4 lane highways)
- Program for 4-laning of about 14,000 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 some stretches – based on either the lowest annuity 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 $50–60 billion investment is required over the next 5 years to improve road infrastructure

POTENTIAL

- Road development is recognised as essential to sustain India's economic growth
  - The Government is planning to increase spends 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
- Investment opportunities exist in a range of projects being tendered by NHAI for implementing the NHDP – contracts are for construction or BOT basis depending on the section being tendered.
- A $5 billion project plans to lay 6 lane roads over 6,500 km of National Highways on the Design Build Finance and Operate (DBFO) basis – for high traffic stretches of over 40,000 passenger car units (PCUs) per day

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: *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$ 20 billion till 2012

Cargo handled by Major Ports in India

Major Port	Trade (04-05, MMT)	Container Traffic (04-05) (million TEU*)
Chennai Port	44	0.62
Cochin Port	14	0.19
Ennore	9.5	–
Haldia	36	0.13
JNPT	33	2.37
Kandla Port	42	0.18
Kolkata Port	10	0.16
Mormagao	31	0.01
Mumbai Port	35	0.22
New Mangalore Port	34	–
Paradip Port	30	–
Tuticorin Port	16	0.30
Vizag Port	50	0.05

Source: Indian Ports Association

* Twenty foot equivalent unit

OVERVIEW

SIZE

- Indian ports handled cargo of 510 million tonnes in 2004-05, 10.8% increase over 2003-04
- 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 185 Minor Ports along 7,517 km long Indian coastline
  - Cargo handled by Major Ports has increased by 9.5% p.a. over last 3 years
  - Major ports handle 75% of the total traffic
- Of the 12 Major Ports, 11 ports are run by Port Trusts while the port at Ennore is a corporation under the Central Government. These ports handled 383 million tonnes of cargo in 2004-05
- Two major Government projects underway:
  - Project "Sethusamundram": Dredging of the Palk Strait, in Southern India to facilitate maritime trade through it
  - Project "Sagarmala": $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
- Many Major ports now operate largely as landlord ports - International port operators have been invited to submit competitive bid for BOT terminals on a revenue share basis
- Significant investment on BOT basis by foreign players including Maersk (JNPT, Mumbai) and P&O Ports (JNPT, Mumbai and Chennai), Dubai Ports International (Cochin and Vishakhapatnam) and PSA Singapore (Tuticorin)
- Minor ports are being developed by domestic and international private investors: Pipavav Port by Maersk, Mundra Port by Adani Group (with a terminal operated by P&O)

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 is being 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 estimated to reach 960 million tonnes by 2013-14
  - Containerised cargo is expected to grow at 17.3% over the next 9 years
- The New Foreign Trade Policy envisages doubling of India's share in global exports in next five years to $150 billion
  - A large portion of the foreign trade to be through the maritime route: 95% by volume and 70% by value

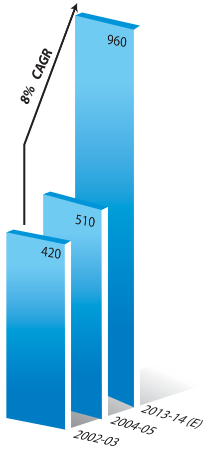
POTENTIAL

- Growth in merchandise exports projected at over 13% p.a. underlines the need for large investments in port infrastructure
- Investment need of $13.5 billion in the major ports under National Maritime Development Program (NMDP) to boost infrastructure at these ports in the next nine years
  - Under NMDP, 219 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
    - 64% of the proposed investment in Major ports envisaged from private players
- The plan proposes an additional port handling capacity of 530 MMTA in Major Ports through:
  - Projects related to port development (construction of jetties, berths etc.)
  - Procurement, replacement or up-gradation of port equipment
  - Deepening of channels to improve draft
  - Projects related to port connectivity
- Investment need of $4.5 billion for improving Minor Ports

The JNPT port where the capacity will be over 3 million TEU by 2006

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

Cargo handled at all 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)*

INFRASTRUCTURE

CIVIL AVIATION & AIRPORTS

Total estimated investment opportunity of US$ 15-17 billion in 5 years

Airport Statistics 2003-04

Airport	Passenger traffic (million, 2003-04)
Bangalore	3.2
Chennai	4.6
Delhi	10.3
Hyderabad	2.2
Kolkata	3.0
Mumbai	13.3

Source: Director General of Civil Aviation, AAI

OVERVIEW

SIZE

- India has 125 airports; of these 11 are designated international airports
- In 2004-05, Indian airports handled 60 million passengers and 1.3 million tonnes of cargo
  - Passenger traffic grew at over 22% in 2004-05 over 2003-04; Cargo grew at 21.6% over the previous year

STRUCTURE

- Currently all 125 airports are owned and operated by the Airports Authority of India (AAI)
- The Government aims to attract private investment in aviation infrastructure
  - Privatisation of the Delhi and Mumbai airports is in progress – bidders have submitted final bids. Expected investment of about $3.5 billion
  - New international airports at Bangalore and Hyderabad are being built by private consortia with a total investment of about $600 million
  - 25 other city airports are being considered for private investment
- Air India and Indian Airlines are the Government owned international and domestic flag carriers respectively.
- Indian private airlines – Jet, Sahara, Kingfisher, Deccan - account for around 60% of the domestic passenger traffic. Some have started international flights.

POLICY

- 100% FDI is permissible for airports; FIPB approval required for FDI beyond 74%
- 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
- AAI Act amended to provide legal framework for airport privatisation
- 100% tax exemption for airport projects for a period of 10 years
- ‘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

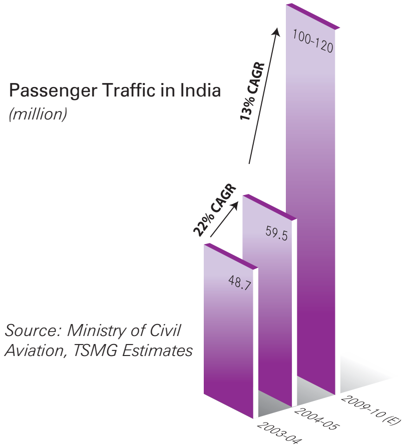
- Passenger traffic is projected to grow at a CAGR of over 15% in the next 5 years
  - To cross 100 million passengers p.a. by 2010
- Cargo traffic to grow at over 20% p.a. over the next five years
  - To cross 3.3 million tonnes by 2010
- Major investments planned in new airports and upgradation of 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
- Government is taking steps to increase participation by private industry
- Major opportunities lie in:
  - Modernisation/upgradation of Metro airports – induction of partners for Chennai, Kolkata expected subsequently
  - Development of 30 non-metro airports – opportunities could also be in city side development of these airports
  - Greenfield airport projects planned in resort destinations and emerging metros such as Goa, Pune, Navi Mumbai, Ludhiana, etc.
- Estimated investment of over $15 billion for airport development over the next 5 years

Development of airport infrastructure is a focus area for the Government

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



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$ 25-30 billion by 2010

Major players and presence in value chain

Company	Revenue ($ billion) FY 05	Upstream	Midstream – Pipelines	Downstream	
				Refining	Retail Outlets
Public Sector					
IOC	31.4	✓	✓	✓	✓
BPCL	14.9		✓	✓	✓
HPCL	14.4		✓	✓	✓
ONGC	14.1	✓	✓	✓	✓
Domestic Private Players					
Reliance Industries	15.4	✓	✓	✓	✓
International Private Players					
Shell (FY 04)	268.7				✓
British Gas (Centrica)(FY 04)	33.5	✓			✓
Cairn Energy (FY 04)	0.2	✓			

Source: BP Statistical Review of World Energy – 2005, Capitaline Fortune, Ministry of Petroleum and Natural Gas, Government of India.

OVERVIEW

SIZE

- Petroleum & Natural Gas constitutes over 16% of GDP and includes transportation, refining and marketing of petroleum products and gas
  - $90 billion revenues in FY 05
- India has a crude oil refining capacity of about 127 MMT
- Natural gas demand is about 150 MMSCMD (2004) with only 54% being met through domestic sources
- Production of petroleum products has grown at 6.5% p.a. during the last 3 years

STRUCTURE

- Public sector companies play a major role in oil refineries, oil and gas pipelines and gasoline retail outlets
  - Indian Oil Corporation, Bharat Petroleum and Hindustan Petroleum together account for about 70% 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 is expanding its Jamnagar refining capacity to 60 MMTA. Expected to be the single largest grassroot refinery in the world
- Shell has invested in refining and retail; British Gas has invested in city gas distribution
- BP, Total, Exxon Mobil and Eni are also present in India. While they are currently in marketing lubricants, Total and BP plan to expand in other value chain segments

POLICY

- 100% FDI is allowed in petroleum refining, petroleum product and gas pipelines and marketing/retail through the automatic route
  - For entry into petroleum product marketing/retail, an investment in an upstream venture of over $450 million is required
- Virtual administrative price control of government over most petroleum products
- Petroleum and Natural Gas Regulatory Board Bill to be enacted shortly will result in the setting up of an Independent Regulator for Oil & Gas
- Natural Gas Pipeline Policy to be enacted shortly

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

OPPORTUNITY

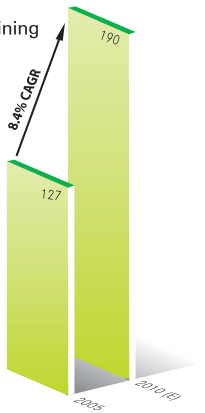
OUTLOOK

- High GDP growth rate, rapidly growing vehicle population and better road infrastructure will drive consumption of petroleum products
  - Industry is expected to grow at a CAGR of about 8% to 10%
  - Over 190 MMT of refining capacity required by 2010
- Over 120MMSCMD of additional demand for Natural Gas in the next five years
  - Recent gas finds and increased use of gas for power generation, petrochemicals, fertilisers and city gas distribution

