

# India Investment Journal

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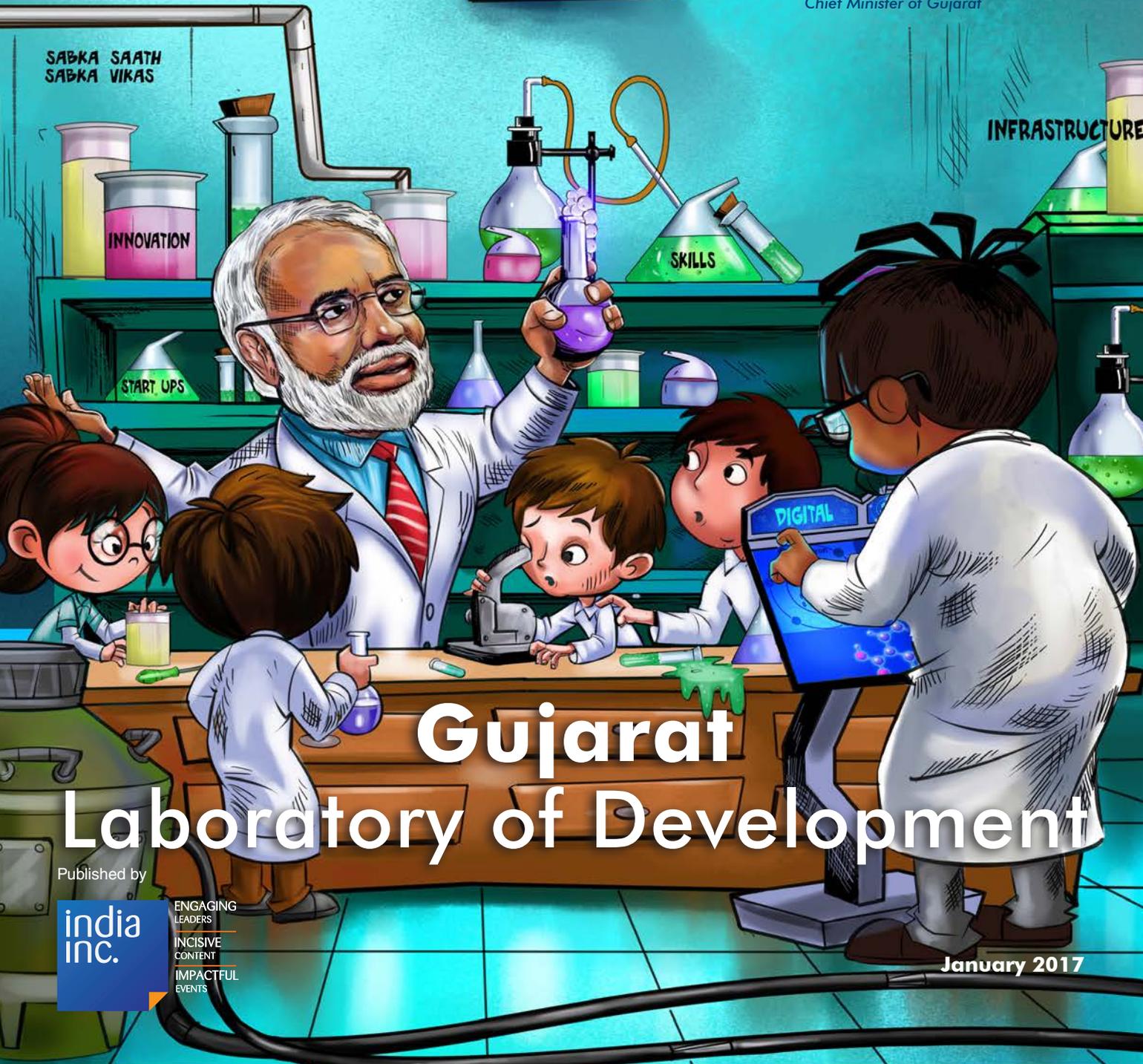
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SABKA SAATH  
SABKA VIKAS

INNOVATION

START UPS

SKILLS

INFRASTRUCTURE

DIGITAL

# Gujarat Laboratory of Development

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January 2017

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Manoj Ladwa is the Chief Executive of India Inc.

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# GUJARAT: INDIA'S LABORATORY OF DEVELOPMENT

Gujarat is a laboratory of a development model that is uniquely home-grown.

A lot has been written and even more spoken of the Gujarat Model of Development that has been praised the world over, including by the United Nations. But in India, the media narrative, disseminated mainly by people who view Prime Minister Narendra Modi – who authored this model as chief minister of Gujarat – solely through the prism of their opposition to everything he does, has been mixed.

Though people on the ground have responded positively to the Gujarat Model, giving Modi a huge mandate in 2014 on the promise of replicating it across India, dominant sections of India's so called 'intelligentsia' have mocked its backers.

According to their narrative, Gujarat is a laboratory of Hindutva, which they define as a narrow ideology based on Hindu majoritarianism where minorities are treated as second class citizens. This is nothing but utter fiction.

The fact is that Gujarat is a laboratory – but of a development model that is uniquely home-grown. Just as China's Deng Xiaoping authored a new development model based on Chinese ground realities that turned that country from an also ran into a world leader, Modi's Gujarat Model promised to do the same to India. The big difference, however, is that Modi's development agenda is rooted in democratic values, making him ultimately accountable to the electorate at every juncture.

Modi transformed Gujarat into India's industrial powerhouse by reaching out to the world and by attracting investments from every single developed country.

