India's Foremost Trade & Investment Magazine

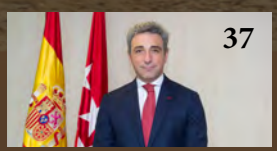
INDIA GLOBAL BUSINESS

Global Edition

Free Trade RIP

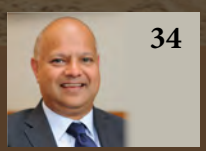
24

INTERVIEW
Energy efficiency is absolutely vital to economic growth
Neelima Jain
CEO, EnergyPro Assets Ltd



37

HOTSPOT
Madrid is open for Indian investments
Javier Ruiz Santiago
Economy Minister, Madrid Region



34

BIRD'S EYE VIEW
Modi spells out free, open, inclusive Indo-Pacific policy
Rahul Roy-Chaudhury
Senior Fellow, IISS, London

July 2018 £4.95
www.indiaincgroup.com

ISSN 2516-3930

LIKES, SHARES AND FRIENDS WILL SHAPE YOUR CUSTOMER'S NEXT EXPERIENCE

Infosys®
Navigate your next

Drive sales through loyalty programs

Build consumer genomes to personalize experiences

Grow repeat buyer rate

With over three decades of experience in managing the systems and workings of global enterprises, we can help navigate you towards opportunity with

- AI-powered Core
- Agile Digital at Scale
- Always-on Learning

The journey to digital has so many nexts. Navigate your next with Infosys.

www.infosys.com

Trump and Xi could learn from Modi's pragmatic freer trade policies

US President Donald Trump has fired his opening salvos in what could escalate into a full-blown trade war between the US and China, the world's two largest economies. This is ironical and, in my opinion, and in the opinions of millions of people around the world, self-defeating and, potentially, ruinous for the world at large.

It is ironical that this is happening at a time when India, a late convert to the free market, is structurally opening up its economy to easier and freer trade.

Just to recap, the Trump administration has imposed penal tariffs on $34 billion worth of Chinese exports to the US. Not one to take such action lying down, Xi Jinping's China imposed retaliatory tariffs on the same amount of imports from the US.

Having made his point, however unjustified, it would have been wise if the US refrained from further escalation. But like the proverbial bull in a China shop (sorry for the bad pun), Trump reacted by proposing a 10 per cent levy on $200 billion worth of Chinese exports. China has challenged this before the World Trade Organisation (WTO).

THE US AND CHINA ARE THE WORLD'S LARGEST TRADING ECONOMIES BY A GOOD MARGIN AND THE BIGGEST BENEFICIARIES OF FREE TRADE.

Most people are scrambling to figure out exactly what is going on. The US and China are the world's largest trading economies by a good margin and the biggest beneficiaries of free trade. Many American products have a large proportion of inputs made in China. Many others are, in fact, fully made there.

This unfolding trade war couldn't have come at a worse time for India. The country has opened up to the world and is, in many ways, unrecognisable from what it was just four years ago.

The Goods and Services Tax (GST), which was launched a year ago in India, has turned the country from a market of 29 states, each with its plethora of tax laws, into one common market, much like the European Union (EU).

Compliance, transparency and revenues have all improved and the increasing formalisation of the economy is resulting in substantially higher tax collections. Consider this: After hitting an all-time high of $15 billion in April this year, GST has netted about $14.1-14.3 billion in the two following months – considerably higher than the average pre-GST indirect tax collections of about $13 billion per month.

Let me quickly add that these are impressions based on what are still early days for the new tax and that final judgment will have to await further passage of time. But if the old proverb "morning shows the day" is anything to go by, then Indian Finance Minister Arun Jaitley, who invested considerable time, effort and personal political capital on generating the consensus that made GST possible can breathe easy.

In the 12-month period from July 2017 to June 2018, the number of registered taxpayers has risen dramatically by 75 per cent from 6.4 million to 11.2 million and compliance level rose to 65 per cent in April compared to 55-57 per cent six months before.

This proves that at least a part of the country's infamous shadow (called "black" in local parlance) economy is coming into the tax net. This is also evident from the rise in advance personal income tax and corporate tax collections. And this, in turn, should lead to an improvement in the ease of doing business.

But in my opinion, the greatest benefits of GST go beyond mere numbers on revenue generated. I feel this new regime will help integrate India further into the global value chain by making transactions seamless, honest and easy.

At a time when the two greatest beneficiaries of free trade are digging the grave of free trade, the secret of their success, Trump and Xi could learn from the pragmatic policies of Modi.

The latest edition of 'India Global Business' explores the implications of GST as it hits the one-year mark.

Manoj Ladwa
Publisher & CEO, India Inc.
@manojladwa

CONTENTS

This Global Edition of 'India Global Business' covers the one-year mark of India's landmark Goods and Services Tax (GST) with a critical take on how it has impacted the economy. Besides, there are a range of subjects such as energy efficiency, Digital India and freer movement of people that are analysed this time.

Published by

Incorporating **India Investment Journal**

www.indiaincgroup.com

Editorial
editorial@indiaincgroup.com

Advertising & Sponsorship
sales@indiaincgroup.com

PRICE £4.95
PUBLISHED IN LONDON

Follow us:
@indiaincorp /company/india-inc /indiaincorporated

One year on, GST proving sceptics wrong

A job well begun, they say, is already half done. The Narendra Modi government, which faced considerable flak from India's Opposition parties and sections of the media (ironical considering that the decision to roll out the new tax was arrived at by consensus among all the major political parties in Parliament and in the states), can draw satisfaction from the fact that a year after the Goods and Services Tax (GST) was launched, tax revenues are showing a buoyancy that augurs well for the future, transparency has improved and the process of formalising India's large shadow economy, as evidenced by a 75 per cent increase in the indirect tax base, has gathered speed.

This rise in transparency and formalisation is having a spin-off effect on India's direct tax base as well – advance personal income tax collections have risen 44 per cent and corporate tax collections have grown 17 per cent in the first quarter of the current financial year.

Most importantly, India has managed to avoid the disruptions that the launch of GST has caused in other economies, especially in the realm of inflation.

But this is not to say that there are no pain points. There are – the IT backbone is still causing some issues and there are persistent demands from industry to review the various tax rates and especially to reduce the number of items in the highest GST bracket of 28 per cent.

These are being addressed by the GST Council comprising the Finance Minister of India and the finance ministers of every state government in India. And as the remaining issues are resolved, the GST will surely stand out as a fine example of Prime Minister Modi's vision of cooperative federalism at work.

One year of GST: Well begun but still a work in progress

by India Inc. Staff

The early indications are that GST has led to a rise in revenue collections and shrunk the shadow market; this is leading to a massive formalisation of the Indian economy, which will generate huge demand for fintech products and services.

In April this year, Goods and Service Tax (GST) collections in India crossed the Rs 1 lakh crore ($15 billion or Rs 1 trillion) mark. But that proved to be a one-off. Collections in the subsequent two months are in the Rs 94,000 crore-Rs 95,000-crore ($14.1-14.3 billion) range.

But these figures are still considerably higher than the pre-GST monthly collections of about $13 billion.

And as the tax stabilises and compliance improves, the Indian government is confident of hitting a monthly collection equalling the April figure before too long.

So, what does that say about GST and its rollout last year? Is it a success, as the Indian government is claiming? Or has it, as the Indian Opposition parties led by the Congress claim, failed to achieve the goals it was slated to achieve?

Early signs are positive

One year, most experts agree, is not enough time to pass judgment on GST, which, typically, take two or more years to stabilise but one year is long enough for early impressions. Based purely on numbers, it must be said that the GST in India has led to greater formalisation of the Indian economy, improved collections, compliance and transparency, despite the expected set of glitches that accompanied its rollout.

That said, it must be noted that GST in India is still a work in progress. The authorities have rung in several changes and improvements and tweaked several rates over the last year and more such changes are likely in the coming days and even beyond.

Several big pluses…

The biggest positives from the GST rollout are the broadening of the tax base and the increased compliance that this has brought about.

In the 12-month period from July 2017 to June 2018, the number of registered taxpayers has risen dramatically by 75 per cent from 6.4 million to 11.2 million.

According to A.B. Pandey, Chairman, GSTN, which controls the IT infrastructure of GST, a total of

11,215,693 taxpayers are registered with the GST system today of which 6,376,967 have migrated from previous tax regimes while 4,838,726 have entered the new tax regime in the first year of GST indicating a significant increase in the active taxpayer base.

As a result, monthly tax collections have also registered a steady increase, averaging about Rs 90,000 crore for the year under review before perking up smartly after April, following the introduction of the e-way bill (more on that later).

This also shows up by way of improved compliance. Despite the initial and expected teething troubles and IT-related glitches, there is a marked increase in the number of returns filed. Result: compliance level had touched 65 per cent in April compared to 55-57 per cent six months before.

… and some remaining pain points

As India's Finance Secretary Hasmukh Adhia said recently, the GST Network, which is tasked to provide the IT backbone for the smooth operation of the tax administration process, needs to be improved considerably to ensure seamless operations.

"Since we had to meet a certain deadline, we needed to hurry up the process. Somewhere, I made a reference about the technology failing us but that does not mean that the people in the GSTN failed us. Marvellous people work in the GSTN and despite their efforts, the GSTN still fails us," he said at a function organised by the Federation of Indian Chambers of Commerce and Industry (FICCI) on "One Year Journey of GST".

A survey by FICCI shows that 59 per cent of businesses said they were not happy with the functioning of the portal, while an overwhelming 96 per cent wanted various improvements. The main pain points were delays in the portal showing payments, difficulties in correcting errors after submission of returns and the lack of mechanisms to resolve these issues.

The Oppositions' fear was justified as weeks before the GST deadline, Infosys had informed the Finance Ministry that they would not be in a position to put up the computer programme necessary for the GSTN by July 1 and, therefore, it won't be rolled out. However, the government still went ahead with the scheduled launch.

Ajay Sahai, Director General and CEO of Federation of Indian Exporters Organisation (FIEO), was quoted in the media as saying: "More than Rs 10,000 crore ($1.5 billion) could be stuck due to software challenges. There are exporters who have been waiting for last 12 months for their refunds and there are exporters who are unable to file claims due to non-modification of the software."

THE GST IN INDIA HAS LED TO GREATER FORMALISATION OF THE INDIAN ECONOMY, IMPROVED COLLECTIONS, COMPLIANCE AND TRANSPARENCY, DESPITE THE EXPECTED SET OF GLITCHES THAT ACCOMPANIED ITS ROLLOUT.

These issues are addressed and are expected to be resolved soon. "I see that second year will bring a lot of stabilisation to the GST," Somesh Kumar, Principal Secretary (Commercial Taxes), Government of Telangana, told an Assocham meeting recently.

Best yet to come

Most experts accept that India has faced fewer glitches and much less disruption while rolling out GST compared to other countries.

Stating this in so many words, Finance Minister Arun Jaitley said the best of the new regime in terms of contribution to society is yet to come.

"I myself used to use the word disruptive when it came to a major reform like GST because it takes time to settle down. But after one year of experience, I'm not too sure whether I can use the word disruptive for GST reform… The smooth manner in which the changeover has taken place is almost unprecedented anywhere in the world. I'm sure we have seen the first year where we have seen effective gains this is only the short-term or at best medium term of GST, that the best of GST in terms of its contribution to society is yet to come," he said via video conference at a function to mark one year of the new tax.

"As the tax collection goes up, the capacity to rationalise the slabs, the capacity to rationalise the rates also will certainly increase. And, therefore, that capacity to rationalise will increase once the total volume of tax collected significantly increases," Jaitley said, adding that GST would have a long-term impact on India's GDP growth rates, lead to further ease of doing business, expand trade and industry, facilitate Make in India and promote honesty in business dealings.

Formalisation = promoting honesty

It is perhaps India's worst kept secret that a large amount of business transactions are not reported to the tax authorities, leading to the generation of unaccounted money, called black money in local parlance, which, in turn, leads to a host of downstream dishonest practices such as bribery, political chicanery and worse.

As the figures cited earlier in this report show, the rollout of GST has led to both a rise in revenue collections as well as an increase in the number of assessees who have begun to file tax returns.

This is a massive achievement in a country where the tax-GDP ratio has traditionally been far below the levels of not only the developed countries of Western Europe and the US but also many of its Asian peers.

But GST, which creates an end-to-end digital trail, makes it very difficult for an individual assessee to escape the tax net. The recent launch of the e-way bill for the transport of all goods valued at more than Rs 50,000 ($600) and the use of sophisticated data analytics tools on the huge volumes of tax data being collected makes it even more difficult to do so.

And as business turnovers and incomes are reported to the tax authorities, it is becoming impossible for business owners to hide their incomes as well. Indications to this effect are available from the 44 per cent rise in advance personal income tax collections and 17 per cent growth in advance corporate tax collections in the first quarter of the current financial year.

Rate revision

One common complaint against GST in India is on the multiplicity of rates and the number of items in the highest rate bracket of 28 per cent. Both Prime Minister Narendra Modi and Finance Minister Arun Jaitley have ruled out the Opposition demand for having only one rate saying, with full justification, that in a country like India where a large number of people are still poor, a Mercedes Benz limousine – a proxy for luxury goods used by the rich – cannot be taxed at the same rate as milk, which is an essential item.

But, as promised at the time of the rollout of the tax, the GST Council, which is chaired by Jaitley and comprises the finance ministers of every state, has progressively reduced the number of items in the high tax bracket.