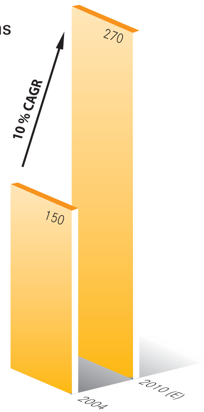
POTENTIAL

- 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 $15 billion and $8 billion estimated in refining and marketing respectively by 2010

Crude Oil Refining Capacity
(MMTA)



Natural Gas Demand
(MMSCMD)



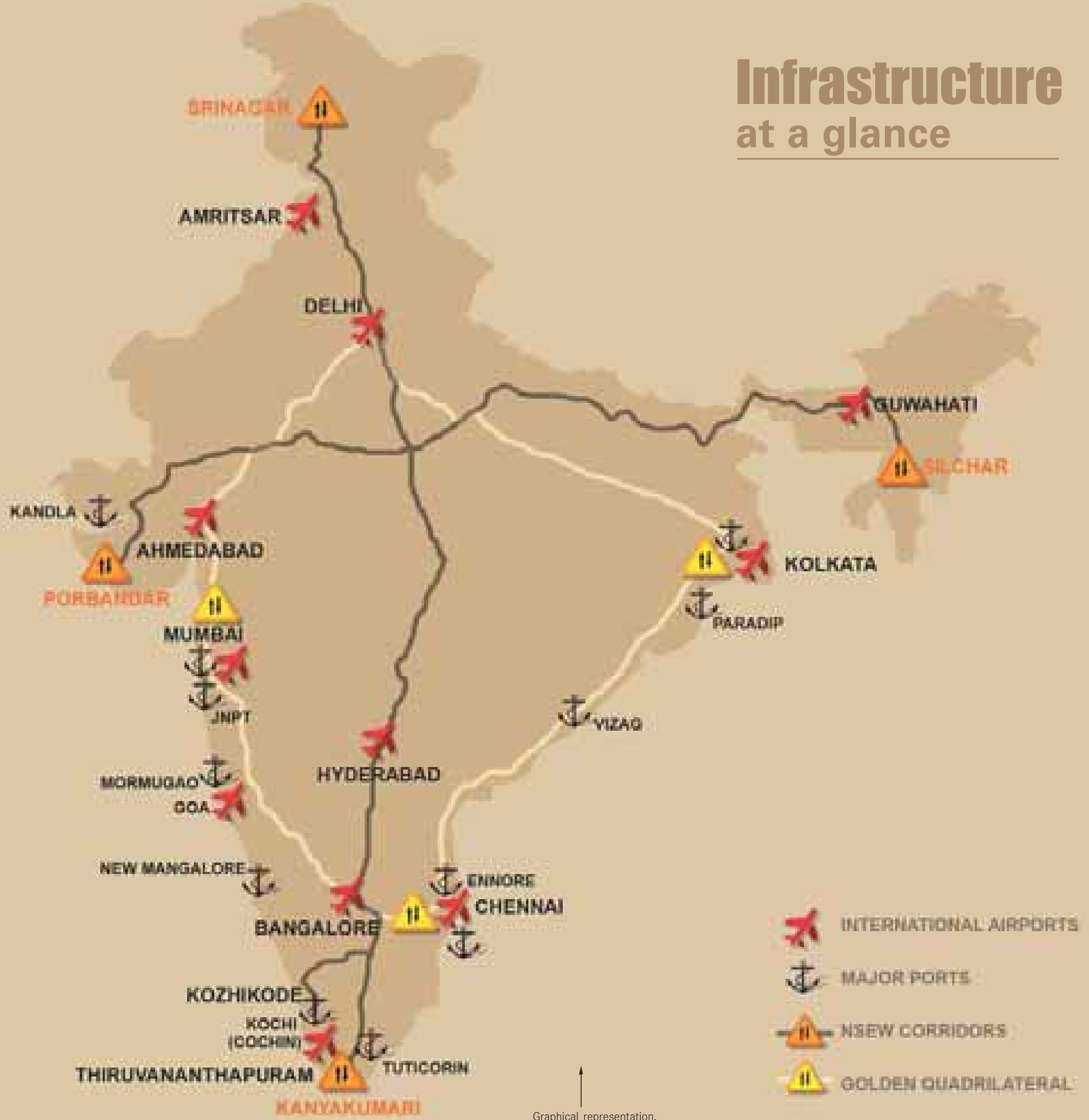
Source: Ministry of Petroleum and Natural Gas

Over 190 MMT of refining capacity required by 2010

Large growth projected in fuel retail

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

Infrastructure
at a glance



Graphical representation, not to scale

Mumbai & Delhi, the busiest airports in India, are being privatised

The Bangalore and Hyderabad international airports will be set up by private led consortia

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 needs over 100,000 MW of additional power generation capacity by 2012


FABRICARE
LG

Services

- Banking & Finance
- Insurance
- Real Estate & Construction
- Retail
- Tourism

SERVICES

BANKING & FINANCIAL SERVICES

Total estimated investment opportunity of US$ 25 billion in 5 years

OVERVIEW

SIZE

- India has a rapidly growing Banking and Financial Services sector based on sound fundamentals (low NPAs, Basel I compliant)
  - Total banking assets of about $450 billion in 2004; growth of 15% p.a. since 1991
  - Liquid and well regulated equity markets – Market cap of over $450 billion. Turnover has grown to $1,170 billion in 2003-04 from $285 billion in 2002-03
  - Mutual funds assets of $45 billion; growth of 13% p.a. since 1993 when private mutual funds were launched
  - 40 Venture Capital and Private Equity Funds operate in India

STRUCTURE

- Public sector (Government owned) banks account for 75% of the assets; however, Indian private banks and foreign banks are growing very fast
- Standard Chartered Bank, Citibank and HSBC are the top three foreign banks in India with more than 65% of the total assets of foreign banks
- Most global players in banking & financial services - Morgan Stanley, Merrill Lynch, JP Morgan, Deutsche Bank, UBS, ABN Amro, Barclays, Calyon etc. - are in India
- The Mutual Funds industry has both domestic and foreign companies - UTI Mutual Fund, Prudential ICICI, HDFC, Franklin Templeton, Birla and Tata

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 December 2006
- RBI approval is required for all foreign investment 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 (as on March 31 '04)	Number of Banks	Total Assets ($ billion)
Public Sector Banks	27	338.3
Indian Private Banks	30	84.4
Foreign Banks	32	31.3
Total	89	454.0

Source: RBI

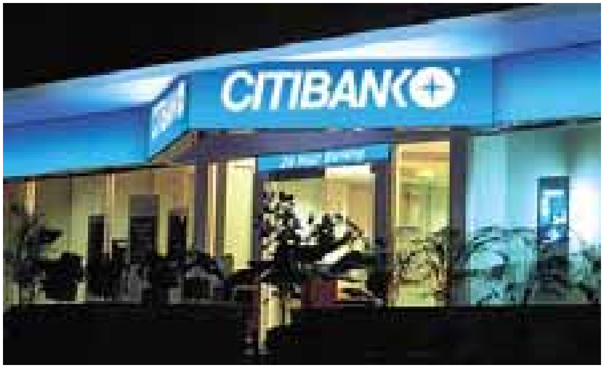
OPPORTUNITY

OUTLOOK

- Total banking assets are expected to double and grow to $915 billion by 2010 - a CAGR of 15%
  - $70 billion additional equity needed for growth plus Basel II compliance
- 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 $27.6 billion in 2003-04 to $64.2 billion by 2008-09

POTENTIAL

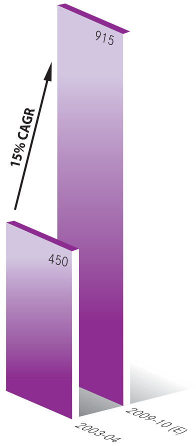
- Several factors favour high growth:
  - Demographic profile favours higher retail offtake - 54% of the population is in the 15-35 years age group
  - Capital expenditure by the Government and private industry is expected to grow at a high rate
  - Economic growth of about 12% p.a. in nominal terms
- 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 7-8% in 2004
- Investment opportunity across all segments in the Banking and Financial Services sector



Foreign banks gaining prominence and popularity in India

India has a highly developed Financial Services sector

Asset Growth: Indian Banks
(US$ billion)



Source: Indian Banks' Association

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

SERVICES

INSURANCE

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

OVERVIEW

SIZE

- Insurance is a $10 billion (premiums) industry in India: Grew by 25% in 2004-05 over the previous year
- In Life insurance, the total premium collected in FY2004-05 was $5.8 billion for 26.2 million policies: growth of 36% over 2003-04
- Non-life insurance - Motor, marine, fire and health insurance are the key segments
  - For Non-life, the total premium collected in FY2004-05 was $4.2 billion
    - Growth of about 12.8% over 2003-04

STRUCTURE

- Indian Insurance market was opened to private & foreign investment in 1999-2000.
- 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
- Life Insurance market is still dominated by Life Insurance Corporation (LIC) - a public sector company which has a 78% share of the market.
- In Non-life, private sector companies (almost all are joint ventures with foreign insurers) account for 20% of the market and have grown at 60% p.a.

POLICY

- FDI up to 26% is permitted under the automatic route subject to obtaining a license from the Insurance Regulatory and Development Authority (IRDA)
  - Plans to increase FDI up to 49%
- Insurance Regulatory Development Authority (IRDA) is the regulator for the Insurance industry

Life Insurance: Major Players

Name of Company	First year Premium (2004-05, $ million)
Public Sector	
LIC	4548
Private Sector	
ICICI Prudential	364
Bajaj Allianz	198
Birla Sun Life	143
HDFC Standard Life	112

Non-life Insurance: Major Players

Name of Company	First year Premium (2004-05, $ million)
Public Sector	
New India Assurance	967
National Insurance	879
Oriental Insurance	698
United India Insurance	679
Private Sector	
ICICI Lombard	203
Bajaj Allianz	196
ECGC	119
IFFCO Tokio	117

Source: IRDA

OPPORTUNITY

OUTLOOK

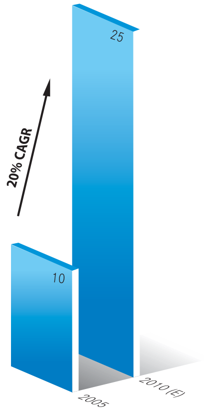
- Indian Insurance market is expected to be around $25 billion by 2010
  - Expected CAGR of over 20% p.a.