This global outreach is an integral part of the Gujarat Model. At a time when countries across the world – from the US to many other countries in Europe – are pulling up the drawbridge on

foreign companies, foreign professionals and foreign capital, India is proactively reaching out to the world. Little wonder that the country received record FDI of \$53 billion last year, making it the largest recipient of such investments in the world.

All the government's flagship programmes – such as Make in India, Start-up India, Digital India, pensions for all, insurance for all, housing for all, the ambitious initiative to light up India with 100 GW of solar power, among others – have their seed in Modi's tenure as chief minister of his native state.

The most important facet of the Gujarat Model of Development was (and is) that it wasn't the discredited and corruption riddled trickle down model that had been followed since Independence. Instead, it initiated a new

paradigm that took into account the views of the people who would be affected by it. By making the people

active stakeholders and participants in the development process, the model was able to create a sense of ownership around government schemes that had, till then, been the exclusive domain of bureaucrats and technical experts.

Yes, Gujarat is a laboratory, but of a balanced approach to economic liberalism and welfare economics. India was a country without a social security net before the Modi government introduced three affordable medical, life insurance and pension schemes that have been resoundingly welcomed by long suffering ordinary Indians.

Two important touchstones of this model are Sabka Saath Sabka Vikas (development for all) and the Antyodaya Yojana, a reach out to the last person in the queue – and both these ideas are the cornerstones of that same model.

*Modi transformed Gujarat into India's industrial powerhouse by reaching out to the world and by attracting investments from every single developed country. This global outreach is an integral part of the Gujarat Model.*

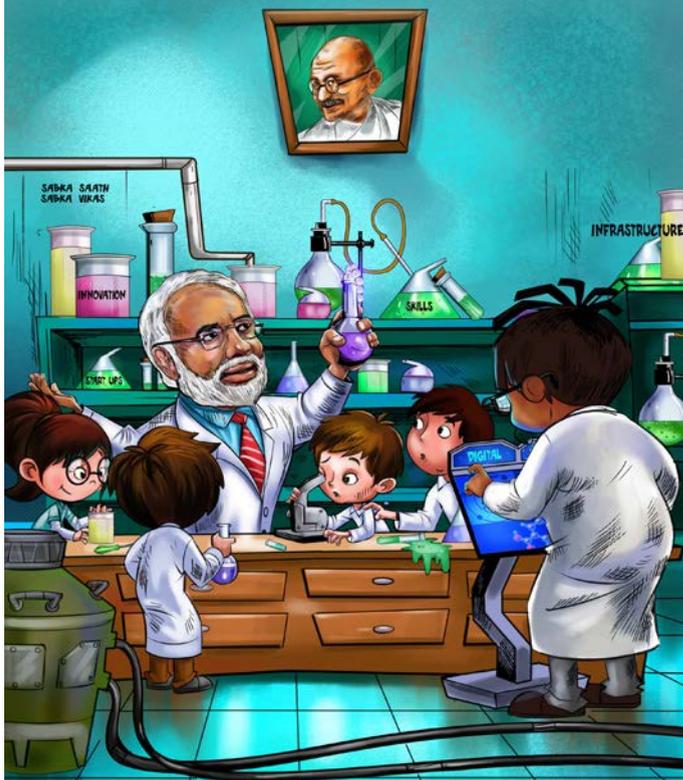
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## EDITOR'S NOTE

As we welcome the start of a New Year, 'India Investment Journal' takes a look-back at developments in 2016 that will continue to unravel and define 2017.

The last year was characterised by many upheavals and will go down in history as a year of turbulence and disruptions. In our central feature, we pick out five such developments that emerged as central to these disruptions and analyse why they will be the ones to watch out for in the New Year.

The Narendra Modi led government's bold demonetisation move, key state-level elections and what the results are likely to indicate, the rollout of the Goods and Services Tax (GST), the growing speculation around interest rate cuts and whether jobs and employment will finally register a much-needed upward spike have been shortlisted by 'IJ' as the things to watch out for in India.

Besides, we also present a special deal tracker of the 50 key deals struck by big and small enterprises to bring in investments into India in our Snapshot 2016 segment. From Uber's £3.5-billion investment to Vodafone's \$3-billion equity infusion plan, this cross-country and cross-sector tracker provides a handy guide to how 2016 shaped up for foreign investments into India.

In our central interview, the chief of India's Department of Investment Policy and Promotion (DIPP) – Ramesh Abhishek – tells 'IJ' about how his department is easing rules and re-engineering government processes to make India an easier place to do business in.

With the biennial Vibrant Gujarat scheduled for January 2017, what better time to throw the spotlight on this western state in our regular State Focus segment. We have an in-depth interview with the state's dynamic chief minister, Vijay Rupani, as well as insights from a host of officials, experts and diaspora representatives on the region. Our interview with the CEO of GIFT City reveals Gujarat's ambitious plans to rival the financial centres of the world like London and Singapore.

We analyse why micro, small and medium enterprises (MSMEs) continue to be at the heart of the state's impressive growth story and in our regular Expat's Guide segment, we feature Ahmedabad – not only the largest city of the state but also one of the fastest growing trade and commerce hubs of India.

And, with 2017 ear-marked as the UK-India Year of Culture, we have a rare feature on the Indian treasures held in the archives of one of the world's best-known libraries – the Bodleian at the University of Oxford.

As always, there are a host of interesting features and interviews, including a CSR Focus with FMCG giant Hindustan Unilever and Digital India updates from Intel and Deloitte. India Inc. realty expert gives his overview of what to expect from 2017 in the Indian property market and a Tax Talk column from the UK's Chartered Institute of Taxation delves into changes to how overseas work will be taxed.