In January this year, the Council reduced the rates on 177 items mainly in the 28 per cent slab to lower slabs but also in other tax slabs. Among the goods and services on which rates were reduced were buses and cars, some grades of fertilisers, bio-diesel, sugar, LPG cylinders, scientific equipment and various other items.

Good and simple tax

A year after its introduction, collections are showing an upward trend and the systems supporting the tax are stabilising. With the benefit of hindsight and with a better practical understanding of what is working and what is not, the GST Council proposes to ring in as many as 46 major and minor changes in the GST regime to make it more taxpayer-friendly and to improve the ease of doing business.

On the anvil are an improved version of the Reverse Charge Mechanism, a clearer definition of services for composition scheme and input tax credit and no transitional credit for cess.

Massive fintech opportunity

The entire backbone of the GST regime is IT-enabled. Larger companies have been first off the block in upgrading their IT systems to make them GST-compatible. But many smaller companies are still struggling to come to terms with the technology aspect of the new tax regime.

This offers a multi-billion-dollar opportunity for domestic and foreign IT companies as well as consultancies to offer tailor-made solutions for the issues faced by these companies.

Even the large companies will have to, from time to time, modernise and improve their internal systems to cope with increased automation in their businesses and particularly in the tax regime. This, again, will offer IT vendors and consultancies new avenues to grow their businesses on the back of India's GST regime. Then, as the incidence of black money reduces and the size of the shadow economy shrinks, more and more individuals will opt – and are opting – for digital transactions even for their day-to-day needs.

India's PayTM and RuPay are already large players in this market, the former having already emerged as an Indian Unicorn. The growing Indian market for such transaction offers massive scope for entrepreneurs not only to set up rival platforms but also to provide hardware and consultancy to these and emerging players.

A vote for cooperative federalism

Prime Minister Modi has often spoken of his vision for cooperative federalism to drive the Indian story forward. The rollout of the GST and smooth functioning of the GST Council bears testimony to the success of his vision.

In his one-year address to mark the rollout of GST, Jaitley thanked everyone who played a role in its rollout and singled out the GST Council, saying: "While several nations faced severe consequences of implementing a 'one nation, one tax' rule, an unprecedented cooperation between states and Centre and financial bodies made it a success in India."

He thanked all political parties and all previous finance ministers and credited them for their contributions to this tax reform.

EBRD a natural partner for Indian businesses

The European Bank for Reconstruction and Development (EBRD) welcomed its newest member, India, with a first-of-its-kind conference in Mumbai in June. Themed around "Mobilising private sector finance in the EBRD region and how Indian companies can benefit", the summit brought together EBRD experts, investors and prominent business people to highlight opportunities for the Indian private sector. EBRD President Suma Chakrabarti delves into some of the themes relevant for the bank's 69th member – India.

How important is India's membership of EBRD?

We are very proud to have India on board as a shareholder and it was unanimously approved by our existing shareholders as well.

We wanted to engage more systematically with the Indian business community and help them invest with EBRD in our countries of operation.

The conference in Mumbai was a way to introduce EBRD to Indian companies. We already work with some of the big names in India – SREI, Tata, Mahindra and Jindal – but we want to obviously widen that list of companies beyond these.

EBRD is a natural partner for Indian businesses as they seek to invest across the 38 economies where the bank promotes private sector development.

Is the membership now finalised?

We are in the very last stages and it will soon be formalised. It's a foregone conclusion already.

At the Federation of Indian Chambers of Commerce and Industry (FICCI) EBRD conference, we welcome them as the 69th member of the bank. One of the advantages of the membership, is that EBRD is able to give more resources to this sort of conference.

What has led to this final push for membership?

It's been a tripartite push – the EBRD, Indian government and Indian companies have been among the prime movers.

In terms of the business already done with Indian companies, we have nearly €1 billion worth of investments in the EBRD's countries of existence.

We did a mapping exercise which shows that many Indian companies want to go to those countries of operation and need a safe and sound partner, something the EBRD provides. All the companies we work with were all very strongly part of the push for India to become a member.

We have also been doing more work with the Indian government.

We signed a joint declaration on the International Solar Alliance (ISA) last November.

Is the International Solar Alliance (ISA) connect likely to intensify?

EBRD is one of the leading multilateral development banks in what we call the green economy. Last year, 43 per cent of our investment was in the green economy – higher than any other multilateral development bank.

For us, solar energy is a really important part of our spending. The joint declaration [with the Indian government] means we can use this as a way of mobilising more finance for solar energy and sharing knowledge of the various instruments that EBRD has to take forward solar energy policy and reforms.

We can help lot more Indian companies come in with EBRD into markets like the Middle East, Central Asia and other places where solar energy is important.

How do you see EBRD collaborate with India?

India has a very diversified economic base and therefore very diversified companies which can fulfil investment needs of our countries of operation. Indian companies have been looking at many of these markets.

WE THINK THERE ARE MARKETS IN CENTRAL ASIA, EGYPT, JORDAN AND TURKEY WHERE THERE IS AN OPPORTUNITY FOR INDIAN COMPANIES.

In the past, we have worked very closely with India in Russia, Turkey, Romania, and Ukraine. We think there are markets in Central Asia, Egypt, Jordan and Turkey where there is an opportunity for Indian companies.

We can help lot more Indian companies come in with EBRD into markets like the Middle East, Central Asia and other places where solar energy is important.

These markets are not very well known to Indian companies. The advantage of membership is that Indian companies and the Indian government immediately get free access to all of EBRD's knowledge – political, commercial, market and economic knowledge.

Coming in with us, means great protection for Indian companies when they invest in these markets. Some of them are tricky regions but with EBRD, the investment is likely to be very, very safe indeed. It's a real opportunity to scale up in these markets, some of which are not that well known in India.

What does India's membership mean to you, personally?

In my term as EBRD President, India, the country of my birth is a shareholder, is a high point for me personally.

Also, I feel it is a very good move for global governance. India is one of the largest economies in the world, a rising economy and emerging market. This was one of the few global institutions that India was not a member of. It is a very good thing for global governance that India, a leading member of the G20, is now a member of this institution – which is slightly different from the others because of our private sector focus and mandate. It makes us quite special; having India on board is special as well.

Making it easier for companies to Access India

by Dinesh K. Patnaik

A senior Indian diplomat weighs up Access India, an initiative by the High Commission of India in London to facilitate the smooth entry of UK companies in the Indian market.

Multinational companies, large corporates and big industrial houses have been at the forefront of investment and trade between India and the UK. Today, India is the fourth-largest investor in the UK with Indian companies having a turnover of over £45 billion and the UK is the second largest G-20 investor in India. The majority of these investments have been through big business. However, if you look at the economic structure of both UK and India, majority of businesses, especially in the UK, are in the SME sector, many of whom do not have any international exposure. These SMEs form the backbone of the UK economy and boast of high-quality products, processes and technology.

Prime Minister Modi launched the Make in India programme in which countries across the world have been encouraged to invest in India. Under this programme and to target the SME sector in the UK, the High Commission of India launched the Access India Programme to target high potential UK SME companies and help them in establishing themselves in India. In this regard, the High Commission of India has partnered a large number of entities including legal firms, accounting firms, consulting firms and other industry bodies. Through a competitive bidding, the High Commission of India also appointed UK-India Business Council (UKIBC) as a knowledge partner for the programme to work with the other programme partners to implement this project.

THROUGH A VERY COMPREHENSIVE ANALYSIS AND DETAILED DISCUSSIONS WITH THE COMPANIES, IN THE FIRST COHORT, THE HIGH COMMISSION HAS SHORTLISTED 24 POTENTIAL COMPANIES THAT ARE AT AN ADVANCED STAGE OF MARKET ENTRY WITH A CLEAR INTENT FOR LOCALISATION IN INDIA.

The Access India programme not only offers a wide range of business support services under a single platform but also provides mentoring support to make entry of SMEs in India strong and effective. The services include strategy consulting, M&A, operational market entry support, tax & legal support, financial services, project financing, location services, technology collaboration, facilitation of approvals from central & state agencies and access to government agencies. Market entry of the selected companies shall be closely supervised to ensure success. The main strategy is to de-risk as much as possible the entry strategy of these companies in India.

Under the programme, High Commission undertook a regional outreach campaign in different parts of the UK including London, Cambridge, Edinburgh, Leicester, Warwick, Leeds, Manchester, Birmingham, Staffordshire and Sheffield to publicise the initiative. In addition to the programme launch, the High Commission organised sector-specific events to attract companies in sectors like defence, healthcare and Fintech. Through a very comprehensive analysis and detailed discussions with the companies, in the first cohort, the High Commission has shortlisted 24 potential companies that are at an advanced stage of Market Entry with a clear intent for localisation in India.

Through this programme, the High

THE ACCESS INDIA PROGRAMME NOT ONLY OFFERS A WIDE RANGE OF BUSINESS SUPPORT SERVICES UNDER A SINGLE PLATFORM BUT ALSO PROVIDES MENTORING SUPPORT TO MAKE ENTRY OF SMES IN INDIA STRONG AND EFFECTIVE.

Commission intends to provide a red-carpet entry to small and medium sized businesses in the UK who look at India not only as a potential market but a place from where they could export to the rest of the world. India and the UK share certain complementarities, especially in the field of technology, which would be utilised to define a new global partnership. This was evident during the visit of our Prime Minister Shri Narendra Modi to the UK recently whereby the two countries agreed on a Tech Alliance. I am hopeful that these steps will not only increase trade and investment between our two countries but also forge new collaborations equipped to handle the challenges of an ever-changing socio-economic milieu.

Dinesh K. Patnaik is former Deputy High Commissioner of India to the UK and now Joint Secretary in the Ministry of External Affairs (MEA).

India a hotbed for foreign investments

Encompassing varied sectors like digital tech and renewable energy, a lot of eyes were on India.

Nissan sets up first global digital hub in India

Japanese auto major Nissan Motor Co is establishing its first global centre for digital operations in India and will hire around 500 people for the same by the end of this fiscal. The Nissan Digital Hub, to be set up in Kerala, will be followed by a number of software and information technology development centres in Asia, Europe and North America, the company said.

The Kerala centre will focus on building new-age digital capability to enhance user experiences, product development capabilities, security and connectivity in line with the advent of autonomous, connected and electric vehicle technologies.

Tony Thomas, Chief Information Officer, Nissan Motor Corporation, said: "We are building our team up for this new-age digital capability. We thought that India would be a great market for us from a technology and talent perspective."

He said developing such new-age capability has been necessitated by the transformation happening in the automotive industry across the globe with respect to manufacturing, automation, engineering design and how cars are sold.

Suzuki Motorcycle to invest $87mn in its second India plant

Suzuki Motorcycle India aims to invest Rs 600 crore ($87 million) in the first phase of its second plant, which it plans to set up in the country.

The company is in the process of finalising the location of the plant which would have an installed capacity of 300,000-500,000 units per annum to start with and may go up to 1 million units as per the market demand.

Elaborating further, Suzuki Motorcycle India executive Vice-President Sajeev Rajasekharan said search for the location for the plant has already started.

He added: "In a couple of months, we will finalise it and then this particular facility should be ready in 18 months to twoyears from the time it is finalised."

Although the company is yet to finalise the location, it could come up at Punjab, Uttar Pradesh or Haryana.

The company's existing facility at Gurgaon can produce up to 1 million units per annum.

Brookfield to focus on Indian renewables sector

The Gautam Adani-led Adani Group is reportedly in talks with Sweden's Saab AB for a partnership.

Canada-based Brookfield Asset Management Inc. is looking to increase its focus on renewable energy in India. The asset manager has so far been focussing largely on the real estate and roads segment.

The move follows Brookfield's acquisition of American renewable energy company SunEdison's yieldco TerraForm Global Inc.

Last December, Brookfield Renewable Partners LP had announced that, along with its institutional partners, it had closed the 100 per cent acquisition of TerraForm Global Inc. for $750 million.

TerraForm Global owns and operates a 952-megawatt (MW) portfolio of solar and wind assets in Brazil, India and China.

Brookfield owns 217 hydroelectric power generating assets, around 3,500MW of wind assets and 1,500MW of solar assets. In August 2015, Brookfield had made its maiden investment in the Indian infrastructure space with the acquisition of the road assets of Gammon Infrastructure Projects Ltd.

The Canadian investment firm is looking to bolster its team as it looks to ramp up focus on renewables. Other investors active in the Indian renewable energy sector include Canada's largest pension fund Canada Pension Plan Investment Board (CPPIB), sovereign wealth funds Abu Dhabi Investment Authority (ADIA) and Singapore's GIC, as well as infrastructure-focused asset managers such as Macquarie Infrastructure and Real Assets (MIRA), IDFC Alternatives and Actis Llp.

Brexit has sparked new ties between Portugal and India

by Chitra Stern

An Executive Committee member of Portugal IN examines how recent events have made the European nation a favourable choice for foreign investors.

As the news about the results of the Brexit referendum exploded into the media in June 2016, the rest of the EU slid into a temporary period of shock. Only one thing was certain: the political and economic situation of the UK, the remaining EU27 and possibly the entire world, would change forever. Some EU countries were fast to react to the new opportunities that were arising from the fallout. Portugal seemed an unlikely candidate to take advantage of these opportunities some years ago – this small country situated in south-western Europe, one of the EU members that had taken the hardest fall after the global financial crisis that started with Fannie Mae and Freddie Mac sub-prime mortgage crisis in the US in 2007. How things have changed for Portugal – now touted as a case study for economic recovery despite entering the Troika program of bailout in 2011.