POTENTIAL

- Largely untapped market: about 0.6% of the global market for 17% of the world's population
  - Nearly 80% of the Indian population is without Life, Health and Non-life insurance
  - Insurance penetration is low at 2.9% as compared to the world average of over 8%.
  - Non-life penetration is even lower - less than 1% in 2003
  - Per capita life insurance premium in India in 2004 was $16 as compared to the world average of $292
  - Strong economic growth with increase in affluence and rising risk awareness leading to rapid growth in the Insurance sector
- Many more international players including AXA have announced plans to enter India
- Investment opportunities exist in both Life and Non-life segments
  - Total estimated investment opportunity of $4-5 billion

Source: IRDA, Swissre

Insurance Market:
First year premium
($ billion)



Source: Industry Estimates TSMG Analysis

Many international players are entering the Indian Insurance market

Non-life 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

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

OVERVIEW

SIZE

- Real Estate and Construction is a $12 billion (by revenue) industry in India
- Rapid growth in the industry in the past few years

STRUCTURE

- Highly fragmented sector with few organised players of scale
  - Most real estate developers have only a local or regional presence
  - Modest participation of large corporations in the sector
  - Margins are higher in India (>20%) as compared to the developed markets (5-6%)
- Participation of institutional finance in Real Estate is just beginning
  - Real estate venture funds permitted: Prominent Indian corporates like ICICI Bank, SBI and HDFC have promoted real estate venture funds
  - Proposal to allow Real Estate Investment Trusts (REITs) being examined
- Various foreign Real Estate and Finance companies like GE Commercial Finance, Tishman Speyer, Ascendas and Farallon Capital have entered the Indian market

POLICY

- 100% FDI is allowed in real estate development subject[1] 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.

Top Players in the Real Estate & Construction industry

Company	Revenue (2004, $ million)	Real-Estate Developed (million sq.ft)	Footprint
Hiranandani	172	30	Mumbai, Chennai, Dubai
Unitech	143	40	Delhi, Mumbai, Kolkata, Chennai, NCR*, Bangalore, Hyderabad
DLF	114	29.5	Delhi, NCR*, Mumbai, Mohali, Kolkata
Ansal	80	15	Punjab, Delhi, NCR*, Lucknow

Source: Business Press * NCR: National Capital Region

[1] Please refer Section 3 (page 103) for specific conditions

OPPORTUNITY

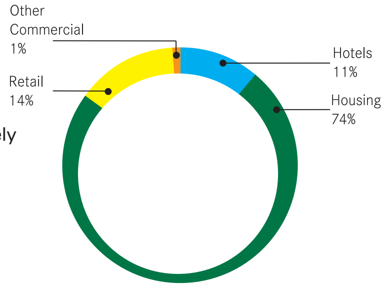
OUTLOOK

- The Real Estate market is projected to grow to $50 billion by 2010
    - CAGR of over 30% p.a. is expected over the next five years

POTENTIAL

- Several factors are expected to contribute to the rapid growth in Real Estate
    - Large demand-supply gap in affordable housing
        - Demand fuelled by the availability of loans at low interest rates, 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 Urban Infrastructure Renewal Mission is expected to give a boost to the sector.
        - $11.5 billion earmarked over the next five years for 60 cities
- Investment opportunities exist in almost every segment of the business
    - Housing: About 20 million new units expected to be built in five years
    - Office space for IT/ITeS: Five-fold increase in office space requirement over the next 3 years
    - Commercial space for organised retailing: 200 million sq. ft. by 2010
    - Hotels & Hospitality: Over 50,000 new rooms in the next 5 years
- Investment opportunity of over $50 billion in the next five years
- Major foreign institutional investors including Morgan Stanley, Merrill Lynch, AIG, Blackstone and Calpers have shown interest in investing in Indian real estate

Potential Investment Opportunity: Approximately $ 50 billion

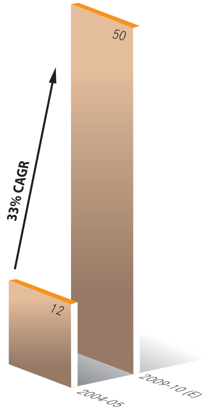


Source: Industry Experts, TSMG Estimates

Commercial and office complexes mushrooming in major Indian metros

Over 20 million new housing units required in 5 years

Real Estate Market
($ billion)



Source: DSP Merrill Lynch

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

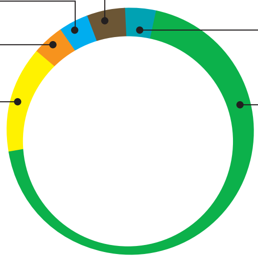
SERVICES

RETAIL

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

Indian Retail Market:

Market Size: $206 billion in FY 04



OVERVIEW

SIZE

- India is one of the ten largest retail markets in the world
- Retail sales were $206 billion in 2004, over 30% of GDP
- 'Organised Retail' constitutes only 3% of total retail sales - about $6.4 billion p.a.
  - However, 'organised retail' has been growing at over 20% p.a. in the last 5 years

STRUCTURE

- The Indian Retail sector is highly fragmented: mostly owner-run 'Mom and Pop' outlets
  - Over 12 million retail outlets
  - Average outlet size < 500 sq.ft.
- There are a few medium sized Indian retail chains like Pantaloon, Shoppers' Stop, Foodworld (RPG Group) and Westside (Tata Group) – all growing rapidly
  - Mainly in the apparel and food & grocery segments
- Dairy Farm, Metro, Shoprite and Marks & Spencer are the only major international retail chains in India: Each has a marginal presence through either franchisee or wholesale formats

POLICY

- 100% FDI is allowed in Cash and Carry Wholesale formats. Franchisee arrangements are also permitted in retail trade.
- Government is examining opening FDI in retail trade

Top Players in the Retail Industry

Players	Revenues ($ million) (2003-04)	Space (sq. ft.) Dec 2004	Format
Pantaloon Retail	150	1,000,000	F&G, Specialty
RPG Retail	135	590,000	F&G, Specialty
Shoppers' Stop	100	740,000	Specialty Retail
Lifestyle International	53	325,000	Specialty Retail
Vivek's Ltd.	46	150,000	Consumer Durables
Trent (Tata)	38	270,000	F&G, Specialty

Source: KSA Technopak, TSMG

OPPORTUNITY

OUTLOOK

- The overall retail market is expected to grow three-fold in the next 10 years from $206 billion today to about $660 billion by 2015
  - India is expected to be among the top 5 retail markets in the world in 10 years
- Organised retail is expected to grow rapidly to reach $100 billion by 2015
  - Likely to account for 12-15% of total retail sales by 2015

POTENTIAL

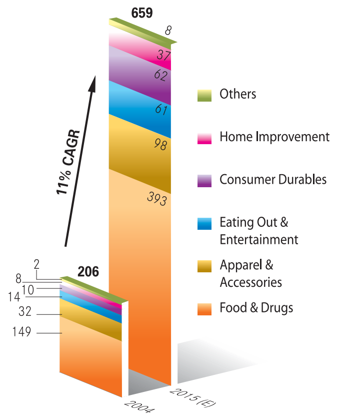
- The high growth projected in domestic retail demand will be fuelled by:
  - The migration of population to higher income segments with increasing per capita incomes
  - An increase in urbanisation
  - Changing consumer attitudes especially the increasing use of credit cards
  - The growth of the population in the 20 to 49 years age band
- There is retail opportunity in most product categories and for all types of formats
  - Food and Grocery: The largest category; 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 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

Retail Market in India

($ billion)



Source: TSMG Estimates

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

SERVICES

TOURISM

Total estimated investment opportunity of US$ 8-10 billion in 5 years

Key Statistics - India	
Travel & Tourism Revenue ($ billion)	32
Inbound Tourist Arrivals (2004) million nos.	3.3
Inbound Tourism Revenue ($ billion)	4.0
Domestic Tourism (million nos.)	271
Domestic Tourism Revenue ($ billion)	28.0
Outbound Tourism (million nos.)	6.0
Hotel Industry - number of hotels	1,800
Hotel Industry - number of rooms	1,00,000

Source: WTTC Country Reports, FHRAI, HVS

OVERVIEW

SIZE

- Travel and Tourism is a $32 billion industry in India, 5.3% of GDP
- 3.3 million international tourist arrivals in India in 2004, an increase of over 20% from the previous year
- 270 million domestic tourists estimated in 2004; the domestic market grew at about 20% p.a. in the last 4-5 years
- Only about 100,000 hotel rooms in 1,800 hotels across the country, registered in 2004*
    - Five star hotel rooms constitute 27%, four-star 7.5% and three-star 22%.
- All India industry-wide occupancy of about 70% in 2004-05
    - Scarcity of rooms in cities like Bangalore has resulted in rates of over $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 are represented by management or franchise contracts. Aman and Accor plan to own hotels as well.
- Several others such as Shangri-La, Four Seasons, 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 mid market segment
    - The three-star hotel segment grew at about 11%; followed by the four star segment at about 9%

POLICY

- 100% FDI is permitted in Hotels and Tourism, through the automatic route

* Registered with the Federation of Hotel and Restaurant Associations of India (FHRAI)

OPPORTUNITY

OUTLOOK

- Foreign tourist arrivals are expected to grow to 5 million by 2007. Could double to 10 million by 2010-12
- Domestic tourism is expected to increase by 15% to 20% p.a. over the next five years
- Rapid growth in average room rates is expected to continue until sufficient new supply comes on stream.
  - Average room rates increased by 21% in 2005 over 2004, the fastest growth rate was in 4-star and 5-star segments.