We take this opportunity to wish all our readers a very Happy New Year and, of course, Happy Reading!

Aditi Khanna  
Editor, India Inc.

## India Inc. Events

Our impactful face to face events bring together senior business and government decision makers and influencers to develop road maps for achieving goals around key issues.

### KEY FEATURES

- High profile speakers from business and government
- Very senior audience level from our global network
- Genuine interaction as smaller groups focus on real issues
- Integrated dissemination across platforms of key learnings and recommendations

### UPCOMING EVENTS

- UK India Dealmakers Awards Dinner: Q2 2017, London
- UK Global Indian Lawyers Conference and Awards: Q2 2017, London
- UK Global Energy Expo & Conference: Q3 2017, Ahmedabad
- India Global Trade & Investment Expo & Conference: Q4 2017, New Delhi, India



# 5 THINGS TO WATCH OUT FOR IN 2017

If last year was one marked by turbulence, this year is one that has begun with hope. Hope for the long-delayed and much needed Goods and Service Tax to become a reality – despite some last moment political opposition; hope for the bold demonetisation initiative of Prime Minister Narendra Modi to start paying dividends, later this year, in terms of higher growth and lower levels of corruption; hope for lower interest rates that will restart the investment cycle and a renewed boom in loan-fuelled consumer spending; hope for election results that

help the economic reforms process to gather steam; and most importantly, hope for the creation of millions of jobs – the true barometer of the Prime Minister's poll promise of ushering in achcche din (good times).

How likely is it for our hopes to come true? Truth be told, the chances are fairly high, but there could be some hiccups along the way as well.

Read on further to find out more about all these issues that will surely affect you and your investments in India.





## INDIA'S DARING DEMONETISATION MOVE

The 50-day window sought by Prime Minister Narendra Modi for completing the demonetisation of high value Rs 1,000 and Rs 500 notes is now over but the jury is still out on the impact of the move that is, arguably, the most daring, and far reaching, economic reform ever undertaken by any Indian government.

Though it is still too early to draw any definitive conclusions, two things are crystal clear. One, demonetisation has given a divided and dispirited Opposition an issue to cry foul about and raise its shrill anti-government pitch by more than the proverbial two notches and, two, despite the Opposition's best efforts, the people of India have, by and large, supported the Prime Minister's bold initiative, notwithstanding the considerable pains they have had to endure.

But the foreign media has missed the woods for the trees, as it has been wont to do about several things Indian. 'The Economist', arguably the most revered publication in the world, has dubbed demonetisation "Modi's bungle". The tone of coverage in the BBC, 'Guardian' and 'New York Times' has ranged from being initially laudatory to being outright critical.

Despite unstinted support from the ground, the rollout of demonetisation, as even Modi's most ardent follower will admit, could have been better implemented. But regardless of that, once completed, this initiative, at one stroke, will deal a massive blow to the shadow or "black" economy, improve tax compliance and, possibly, lead to an increase in the country's GDP unreported economic activity enters the formal economy and is captured in official statistics.

It will also hit at the roots of several problems ailing the Indian economy and address many of the pain points that deter foreign investors from entering India.

**Just consider some of the issues that scare away all**

**but the most intrepid of investors:**

- A byzantine bureaucracy where unaccounted cash is usually the best lubricant
- Having to engage "consultants" who pay speed money on your behalf from their "fees"
- A government perennially short of cash because many transactions take place outside the tax net
- Manufacturers of equipment in the West who often receive requests to route shipments through tax havens to facilitate over-invoicing in order to generate black money

The demonetisation of high value currency notes has struck a death blow to all these activities. The Narendra Modi government has largely succeeded in eliminating top level corruption in the government. Now, customs inspectors and petty tax officials will be doubly wary about raising specious objections with the sole intention of seeking rents.

This is certain to improve India's poor rank of 76 in the next edition of the Corruption Perception Index brought out by Transparency International.

Modi's latest gambit is only the first move in a long and protracted battle against black money. There is no evidence yet that the common man is upset at Modi for the short-term inconvenience that many are going through.

If Modi can deliver on his promise of freeing the country from the scourge of black money, he will have achieved the impossible. And this alone can improve India's rank in the World Bank's Ease of Doing Business Index, in which it currently languishes at the 130th position.

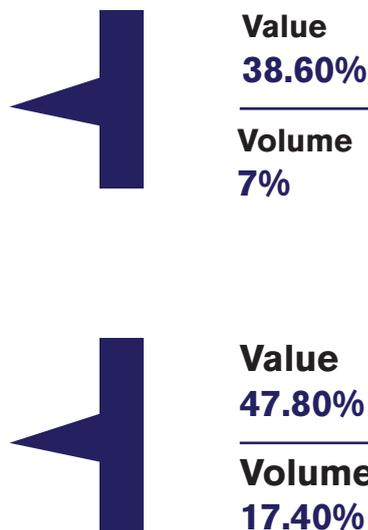
Modi's followers and critics will be watching to see which of these promises are realised and which ones fail the test. For this alone, 2017 promises to be an interesting year.

# TAKING NOTE OF DEMONETISATION

## Value of Rs 1,000 and Rs 500 notes in circulation (2015-16)



## Share of high value notes in circulation (2015-16)



## Areas Vulnerable to Black Money

- Financial Sector
- Real Estate
- Bullion and Jewellery Sector
- Cash Economy
- Mining and Allocation of Property Rights over Natural Resources
- Equity Trading
- Misuse of Corporate Structure for Generation of Black Money
- Non Profit Organisations and the Cooperative Sector

Source: Ministry of Finance, Government of India

## Total money in circulation in India till Nov 8, 2016

**\$262 billion\***

## Number of Credit card users in India (As of Nov 2016)

**98 million**

## Number of Debit card users in India (As of Nov 2016)

**808.78 million**

## GDP of India

**\$2.3 trillion** World's 6th largest economy

## Stated aim of demonetisation

India being a cash-based economy, fake currency continues to be a menace. The incidence of fake Indian currency notes in higher denomination has increased and the scheme of withdrawal has been introduced to curtail this.