Over the last few years, Portugal has worked hard on several initiatives – it started building up a start-up ecosystem which is thriving today. It introduced an innovative residence program for foreigners from outside the EU called the Golden Visa Program which had brought a flow of around €3.5 billion of FDI into the Portuguese real estate scene by the end of 2017. The government also introduced a non-habitual residence ("NHR") program with attractive taxes on passive income for anyone staying in Portugal for more than 180 days in the year. Most importantly, for the tech start-up ecosystem, Lisbon had managed to secure the world-renowned and largest technology conference in the world, the Web Summit from 2016-2018.

In the wake of the result of the Brexit referendum in 2016, the government of Portugal was in a great position to announce a new task force with a special mission to capture some of the companies and investments that were being moved from the UK. The task force was formed by the Prime Minister of Portugal himself, António Costa, and

its executive committee comprises a team of entrepreneurs from the private sector alongside a team of top civil servants completing the task force.

Given that India is the third-largest foreign investor in the UK with around €54.5 billion, it is only natural that Portugal IN, in its quest for post-Brexit FDI, would identify India as one of its primary source markets.

With over five centuries of history behind the Portugal and India, the countries enjoy a special relationship today. India has much to celebrate as António Costa, of Goan origin, is the first head of state in the EU to be of Indian descent. Leo Varadkar of Ireland followed closely afterwards. There are already a number of bilateral agreements in place between the two countries, the oldest dating back to 1977, on Trade, Economic, Industrial and Technical Cooperation. In 2017 alone – a year of flourishing relations between Portugal and India with mutual official visits between the Prime Ministers – several agreements of cooperation in strategic sectors, such as renewables, defence, space, tourism, communications, water and waste, came into being. In fact, PM Costa is now even a proud holder of an Overseas Citizen of India card personally presented to him by PM Modi. The Portuguese nation has great respect for India, especially as world leaders in IT and technology.

The time to invest in Portugal is now

Portugal is currently experiencing an economic boom, growing faster than any other country in the EU. Unemployment is down to 7.9 per cent at the last count, economic growth is reaching record figures and the public debt is diminishing faster than foreseen. The country is undergoing a transformation not seen since the years after joining the European Union. There is a lot of buzz around the property market again thanks initially to the aforementioned Golden Visa Residence (online applications here) and NHR programs but Portugal now has a burgeoning start-up scene that really deserves special attention. The "California of Europe" takes on a new meaning, beyond the wonderful climate and beaches, when you consider what is happening in the ecosystem for start-ups in the country. Incubators, accelerators, co-working spaces have all been mushrooming all over in the last few years. In 2017, the Portuguese government announced a crucial co-investment scheme called 200m that incentivises foreign venture capital to flow into Portugal through a secure co-investment by the government. The €200 million fund will co-invest between €500,000 and €5,000,000 in each Portuguese start-up that meets the criteria for investment in priority innovative areas (biotechnology, life sciences, industry 4.0, digital and IT and tourism) and offers a buyout within four to six years at 4 per cent-6 per cent IRR.

GIVEN THAT INDIA IS THE THIRD-LARGEST FOREIGN INVESTOR IN THE UK WITH AROUND €54.5 BILLION, IT IS ONLY NATURAL THAT PORTUGAL IN, IN ITS QUEST FOR POST-BREXIT FDI, WOULD IDENTIFY INDIA AS ONE OF ITS PRIMARY SOURCE MARKETS.

The government has also extended the Golden Visa residence program to cover start-ups and equity coming into the country for artistic productions, or to help bring in more equity for existing companies.

The attractiveness of Portugal

According to Ernst &Young's (EY's) latest attractiveness study, the country ranks 1st (out of 190) in international trade, 42nd in overall performance in competitiveness and 29th in ease of doing business. It's the most peaceful country in the world and tourism beat all records in 2017, winning an impressive list of 37 prizes in the World Travel Awards.

Through its privileged geographical location on the Atlantic between the Americas, Europe and Africa, Portugal is a gateway to a market that includes more than 2.3 billion people spread across Europe and the Portuguese speaking countries in Africa, Latin America and Asia. Portuguese is, in fact, the 5th most spoken language in the world.

Indian investments are currently represented in Portugal by, for example, Wipro, Sana Hotels, Sakthi Group, Saptashva Solar, TCS Iberoamerica, Suzlon and Zomato. Shloklabs has even chosen Portugal as its headquarters. However, there is much more room to grow. Portugal is a frontrunner in water and waste treatment, renewables and infrastructures and home to Europe´s biggest reserve of lithium. There is also room for investment in the areas of tech, hospitality, agriculture and car manufacturing.

The "California of Europe" not only offers all-year-round good weather but also a very special light for film productions. Portugal has recently introduced one of the most attractive cash rebate programs in Europe, designed to create competitive conditions for film. Portugal has immense interest to enable top-ranking Bollywood productions to take place here.

With the aim of attracting Indian companies operating in the UK to Portugal, Portugal IN helped coordinate an event with the Confederation of Indian Industry (CII) in London, where Prime Minister Antonio Costa declared: "In Portugal, Indian companies can have a two in one solution: keeping one foot in the UK and one in the European Union – by choosing Portugal."

Chitra Stern is a Singaporean-Indian-British entrepreneur and the Owner/Founder of the Martinhal Family Hotels & Resorts. She is also Member of the Executive Committee of Portugal IN, a taskforce set up by the Portuguese PM to attract more FDI into Portugal.

UK-India Week 2018 makes history in London, Buckinghamshire

Edie Lush in conversation with Dr Rajiv Kumar at the UK-India Conclave


Manoj Ladwa and UK Trade Minister Liam Fox at the Launch of UK-India Week and '100 Most Influential in UK-India Relations'


UK Health Minister Matt Hancock holds up a special IGB cover


Launch of FICCI TechXchange programme at UK-India Leadership Conclave 2018

Britain's Secretary of State for international trade, Liam Fox, launched the India Inc. organised UK-India Week in London on June 18 with the message that a post-Brexit UK-India trade partnership has the potential to shape the global economy.

Fox, who is set to visit India later this year for the next UK-India Joint Economic Trade Committee (JETCO), described India as "foremost" among the UK's allies and trading partners and hailed reforms initiated by Prime Minister Narendra Modi and commerce minister Suresh Prabhu.

He said: "We are here to look to the future and lay out our ambitions for a trading partnership that has the potential to shape the global economy.


The Young leaders Forum at the the UK-India Leadership Conclave 2018

The Future of Energy Panel in session


The Social Impact Roundtable by British Asian Trust


The Global Investors Forum


Young Leaders Forum at the UK-India Leadership Conclave

The Future of Energy panel discussion

"In particular, as we leave the European Union (EU), there is the opportunity for both countries to enhance this partnership – opening up new sectors for business and minimising barriers to trade.

His message was echoed by a host of senior political and business leaders from both countries at the Fifth Annual UK-India Leadership Conclave, held in a retreat-style format this year at Buckinghamshire over June 20-21.

On the Indian side, Niti Aayog Vice-Chairman Rajiv Kumar set the stage for India's "action tank" approach to reforms with Indian minister for finance and railways, Piyush Goyal, linking up live from New Delhi to add: "We never had the pride of place in the global economy that we have today. In almost every respect, India is becoming more and more attractive to global investors."

Manoj Ladwa, Founder & CEO of India Inc. and the organiser of the Conclave – said: "The message from the minister was that India is on the road to 10 per cent growth and that it is the most bankable economy in the world for investors.

"This right mix of optimism and realism helped wrap up the UK-India Conclave on the perfect note."


Lord Jonathan Marland speaks at the UK-India Leadership Conclave

Democracies and the Corrupt panel discussion

UK Shadow Minister Barry Gardiner at the Conclave

The CII convention at the UK-India Leadership Conclave 2018

London Stock Exchange, Standard Chartered big winners at UK-India Awards

Indian envoy Y.K. Sinha and London Mayor Sadiq Khan at the UK-India Awards 2018

UK Foreign Office Minister Mark Field

Standard Chartered wins the Social Impact Project of the Year Award

Shilpa Shetty wins the Global Indian Icon Award

Harsh Pais of Trilegal receives the award for Best Law Firm of the Year at the UK-India Awards 2018

Vivek Oberoi hosts UK-India Awards 2018

London Stock Exchange's role in the listing of numerous Masala Bonds to raise funds for India's infrastructure needs and Standard Chartered bank's corporate social responsibility (CSR) projects were among the big winners at UK-India Awards in London on June 22.

links with India. Not just in the fields of business and commerce, but across our cultural and creative industries too," said London Mayor Sadiq Khan, the guest of honour at the event.

While London Stock Exchange bagged the State Bank of India (SBI) sponsored Financial Services Year, and Sannam S4 as Consultancy Firm of the Year.

The Partition Museum in Amritsar won the Media, Arts and Culture Award and Carbon Clean Solutions bagged the Science, Technology and Innovation Award.

Natasha Mudhar, CEO Sterling Media, receives Best PR Firm of the Year Award from Deputy Mayor of London, Rajesh Agrawal at the UK-India Awards 2018

Kishwar Desai, Chair - The Partition Museum, receives the award for Media, Culture and Arts

The awards, which concluded UK-India Week, also included a special Global Icon Award for Bollywood star turned businesswoman Shilpa Shetty and a Significant Contribution to UK-India Relations award for British Council India.

"We are doing all we can to boost our

Organisation of the Year award, Standard Chartered was presented with the Social Impact Project of the Year by British Asian Trust. Other big winners at the awards, now in its second year, included Manchester India Partnership as Trade and Investment Promotion Organisation of the Year, Trilegal as Law Firm of the

"While we can never possibly recognise everyone driving this partnership forward, it is vital that we celebrate the most impressive, outstanding and inspiring work to strengthen the bond between our two nations," said India Inc. Founder & CEO Manoj Ladwa.

Nikhil Rathi CEO - London Stock Exchange, receives the award for the Financial Organisation of the Year

The Manchester-India Partnership team receives Best Trade and Investment Promotion Organisation of the Year Award

High profile guests at the UK-India Awards 2018

Energy efficiency is absolutely vital to economic growth

Neelima Jain is the CEO of EnergyPro Assets Limited (EPAL) and Regional Head, UK & Europe, of Energy Efficiency Services Limited (EESL). In this interview with 'India Global Business', she gives an overview of India's energy efficiency challenges and the company's future goals in the wake of a key acquisition in the UK.

What does the Edina acquisition mean for the India-UK partnership?

The acquisition is a step forward in the India-UK partnership efforts. India and UK share a common vision of an energy-efficient future characterised by significantly lower CO2 emissions, stabilised energy supplies, and competitive markets for energy sustainability. The acquisition harnesses the potential for synergies between these two nations' efforts while building on the commitment made by the Prime Ministers of India and UK for an enhanced 'Energy for Growth' Partnership.

A primary focus of this commitment is technology and capability exchange, facilitated by investments of £150 million by India – through EESL EnergyPro Assets Limited (EPAL) – into energy services business opportunities in the UK, EU and North America between 2017 and 2019.

EESL's acquisition of Edina through EPAL is part of – and in line with – this investment commitment, enabling EESL to expand its portfolio with a successful turnkey trigeneration product and service offering, while Edina is able to access financing and a wider international market for its bespoke, containerised solutions.

EESL'S ACQUISITION OF EDINA WILL ALSO ENABLE THE COMPANY TO SCALE POWER GENERATION MARKETS NOT ONLY IN UK AND IRELAND, WHERE THE COMPANY MAINTAINS CORE OPERATIONS, BUT ALSO IN INDIA AND AUSTRALIA.

The acquisition is also significant in strengthening trade and investment relations between the UK and India, accelerating the foray of distinguishing service and business offerings of Edina and EESL – both leaders in their respective home markets – across wider geographies.

EESL strongly believes that the acquisition shall create the conditions that would enable this technology to thrive in India while also harnessing the annual £200 million market for CHP-based energy services in the UK.

In April 2018, Edina was also awarded the prestigious Queen's Award for Enterprise: Innovation 2018 – the second in the company's history since 2014. That Edina is the only company in the power generation sector to have earned this honour twice further validates our choice in this company as our partner for scaling the trigeneration markets in the UK and India.

How is EESL's presence in the UK's energy market changing the landscape?

EESL aims to tap into UK's £6 billion energy efficiency market by promoting and implementing low-carbon, energy efficiency and renewable energy solutions in both public and private sectors. In doing so, we're also focusing on making energy efficiency solutions affordable to the mass

consumer using our proven business model.

Our subsidiary EPAL has already initiated several efforts in the UK:

- Expansion of EESL's flagship LED distribution program, UJALA, to the UK. EESL is already conducting a pilot program with some of London's social housing associations
- Retrofitting of all lights in Indian High Commission (HCI) with LEDs, making UK the first Indian mission across the globe to adopt the initiative
- Energy Savings Performance Contracts with seven UK-based clients in education and leisure sectors to provide turnkey energy conservation services with guaranteed cost savings

Through our acquisition of Edina and our partnership with Canada's leading battery storage solutions provider Leclanché, we also aim to transform the UK's market for CHP-based energy services contracts by introducing flexible systems that can operate in island-mode. We are still exploring opportunities for introducing this offering, and related solutions like district cooling, to the UK.

EESL's international expansion efforts are focused on acting as a conduit for exchanging effective technologies and solutions for energy sustainability across borders. We hope to be able to leverage our global presence to help businesses like Edina introduce their unique solution offering to new markets and expand their footprint across the globe.