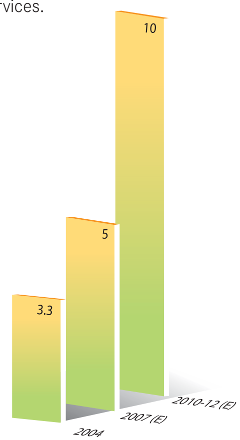
POTENTIAL

- 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
  - India's rich heritage and natural beauty are just beginning to be marketed to international leisure travellers.
- 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 - over 100,000 hotel rooms need to be added over the next five years
  - 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
- Investment opportunity of about $8-10 billion in the next 5 years

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, 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)*

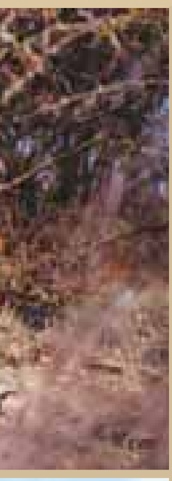
Goa

Bharatpur

Kashmir

Agra

Alleppey



Chennai

Jaisalmer

Tourism
at a glance

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

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$ 20-25 billion in five years

OVERVIEW

SIZE

- India is among the top 10 global suppliers of aluminium and steel in the world
  - About 35 million tonnes of steel is produced in India
  - India is also the largest producer of sponge iron in the world
- India consumes over 0.75 million tonnes of aluminium and 0.4 million tonnes of copper annually
- The Metals industry employs about one million people and generates over $13 billion in revenues (2004-05)

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 in the industry

POLICY

- 100% FDI is allowed under the automatic route for metallurgy and processing of all metals

Metal	Key End Use Sectors	Key Players	Revenues 2004–05 ($ million)	Promoters
Steel	Infrastructure and Automotive (long and flat products)	• SAIL • Tata Steel	7,257 3,775	- Public Sector - Tata Group
Copper	Electronics and telecom (51%)	• Sterlite Industries • Hindustan Copper	1,736 133	- Sterlite Group - Public Sector
Aluminium	Electricity and Transportation (50%)	• Hindalco • Nalco	2,431 1,000	- AV Birla Group - Public Sector

Source: Capitaline

OPPORTUNITY

OUTLOOK

- India has the potential to become one of the world's top five suppliers and top five markets for aluminium and steel
  - Steel consumption is expected to grow by 8% p.a. to 60 million tonnes by 2010
  - Aluminium demand is expected to grow by 10% p.a. for the next ten years
- India's per capita consumption of metals is projected to increase substantially in the future
  - Low per capita consumption today: 30 kgs. of steel as compared to 150 kgs. globally, 0.6 kgs. of aluminium as compared to 3–4 kgs. in the developing countries

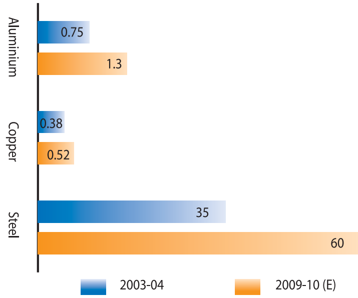
POTENTIAL

- 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
- Large integrated international metal manufacturers including POSCO, Mittal Steel and Dubai Aluminium have announced plans for setting up plants in India
- Investment opportunity of over $10-15 billion in steel and about $5 billion in aluminium by 2010

India offers tremendous opportunities for integrated metal manufacturers

POSCO and Mittal Steel plan to set up green-field operations in India

Domestic Demand
(MMTA)



Source: Intecos-cier; McKinsey & Co.

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$ 30 billion in 5 years

OVERVIEW

SIZE

- Textiles is a $36 billion industry in India; it constitutes about 5% of the GDP
- India's share of the world trade in textiles (3.5% currently) is increasing
  - Exports grew by 14% in 2004-05 over 2003-04; growth of over 20% in CY 2005
- India is amongst the largest producers of:
  - Cotton (medium staple) – 16.75 million bales p.a.
  - Yarn - 4,170 million kgs. p.a.; about 25% share of world trade in cotton yarn
  - Fabrics - 4,283 million sq.mts. p.a.
- This sector is the second largest employer after agriculture. About 35 million people are directly employed

STRUCTURE

- The Indian textile industry is fragmented with only a few large and numerous small and medium companies
- Most domestic companies lack global scale 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; there are players across the entire value chain
- India has become a sourcing base for many international labels such as GAP, Wal-Mart, Tommy Hilfiger, Benetton, G Star, Levi's and Marks & Spencer

POLICY

- 100% FDI is allowed through the automatic route

Major players and presence in value chain

	Revenue (04-05) $ million	Value Chain Presence			
		Yarn	Weaving	Processing	Garmenting
Domestic Private Players					
Indo Rama Synthetic	426	✓			
Mahavir	423	✓	✓		
Arvind Mills	388	✓	✓	✓	✓
Alok Industries	298	✓	✓	✓	✓
Raymond	280		✓	✓	✓

Source: Capitaline, TSMG

OPPORTUNITY

OUTLOOK

- High growth is expected in the domestic market as well as exports
  - The industry is expected to more than double to $83 billion in the next five years
- The domestic market growth is driven by a larger consuming class and increasing per capita consumption (currently only 3 kgs. of fibre per capita: 1/3rd of world average)
- India targets to become the second largest exporter of apparel among LCCs by 2010, next only to China

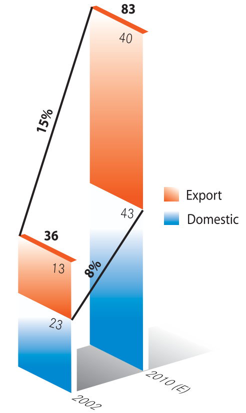
POTENTIAL

- The removal of international quota restrictions will now allow India to convert its cost advantages into a larger share of the global market
- Opportunity to also 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:
  - Absence of domestic taxes or import duties
  - 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 25 integrated textile parks over the next two years
- Total investment opportunity of over $30 billion for capacity expansion and modernisation
  - Carrera Jeans has announced setting up a greenfield Jeans manufacturing plant in India with an investment of over $110 million

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)

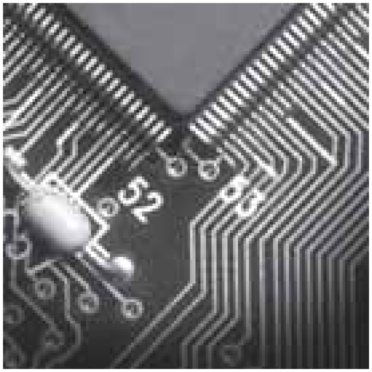


Source: Vision Statement for Textiles 2004 (ICMF), Compendium of International Textile Statistics 2004, Compendium of Textile Statistics - 2004

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

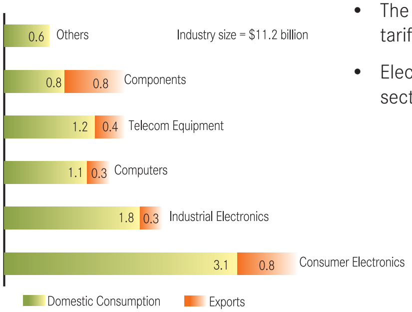
MANUFACTURING

ELECTRONICS HARDWARE



Total estimated investment opportunity of US$ 17 billion

Indian Electronic Hardware Industry 2004-05 in
($ billion)



Source: Convergence Plus

OVERVIEW

SIZE

- Electronics Hardware is a $11 billion (by revenue) industry in India
  - India constitutes 0.6% of the global market
- Includes design, manufacture and assembly of products related to:
  - Consumer Electronics (TV, DVD, Audio systems): about $3.9 billion (FY 05)
  - Industrial Electronics: about $2.1 billion (FY 05)
  - Computers (PC, Servers, Laptops): about $1.4 billion (FY 05)
  - Telecom Equipment (Phones and Network Equipment): about $1.6 billion (FY 05)
  - Electronic Components: about $1.6 billion (FY 05)

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 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 National Electronics Hardware Manufacturing Policy is proposed to resolve tariff and duty related issues and set up hardware manufacturing clusters/ parks
- Electronic Hardware Technology Parks set up to encourage investment in the sector in several cities e.g. Bangalore and Cuttack

OPPORTUNITY

OUTLOOK

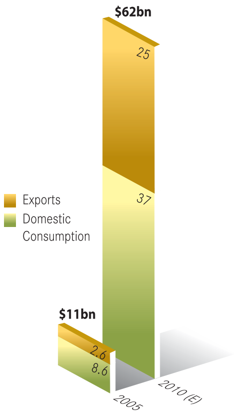
- The Electronics Hardware industry is expected to grow rapidly in the coming years
  - Projected $62 billion in 2010 from about $11 billion today
  - 33% CAGR in domestic consumption
  - Higher growth in exports

POTENTIAL

- Availability of low-cost, high-skill man-power
- 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: $500 billion outsourcing opportunity by 2010 of which India can tap $11 billion
  - Design Services: $7 billion projected by 2010
  - Component Exports: $5 billion projected by 2010
- Nokia and Elcoteq Network have expressed intentions to set up manufacturing base for mobile handsets in India

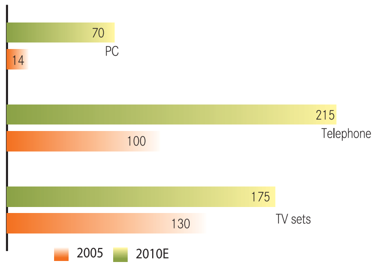
Electronics hardware is growing at over 30% p.a.