Source: Reserve Bank of India

## Number of digital payment users in India

Digital payments industry in India will grow by 10 times to touch \$500 billion by 2020 and will contribute 15% of gross domestic product (GDP).

## Currency in Circulation

**\$** **\$138.39 bn**  
 (As on Dec 23, 2016)

## Share of informal sector

**The informal sector accounts for more than 40% of India's GDP**

## Estimates of shadow (black) economy

The size of India's black economy is about **\$460 billion**

## Number of people who filed Income Tax returns

**AY 2014-15: 51,673,822**

Source: Income Tax Department

\* RBI has not yet released the post-demonetisation figure



## REWRITING INDIA'S SOCIAL CONTRACT

by Anmol Nayyar

A financial services expert talks 'India Investment Journal' through India's bold demonetisation move and why it is good news for investors.

On November 8 2016, Prime Minister Narendra Modi made what will be long-remembered as one of the most audacious policy announcements in the history of India: 500 and 1,000 rupee notes, which made up 86 per cent of all outstanding legal currency, were 'demonetised' and ceased to be legal tender with immediate effect.

This, along with a series of related ancillary incentives and regulation, and against the backdrop of the Indian government's poorly managed execution of 'remonetisation', made the 50 days leading up to 31 December 2016 highly volatile, both for Indians every day and for those overseas trying to understand the economic and political consequences of the move.

As volatility has begun to abate, heads have begun to clear and the natural optimism of the New Year has settled in. A clearer voice is beginning to emerge too from the Indian government, which begins to frame a narrative of the long-term ambitions driving demonetisation – enfranchisement, transparency and efficiency, catalysed by India's demographic dividend and enabled by a deep commitment to technology.

### Enfranchisement

As much as 70 per cent of India's population of 1.2 billion people is under the age of 40. India has over 1 billion mobile phones (of which 250 million are smart-phones), close to 350 million internet connections and 50 million unique e-commerce users.

For a country with such a demographic dividend - one that is youthful, educated, urban and online - only a small portion of it is enfranchised into the 'regular' non-cash economy. Only 2.9 per cent of India's population pays income tax and only 50,000 individuals pay tax on income above \$75,000. Mortgage

penetration is only 8 per cent of GDP (the US is 90 per cent, China 50 per cent). Fewer than 10 million unique credit cards are in active use. Even e-commerce purchases are paid normally with cash on delivery.

For India to unlock the true power of this demographic dividend, which also includes the ability of the Government to collect taxes and transfer commensurate services and incentives with little or no efficiency loss, there has to be a

*The uniform Goods and Service Tax (GST) is one of the most important reforms in India's economic history.*

faster enfranchisement of Indians into an economy far less dependent on cash transactions. The infrastructure for this has been built. In 2009, under the UPA 2 Government led by Manmohan Singh, the Unique Identification Authority of India or "Aadhar" was launched to issue all Indians a biometric identity which would be used as a basis to streamline how India and her citizens would interact with one another. It was and remains the largest national identification project in the world. The launch chairman was Nandan Nilekani of Infosys.

Aadhar was stymied due to procedural issues and a lack of political will until PM Modi made it a priority for his government. Aadhar was paired with a group of other initiatives under the "India Stack": a unified payment system, e-KYC and a digital locker, all provided free by the government of India, to enable real time ID verification, document signing and money transfer. The applications of the India Stack are transformative - from financial services, to income tax payment and transfer of subsidies, all underpinned by the virtual removal of historic issues of identity fraud.

With India Stack as an enabling infrastructure, the government has been layering policies on top of this to accelerate enfranchisement. 'Jan Dhan Yojana' launched in August 2014 was a flagship programme to drive financial inclusion. Banks were instructed to reach out to the unbanked and provide accounts with overdraft. The government promoted RuPay debit cards and insurance. So far 220 million accounts have been opened, the scale and speed all made possible by India Stack.

Demonetisation was a shock, one necessary to force a faster adoption by Indians of a technology ecosystem that has been built to enable everyone to transact and interact through 'regular' non-cash channels, one that over time will enfranchise every Indian and enable the government to collect tax and deliver services and incentives, one that will unleash India's historic demographic dividend.

### Transparency and Efficiency

Cash by its very nature is difficult to account for and is used the world over to hide earnings, evade taxation and has been a driver of corruption and illicit trading (including arming terrorists). The UPA 2 government was riven by many scams and stories of corruption, especially in relation to the telecom spectrum auction and various defence transactions.

One of the first challenges for Prime Minister Narendra Modi was to change the global image of India from one of a corrupt country where economic gain is driven only by access to politicians to one where all investors who drive real benefit for India are welcomed, regardless of their access or affiliation. A series of India "roadshows" in New York, Silicon Valley, London, the Middle East and Africa - and a more assertive muscular regional diplomacy - all reinforced the point that India was open for business.

In spite of these efforts, India has still struggled to significantly rise in global "Ease of Doing Business" rankings and also increase its sovereign credit reasons. Demonetisation was a direct attack against the instrument

of corruption. This, along with proposed campaign finance reform and the Real Estate Bill are all efforts to demonstrate both domestically and internationally that India is moving to an increasingly transparent economy.