What are the company's global growth plans and what are some of the new geographies on the horizon?

EESL is constantly looking for new technology in our endeavour to become a global market leader in implementing innovative business models to promote the rapid and profitable adoption of energy efficiency solutions.

EESL's engagements with several multilateral agencies and international governments will continue to play a vital role in EESL's international growth. Ongoing projects include:

- **Saudi Arabia:** Providing consultancy services to the National Energy Services Company of the Kingdom of Saudi Arabia to enable replication of India's successful domestic and street lighting programmes
- **Malaysia:** Distributing 1 million 9-W LED bulbs to households across Melaka
- **Nepal:** Supplying 10 million LED lamps and initiating programs for smart metering and street lighting
- **Bangladesh:** Initiating programs for domestic lighting
- **UNEP:** MoU to accelerate energy efficiency across 66 developing and emerging economies

EESL's acquisition of Edina will also enable the company to scale power generation markets not only in UK and Ireland, where the company maintains core operations, but also in India and Australia, where Edina has serviced clients with Combined Heating & Power (CHP) and anaerobic digestion (AD) capabilities.

COMBINED EFFORTS OF AGENCIES UNDER THE CENTRAL GOVERNMENT'S MINISTRY OF POWER, SUCH AS BUREAU OF ENERGY EFFICIENCY AND EESL, RESULTED IN CUMULATIVE ENERGY SAVINGS OF 385 BILLION UNITS AND REDUCED CARBON EMISSIONS OF 319 MILLION TONNES BETWEEN 2005 AND 2016.

Additionally, EESL is also exploring strategic partnerships with cleantech organisations across Europe.

Is Brexit likely to impact EESL growth plans for UK and Europe?

EESL remains committed to growing in the UK and Europe, and to realising the potential of the energy efficiency market in this geography. We are confident that our geography and solution-agnostic approach will continue to deliver value to energy consumers as we simultaneously focus on enabling technology and knowledge exchange across international borders.

Additionally, EESL's acquisition of Edina is a positive development for the bilateral relations between UK and India, especially as the UK increases its focus on strengthening trade relations in view of Brexit. Edina also maintains a strong presence in the European market, and we expect to leverage both Edina and EPAL's existing partnerships to enable EESL's foray into the European market.

What are some of the highlights of the India-UK energy alliance?

The India-UK energy alliance is formally anchored in the memorandum of understanding (MoU) on Cooperation in the Energy Sector signed by Prime Minister Narendra Modi and Prime Minister Theresa May in 2015. The two nations agreed to collaborate on driving innovations in enhancing energy access, energy efficiency, smart technology, and deployment of renewable energy and integration with the grid, as well as scaling decentralised energy supply.

This includes investments by both nations in the joint Green Growth Equity Fund, which aims to raise around £500 million to unlock the potential of India's renewable energy and clean technology sectors.

EESL has endeavoured to support the spirit of this agreement, having invested £7 million in energy saving projects in the education and leisure sectors across the UK, along with our most recent investment of £55 million in Edina.

Are energy efficient solutions crucial to global economic growth?

Energy efficiency is absolutely vital to enabling economic growth – at

the macro level, and at individual levels. Global electricity generation is expected to double by 2050, meriting investments of over $20 trillion.

In addition to halving the cost of this generation, energy efficiency could also address the vast majority of emissions reduction needs, enabling achievement of the target of controlling the rise in global temperatures to 1.5-2˚C.

Furthermore, by reducing peak load, energy efficiency efforts can stabilise electricity grids, enabling wider access to energy thus addressing energy poverty. Reduced disruptions in electricity service and fluctuations in price can support industrial growth, in turn spurring employment and GDP growth. Industries can improve productivity and operational efficiencies by up to 250 per cent of the value of the energy saved.

Energy efficiency can also drive cost efficiencies – nations will be able to diversify the use of funds that would have gone towards increasing energy generation. Lower electricity costs at the household level can also empower consumers to improve quality of life.

Reduced energy generation will also reduce dependence on fossil fuels, strengthening trade balances of countries that rely on imports for energy generation.

Overall, energy efficiency initiatives could increase cumulative economic output by $18 trillion by 2035.

How are India's energy efficiency targets measuring up?

Combined efforts of agencies under the central government's Ministry of Power, such as Bureau of Energy Efficiency and EESL, resulted in cumulative energy savings of 385 billion units and reduced carbon emissions of 319 million tonnes between 2005 and 2016, according to data by Bureau of Energy Efficiency.

OVERALL, ENERGY EFFICIENCY INITIATIVES COULD INCREASE CUMULATIVE ECONOMIC OUTPUT BY $18 TRILLION BY 2035.

EESL is focused on building on this achievement. EESL's approach of aggregating demand ensures that the market attracts industry participation, while passing the benefits of cost reduction on to energy consumers. Some of these measures include:

- Distributed 299 million LEDs across all Indian states and UTs, even achieving avoided peak demand of 7,775 MW
- Replaced over 5.8 million conventional street lights with LED lights, leading to an annual energy saving of more than 270 kWh, and reducing over 1.3 million tonnes of CO2 emissions
- Replacing all 500,000 internal combustion engine-driven cars in government service with electric vehicles by 2020
- Installing 250 million smart meters across the country
- Implementing and commissioning solar rooftop projects to generate 20 MW in Delhi
- Replacing 21 million inefficient electric pumps to achieve energy savings of 43 billion kWh
- Retrofitting over 5000 buildings with energy efficient appliances
- Distributing 7 million solar study lamps to school going children across India

Along with our most recent venture into trigeneration and CHP technology, we are also attempting to introduce district energy systems to India, along with battery storage technology through international partnerships and collaborative programs.

The potential for energy efficiency in India is immense, with a significant portion of the $12-billion energy efficiency market still to be tapped. EESL is working towards harnessing the Indian market and making measurable progress in the global movement towards energy sustainability.

Commercial Mortgages

Expand your property portfolio with us

Commercial mortgages are available for purchase of business premises or new properties. We also offer re-finance solution or the release of equity on an existing property. We will consider lending requests from Professional Landlords and Business Owners.

Properties we lend against

- Commercial properties including retail units and office spaces
- Semi-commercial properties for mixed use

Relationship manager

- A dedicated relationship manager will assist you during the process of addressing your lending requirements

Important information

All loans are subject to successful completion of related documentation and are secured against the property. The property or properties offered as security will be required to be located in England or Wales. PROPERTY OR PROPERTIES PROVIDED AS SECURITY, MAY BE REPOSSESSED IF YOU FAIL TO KEEP UP REPAYMENTS ON A MORTGAGE. EARLY REPAYMENT CHARGES MAY APPLY.

For more information:

Visit our ICICI Bank UK branches

uk.business@icicibank.com

0344 412 4444

www.icicibank.co.uk

ICICI Bank | United Kingdom

Investments by Indian companies on the rise

With joint ventures and expansion plans, Indian enterprises show steady growth in overseas markets.

Exide forms JV with Switzerland's Leclanche

Following the takeover of US-based Exide Technologies' sole Indian plant, Kolkata-headquartered Exide Industries will go ahead with production of lithium-ion batteries.

It has formed a joint venture with Switzerland-based Leclanché under a 75:25 equity partnership agreement and this firm will manufacture the lithium-ion cells.

An Exide executive said that according to the agreement, Leclanché, besides picking up an equity stake, would provide the technology and necessary licences.

Exide will arrange for raw material and be responsible for production and sales. These batteries are expected to hit the market in 2020. This marks Exide's maiden venture into lithium ion batteries.

The firm said the capital investment is likely to grow as the manufacturing lines near commissioning.

The module and battery pack assembly lines are expected to be operational by H2FY19 and lithium-ion cell production plant by mid-2020. In the intervening period, cells will be sourced from Leclanché's plant in Willstätt, Germany. Exide has been on the lookout to enter this segment since late-2016.

The batteries are likely to be branded under the Exide mother-brand. Besides, options remain open for contract manufacturing of lithium ion batteries for other buyers.

India's JSW Steel pumps $1bn into the US

Indian steelmaker JSW Steel Ltd is scouting for more deals in the US and Europe to expand its global footprint, betting that vibrant growth will underpin demand in overseas markets and complement a boom at home that's seen the mill ramp up local output.

Seshagiri Rao, Joint Managing Director, JSW Steel, said in an interview: "What is driving us is that, inherently, we find it is an interesting opportunity because the US economy is doing well." He added that after meeting half its target for 10 million tons of capacity overseas, the steelmaker is now looking to buy more facilities.

While the global industry has been roiled this year by tariffs imposed by US President Donald Trump on some flows of steel into the world's top economy, mills are still enjoying benign conditions. Worldwide production hit a record in May as capacity utilization climbed, according to the World Steel Association. Against that backdrop, Mumbai-based JSW has been busy: after announcing a move to triple output at its Texas plant, it snapped up another US facility in Ohio, taking total planned investment in the country to $1 billion.

Rao said: "The US economy — notwithstanding the trade remedial measures which the US government has taken — is quite buoyant, demand is picking up."

Hero MotoCorp eyes double-digit global growth

New Delhi-headquartered two-wheeler maker Hero MotoCorp is expecting a double-digit growth for its global business on the back of new launches and more focus on markets with the potential of higher volumes, according to Chairman and Managing Director Pawan Munjal.

The company, which is planning to enter Mexico next year, has also started export of motorcycles and scooters from its manufacturing facility at Villa Rica in Colombia to other countries in Latin America.

Munjan, who is also the CEO of the company, said: "We are optimistic about maintaining the growth trajectory in our global business in the current fiscal (2018-19)."

Riding on the robust growth in the Central American Cluster (CAC) and Bangladesh, Hero MotoCorp had posted 12.28 per cent growth in global sales at 204,484 units in 2017-18 as against 182,117 units in 2016-17.

Overall, Hero MotoCorp clocked its highest-ever annual sales of 7,587,130 units in 2017-18 as against 6,664,240 units in 2016-17, a growth of 14 per cent.

He added: "Going forward, our strategy is to focus more on markets with a potential of higher volumes, particularly on six clusters within our global markets.

"We have also planned to launch a slew of new products, many of which have been designed specifically for global markets."

Karnataka: India's global R&D centre

by India Inc. Staff

Karnataka, which houses India's so-called Silicon Valley deep in its capital city of Bangalore, is already a darling with investors, but the $16-billion Walmart-Flipkart deal shows there is still a lot of untapped potential.

Away from the humdrum of an election-bound Karnataka in the first half of May, the top bosses at US retailer Walmart and Indian e-commerce giant Flipkart were busy giving the final touches to what is India's biggest acquisition this year. The negotiations that included valuation of the start-up and the organisation of it post the deal were lengthy — Walmart had first evinced interest back in 2016, but when the finer details were made public on May 9, less than 72 hours before the state was to go for the polls, it became the high point in the journey of the Indian start-up ecosystem. At $16 billion, it was also India's second-biggest inbound foreign direct investment (FDI) deal, next only to 2017's Idea Cellular-Vodafone merger. For any incoming Chief Minister, this was a welcome gift in advance.

Unlike manufacturing, FDI in services sector like e-commerce does not benefit the home state of a company alone and is more spread out across the country. Yet, Bangalore that has been the nerve centre of the IT revolution in India, has been an investment magnet. Scores of global companies have set up R&D centres in and around Bangalore, exploiting an abundance of talent pool and the presence of cutting-edge centres of learning that double up as incubation hubs for new ideas.

SCORES OF GLOBAL COMPANIES HAVE SET UP R&D CENTRES IN AND AROUND BANGALORE, EXPLOITING AN ABUNDANCE OF TALENT POOL AND THE PRESENCE OF CUTTING-EDGE CENTRES OF LEARNING THAT DOUBLE UP AS INCUBATION HUBS FOR NEW IDEAS.

As a result, foreign capital has flowed into the state at a robust sustainable pace. In 2017, it attracted FDI worth over 44,500 crore ($6,882 million), a 173 per cent growth over 2016. Cumulatively since April 2000, Kar-nataka received FDI worth Rs 164,786 crore ($28,820 million) that accounted for 8 per cent of overall FDI that came into the country in this period. It was the third-biggest destination for FDI in the country, next only to the National Capital Region (NCR) and Maharashtra.

As such the challenge before the

state is different from others. It is not about merely attracting investments but whether it is able to fully exploit its potential.

$6.8bn
FDI in 2017, behind only Maharashtra and Delhi-NCR in the country. It has grown **173%** over 2016.

Riding on IT

Tarun Mehta, 28, the co-founder of Ather Energy that is betting on transforming the Indian two-wheeler market with its range of stylish and performance oriented electric scooters, says he could not have thought of any other city but Bangalore as the base for his venture. "This city is buzzing with young entrepreneurs. People who dare to dream, are unrestricted by traditional wisdom and have a never say die attitude," he says. "This is the only place in India where new ideas can germinate and grow."

Mehta has history backing him. Two decades ago, it was Bangalore that saw the birth of India's first electric car — Reva, as well. Then, the city was still evolving as the hub for information technology in India — a position it well and truly owns today. The IT sector's contribution to the state's economy is immense. It all started back in the 1970s when the state's focus on higher education and private sector participation led to the mushrooming of various technical universities in south Karnataka. It is home to over 200 engineering colleges today. This led to a steady stream of skilled manpower that enabled the growth of the IT industry.

The state has 47 IT/ITeS SEZs, three software technology parks and dedicated IT investment regions and with software exports of $30.41 billion in 2017-18 (up to September 2017), is easily the largest exporter in India.