Electronics Hardware Manufacturing in India
($ billion)



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

Penetration of Key Electronics Hardware Items
(Per 1000 people)



Source: MAIT E & Y Survey, Industry Estimates

For additional information: *Ministry of Information Technology (http://www.mit.gov.in), Electronics & Software Export Promotion Council (ESC), Consumer Electronics and Television Manufacturers Association India (CETMA) (http://www.escindia.org)*

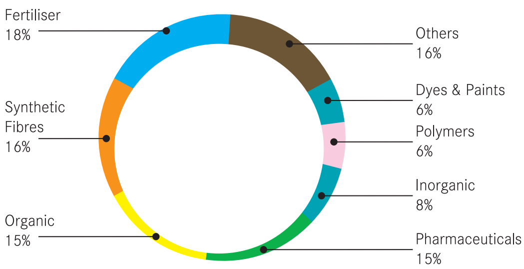
MANUFACTURING

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 $40 billion industry in 2004-05 - constitutes > 6% of GDP; 12.5% of the industrial production - 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 $12 billion in 2004-05
- 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, Dow Chemical, 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 licence to manufacture are required
- 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 ($ million) (FY 2005)	Areas of Operation	Promoter
Public Sector			
Indian Farmers Fertiliser Co-operative Ltd.	1,697	Fertiliser	GOI
National Fertiliser Ltd.	796	Fertiliser	GOI
Rashtriya Chemical Fertilisers Ltd.	645	Fertiliser	GOI
Domestic Private Sector			
Indian Petrochemicals Corporation Ltd.	1,925	Petrochemicals	Reliance Group
Haldia Petrochemicals Ltd.	909	Petrochemicals	Chatterjee Group
Tata Chemicals	706	Fertiliser, Soda Ash, Food Additives	Tata Group
International Private Sector			
Castrol India (CY 04)	310	Lubricants	BP Plc
ICI India	204	Paints	ICI
Bayer India (CY 04)	200	Agrochemicals	Bayer

Source: Capitaline

OPPORTUNITY

OUTLOOK

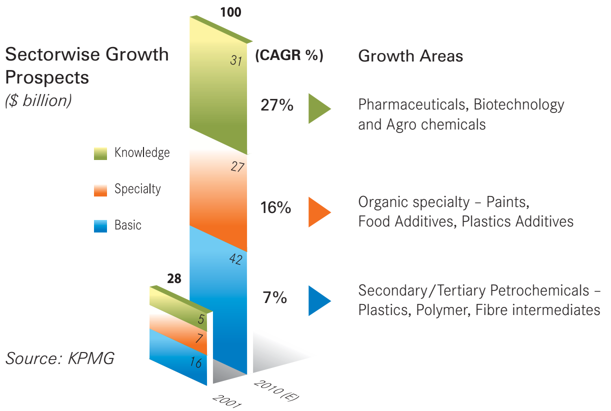
- Projected to grow to an $80 billion industry by 2010
    - Growth rate of over 15% p.a. projected over the next 5 years
    - Share of the global industry could increase from 1.9% (2001) to 3.9% (2010)
    - India is expected to be the 3rd largest polymer consumer by 2010

POTENTIAL

- Large and growing domestic market potential due to low per capita consumption of key petrochemical derivatives
    - 3 kgs. against global average of 17 kgs. for plastics
    - 4 kgs. against global average of 23 kgs. 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
- 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 $ 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: KPMG

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

Total estimated investment opportunity of US$ 13 billion in the next 5 years

OVERVIEW

SIZE

- A $24 billion industry; Exports constitute 5% of revenues
- The Auto Industry in India has witnessed very high growth rates: Over 15% CAGR in vehicle production in the last 4 years
- 8.6 million vehicles produced in India in 2004-05, of which
  - 1.2 million Passenger Cars; 13.5% CAGR over the last 4 years
  - 6.6 million Two-wheelers (motor cycles and scooters); 15% CAGR over the last 4 years
  - 0.38 million Commercial Vehicles; 24% CAGR over the last 4 years
  - 0.37 million Three-wheelers; 17% 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, Mahindra, Ashok Leyland, Bajaj, Hero Honda) and major international players including GM, Ford, Daimler Chrysler, Toyota, Suzuki, Honda, Hyundai 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 05)			
		Commercial Vehicles	Passenger Cars	Two-wheelers	Three-wheelers
Major Indian Private Players (FY 05)					
Tata Motors	4,044	209,584	179,264		
Hero Honda	1,724			2,621,400	
Bajaj Auto	1,434			1,602,565	221,785
Ashok Leyland	988	54,769			
TVS Motors	673			1,167,515	
Major International Private Players (CY 04)					
Suzuki	22,011		487,388	Planned	
Hyundai	46,358		142,022		
Ford	172,233		26,931		
GM	193,517		27,532		
Toyota	172,616		43,076		
Honda	80,487		37,482	551,847	

Source: Capitaline, Fortune, TSMG

OPPORTUNITY

OUTLOOK

- Auto market expected to double in the next 7 years
  - Vehicle production expected to increase from 8.6 million vehicles in 2004-05 to 15 million by 2010-11
- Overall growth of over 12% p.a. will have some segments that outperform:
  - Passenger Cars and Two-wheelers expected to be the fastest growing segments
  - Heavy Trucks to drive growth in commercial vehicles

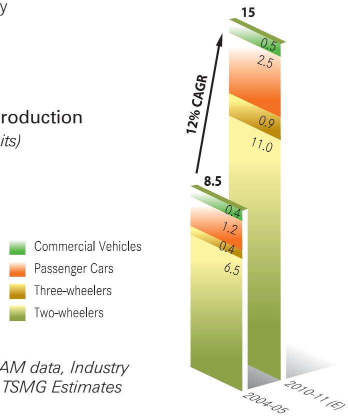
POTENTIAL

- 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
- Opportunity to address the global auto market while leveraging the domestic market
  - Hyundai and Suzuki are already considering India as a global hub for manufacture of small cars
- Opportunity to set up R&D and Engineering centres
- Potential for investment of over $13 billion in the next 5 years
- Global majors including Suzuki, Hyundai and Honda have committed resources of over $2 billion for capacity expansion


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


International companies have already committed over $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

- $8.7 billion industry; 16% is exports ($1.4 billion)
- The Auto Components industry has experienced high growth in the past few years
  - Domestic market CAGR of 23% in the last 4 years
  - Exports CAGR of 34% in the last 4 years
- India has a small, 0.4% share of the global Auto Components Industry

STRUCTURE

- Industry highly fragmented: Fewer than 5 players with revenues over $250 million
- Indian manufacturers are gaining recognition as "global quality" players
  - 50% of Indian Auto Components 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
- Many auto manufacturers including GM, Ford, Toyota, etc. and Auto Components manufacturers have set up International Purchasing Offices (IPOs) in India to feed 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 presence in value chain

Company	Revenues ($ million)	Value Chain Presence in India		
		Design	Manufacturing	Exports
Domestic Private Players[1]				
Bharat Forge Limited[1]	466	✓	✓	✓
Tata Auto Component Systems	250	✓	✓	✓
Sundaram Fasteners	234	✓	✓	✓
Brakes India (FY 04)	178	✓	✓	✓
International Private Players[2]				
MICO (FY 04)	572	✓	✓	✓
Visteon	NA		✓	✓
Delphi	NA		✓	✓

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

Source: Capitaline Database, FY 05 (unless mentioned otherwise)

OPPORTUNITY

OUTLOOK

- Auto Components Industry expected to grow at a CAGR of 15% over the next 10 years
  - India's share in world Auto Components to grow from 0.4% in 2003-04 to over 3% by 2015-16
  - Domestic market projected to grow at over 8% p.a. in the next 10 years
  - Exports projected to grow at over 30% p.a.

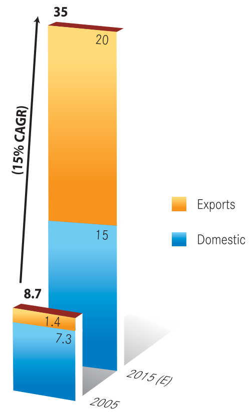
POTENTIAL

- 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
- Potential of over $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
(US$ billion)



Source: Auto Component Manufacturers Association of India.

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 AND JEWELLERY

Estimated export revenues of upto US$ 10-15 billion in 5 years

OVERVIEW

SIZE

- Large market for Gems & Jewellery with domestic sales of over $10 billion
  - 4% of the global Gems and Jewellery market
- Exports of over $15.5 billion; over 18% 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, 85% volume share and 92% share of the world market by number of pieces
  - Third largest consumer of polished diamonds after USA and Japan

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
  - Walmart, JC Penney etc. procure jewellery from India

POLICY

- 100% FDI is permitted in the Gems & Jewellery sector through the automatic route
- SEZs and Gems and Jewellery Parks have been set up to promote investments in the sector

OPPORTUNITY

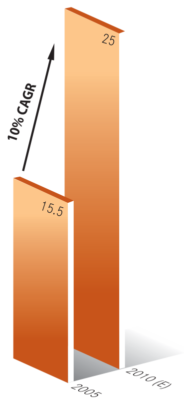
OUTLOOK

- 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 $2.2 billion by 2010
  - Exports expected to grow from $15.5 billion in 2005 to over $25 billion by 2010

POTENTIAL

- India has several well recognised strengths which have made it a significant force in the global Gems and Jewellery business
  - Highly skilled, yet low-cost labour
  - 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 and Jewellery markets
- Opportunity to leverage India's strengths to address the global market

Indian Gems and Jewellery Exports
(US$ billion)



Source: Statistical Outline of India, 2004-05, TSMG Estimates

India is one of the largest exporters of gems and jewellery

India is the diamond polishing capital of the world

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

MANUFACTURING

FOOD & AGRO PRODUCTS

Total estimated investment opportunity of over US$ 20 billion by 2015

OVERVIEW

SIZE

- India consumes about $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 2nd largest arable land area in the world
  - The largest producer of milk, pulses, sugarcane and tea in the world
  - The 2nd 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 few plants with scale economies
- Some co-operatives, such as the Gujarat Cooperative Milk Marketing Federation in milk with its Amul brand of dairy products, have transformed certain sub-sectors.
- Major international companies such as Nestle, Cargill, Unilever, 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 quality standards and a regulatory authority
  - Plans to permit contract farming and amend Acts that restrict marketing of agricultural produce to specified market yards (Agricultural Produce Marketing Committee Act or APMC Act)
  - Proposed enactment of a Unified Food Law