The uniform Goods and Service Tax (GST) is one of the most important reforms in India's economic history. It aims to rework the centre/state taxation relationship and ensure transparency and efficiency in the provision of goods and services and its consequent taxation. Over time it will reduce

costs to consumers and increase overall tax collection while reducing double taxation and "friction cost" at the transactional unit. GST will be implemented in 2017. The scale and speed of this implementation would not be possible without the

infrastructure created by India Stack. Demonetisation here was necessary to force SMEs and trader communities - the largest group affected by GST - to begin going cashless to ensure that actual transaction costs are recorded and that GST can be levied accurately at every stage of the transactional change.

### What does this mean for investors and India?

Demonetisation as a concept stands for many things investors would welcome - unlocking India's demographic dividend which in turn drives investor value, transparency and efficiency, a fight against corruption. There have, however, been real challenges in its implementation, many of which still remain.

From a short term perspective, there are certain immediate structural benefits, including the large deposit inflow stabilising India's struggling banks. It is the mid- to long- term perspective that is most encouraging however. Prime Minister Modi's speech on 31 December 2016 showcased some ideas: using the deposit inflow to subsidise low-cost home ownership and SME funding, two initiatives that have been central to his policy framework.

It is timely to recall a phrase used throughout his election campaign: Sabka Saath, Sabka Vikas ("Progress for All"). It is a policy framework starting with India Stack, Jan Dhana Yojana, moving through GST, Housing for All by 2022, and the Real Estate Bill.

It is this very idea, the rewriting of the social contract in India, where every Indian is now enfranchised, is encouraged to buy homes, consume and invest in small business, where taxation is transparent and collections are used to provide critical services efficiently, where corruption is no longer a barrier to entry, where India's demographic dividend can be finally unlocked. It is this idea that demonetisation accelerated. And that should be very good news for investors and for India.

*Anmol Nayyar is a partner at DMI Finance, a pan-India diversified financial services business. He is an active investor and board member in India and the UK, where he also advises the UK Government on entrepreneurship.*



## WILL GST KEEP ITS DATE WITH APRIL 1 THIS YEAR?

“I am trying my best,” Finance Minister Arun Jaitley had said when asked about the April 2017 deadline for GST.

But experts and analysts feel it will be difficult for the government to meet this rollout schedule as the GST Council, the apex dispute resolution body for the tax, has not yet resolved several issues, the most vexatious of which is the jurisdiction of the Centre and the states over some classes of tax payers. Jaitley, who heads the council comprising state finance ministers, has managed to evolve a consensus on most issues. He has said that constitutionally, the GST will have to roll out latest by September as per the Constitutional Amendment Bill passed by Parliament.

The introduction of GST will replace a welter of indirect central and state taxes such as Central Excise (Cenvat) duty, service tax, central sales tax, entertainment tax, octroi and entry tax, etc with one tax and bring uniformity in India's taxation structure and lead to cheaper goods and services.

It will stitch India's 29 states, which currently operate as separate markets, into one common market. Each state now levies a bewildering number of levies. This results in cascading taxes, massive complexities, higher prices for consumers, difficulties in administering the indirect tax regime and largescale corruption.

A common complaint that most businessmen have against India is that it is easier, cheaper and it takes less time to ship goods from Europe to Mumbai than to transport the same goods from India's financial capital to Delhi.

The culprit? The entry taxes charged by various states as well as the plethora of state-level levies that have to be calculated before trucks can cross state borders. It is a

common sight to see miles-long lines of trucks parked at state borders while petty officials go about their task of calculating taxes. GST will subsume all these state-level taxes and so considerably reduce the need for this elaborate and corrupt network of infrastructure and officials at state borders. Transport times will improve dramatically, corruption will be reduced and inventory management costs will fall once these unnecessary network of check posts is dismantled.

CRISIL Research report estimates that “the rollout of GST will bring down the logistics costs of companies engaged in the production of non-bulk goods by as much as 20 per cent. Savings will accrue as a result of gradual phasing out of the central sales tax, consolidation of warehouse space, faster transit of goods since local taxes will be subsumed into the GST and as state level check posts will be dismantled.”

At present, the same item often costs different amounts in different states because of local levies. Alternatively, companies that want to sell their products at a uniform price across the country – for example, a small bottle of Coca Cola at Rs 5 – have to tweak prices for each state so that the final post-tax selling price remain the same.

This increases the complexities of calculating taxes and naturally increases the scope for both disputes and corruption. GST will ensure simplicity and easier administration. And finally, based on the experience of other countries, economists expect GST to add 1.5-2.0 per cent to GDP growth over a three to five year period. The big monkey in the room is demonetisation. How this initiative will affect the GST rollout, however, remains to be seen.

*The introduction of GST will replace a welter of indirect central and state taxes such as Central Excise (Cenvat) duty, service tax, central sales tax, entertainment tax, octroi and entry tax, etc with one tax and bring uniformity in India's taxation structure and lead to cheaper goods and services.*

# GOODS & SERVICES TAX UNPLUGGED

## What is GST? How does it work?



GST is one indirect tax that will replace a welter of state and central levies that businesses currently have to pay (see below). Its implementation, arguably the biggest tax reform ever undertaken in India, will stitch all of India into a common market as opposed to the current situation where each state or Union Territory is a different tax jurisdiction.