Today, virtually every IT company worth its salt, including the three biggies TCS, Infosys and Wipro, has its headquarters in Bangalore. There are around 3,500 IT companies including 750 multinational companies in the state today that directly employ over half a million people, roughly a third of all IT professionals in the country. A bulk of them are in the capital city, which has become the fourth-largest IT hub in the world, after Silicon Valley and Boston in the US and London in the UK.

Bangalore's attraction

"Our experience is that Bengaluru is a source of technical talent. It has very nice weather, people with very strong science background and it is a cosmopolitan city," said Azim Premji, Chairman, Wipro, at the Invest Karnataka Summit last year.

The city accounts for 16 per cent of the state's population and a mere 0.4 per cent of its total land area, yet it contributes 52 per cent of its total excise duty collections, 57 per cent of its commercial taxes and 98 per cent of its software exports. The state itself accounts for 38 per cent of India's total software exports. The heavy influx of population from across the country is taking its toll on the infrastructure of the city but its popularity remains unabated.

$28.82bn
Cumulative FDI equity inflows in the state between **April 2000** and **December 2017**. This was **8%** of overall FDI in India in this period.

"Youngsters, from both Karnataka and other parts of India, all want to work in Bengaluru. We have worked so hard to convince youngsters to go from Bengaluru and Mysuru and other cities such as Indore, Nagpur, Bhubaneshwar," says Infosys Founder and Chairman Emeritus N.R. Narayan Murthy. "The reality is all youngsters want to be in Bengaluru."

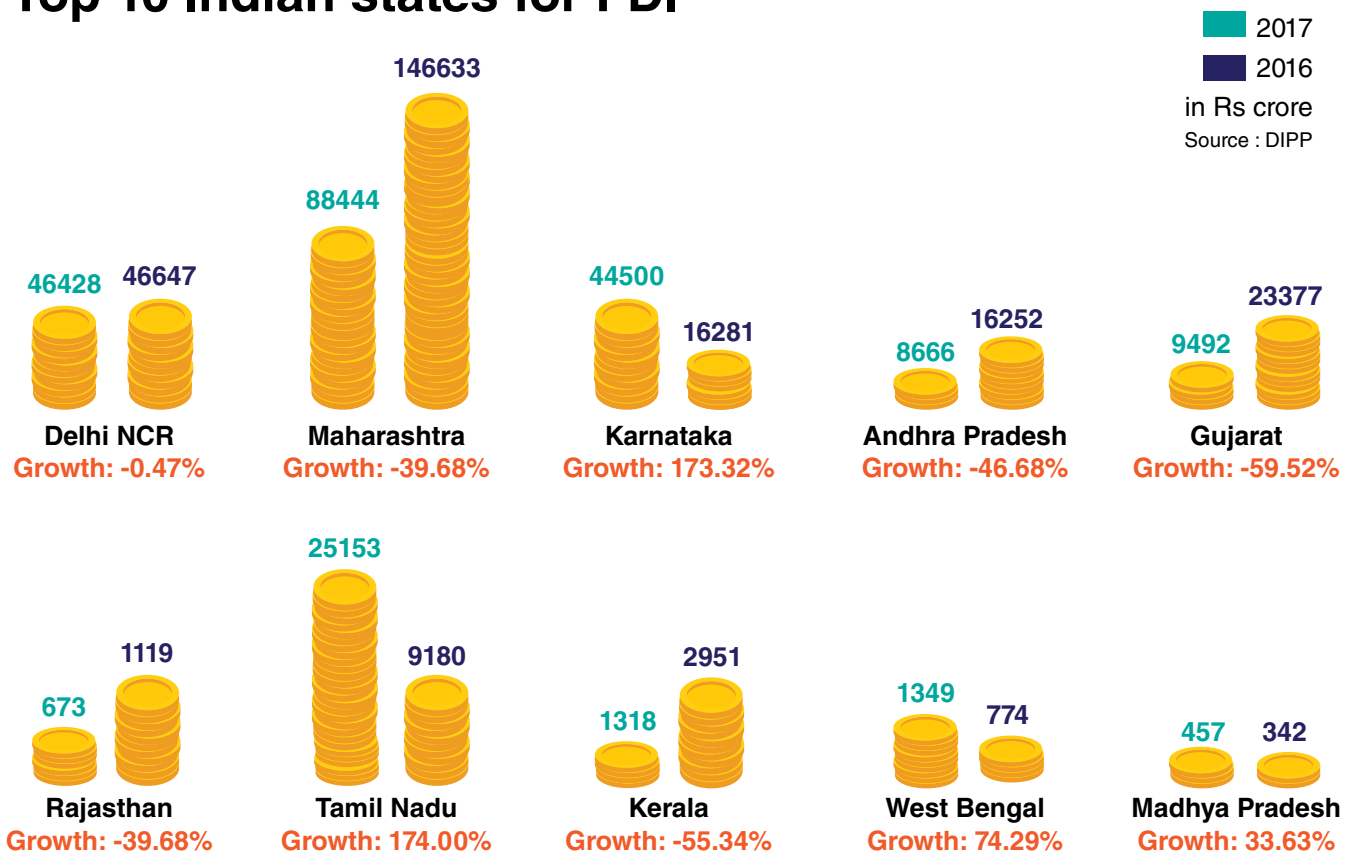
Rs 12.69 trillion
Gross State domestic product in **2017-18**. It has grown at a **CAGR** of **13.11%** between **2011-12** and **2017-18**.

Its near monopoly in the IT-ITES sector has contributed to the development of other industries as well. Bangalore is a favourite research and development destination for companies across sectors. There are as many as 400 R&D centres and 85 chip designing houses located in the state for companies as diverse as Qualcomm, Intel and AMD to Bosch, Mercedes Benz, General Motors and Airbus. Further, more than 60 per cent of the biotechnology companies in India have a base in Bangalore and the state drives 50 per cent of the total revenues in India's biotechnology sector.

With an enviable base like that, the investments keep rolling in like the city and with it, the state is trapped in a virtuous cycle. Last week, the global chairman of Bosch, Dr Volkmar Denner, while on a visit to the city, his second in four years, announced that the company will invest Rs 1,700 crore over the next three years towards expanding its production and R&D capabilities in the country. Given the company's high exposure in the state—its R&D centre at Adugodi in the heart of Bangalore is its largest set up outside of the home country Germany, much of that will be in Karnataka.

"Our Adugodi location is being

Top 10 Indian states for FDI



revamped from a manufacturing facility into a technology hub. Over the past three years, we have invested more than Rs 370 crores (€46.2 million) to create this smart campus, which is home to 3,650 of our 18,000 engineers in India," Denner said. "Additional investments of Rs 600 crores (€75 million) are planned for its further expansion. In terms of new business, last year, we set up a state-of-the-art artificial intelligence centre here in Bengaluru, and our newly established Connected Mobility Solutions division is active in India too, where it is helping to shape the mobility of the future. In the future, artificial intelligence will be a key component. All our products will either possess that intelligence themselves, or AI will have played a key role in their development or manufacture. With this in mind, last year we established the Bosch Center for Artificial intelligence (BCAI) across three continents, representing an investment of €300 million. Once more, India is playing an important role: one centre is located right here in Bengaluru the other two are in Sunnyvale, California, and Renningen, Germany."

Rs 193,409

The state's per capita **GSDP** in **2017-18**. This has increased at a **CAGR** of **11.89%** between **2011-12** and **2017-18.**

Beyond the capital city, the state government is trying to replicate the same model for development of the software industry in other parts like Mysore, Hubli, Dharwad, Belgaum, Mangalore, Shimoga and smaller tier II/III cities as well. Nearly 40 km outside of Bengaluru, a 3,000-acre IT park is being developed at Devanahalli.

Rising competition from other states

The state also has its fair share of critics that say there is a sense of complacency that has crept into the bureaucracy considering that the state ranks high among investors anyway. The criticism rings true if one looks at the number of big manufacturing projects Karnataka has lost in the past to other more aggressive states.

When Kia motors, one of the last remaining big automobile companies of the world, was scouting for a location for its factory in India, they did touch down upon Karnataka only to choose the newly neighbouring state Andhra Pradesh. That represented a missed opportunity of Rs 10,000 crore.

A more telling example was that of iconic British bike maker Triumph's pull out from the state apparently frustrated by the tardy progress of land acquisition and the lackadaisical approach of the state government.

The company had initially planned to build a 250,000 unit per annum manufacturing facility in the Kolar district spread over a 30-acre plot in Narsapura at an investment of Rs 850 crore. It would have been close to an existing two-wheeler factory owned by Honda. Despite several reminders, the state government did not respond to Triumph's grievances regarding commencing operations; which prompted the company to move its operations to Manesar.

$30.41bn

IT and electronics exports from the state in the first half of **2017-18.**

"There was a lot of proactiveness but once it was settled the state government became lazy," says a company official. "The pace of progress wasn't as per our satisfaction."

BANGALORE IS A FAVOURITE RESEARCH AND DEVELOPMENT DESTINATION FOR COMPANIES ACROSS SECTORS.

The success of the Invest Karnataka summit, however, indicates the state is keen on shedding that aura of complacency. Among the many steps that have been taken to facilitate ease of doing business in the state include dedicated single window agency for projects, computerised property registration and provision for online approvals for a host of facilities like consent from pollution control board, commercial tax, building plan approval in Bangalore and labour and factory related registrations and renewals. An NRI policy to attract investments from non-resident Kannadigas has also been introduced.

The hunger for more, is palpable.

$12.5bn

The investment potential identified in aerospace sector during **2013-23.** The first state to come out with an aerospace policy India.

Modi spells out free, open, inclusive Indo-Pacific policy

by Rahul Roy-Chaudhury

Our strategic expert uses the Indian PM's address at the Shangri-La Dialogue to evaluate the country's focus on the Indo-Pacific region.

The highlight of Prime Minister Narendra Modi's three-nation, five-day visit to Southeast Asia at the end of May/early June 2018 was his Keynote Address at the annual Shangri-La Dialogue in Singapore on 1 June evening, which I attended as a senior research staff member of the host organisation, the London-based think tank the International Institute for Strategic Studies (IISS).

The IISS Shangri-La Dialogue is the largest 'Track 1.5' meeting of its kind; bringing together 25 Defence Ministers, several military and intelligence chiefs, 300 government officials, and foreign policy and security experts from 51 countries. This was the 17th year of the conference, with Modi being the first Indian Prime Minister to deliver the Keynote Address.

In a major foreign policy speech, Modi strongly articulated, for the first time, India's vision towards the 'Indo-Pacific region'. This was a result of India's economic growth averaging 7.3 per cent in the past four years of Modi's premiership, making India the fastest-growing large economy in the world in 2016 and 2018, thereby ensuring greater foreign policy impact.

One of Modi's earliest foreign policy decisions was to rename India's existing 'Look East' policy to 'Act East', highlighting India's renewed focus on ASEAN (Association of South East Asian Nation) states, and shifting the emphasis of what had previously been an economic and trade-based policy to nurturing political and security relationships. This has now been expanded to the Indo-Pacific region, based on six key aspects of Modi's IISS Shangri-La dialogue speech.

First, for the first time, India has firmly placed the Indo-Pacific at the heart of its engagement with the world. This was based on India's geographical, historical and civilisational links with the region as well as its importance for India's current and future prosperity and security. Modi used the term Indo-Pacific eleven times in this speech. He defined this essentially maritime region as stretching "from the shores of Africa to that of the Americas", thereby incorporating the Arabian Sea/Gulf region and Indian Ocean island states left out of popular definitions so far.

Second, Modi essentially announced India's 'free, open, inclusive' Indo-Pacific (FOIIP) policy. This was the result of its global strategic partnership with the US and their shared vision of an open, stable, secure and prosperous Indo-Pacific region. A few days earlier, the US had symbolically renamed its Hawaii-based Pacific Command as the Indo-Pacific Command; the single bilateral Modi held on the sidelines of the IISS Shangri-La Dialogue was with US Defence Secretary James Mattis.

Yet, India's FOIIP policy differs significantly from the Trump administration's well-known 'free and open Indo-Pacific' (FOIP) policy in several ways: it gives equal emphasis to the term 'inclusive' in the pursuit of progress and prosperity, including all nations in this geography and "others beyond who have a stake in it"; it does not see the region as a strategy or as a club of limited members; it does not consider such a geographical definition as directed against any country; nor as a grouping that seeks to dominate. Significantly, Modi did not mention the 'Quad', the security-based grouping of the US, India, Japan and Australia which is of concern to China. And, he mentioned his recent meeting with Russian President Putin in Sochi to demonstrate India's 'strategic autonomy'.

Third, Modi strongly highlighted the importance of partnerships on the basis

of shared values and interests. For the first time, he used the term 'rules-based international order' for the region, which he stressed "must equally apply to all individually as well as to the global commons". These rules and norms were to be based on "the consent of all, not on the power of the few". He also emphasised freedom of navigation and overflights, and the peaceful settlement of disputes in accordance with international law.

In effect, this was a thinly-veiled criticism of China. In the same vein, Modi also criticised infrastructure projects that were not "based on respect for sovereignty and territorial integrity, consultation, good governance, transparency, viability and sustainability", noting that such projects "must empower nations, not place them under impossible debt burden". Both of these were indirect references to India's strong and sustained opposition to China's Belt & Road Initiative (BRI) and the China-Pakistan Economic Corridor (CPEC). Yet, Modi also stated that strong and stable Sino-Indian relations were an important factor for global peace and progress, referencing his recent informal summit in Wuhan with Chinese President Xi. There was also no mention of New Delhi's concern over Chinese assertiveness towards India or in the South China Sea.