OPPORTUNITY

OUTLOOK

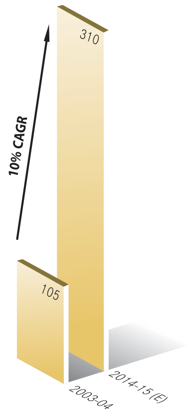
- The domestic processed-food market is expected to triple in the next 10 years from about $100 billion in FY 04 to $310 billion in FY 15
- India aims to increase its share of world trade in this sector from 1.7% currently ($7.5 billion) to 3% by 2015 ($20 billion)

POTENTIAL

- Factors that are likely to fuel rapid growth in demand for processed food 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 of about $22 billion in the next 10 years
- Major investment opportunities lie in processing milk, sugar, fruit, vegetables and marine products
  - An estimated 30% of new capacity could be for the export market

Indian Food Processing Market Growth

($ billion - 2003-04 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 10% 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 - Draft Vision Document

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

Manufacturing
at a glance

Graphical representation, not to scale

Chennai is called the **Detroit of India** -
Ford and Hyundai have 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

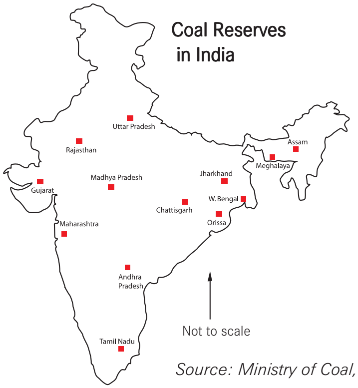
Natural Resources

- Coal
- Metal Ores
- Oil & Gas Exploration

NATURAL RESOURCES

COAL

Total estimated investment opportunity of US$ 30-40 billion in 10 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 58% of the electricity generated
- India has large coal reserves estimated at 248 billion tonnes, (93 billion tonnes are proven reserves)
  - Fourth largest proven coal reserves in the world
  - Third largest coal producer in the world-production of 360 million metric tonnes p.a.
- 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) - 80 blocks have already been allocated/are in the process of being allocated

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) or 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.
- FDI is permitted in the Coal sector (captive mines) with no FIPB approval required for foreign equity less than 50%. Higher FDI is allowed with FIPB approval and depending on end-use
  - Coal and lignite mining for captive consumption for power generation (100%), steel and cement (74%)
  - Coal processing - coal washing and sizing (100%)

Major players in coal mining

Name of Company	Production 2004 (MMT)
CIL (Public Sector)	306
SCCL (Public Sector)	34
Others	21
Total	**361**

Note: Excludes NLC production of lignite

OPPORTUNITY

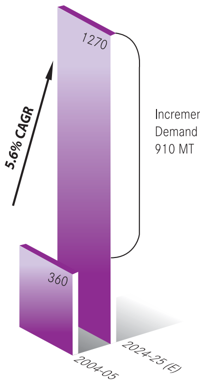
OUTLOOK

- Demand for coal expected to increase to 800 MMT p.a. by 2012
  - Current shortage of coal is expected to increase to over 50 MMT p.a. by 2007

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 increasing gap between power supply and demand due to rapid economic growth
  - Current peak power demand shortage is about 12%
- Need for improved technology, higher production and better productivity at existing mines
- US$ 30-40 billion investment opportunity over the next 10 years to:
  - Explore and develop new coal mines
  - Manufacture and sell state-of-the-art mining equipment and technology
  - Create related infrastructure for off-take of mined coal

Coal Demand Projection
(million tonnes)



Source: Vision Coal - 2025

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$ 10-15 billion in five years

Mineral production in India

Mineral	Production 2005(MMT)	World Rank
Bauxite	11.5	6
Chromite	3.3	3
Iron ore	140	4
Manganese ore	2.0	7

Source: Indian Bureau of Mines

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
  - 13 billion tonnes of iron ore reserves - the 5th largest reserve base in the world
  - 2.3 billion tonnes of bauxite reserves - the 4th largest reserve base in the world
  - 160 million tonnes of manganese reserves – the 2nd largest reserve base in the world
  - 57 million tonnes of chromium reserves – the 3rd 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
- While SAIL, Nalco, National Mineral Development Corporation (NMDC) and Hindustan Copper are the largest public sector companies; Tata Steel, Hindalco and Sterlite are the major companies in the private sector
- Sesa Goa (a subsidiary of Mitsui) is one of the largest companies in mining and export of iron ore
- Orissa, Jharkhand and Chattisgarh are the most 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

Source: USGS, Indian Bureau of Mines, McKinsey & Co

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 five 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
  - 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 markets 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
- Large integrated international metal manufacturers including POSCO, Mittal Steel and Alcan have announced plans for expansion in India

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

India is an attractive destination for metal-making

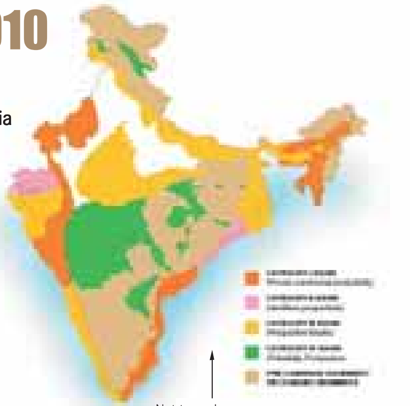
For additional information: *Ministry of Mines (http://mines.nic.in)*

NATURAL RESOURCES

OIL & GAS EXPLORATION

Total estimated investment opportunity of US$ 7-8 billion by 2010

Sedimentary Basins in India



OVERVIEW

SIZE

- Oil & Gas provides for 35% of India's energy requirements
  - It is a critical input for downstream industries like petrochemicals, fertilisers and energy
- Crude oil demand is currently about 116 MMT while the domestic production of crude is 33.4 MMT
  - Crude oil imports increased by 7% p.a. during the last 3 years
- Natural gas demand is about 150 MMSCMD (2004) while the domestic supply is only 81 MMSCMD
  - Several major gas finds have taken place in India in the last few years

STRUCTURE

- Oil and Natural Gas Commission (ONGC) and Oil India Limited (OIL), both public sector companies, are the largest with about 83% share of the total domestic oil and gas production
- The Exploration and Production (E&P) sector is witnessing increasing private sector participation: both domestic & foreign
  - In the last four years, private sector/JV companies have made 32 significant hydrocarbon discoveries
  - The world's largest gas discovery in 2002 (about 5 trillion cubic metres) was made by Reliance Industries Ltd.
- International E&P companies like Hardy Oil & Gas, 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 108 oil blocks have been awarded since 1999 via 5 rounds of global competitive bidding under the NELP programme
- A Coal Bed Methane (CBM) Policy has been formulated which provides for attractive fiscal and contract terms for the exploration of CBM blocks
- Petroleum and Natural Gas Regulatory Board Bill to be enacted shortly - will result in the setting up of an Independent Regulator for Oil & Gas

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

OPPORTUNITY

OUTLOOK

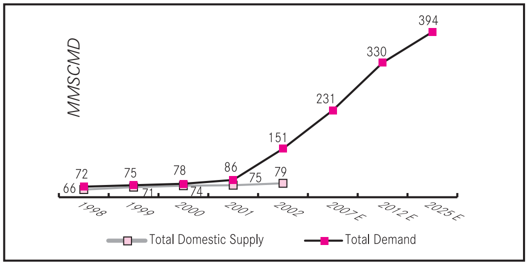
- Crude Oil demand is projected to increase to about 190 MMT by 2012
  - Rising global Crude Oil prices have triggered increased E&P focus to expand domestic production
- Gas demand is expected to reach 330 MMSCMD by 2012
  - A CAGR of 10% for the next seven years
  - Increased use of gas for power generation, petrochemicals, fertilisers and city gas distribution will drive demand growth

POTENTIAL

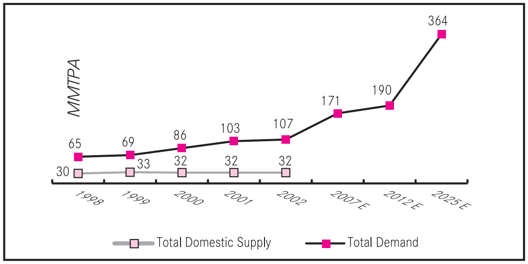
- Growing demand supply mismatch provides ample opportunities for investment
  - Exploration and production of Crude Oil, Gas and CBM
- The Government is actively promoting the creation of Strategic Oil & Gas reserves through partnerships with the private sector
- 32% of the Indian sedimentary area is 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
- Investment need of $7 - 8 billion in exploration and production by 2010

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

Demand Supply Mismatch – Natural Gas



Demand Supply Mismatch – Crude Oil



Source: Parliamentary sub-group on refining, marketing, transportation and infrastructure requirements.