## Which taxes will get subsumed into GST?

At the Central level, the following taxes are being subsumed

- Central Excise Duty
- Additional Excise Duty
- Additional Customs Duty
- Service Tax
- Special Additional Duty of Customs

At the State level, the following taxes are being subsumed

- State Value Added Tax/Sales Tax
- Entertainment Tax (other than the tax levied by the local bodies)
- Central Sales Tax (levied by the Centre and collected by the States)
- Octroi and Entry Tax
- Taxes on lottery, betting and gambling
- Luxury Tax
- Purchase Tax

## Why this is important for India?



GST will improve ease of doing business in India



GST will reduce harassment and corruption that tax payers currently face



GST would be simple and easier to administer than multiple indirect taxes

GST will subsume a plethora of taxes at the central and state levels and replace them with one tax



GST will create a digital trail of all taxes paid along the value chain, thus, making evasion impossible



GST will reduce costs by doing away with the cascading effect of multiple taxes



## Next steps on GST

Decide which product should fall under which category

Decide the rate structure for services

Agree on the division of administrative powers between the Centre and states

Re-negotiate the compensation to be paid to states in the first five years



## GOODS AND SERVICES TAX: Impact on Indian economy

by Gautam Khattar

A tax expert analyses what GST would mean for the Indian economy in this 'India Investment Journal' exclusive.

The India structure, like in any other country, has developed in response to many influences – social, political and economic. These ranged from divided powers between the Centre and states to levy different taxes, distinction between goods and services, tax cascading and arbitrage on rates. Foreign investment decisions and the expected rate of return from projects often suffered due to these distortions.

The proposed Goods and Services tax (GST) is considered the biggest reform in India's indirect tax structure since the economy started opening to foreign investment. The GST regime to a large extent aims at simplifying the indirect tax levy.

With the introduction of GST, taxes such as excise duty (tax on manufacture), service tax (tax on services), central sales tax (tax on inter-state sale of goods in India), value added tax (tax on intra-state sale of goods in India), entry tax (tax on entry of goods in a particular State) or octroi (municipal levy) will all be subsumed by the GST under a single umbrella thereby making India as one nation, one tax. GST proposes to turn India into one common market leading to ease of doing business and savings in logistics costs for companies across sectors.

Due to the federal tax structure, India proposes to adopt dual GST regime in line with the Canadian model of GST. The India GST Model will have two components Central GST (a tax which will go to Central government) and State GST (a tax

which will go to state government). The GST will apply across all goods and services, barring few exceptions such as health and education services, agricultural produce etc.

The introduction of GST in India has picked up tremendous pace with the smooth passage of Constitutional Amendment Bill in the month of August 2016 and its presidential assent. The government has formed the GST Council, a body comprising of central and states finance ministers to draft GST legislations and fix administrative challenges which are imperative for the rollout of nation-wide GST. The GST Council in its meetings thus far has progressed on several

key issues, such as agreement on rate structure, discussion and agreement on Central and State GST laws, compensation to states for loss of revenue in initial five years of

GST implementation etc. The Council continues to meet in January 2017 with the key agenda to sort guidelines on cross-empowerment of Central and state tax authorities, post which the Central GST law will be placed before Parliament and State GST law will be placed before all State assemblies for approval by all States. This is imperative from a timing standpoint, given the aspirational start date of April 1, 2017 for GST.

Though the government has time and again reinforced the targeted GST rollout as April 1, 2017, considering the amount

*GST proposes to turn India into one common market leading to ease of doing business and savings in logistics costs for companies across sectors.*

of administrative steps which it has to take, it appears that the rollout may be delayed by a few months to July 2017. In no event, the GST implementation can be delayed beyond September 2017 as the Constitution Amendment Bill which got presidential assent in September 2016 has a validity clause for present taxes up to one year. Post the expiry of one year, i.e. September 2017, the current taxes will cease to exist and therefore, GST rollout cannot be stretched beyond September 2017. The additional time of three to six months (assuming GST implementation happens in July or September, 2017) will provide companies a breather to gear up their systems to meet the new legislative requirements.

It is clear that GST will be the biggest game-changer as it will transform India into a single integrated market, simplify taxes and reduce cascading effect of tax on the cost of goods and services thereby benefitting all stakeholders i.e. government, corporates and consumers. The simplification and harmonisation of the indirect tax regime of the country will reduce the cost of production and lead to a seamless, integrated Indian market, thereby making Indian trade and industry more competitive. A stable, transparent and

effect of taxes imbedded in the cost of production of goods and services and will provide seamless credit throughout the value chain. This will reduce the cost of indigenous goods and will promote 'Make in India'. The sectors which have a long value chain from basic goods to final consumption stage with operation spread in multiple states, such as FMCG, pharma, consumer durables etc, will be benefitted from the reform. GST will also allow deeper penetration of digital services. Further, electronic processing of tax returns, refunds and tax payments through an e-commerce portal without human intervention, will lead to larger tax compliances. Built-in check on business transactions through seamless credit and returns processing will reduce the scope for black money generation, leading to productive use of capital.

The government has also proposed an anti-profiteering mechanism under GST. While this is aimed at protecting consumers and ensuring that the benefit of lower taxes and input credits is shared with consumers, this has generated much debate.

Considering that the countdown to GST has begun, the industry needs to cover a lot of ground in the coming



predictable tax regime will encourage local and foreign investment in India, creating significant job opportunities and attracting new investment opportunities. The immediate beneficiary will be Indian exports which have long suffered from lack of international competitiveness due to differential taxes and the energies expended on complying with the complex tax labyrinth. A 2010 report from the National Council of Applied Economic Research had found that eliminating cascading taxes on exports could increase GDP growth by 0.9 per cent to 1.7 per cent.