Fourth, Modi made clear that the core of the Indo-Pacific region would be ASEAN, even as the Indian Ocean held the "key to India's future". This was an important reassurance to the politically-divided ASEAN states, who were concerned that the rejuvenation of a 'Quad-like' approach would force them to choose sides with the US or China during a period of uncertainty or lead to their eventual neglect.

Fifth, Modi emphasised that India's own engagement in the Indo-Pacific region would be based on five S' in Hindi: Sammaan (respect); Samvad (dialogue); Sahyog (cooperation), Shanti (peace), and Samridhi (prosperity).

Finally, Modi focused on the importance of naval diplomacy, praising the Indian Navy for building partnerships in the region through training, exercises and the conduct of goodwill missions, along with humanitarian assistance and disaster relief. As a first for a prime ministerial visit abroad in decades, Modi went aboard a visiting Indian naval warship in Singapore, emphasising India's defence ties in the Indo-Pacific.

INDIA'S NEW FOIIP POLICY SETS THE NATURE AND DIRECTION OF ITS FOREIGN POLICY FOR THE NEXT DECADE.

However, Modi's speech has also raised several complex issues for India's foreign and security policy. These include the following:

First, there was a reference to the application of Modi's 2015 Indian Ocean vision of Sagar (Security and Growth for All in the Region) to the Indo-Pacific region. But, it is not clear how its security aspects, especially India's attempts to become a 'first responder' in times of emergencies as well as a 'net security provider-plus', can be implemented east of the Straits of Malacca-Singapore where India has little defence or security leverage. The Indian navy also has little incentive for a strong operational role that extends to the South China Sea. It is therefore important to leverage India's naval strength in the Indian Ocean, where it has tremendous relative advantages of geography, reach and capacity over the Chinese navy, to seek to offset China's advantages in the South China Sea.

Second, there is no clear agenda on how India can best "promote collective security through the Indian Ocean Naval Symposium (IONS)" or "advance a comprehensive agenda of regional cooperation through the Indian Ocean Rim Association (IORA)", both organisations whose roles for these purposes are, so far, underwhelming.

Third, with India's general elections taking place within the next 10 months and the government becoming predominantly focused on domestic electoral politics, it is not clear how Modi's vision for the Indo-Pacific – which has raised expectations in the region - can immediately be implemented.

In essence, India's new FOIIP policy sets the nature and direction of its foreign policy for the next decade. Significantly, there has been no domestic political opposition of Modi's vision towards the Indo-Pacific. In the short term, India seeks a leadership role in the region in partnership with ASEAN, while tactically 'balancing' its relations with both the US and China till its general elections are over.

Rahul Roy-Chaudhury is the Senior Fellow for South Asia at the London-based International Institute for Strategic Studies (IISS).

Madrid is open for Indian investments

by Javier Ruiz Santiago

One of Spain's senior officials describes Madrid as the region of Spain with the most economic freedom and certainty for business.

"The Madrid Region is about the size of Sikkim, but with the population of Hyderabad." This is how a delegation of 23 Mumbai Investors was introduced to our region at Invest in Madrid agency back in April.

Madrid Region is one of the 17 "Autonomous Communities" – the Spanish equivalent for the Indian "states" or the German "Bundesländer" – in which the Spanish State is organised. In fact, despite its relative small size, Madrid is the third most populous region after the vaster regions of Andalusia and Catalonia.

One could say Madrid Region is like a good essence: it is concentrated (because it is the most densely populated region of Spain) and it is rich in content (because it is the region with the highest per capita GDP in Spain).

MADRID IS RIGHT IN THE MIDDLE OF SPAIN, WITH A POTENTIAL MARKET OF 47 MILLION CONSUMERS.

Both Spain and Madrid are located in privileged spots. Madrid is right in the middle of Spain, with a potential market of 47 million consumers. Spain is the door to Latin America, the European Union and the North of Africa, three potential joint markets of 1.2 billion customers.

To understand the significance of the Madrid Region, we first need to look at its context: Spain and the European Union (EU). Spain is the fourth-largest economic power of the Eurozone and, as per the IMF's latest 'World Economic Outlook', it is set to be the fastest growing of the big and developed countries for 2018 and 2019. Only the US will perform slightly better, and this in part due to important tax cuts recently introduced by US President Trump's Executive.

In the recent words of Mr David Lipton, First Deputy Managing Director of the IMF, during his speech at a Bank of Spain Conference in April: "Spain has made more progress than many other European countries (...) The strong growth you are experiencing represents the fruits

of reform—the success of policies that introduced flexibility in to the economy"

Even the secessionist defiance in Catalonia – which we believe is not desirable for either party – has proved the Spanish economy to be more resilient than expected, with economic effects felt above all in Catalonia and not so much in the rest of Spain. Our economy grew at a robust 3.1 per cent in 2017 (Madrid Region at 3.7 per cent), which by Indian standards is "peanuts", but for the Old Continent it is quite a remarkable figure. This progress explains why Madrid has hosted all of the companies fleeing from Catalonia: in the first quarter of 2018, 1,350 Catalan firms moved their official residence to Madrid. It is true that this move has not been accompanied by any relocations of workers so far, it only has had some tax and internal organisation implications. However, we believe this behaviour is significant and shows the confidence businesses have in the Madrid Region.

Madrid generates 20 per cent of the country's GDP. It is the economic locomotive and the financial and decision-making centre of Spain; the region in Spain with the most economic freedom and certainty for businesses. No wonder that two out of every three Spanish companies choose Madrid to base their head offices. As do foreign firms, with 40 per cent of their subsidiaries in Spanish territory choosing Madrid over any other Spanish locations. This makes Madrid the most preferred destination for FDI into Spain, with 61 per cent of total FDI inflows in 2017 ending up in Madrid Region and an annual average of 56 per cent since the FDI data started to be collected in 1993.

Quality of life

Madrid is also a great place to live, visit, study and to start up a business. Whenever expats are asked where they would like to live, Madrid tends to come up because of the security, the quality of life, the education possibilities, the healthcare system and not to forget: the weather, the food and the culture and sports on offer. But Madrid's narrative needs to be extended well beyond Spain's "legendary quality of life".

As per my experience, businessmen and entrepreneurs are practical in essence. When it comes to deciding on where to settle a business, two main questions arise: cost and taxation. Let me clear these doubts for all Indian investors that might be looking into Madrid.

Costs

Eurostat (the statistics office of the European Union, on its latest Annual Labour Cost figures published on April 2018) estimates Spanish hourly labour costs (an average for qualifications and sectors except primary sector, which includes wage and non-wage costs such as employer's social contributions) in 2017 were at around €21, whereas these costs amounted to €26 for the UK and to a much higher range of €30-35 in France, Netherlands, Germany or Ireland.

Not to mention that Spain's labour cost is linked to a very well prepared labour force: Eurostat also says that in 2017, 33 per cent of the Spanish labour force (47 per cent in the case of Madrid Region) has attained tertiary education. Ireland and the UK

are better performing than Spain in this matter with a percentage of 40 per cent and 39 per cent respectively. But Netherlands, France, Germany and Italy all do not reach our tertiary educational standards according to the Statistics Office of the EU.

Knight Frank, in its latest 'European Quarterly' report, states that prime office space rents in Madrid in the last quarter of 2017 were at 366 EUR/sqm/year. This is the cheapest location by far in the European Union, above all, if we compare it with London's WE, The City, Paris or Dublin. Other typical locations like a Frankfurt or an Amsterdam prime office would also be more expensive than Madrid (at more than 400 EUR/sqm/year). Lots of companies want an emblematic display of their presence. At the moment we have Operation Chamartín also known as "Madrid New North". It is a multibillion-euro scheme to redevelop part of northern Madrid and create a new financial district. It is the most important urban project in Europe. Businesses will be able to relocate to existing offices or even construct their own buildings.

Taxes

The tax issue is also usually a big concern for Indian investors. I want to be completely transparent on this matter. Although it might initially be a bit counterproductive, I believe that it is the right strategy in the long run. This is how you build trust, which is the basis for any long lasting economic relationship.

Our combined corporate tax (takes also regional taxes into account) works with a general rate of 25 per cent. According to the OECD Database on Taxation, this rate would be in-between the taxes at the upper end that apply in France, Germany or Italy and the taxes at the lower end, which are the ones in the UK or Ireland. The VAT is more or less harmonised throughout the European Union, this means that almost all EU countries have rates of around 19-22 per cent, and there is not much room for tax differentiation regarding VAT (in Spain a 21 per cent rate applies). Concerning the income of individuals, the marginal rates in the EU are quite similar, they range from minimum marginal rates of 15 per cent to maximum marginal rates of 45 per cent, the key lies in the definition of the income slabs, making it more difficult to establish comparisons. But if we take for instance the OECD tax burden indicator, which measures tax collection as percentage of GDP, Spain has the lowest tax burden when compared with Italy, Germany, the UK, France or Ireland. In any case, India and Spain have since 1995 an agreement to avoid double taxation, which is always a plus.

SPAIN IS THE DOOR TO LATIN AMERICA, THE EUROPEAN UNION AND THE NORTH OF AFRICA, THREE POTENTIAL JOINT MARKETS OF 1.2 BILLION CUSTOMERS.

Bureaucracy

Setting up a business in Spain is simple in general terms. It is also worth noting that restrictions on foreign investment as well as exchange controls have virtually been eliminated in line with the EU legislation on deregulation in this particular area. Only some service industries need authorization or a deal to operate in the European economic area, this is the case for financial services or aeronautic businesses.

The 2018 Doing Business Report published by the World Bank Group ranks Spain 28th out of 190 countries according to the ease of doing business. This position is a well-deserved and improving middle position in between better performing countries like the UK, Ireland or Germany and worse performing ones like France, Netherlands or Italy. Just a fact for Indian investors to judge: incorporating a company in Spain takes approximately 13 days according to this report. At the Regional Government of Madrid, there is a commitment towards cutting red tape and thus, the Regional Government is dedicating extra effort to minimize bureaucracy contributing to Spain's improvement in this ranking: five positions up since 2017.

Invest in Madrid

To sum up, the Madrid Region is a well-balanced, cost-effective option in the EU as proved on the above content. If you are an investor reading this article and thinking on where in the EU to establish your business, please, do take Madrid Region into consideration. I firmly believe that Madrid has a real value proposition waiting for you.

Javier Ruiz Santiago is Regional Vice Minister of Economy and Competitiveness for the Regional Ministry of Economy, Employment and Finance of the Madrid Region.

Digital India's impact on global technical innovation

by Ashwanth Gnanavelu

An entrepreneur behind Chennai-headquartered Impact Sourcing company DesiCrew explains how the module for creating IT sector jobs in rural India can be easily adapted to suburban Ireland.

Over the last decade, we have seen a shift in the nature of support required by our customers. Customers are not looking at India as just a low-cost labour provider. There is a requirement for agile solutions, supporting automation, artificial intelligence (AI) and Machine Learning Initiatives.

We, at DesiCrew, are mindful of the changing Industry requirements and realign our training accordingly. Moving away from just another outsourcing partner, we are working towards being the human middleware to enable the data transformation, leveraging a decade-long experience. DesiCrew combines the hard infrastructure (physical network, hardware) and soft infrastructure (processes, technology, domain expertise) at the back-end and delivers a tangible, seamless experience for the customers. We ensure delivery anywhere by plugging in the trained and certified workforce, but in a controlled SLA-driven delivery environment. We help in delivering business value to our clients at every step – from BFSI to start-ups to E-commerce giants.

These are interesting times for Indian IT-BPM Industry, more so for a company like DesiCrew. We see growing demand in the areas of Transcription, Annotation, Speech/ Data Recognition, GIS Mapping, Digitisation, Content Creation and Customer Experience Management Support.

WITH THE SUPPORT AND GUIDANCE OF IDA IRELAND (THE IRISH GOVERNMENT AGENCY RESPONSIBLE FOR ATTRACTING FOREIGN DIRECT INVESTMENT), DESICREW IS EVALUATING THE OPPORTUNITIES IN REPLICATING THE IMPACT SOURCING MODEL IN IRELAND.

In the early days, shortage of skills and low-cost was the prime driver for outsourcing work to India. Later, companies started acquiring additional competence in the ERP and CRM space. Now, the billion-dollar industry caters to large application development and maintenance needs of corporates across the world. NASSCOM states that the Indian IT-BPM Industry stands at $167 billion employing over 4 million people.

We have trained resources in the past in these areas. Our sustainable business model, combined with the start-up friendly ecosystem in Ireland would mean that there are exciting days ahead for DesiCrew in Europe.

About the model

DesiCrew is an Impact Sourcing company incubated out of IIT-Madras. We set up Digital Ops Centres in rural areas to create IT-based jobs. Founded by Saloni Malhotra, DesiCrew was incubated out of IIT-Madras in 2007 with a vision is to expand economic boundaries by training rural youth on digital tasks.

Currently, DesiCrew has over 600 employees working for customers across multiple industries. Nearly 70 per cent of our staff are women, most of whom are first-generation knowledge workers. DesiCrew's mission is aligned with the Sustainable Development Goals 2030 of the United Nations. DesiCrew has worked with Fortune-500 companies, Tech Startups, Government

organisations and New Media companies. Over the years, we have worked on Digital Data, AI and ML support and Digital Content services.