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

Resources
at a glance

Graphical representation,
not to scale

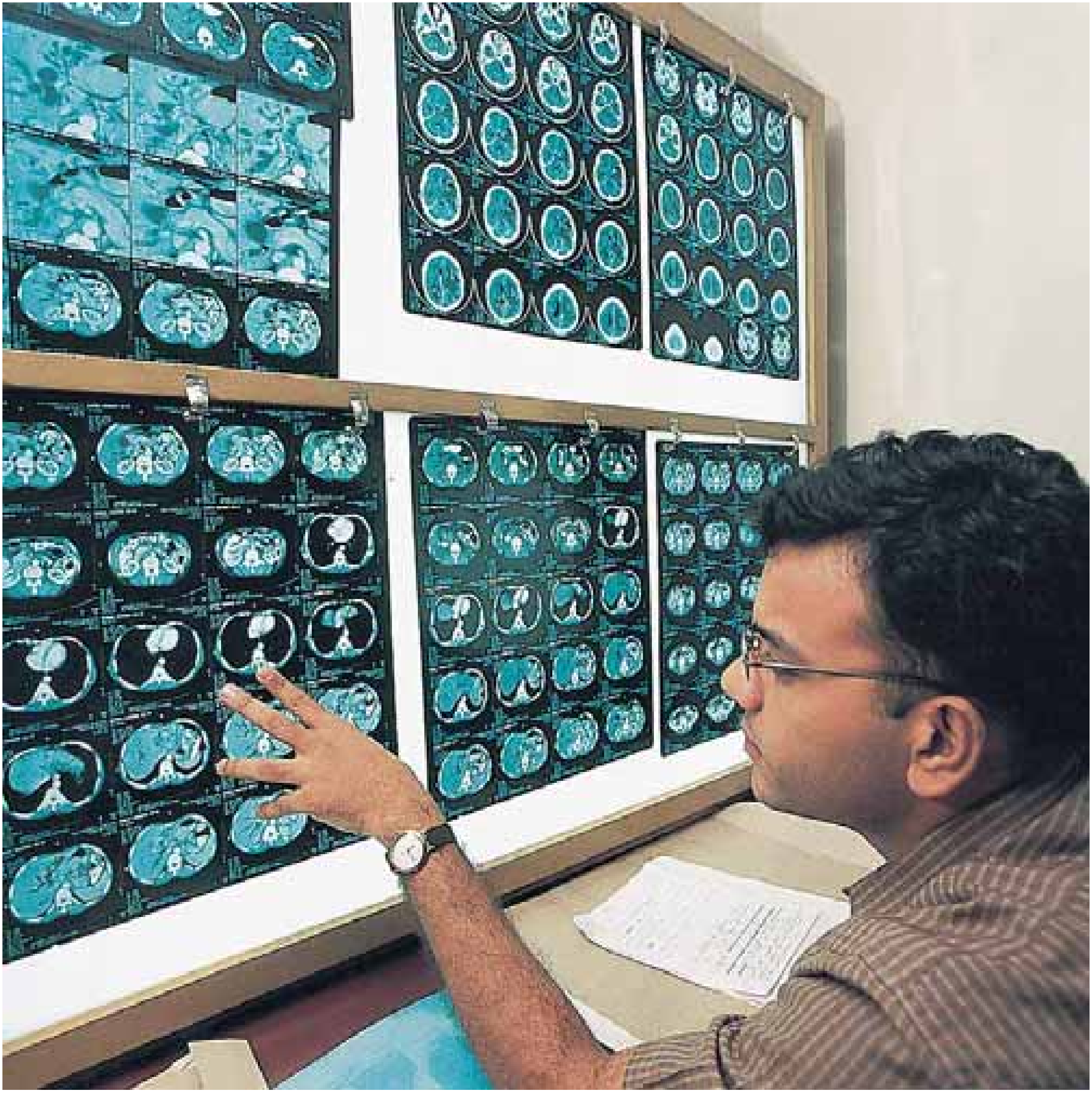
Jharkhand and Orissa account for over 50% of India's reserves of iron ore

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

India has one of the finest 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

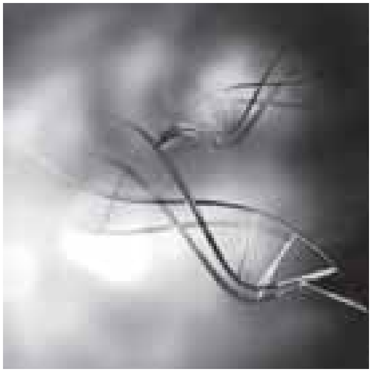


Knowledge Economy

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

KNOWLEDGE ECONOMY

PHARMACEUTICALS & BIOTECHNOLOGY



Total estimated investment opportunity of US$ 7 billion in 5 years

Major players and presence in value chain

Company	Revenues[1] (FY 05, $ million)	Value Chain Presence		
		R & D	Manufacturing	Marketing
Domestic Private Players				
Ranbaxy	1,333	✓	✓	✓
Cipla	548	✓	✓	✓
Dr. Reddy's	441	✓	✓	✓
International Private Players (CY 04)				
Glaxo SmithKline India	354	✓	✓	✓
Aventis - India	183		✓	✓
Pfizer - India	146	✓	✓	✓

Source: Capitaline Database, Company web-site

1 Revenues in India, consolidated

OVERVIEW

SIZE

- The Indian Pharmaceutical industry is about \$8.8 billion (2004 revenues) constituting 1.3% of the GDP
  - The domestic market is about \$4.8 billion
- India occupies a significant position in the world Pharma market – especially in generics
  - 8% by volume (4th largest in the world) and 1.5% by value (13th largest)
  - Export of generics accounts for 38% of the Pharma sector revenues
- India has a low per capita annual spend of \$5 on Pharma products: ranks 67th in the world
- India has a nascent but rapidly growing Biotech industry – \$750 million in revenues in 2003-04
  - 1.5% share of the global Biotech market

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
- 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 23% p.a. till 2010
  - The domestic market expected to double in the next 5 years to over $10 billion
- The Biotech industry is projected to grow at a CAGR of 39%; India expected to have a significant share of the global market

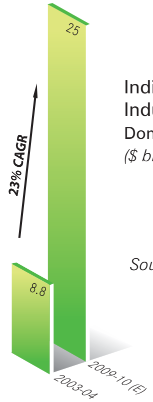
POTENTIAL

- 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 $70 million (2002) to $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

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

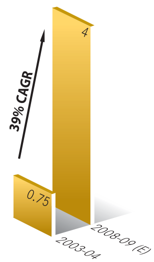
India is emerging as a hub for biotech research

Indian Pharma Industry:
Domestic + Exports
($ billion)



Source: OPPI

Indian Biotech Industry:
Domestic + Exports
($ billion)



Source: 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 in 5 years

OVERVIEW

SIZE

- Healthcare delivery is one of the largest service-sector industries in India
  - Estimated revenue of about $30 billion (FY 2005) constituting 5% of the GDP
- Industry growth at over 12% p.a. in the past four years
- Large domestic market complemented by the inflow of medical tourists
  - Medical tourists have increased ten-fold from 10,000 in 2000-01 to about 100,000 in 2004-05

STRUCTURE

- The industry is fragmented with a large number of independent, privately-run hospital and healthcare centres
  - Private healthcare providers account for 63% of the total spend
  - Government sector and corporate employers account for the rest
- Modest presence of private sector corporate entities like Apollo Hospitals, Escorts Group and Fortis Healthcare
- 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 as a preferred destination for surgery

POLICY

- 100% FDI is permitted for all health related services under the automatic route
- Infrastructure status accorded to hospitals:
  - Lower tariffs and higher depreciation on medical equipment
- Income-tax exemption for five years to hospitals in rural areas

Top Private Healthcare Providers in India

Player	Revenues ($ million)	Number of Hospitals	Beds
Apollo Hospitals	151 (2005)	35	6,400
The Escorts Group	NA	10	1,170[1]
Fortis Healthcare	NA	4	600

Note: 1. Includes associated hospitals

Source: Company websites, Capitaline Database

OPPORTUNITY

OUTLOOK

- The industry is expected to grow at 15% p.a. to $60 billion by 2010
- Medical tourism is expected to become a $2 billion industry by 2010
- Significant growth in healthcare BPO: Expected to become a $4.5 billion industry by 2008

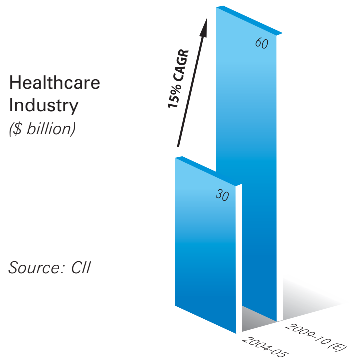
POTENTIAL

- High growth domestic market arising from:
  - Increasing health awareness: Share in total private consumption expenditure has increased from 3.5% (1993-94) to 5.3% (2000-01).
    - Expected to increase further
  - Increasing penetration of Health insurance
  - Rapid growth in private sector companies owning and managing hospitals
- High growth in medical tourism
  - Cost of advanced surgeries in India is about 10% of that in USA
- 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: Only 30-40 million Indians have Health Insurance; expected to rise to 160 million by 2010.
    - 100% growth in Health Insurance in the last two years
  - 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 $25 billion in the next 5 years

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

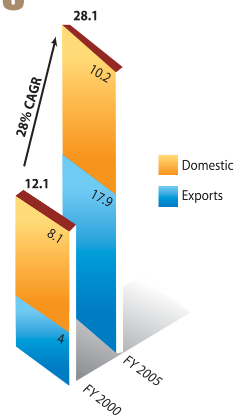


KNOWLEDGE ECONOMY

IT & IT ENABLED SERVICES

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

IT/ITES Revenues
($ billion)



Source: NASSCOM, Ministry of Information Technology

OVERVIEW

SIZE

- India is the leading destination for providing IT and IT Enabled Services (ITeS), with revenues of $28.2 billion in 2004-05, of which:
  - IT Services and Software constituted 59%, IT Hardware about 21% and ITeS about 20%
  - India had 33% of the $40 billion global market for off-shored IT & ITeS in 2004

STRUCTURE

- The industry has three 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, 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, Citigroup, HSBC, British Airways, etc.
- Indian companies account for over 69% of the industry revenues. International companies account for the rest
- About 45% of Fortune 500 corporations source software from India