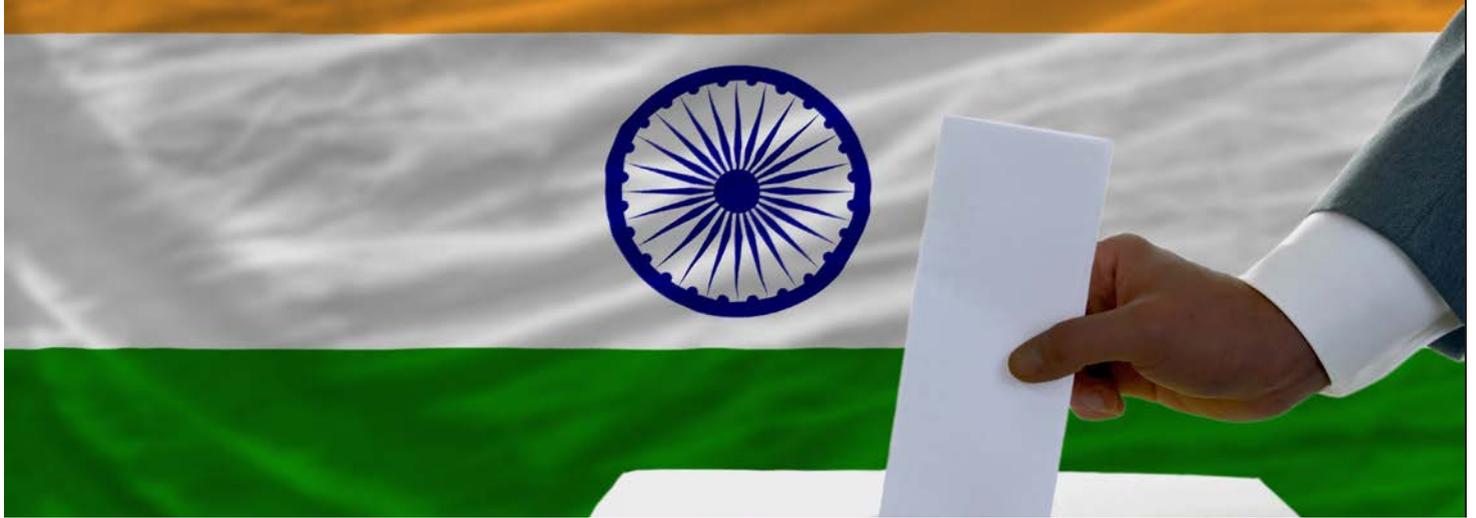
GST will boost the ease of doing business in the country, because this single tax (GST) would come as a boon for those industries or businesses that often deal with multiple levies within the country. GST will remove the cascading

months in terms of IT redesign, pricing strategy, supply chain reengineering etc. With this revolutionary indirect tax, the early movers can capitalise on the options and benefit the most under the changing dynamics of the Indian economy.

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*\*\*Views expressed are personal.*



## GOOD SHOW IN CRUCIAL STATE POLLS WILL GIVE A FILLIP TO REFORMS

Five states will elect new governments in the first half of this year. Of these, elections to the Uttar Pradesh Assembly are considered the most important and Punjab slightly less so. The other three states – Goa, Uttarakhand and Manipur – are small and politically less significant than the other two, but these results could also provide an important pointer to the national mood as the Narendra Modi government closes in on three years of holding power in New Delhi.

Uttar Pradesh is India's most populous state, accounting for one out of every six Indian citizens and elects 80 Members of Parliament. Nine of India's 15 Prime Ministers have been elected from the state and the conventional wisdom in Indian politics is that the road to power in New Delhi runs through Uttar Pradesh.

That is why every political commentator worth his salt is trying to read the tea leaves to divine which way the state will vote. Although some early opinion polls have given the BJP a slight edge over its rivals, the political coup by chief minister Akhilesh Yadav against his father Mulayam Singh Yadav and the resultant turmoil in the ruling Samajwadi Party, has thrown up the prospect of fresh political realignments that will become evident in the days to come. This has meant that all political equations as well as the electoral arithmetic of the state will have to be calibrated afresh.

The results in UP could have a crucial bearing on the direction of the Indian economy. A good showing by the BJP will vindicate the general impression that the ordinary Indian strongly supports Prime Minister Narendra Modi's bold move to demonetise high value currency notes and take India in the direction of a digital economy. It could also lead to more ambitious and politically contentious reforms that are critical

for generating the millions of jobs that Modi promised India's aspirational youth in the run-up to the 2014 elections.

Any result short of that will undoubtedly embolden disparate Opposition leaders to come together to present a united front against the BJP in 2019 and make it difficult for the ruling National Democratic Alliance government at the Centre to retain power. And this, in turn, could lead to an increasingly strident Opposition stalling reforms with an eye on electoral dividends in 2019. In Punjab, the BJP shares power with its regional partner, the Shiromoni Akali Dal, the state government is up against a two-term anti-incumbency and a two-pronged attack from the Congress, eyeing a return to power after a

decade spent in political wilderness and the new kid on the block, the Aam Aadmi Party (AAP).

The three-cornered race is still too close to call, but even a defeat here for the SAD-led coalition will, at worst be seen as a temporary setback for the BJP if the results in the other states

are favourable. If, however, it comes on the back of a defeat in Uttar Pradesh, it could pose a grave threat to economic reforms and the BJP's re-election hopes in 2019.

The three remaining states are too small to count individually. State elections are, typically, fought on local issues and should not be seen as a referendum on the Central government. But given the shrill divide between the BJP and the Opposition, the results will, nevertheless, be interpreted as an indication of how the nation views Modi's performance a little more than half-way through his term.

And that is what makes these five elections so crucial, not only for politicians but for economic analysts as well.