Some interesting facts about our rural workforce...

- Rural employees have been trained to marked GIS data in digital maps for over 70 countries.
- They provide Image annotation services that can support self-driven cars
- They assist food-tech companies to improve the user experience across multiple time-zones
- They have transcribed over 25000 hours of Engineering lectures (MOOCs)
- They have assisted an EdTech company in recreating over a million slides of academic content.

From Kollumangudi* to Sligo

DesiCrew is looking to replicate its Impact Sourcing Business Model in different geographies. While we are reaching out to our customers in Europe and North America, a delivery centre in these regions would open up several other opportunities as well.

With the support and guidance of IDA Ireland (The Irish Government agency responsible for attracting foreign direct investment), DesiCrew is evaluating the opportunities in replicating the Impact sourcing model in Ireland.

MOVING AWAY FROM JUST ANOTHER OUTSOURCING PARTNER, WE ARE WORKING TOWARDS BEING THE HUMAN MIDDLEWARE TO ENABLE THE DATA TRANSFORMATION,

Ireland is base to several tech companies and has a great eco-system for nurturing start-ups. In our conversations so far, we have had good reception to our idea of providing digital ops support from rural parts of Ireland. The idea of creating jobs and empowering the local communities has appealed to the institutions that we have spoken to thus far. We have also received a lot of interest from the student community about our venture.

We are evaluating Ireland as a base for providing support to AI, Machine Learning and Automation processes. We believe with the talent pool available in the regions, we can leverage on DesiCrew's experience to create strong Operational backend teams for Tech companies in Europe. Ireland's EU connect would also open up access to the larger resource pool across the continent. Government institutions such as the IDA provide substantial support for a social enterprise such as DesiCrew.

We strongly believe that by creating jobs in these regions, the social impact on these communities will be significant. There would be wealth that is created by the local community that is distributed within the local community. Also, there will be a gentle brake on migration to larger cities, thereby leading to reduced congestions. We have seen the impact in the villages of India. And we are confident that we will have the same positive impact in the suburban regions of Ireland.

Ashwanth Gnanavelu is one of the founding members at DesiCrew who was in Ireland recently for the Dublin Tech Summit 2018.

Freer movement of people will benefit both UK and India

by India Inc. Staff

British visa curbs on Indian professionals and students is myopic and self-defeating.

Even as the UK and India were gearing up for the first India Inc. organised UK-India Week in June 2018, the Theresa May government decided, in its wisdom, to exclude Indian students from a list of so-called "low-risk" countries whose nationals would be subjected to less stringent visa procedures. This caused outrage not only among Indians but also from several important members of the British establishment who favour forging closer people-to-people links between the two countries.

The UK Home Office, when May was in charge of the department, had earlier sent bans to areas with large Indian populations with the slogan "Go home or face arrest" and in the drive against illegal overstayers had sent many UK-resident Indians packing.

Particularly galling for India is the fact that countries like China and Bahrain have been included in the list of countries subjected to easier entry rules.

India Inc. – which has been a strong advocate of closer relations between the UK and India, especially people-to-people ties – is of the firm opinion that this latest move by Her Majesty's Government is short-sighted and could irreparably damage the otherwise warm ties that exist between the two governments and peoples.

Facts and figures

It is also based on a wrong reading of facts. If it is meant as a pressure tactic to nudge the Indian government led by Prime Minister Narendra Modi to sign an agreement on taking back alleged illegal aliens – which the Indian premier pulled back from doing at the last moment – it will fail.

The numbers cited by the May government – 100,000 – look highly inflated and the timelines suggested for the process – two weeks – are wholly unrealistic, and the politics behind it is naïve. Quite simply, India has many other options.

Though the UK remains a top draw for Indian students seeking higher education, the US is a more popular destination and other countries such as Australia, New Zealand, Canada, Singapore and even other non-English speaking European countries such as France and the Netherlands are fast catching up.

Consider the numbers: According to figures released by the UK Council for International Student Affairs in January this year, the number of Indian students getting UK visas fell 44 per cent from five years ago. Though it tried to couch the fall by highlighting a slight rise in the numbers for 2017 compared to the previous year, it couldn't hide the fact that only 14,081 Indian students

entered the UK in 2017 compared to 60,000 in 2010.

Many of these highly qualified students return to India and eventually reach the top echelons of their professions – in industry, academia and politics – and serve as ambassadors for closer bilateral relations. A few others stay back in the UK and contribute meaningfully across all walks of life and become part of what Prime Minister Modi has evocatively called the "living bridge" between the two countries.

Brexit effect

India Inc. accepts that the Brexit vote was driven primarily by the fear of foreigners taking away British jobs. While this premise may be true in the case of some EU nations, it is completely erroneous in the context of India.

Indians are job makers, not job takers. Facts and figures attest to the strong trade and investment links and the benefit of reciprocity and collaboration between the two nations, with many jobs created in both India and the UK as a result.

About 800 Indian companies have invested billions in the UK and these companies generated combined revenues of £46.4 billion, employed nearly 105,000 people and contributed £360mn in corporation tax in 2017.

Then, Indian companies are among the top employers in the UK, across every sector, and their good performance makes a great impact on the UK. Look no further than Jaguar Land Rover, two marquee British brands on the verge of extinction a decade ago. They were revived by India's Tata Group, which invested billions of pounds on upgrades and new designs, saving thousands of British jobs and creating thousands more.

India was the fourth-largest foreign investor in the UK, according to the Department for International Trade, adding 6,867 jobs in 2016-17. This is testimony to the close economic relationship between the two counties, which sustains job growth. Further analysis of the economic partnership, released to coincide with London Tech Week, shows that London remains the leading European city for Indian tech companies, with London attracting more foreign direct investment (FDI) from Indian tech businesses than any other European tech hub in the past two years.

And Indian companies are the second biggest investor in London – ahead of China and Japan, but behind the US – according to London & Partners.

THOUGH THE UK REMAINS A TOP DRAW FOR INDIAN STUDENTS SEEKING HIGHER EDUCATION, THE US IS A MORE POPULAR DESTINATION AND OTHER COUNTRIES SUCH AS AUSTRALIA, NEW ZEALAND, CANADA, SINGAPORE AND EVEN OTHER NON-ENGLISH SPEAKING EUROPEAN COUNTRIES SUCH AS FRANCE AND THE NETHERLANDS ARE FAST CATCHING UP.

Future ties

The shadow of Brexit and the hard line adopted by the British government are primarily to blame for the impasse over immigration, particularly with regard to India.

"The problem associated with Brexit is that we are finding it hard to get much movement on a positive outcome regarding the post-study work visa because the focus of the UK is solely on Brexit," says Sanam Arora, an investment management consultant who is the chair of the National Indian Students and Alumni Union in the UK.

Most experts on international affairs in London, New Delhi and elsewhere aver that May needs to sign trade deals with important partners such as India to offset the effects of Brexit on the British economy. This issue has gained urgency given the current political turmoil in the British Cabinet and government.

But this dream of a Global Britain cashing in on the synergies that exist with a Global India for mutual benefit and for the greatest common good of the larger global community will remain still-born without movement on immigration. After all, no Indian government can be seen to be making concessions to the UK on trade without a reciprocal easing of the unnaturally high walls that seem designed to keep Indian students, tourists and businessmen out of Britain.

China factor

There is also a perception of a bias towards China that is deterring India from forming closer economic ties. Consider these:

The UK introduced discounted multiple-entry visas for Chinese visitors and business tourists at a price of for £87 – reduced from the usual £330 – when David Cameron was Prime Minister, but has not done the same for Indian visitors. Chinese students, like students from 27 other countries can follow a streamlined process of applying for a 'Tier 4' student visa; Indian students are still required to submit far more documentation on applying for a student visas.

The number of Chinese students far exceeds any other nationality; almost one-third of non-EU students in the UK is from China. This is the only country showing a significant increase in student numbers (14 per cent rise since 2012-13).

But facts on the ground and the history of the past 250 years prove that the UK and India are natural allies. It is now up to the UK to lift this relationship from a purely transactional one that wants access for British goods into India, while stubbornly refusing to give any quarter on the Indian demand for easier access to the British job market and British universities for Indian professionals and students.

Ecological schemes to counter catastrophe

by Sunil Kumar

The Director of Royal Bank of Scotland's (RBS) Foundation addresses the need for sustainable initiatives in the corporate environment.

Our collective global actions in our business have hit our planet's vitals. It is alarming to note that we are speedily exhausting the carbon emission budget of 1200 Gigatons of carbon that the United Nations body on Climate Change has assigned to be used by the end of this century. That target is important to keep global temperature rise to not more than 2 degrees Centigrade.

Human actions are thereby causing a temperature rise, air and water pollution, a decline in species and endangering life on earth. Hence, as a part of Nationally Determined Contributions (NDCs), each member nation of the United Nations has committed to try and arrest this hurtle towards catastrophe.

Climate change is a reality that will disrupt life and will affect business. The climate change mitigation and adaptation outcomes from the regulatory framework are dependent on the way business is conducted across the planet. The CSR mandated in India is an opportunity for business to participate meaningfully to enable the mission of the state for the wider communities and to achieve the United Nations Sustainable Development Goals (UN SDGs). The initiatives undertaken by RBS Foundation India strive to work in consonance with the UN SDGs and the United Nations Framework Convention on Climate Change (UNFCCC's) NDCs. Our mission is to build the social capital of the most vulnerable communities residing in ecologically critical landscapes in India; with the objective of creating sustained benefits for the community and biodiversity. Our projects provide sustainable livelihoods to tribal and other vulnerable households through household enterprise and they strengthen the governance of the relationship between the communities and the forest/wetland ecosystems. Our approach originates in recognition of the fact that poverty is deepest among communities that are directly dependent on resources from forests and other natural ecosystems for their survival.

Forests are the repositories of our water reserves; they are a carbon sink and are a source of several other resources including food, medicine, fuel, fodder. An enhanced governance results in the flow of these services to a wider section of the planet. With a dedicated focus on women, youth and small farmers, our projects are designed to create resilience in communities to help them move, and remain out of poverty. This is done

by promoting robust community-based institutions, conservation and improved management of natural resources, climate resilient livelihoods/value chains, and knowledge management.

Since its inception in 2007, RBS Foundation India has supported over 108,000 families in 954 villages in 11 states across India by developing household enterprises that have ensured their financial inclusion and sustainable livelihoods. These projects have helped in empowerment of women, skill development of youth for employment, financial inclusion, forest and wetland conservation in some of India's ecologically vital areas – Kanha-Pench Corridor and Satpuda Tiger Reserve in MP, Ranthambore in Rajasthan, Lower Himalayas of Uttarakhand, Nilgiris in Tamil Nadu, Chilika lake, Similipal and Satkosia Tiger Reserves in Odisha to name a few.

Among our 20 on-going projects across states, for the Project on Climate adaptation for the biodiversity and communities in the wildlife corridor between Kanha and Pench National Parks in Madhya Pradesh, we have partnered with the UN Climate Adaptation Fund and the Madhya Pradesh Forest Department to restore the productivity of the forest ecosystem across 10,800 sq kms and enable 21,000 largely tribal communities to adopt climate suitable cropping patterns and inputs. A recent report submitted by the Ministry of Agriculture to a Parliamentary Committee states that extreme weather events are already costing India $10 billion annually and are slated to spike further mostly by way of dwindling agricultural productivity. We hope that our Kanha-Pench Corridor project will throw up models for replication in other locations.

Another noteworthy project is the 'Poachers to Protectors' initiative of RBS FI viz. the Mangalajodi Ecotourism Trust (MET) that won the prestigious 2018 United Nations – World Tourism Organisation Award for Innovation in Enterprise. For effectively using local community leadership and knowledge of biodiversity in an enterprise, this project shone brightly among the 14 finalists from 128 entries across 55 countries. Mangalajodi was known as a poacher's village and it was reported that migratory birds were being poached on a large scale for self-consumption and trade. In the year 2000, a census exercise recorded a mere 2,000 birds and called for an immediate conservation action. Few community members led this action from the front but faced numerous challenges. To support and sustain these conservation efforts, a community-owned ecotourism enterprise leading to conservation linked incentives was created and supported by RBS FI. Today, the Trust runs a tourist facility with beds, dining and interpretation area, providing guided boat trips for bird watching for visitors. In transforming the earlier poacher population into the protectors of the wetland and its biodiversity, this project has allowed viable and sustainable livelihoods to its members. Presently, the trust is managed independently by community members, is operationally self-sufficient and has a substantial corpus for exigencies. More importantly, the bird population has revived to over 150,000.

OUR MISSION IS TO BUILD THE SOCIAL CAPITAL OF THE MOST VULNERABLE COMMUNITIES RESIDING IN ECOLOGICALLY CRITICAL LANDSCAPES IN INDIA; WITH THE OBJECTIVE OF CREATING SUSTAINED BENEFITS FOR COMMUNITY AND BIODIVERSITY.

Besides on-ground projects, RBS considers its employees to be a vital part of the successful delivery of RBS's community development objectives. Volunteering on such projects has resulted in great value addition to the projects given RBS employees' skill and commitments to make a difference to the community. The exposure to a wider environment definitely makes a better-informed citizen of RBS employees.