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

Major IT & ITeS Companies in India

	Revenues[1] ($ million)	IT	BPO
Domestic Private Companies			
Tata Consultancy Services	2,239 (FY 05)	✓	✓
Wipro Technologies	1,884 (FY 05)	✓	✓
Infosys Technologies	1,659 (FY 05)	✓	✓
HCL	691 (FY 04)	✓	✓
International Private Companies			
GE	152,866 (FY 04)		✓
IBM	96,293 (FY 04)	✓	✓
Dell	49,205 (FY 04)	✓	✓
Microsoft	36,835 (FY 04)	✓	
American Express	29,115 (FY 04)		✓

1 Global Revenues, Consolidated

Source: Capitaline, Fortune

OPPORTUNITY

OUTLOOK

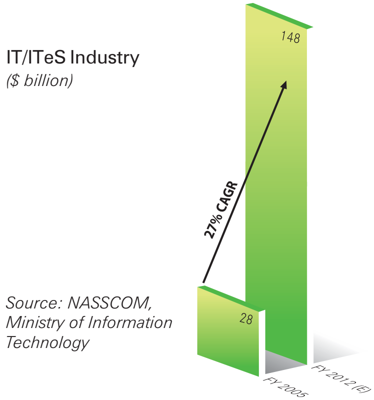
- The Indian IT and ITeS industry is expected to grow to $148 billion by 2012
  - Over 25% p.a. CAGR expected over the next seven years
- India aims to achieve a 50% share in the global off-shored IT and BPO services by 2008

POTENTIAL

- India's inherent IT capabilities – talented and low cost workforce and world-class companies
  - Increasing availability of technically-skilled and English-speaking labour force at costs significantly lower than in USA and Europe
  - Quality orientation, project and process management expertise
- Recognition of India's strengths internationally
  - 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 high off-shoreable component
- High growth of domestic IT & ITeS market due to several regulatory and technological factors:
  - Initiatives to reduce software piracy and increase in PC adoption, usage and penetration
  - Measures to increase affordability of PCs
- 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 five-fold over the next 5 years.



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

Graphical representation,
not to scale

Bangalore 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, India's third 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) and where the Automatic route is allowed.

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 (sectors that require industrial licensing, for example)

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 6 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 & lignite (74%) and diamonds and precious stones (74%).

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[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 * drugs and pharmaceuticals

- 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 example, Telecom Services has a sector cap of 49%; Airports (74%); Airlines (49%, investment from airlines companies is not allowed).

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.

The financial intermediation sector has sector caps. So do a few other services like professional services (51%). 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 closed for FDI, though 100% FDI is permitted in Wholesale cash and carry. Legal services are currently not open to foreign investment.

Restricted List of Sectors

Sectors where FDI is not permitted are restricted to Railways, Atomic Energy and Atomic Minerals, Postal Service, Gambling and Betting, Lottery and basic Agriculture or 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%		Subject to licensing and security requirements; FDI cap of 74% for global mobile personal communications by satellite
ISP with gateways	74%	FIPB beyond 49%	
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%	FIPB beyond 74%	
Domestic Airlines	49%	Automatic	Subject to no direct or indirect equity participation by foreign airlines. FDI up to 100% allowed for NRIs
Petroleum & Natural Gas			
Petroleum refining	100%	Automatic	
Petroleum product pipelines	100%	Automatic	
Petroleum product marketing	100%	Automatic	Subject to minimum investment of $450 million in exploration and production or refining or pipelines or terminals
Petroleum refining-PSUs	26%	FIPB	
Others			
Mass Rapid Transport System	100%	Automatic	Includes associated real estate development in all metropolitan cities
EOU/ SEZ/ Industrial park construction	49%	FIPB	
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 the 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
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
Housing	100%	Automatic	
Construction – Development Projects	100%	Automatic	
Build-up Infrastructure	100%	Automatic	
Trading			
Retail Trade	Not Permitted	–	
Trading (Export House, Super Trading House, Star Trading House)	51%	Automatic	
Trading (Export, Cash and Carry Wholesale)	100%	FIPB	
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 services	100%	FIPB	Includes all 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; 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 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 up to 50%	
Captive Coal mining for Power	100%	Automatic up to 50%	
Captive Coal mines – non-power	74%	Automatic up to 50%	
Other Mining and Quarrying			
Mineral Ores	100%	Automatic	Including Gold, Silver and other mineral ores
Diamonds and precious stones	74%	Automatic	
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	

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 relating 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 company.
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 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) resident 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 OTHER THAN NRIs

No person resident 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 resident 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.
- Six 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
    - Drugs and pharmaceuticals
- 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 resident 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 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 RBI cannot transfer such property without prior permission from the RBI.

Acquisition of immovable property by NRI: An Indian citizen resident 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 Reconciliation 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 (Amendment) Act, 2003

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.

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.

Sales Tax Act, 1948

Act governing the levy of tax on sales.

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.

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)

Government of India has set up FIIA in the Ministry of Industry and Commerce to facilitate quick translation of FDI approval and implementation and provide 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. 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
SIKKIM
ARUNACHAL PRADESH
ASSAM
NAGALAND
BIHAR
MEGHALAYA
MANIPAL
GUJARAT
MADHYA PRADESH
JHARKHAND
WEST BENGAL
TRIPURA
MIZORAM
Kolkata
CHHATTISGARH
ORISSA
MAHARASHTRA
Mumbai
ANDHRA PRADESH
KARNATAKA
Bangalore
Chennai
KERALA
TAMILNADU
Thiruvananthapuram
Graphical representation, not to scale
Port Blair
ANDAMAN & NICOBAR ISLANDS

ADMINISTRATIVE DIVISIONS:
28 STATES AND 7 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
Pondicherry•
Punjab
Rajasthan
Sikkim
Tamil Nadu
Tripura
Uttaranchal
Uttar Pradesh
West Bengal

• Union territory

Location	South Asia
Total Population	1,065,070,607 (2004 estimate)
Government type	Federal republic
Currency	Rupee (Rs.)
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	(Mn)	1,065
Urban population	(% to total)	28
Birth rate	(Per 1,000)	25
Death rate	(Per 1,000)	8
Infant mortality rate	(Per 1,000 live births)	68
Life expectancy	(Years)	65.4
Labour force	(Mn)	427
National Income		
Gross Domestic Product (GDP)	(US$ Bn)	652
Share in GDP		
Agriculture	(%)	24
Industry	(%)	25
Manufacturing	(%)	17
Services	(%)	51
Net National Product	(US$ Bn)	579
Per capita NNP	(US$)	530
Per capita PPP	(US$)	2,880
Gross Domestic Savings	(% to GDP)	28
Gross Domestic Capital formation	(% to GDP)	26
Agriculture		
Production		
Foodgrains	(Mn tonnes)	206.4
Rice	(Mn tonnes)	88
Wheat	(Mn tonnes)	73
Sugar*	(Mn tonnes)	13
Tea	(Mn tonnes)	0.8
Tobacco	(Mn tonnes)	1
Oilseed	(Mn tonnes)	25
Cotton	(Mn tonnes)	17
Fruits	(Mn tonnes)	48
Vegetables	(Mn tonnes)	90
Fertiliser Consumption		
per hectare of arable land	(kg.)	94

* Centrifugal sugar expressed in raw value

ECONOMIC INFORMATION

	Unit	Value
Infrastructure & communications		
Electricity production	(Bn kwh)	587
Electricity consumption		
Per capita	(kwh)	538
Rail route	(km)	63,140
Air passengers carried	(Mn)	22.3
Motor vehicles	(per 1,000 people)	10
TV sets	(per 1,000 people)	83
Telephone main lines	(per 1,000 people)	41
Cellular Mobile subscribers	(per 1,000 people)	55
Personal computers	(per 1,000 people)	7
Internet Users	(per 1,000 people)	16
Researchers in R & D	(per Mn people)	120
R & D Expenditure	(% to GDP)	0.85
External Sector & Exchange rate		
Exports	($ Bn)	79
As % of world exports	(%)	0.8
Exports of commercial services	($ Bn)	25
Imports	($ Bn)	107
Forex reserves†	($ Bn)	143
Exchange rate†	(Rs./ per US$)	44.00

† Pertains to September 30, 2005

ECONOMIC INFORMATION

	Unit	Value
Inflation, Banking & Capital market		
Consumer prices	(Ave. % '04-05)	3.8
Domestic credit by		
Banking sector	(% to GDP)	31
Commercial bank		
Lending rate	(%)	10.5
Total Insurance density	($)	16
Total Insurance penetration	(% to GDP)	3
FDI inflows	($ Bn)	5.5
Listed domestic companies	(No.)	5,644
Market capitalisation	($ Bn on 28/7/05)	450
External debt		
Total Debt outstanding	($ Bn)	113.6
Debt service ratio	(%)	18.3
Social sector indicators		
Gross enrolment ratio in		
primary schools	(%)	99
Adult literacy	(%)	61
Labour cost per worker		
in manufacturing	($ per year)	1,800
Education expenditure (Public)	(% to GDP)	3.7
Physicians	(per 1,000 population)	0.5
Health expenditure (Public)	(% to GDP)	1.5
Health expenditure per capita	($)	8
Conventional contraceptive users	(Mn)	16.5
Overall pill users	(Mn)	8.2
Poverty		
Population below poverty line	(%)	26.1

Note: Data generally relate to the latest available period, 2004-05

Source: Statistical Outline of India 2004-05, Economic Survey of India 04-05, CMIE, TSMG.

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
Bangalore	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
Vijaywada	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.:** It 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 5300 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 per cent 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 page 113 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 115 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 page114 for details

Terms and Abbreviations	Meaning
NASDAQ	**National Association of Securities Dealers Automated Quotations** (originally). It is the largest U.S. 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	**Purchasing power parity**. A method of measuring the relative purchasing power of currencies of different countries over the same types of goods and services, in order to make relatively accurate comparisons of standards of living across countries.
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 page 113) 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 ($2.2 million) for a manufacturing unit and Rs. 50 million ($1.1 million) for services
SSI	**Small-Scale Industry** Unit is an industrial undertaking with an investment of less than Rs10 million ($0.2 million) in plant and machinery and 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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