Forest ecosystems are positioned to play a prominent role in the global efforts to mitigate dangerous climate change, to regulate our water regimes and to support our biodiversity. While global and country level strategies are in place to support these roles, it is often the individuals and institutions that serve to enable a nation to meet these goals, and in doing so, they often make many personal sacrifices for the larger good. As an extension of the work being undertaken for our communities in India, RBS institutionalised the RBS 'Earth Heroes' Awards in 2011. The Awards are an attempt to bring recognition and honour to such individuals and institutions who work exceptionally hard to preserve and protect our critical ecosystems. The awards have been an effective platform for award recipients to display their work to a larger audience and potentially expand the scope of their work from the recognition and networking that ensues. The nominations are received from across the country and the winners are decided by an eminent jury comprising experts from the field of wildlife conservation, biodiversity management, science, government, media, and The Royal Bank of Scotland plc.

It is encouraging to see how corporates - big and small - have evolved to undertake meaningful projects and motivate employee participation. But there is a need to look outside of our comfort zones. While interventions that make a business sense have the seeds of sustainability within them, it is important to understand that markets are efficient but dispassionate. There is a need for undertaking initiatives which may not find a place in the market but would serve the larger purpose.

Sunil Kumar is Head of Sustainability, India, Royal Bank of Scotland, and Director, RBS Foundation India.

A half-year review of the property market

by Deepak Varghese

An Indian real estate expert analyses property trends following the implementation of Real Estate Regulatory Agency (RERA) and Goods and Services Tax (GST) in the country.

As the half-year mark approaches the real estate sector, there is a mixed feeling in the developer community. The larger firms have restarted launching new projects – which had taken quite a back seat, with the least number of new project launches in 2017 due to the implementation of RERA and GST. The mid-sized developers are finding the going difficult especially after a poor 2017 and buyers bias having shifted to larger developers who they see as more financially stable and therefore, a higher propensity to deliver on their commitments.

While 2017 seems to have seen sales of nearly 230,000 units in the top seven cities, which comprises 80 per cent+ of the total market, it marked the key trend of smaller sized units. Given the PMAY scheme giving a boost to smaller units and bringing first-time buyers to the market – 2018 will see a further boost to the smaller units with PMAY scheme increasing the carpet area that makes more home purchases eligible for subsidy. Homes below Rs 7.5 million ($110,000) now comprise more than 80 per cent of the market and if one can hazard a positive outlook to 2018 seeing the improved end user buying segment – we could see nearly 300,000 being sold in 2018.

IN A SHORT PERIOD OF FIVE YEARS, INDOSPACE HAS BECOME ONE OF THE LEADING WAREHOUSE PLAYERS AND THEY CONTINUE TO SEE RAPID GROWTH IN THIS AREA AND THEY CONTINUE TO ACQUIRE LAND AND BUILD LARGE WAREHOUSING SPACES.

Housing index

Besides the above trends being noticed, one can also see that launches, by and large by larger firms and buyers, are showing a preference for brands over price discounts by lesser known brands. And the National Housing Bank (NHB) Residex, India's housing price index, for January-March 2018 has shown marginal growth across most key markets with the sole exclusion of Pune.

The residential home buyers have also had a victory with what is viewed as a significant legal amendment – where the Insolvency & Bankruptcy Code Amendment 2018 has put home buyers on par with financial creditors. The market is eagerly waiting for the release of the detailed procedures to see if they have been classified as secured or unsecured creditors.

This amendment gives buyers more power over RERA given that IBC is a national standard while RERA is implemented in different versions by the various states. Quite a few complaints were being aired by purchasers saying that RERA was being implemented by most states but with IBC amendment, the financial

institutions will now enforce more discipline among the real estate developers as they are now having to share the bankruptcy proceeds with home buyers in case of default. All in all, a good start for residential buyers and larger developers.

Crackdown

In reference to financial institutions, the public-sector bank management are under severe scrutiny given the large quantum of impaired loans. The MD of the Bank of Maharashtra was recently arrested for abetting DSK Developers of Pune for diversion of funds. The developers have been arrested over six months ago and the case already being investigated.

Commercial assets, on the other hand, have continued to grow across key cities as there remains a demand-supply gap with rentals showing an uptick. While yields have been in the 7.5 per cent region, given the general economic scenario, we could see a rise in this yield in line with the fixed income markets. This could be a bit of a dampener to the Embassy-Blackstone REIT, which has been planning for over a year and finally, the market seems to indicate that they plan to list by September 2018.

Co-working spaces seem to be the flavour of the moment and they are the fastest growing segment at this point. While initially they catered to the start-up ecosystem, now there are quite a few large corporates that have started moving into co-working spaces edging out the start-ups. Given the effective price, convenient locations, managed offices and flexibility of expansion, it looks like large established firms could continue the trend of moving into co-working spaces for some time to come.

GIVEN THE EFFECTIVE PRICE, CONVENIENT LOCATIONS, MANAGED OFFICES AND FLEXIBILITY OF EXPANSION, IT LOOKS LIKE LARGE ESTABLISHED FIRMS COULD CONTINUE THE TREND OF MOVING INTO CO-WORKING SPACES FOR SOME TIME TO COME.

Consolidation

On Warehousing assets, there continues to be a consolidation of smaller units being vacated and firms opting to move into larger warehousing spaces. In a short period of five years, Indospace has become one of the leading warehouse players and they continue to see rapid growth in this area and they continue to acquire land and build large warehousing spaces. Warehouses are now also combining with logistic service providers so that firms that use these storage spaces get the benefit of scale and costs. Embassy Parks, Assets – Logos combine all continue to expand this space further and professionalise the sector. While some tenants may complain that the rents in this sector are rising, one must also consider the fact that logistics services and enhanced infra are being accounted for in the enhanced rents.

From a developer's portfolio composition, we are beginning to see most have a healthy mix of residential and commercial developments as one generates cashflows quickly while the other creates yielding assets. If they don't yet have balanced portfolios, they are en route. Some developers are offloading malls with PE funds buying into these assets and upcycling the tenants and refreshing the malls. Retail being an even more specialised sector with continuous monitoring and operations – that most developers are unable to handle. That said, after a two-year lull in new mall launches, quite a few under construction seem to be on track for delivery in 2019, especially in smaller towns and extended suburbs of larger towns.

While 2014-15 marked the expansion of development firms into new markets, with Godrej Properties being on one of the fastest market expansion strategies. But come 2018 they have decided to exit eight of the 12 markets they currently operate and focus on Mumbai, Delhi NCR, Bengaluru and Pune.

Looks like scale and depth in home markets will be a key driver for profitability and sustainability. The market seems to be buzzing that a couple of other developers are working on a market consolidation strategy.

Deepak Varghese is an india-based Real estate finance specialist.

Air India marks 70 years since first India-UK flight

by India Inc. Staff

India's national carrier is marking 70 years since the first Air India flight took off from Mumbai to London in June 1948 by inviting members of the Indian diaspora in Britain to share their memories of the airline in its early days.

Air India's iconic first international flight, on a Super Constellation aircraft, took off from Mumbai on June 8 and landed in London via Cairo and Geneva on June 10, 1948, with just 42 passengers on board, including some Indian Nawabs and Maharajas. Air India celebrated the historic journey in June this year as having laid the foundations of the India-UK relationship 70 years ago.

Debashis Golder, Regional Manager – UK & Europe, said: "We want to reach out to people who would have made some of these early journeys to share their memories and pictures, which we could feature in our in-flight magazine and also catalogue to mark those glorious early days of air travel.

"IT DOES MARK A PERIOD OF BIG CHANGE FOR INDIAN AVIATION, WITH A LOT OF HOPE THAT AIR INDIA WILL REGAIN ITS DAYS OF GRACE AND GLORY"

Many of these journeys will mark the arrival of Indians who went on to make their life and fortunes in the UK or friends and family who made visits back and forth during a time when the availability and flight times were not what they are today. It marks an important chapter in the India-UK relationship."

Future plans

Golder took charge of the UK & Europe operations of Air India recently, at a time when the airline is undergoing the process of disinvestment.

"It does mark a period of big change for Indian aviation, with a lot of hope that Air India will regain its days of grace and glory," he said. The UK market is among the airline's busiest sectors, having recently added three direct flights between Birmingham and Amritsar.

"This was a long-standing demand and the route is doing well, especially as it falls within the religious tourism segment — culminating at Golden Temple in Amritsar. In addition, the third or fourth generation Indians, now settled in the UK for years, visit their home state frequently to stay connected to their roots and the direct connection has certainly proved popular," said Golder.

with the Boeing 787 Dreamliners, we are among the safest and greenest airlines on the route. Passenger feedback backs this up, because they feel less jet-lagged and more relaxed by the time they land," he said.
Air India's latest addition was Tel Aviv and for the next phase of expansion, it is looking at the African continent — with flights to East and South Africa, which the airline used to serve until the early 2000s.

Among the several people waiting to receive passengers was Mr Krishna Menon, then Indian High Commissioner to the UK. He welcomed then Chairman of Air India, J.R.D. Tata, known as the Father of Indian Civil Aviation.

Flashbulbs popped as Tata stepped down from the aircraft followed by other passengers, with the words: "Set your watches boys, we are right

Additional routes

The airline industry veteran believes a direct flight to Goa, daily flights to Ahmedabad and Canada and flights from London to Amritsar are among some of the desired routes but Air India remains constrained by airport slots. In the UK, it is running at full capacity at Heathrow Airport and believes the strong trust factor among the Indian diaspora population has proved the key to its growth.

"The only issue we faced in the past was to do with hardware and now

Background

The history of the airline's first international flight, dubbed the Malabar Princess, goes back 70 year when it arrived in London in the early hours of June 10 taking a little more than 24 hours as compared to flights of today which take under 10.
After a halt in Geneva, Malabar Princess cruised towards London. According to media reports capturing the historic moment, Captain Jatar was at the controls when the aircraft touched down in the UK.

on schedule!" Celebrations continued the following day when an enormous party was held at the Dorchester Hotel, London where Tata made his first speech in his capacity as Chairman of Air India International. The event was a great success and the national carrier of India was launched as an international airline. The 70-year anniversary comes at a poignant time in the airline's history, which is eyeing privatisation and set for a major transformation.

Australia unveils $100bn investment strategy for India

India-Australia relations are set for a boost with the release of 'An India Economic Strategy to 2035' report that seeks to enhance trade and people-to-people ties.

Most Indians don't know much about Australia barring its history of producing top-class cricketers. And it's a fair guestimate that Indians and Australians don't spend a lot of time thinking about each other's countries when the two sides are not battling it out with bat and ball on the cricket field.

This benign neglect, unfortunately, has extended to official circles in the two countries as well. This is surprising, considering that an estimated 700,000 Indians are working or studying in Australia and several large Indian corporate houses, like the Tatas, the Adanis and the Aditya Birla Group among many others, have large investments there.

The good news is that this mutual lack of attention in each other is slowly changing. The Quad, comprising the US, Japan, Australia and India, which envisages a grouping of these four democracies as a bulwark for peace, security and an open navigation system in the Indo-Pacific, provided the first indication that the paradigm of India-Australia relations may change for the better.

Indian Prime Minister Narendra Modi's Act East Policy has served to increase bilateral official contact between New Delhi and Canberra. Australian Prime Minister Malcolm Turnbull has now made his intentions of reciprocating India's outreach clear by releasing an India economic strategy report recently, which makes a strong case for closer bilateral economic.

More pertinently, it sets a target of elevating India among the top three export markets for Australia for making it the third-largest destination in Asia for outbound investments.

The goals are quite stiff. It calls for Australia to increase its exports to India by a factor of almost three – from $12.5 billion in 2017 to $33 billion – and Australian FDI into India by 10 times – from $7.6 billion to almost $75 billion – over the next two decades to bring about what it rightly calls a "transformational expansion of the relationship".

The authors of the report have identified 10 states and 10 sectors that they feel Australian businesses should focus on.

INDIAN PRIME MINISTER NARENDRA MODI'S ACT EAST POLICY HAS SERVED TO INCREASE BILATERAL OFFICIAL CONTACT BETWEEN NEW DELHI AND CANBERRA.

The states are Maharashtra, Gujarat, Karnataka, Tamil Nadu, Andhra Pradesh, Telangana, West Bengal, Punjab, the National Capital Region of Delhi and Uttar Pradesh. The report does not rule out investment opportunities in other states but says the main efforts should be concentrated on the ones it has shortlisted.

The 10 sectors identified pretty much select themselves – education, which the report calls a flagship sector, agribusiness, resources and tourism, which it has dubbed as lead sectors and energy, health, financial services, infrastructure, sport, science and innovation which, it says, are promising sectors.Commenting on the report, Australian Trade, Tourism & Investment Minister Steven Ciobo said: "It is about cementing India as a priority economic partner. We commissioned this report to look beyond the immediate horizon and provide a roadmap for unlocking the opportunities that will help India and Australia grow."

The message is clear: Australia now recognises the transformation in the Indian economy under Prime Minister Modi and wants to tap into this opportunity to be part of what promises to be one of the most exciting growth stories of this century.

This report complements Modi's Act East Policy perfectly by setting the economic relationship within a broader framework that includes geo-political convergence and cooperation and closer people-to-people ties.

Here, it will be apt to recap how Modi has made Indian expats in the UK, the US and elsewhere a key pillar of his foreign policy regime. He has eloquently called the 1.5 million Indian diaspora in the UK, which has contributed richly to its public, business and academic life and emerged as an integral part of a vibrant and diverse British society, as a "Living Bridge" connecting the two countries.

Given the cultural similarities, with both India and Australia being part of the Commonwealth culture, there is a very high probability of closer people-to-people ties helping cement the strategic and economic relationship.