*Uttar Pradesh is India's most populous state, accounting for one out of every six Indian citizens and elects 80 Members of Parliament. Nine of India's 15 Prime Ministers have been elected from the state and the conventional wisdom in Indian politics is that the road to power in New Delhi runs through Uttar Pradesh.*

# INDIA'S STATE ELECTIONS 2017

## States going to polls in early 2017

### Main parties in Punjab

Shiromani Akali Dal  
Bharatiya Janata Party  
Indian National Congress  
Aam Aadmi Party

### Main parties in Goa

Bharatiya Janata Party  
Aam Aadmi Party  
Indian National Congress  
Nationalist Congress Party

### Main parties in Uttarakhand

Bharatiya Janata Party  
Indian National Congress

### Main parties in UP

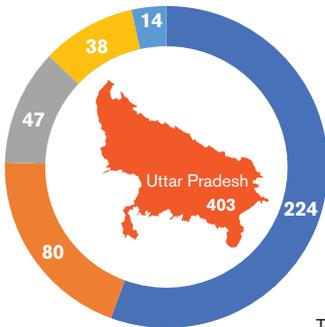
Samajwadi Party  
Bahujan Samaj Party  
Bharatiya Janata Party  
Indian National Congress

### Main parties in Manipur

Indian National Congress  
Bharatiya Janata Party  
Nationalist Congress Party  
All India Trinamool Congress

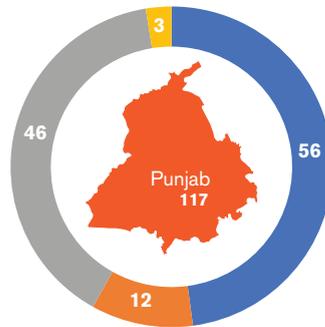


## Party positions in each state



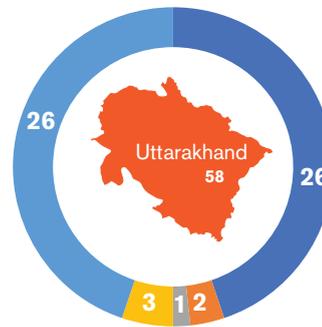
- Samajwadi Party
- Bahujan Samaj Party
- Bharatiya Janata Party
- Indian National Congress+Rashtriya Lok Dal+Nationalist Congress Party
- Independents

To get a majority, a party or alliance will need to win at least 202 seats



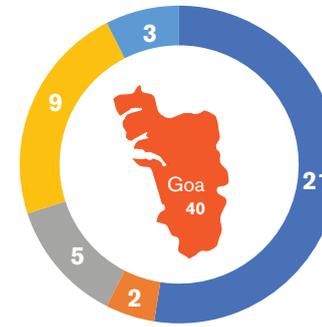
- Shiromani Akali Dal
- Bharatiya Janata Party
- Indian National Congress
- Independent

To get a majority, a party or alliance will need to win at least 59 seats



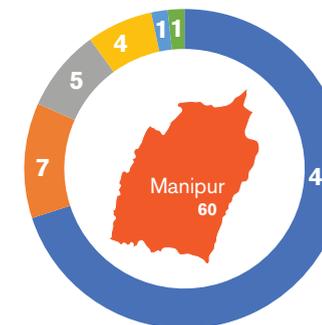
- Indian National Congress
- Bahujan Samaj Party
- Uttarakhand Kranti Dal
- Bharatiya Janata Party
- Independents

To get a majority, a party or alliance will need to win at least 30 seats



- Bharatiya Janata Party
- Goa Vikas Party
- Indian National Congress
- Maharashtrawadi Gomantak
- Independents

To get a majority, a party or alliance will need to win at least 21 seats



- Indian National Congress
- All India Trinamool Congress
- Manipur State Congress Party
- Naga People's Front
- Nationalist Congress Party
- Lok Janshakti Party

To get a majority, a party or alliance will need to win at least 31 seats

## Why the results matter

- Results in UP could set the course for national politics till 2019
- Victory for the BJP in UP could set it up for a return to power in 2019
- Defeat for the BJP in UP would unite Opposition and create problems for Modi govt
- Overall results from five states will be seen as referendum on Modi govt after three years

# UTTAR PRADESH ELECTIONS ARE THE ONE TO WATCH

Senior Columnist Ashok Malik explains how Assembly elections in five states of India will impact growth and investments in the country.



## How will this round of elections in Uttar Pradesh, Punjab, Uttarakhand, Goa and Manipur affect economic reforms?

This is the last round of elections before the rollout of the Goods and Service Tax (GST). A good performance by the BJP is sine qua non for the smooth rollout of this reform, which, arguably is the most import tax reform ever undertaken in India.

On the other hand, a poor performance by the BJP will embolden the Opposition to close ranks and put roadblocks in the path of GST. Coming to the individual states, the results in UP will be the most important. If the BJP does well, it will indicate that the BJP is holding on to its performance in 2014 (when it won 71 out of 80 seats and 2 seats went to its ally Apna Dal).

This will augur well for the party in 2019 and reassure investors, both global and domestic, that there is likely to be continuity in the government's policies beyond 2019 and that the economy is unlikely to face much political turbulence in the years ahead.

However, negative news for the BJP in UP will mean a reverse of all of the above and economic progress could be held hostage to partisan and obstructionist politics by a rejuvenated Opposition.

## What will be the best case scenario, in terms of results, for the country's economy? How likely is this outcome?

One unique feature of these elections is that the BJP is a contender in all the states, barring, of course, Manipur. This is in contrast to the last round of state elections when the BJP was not seriously in the running in large states like West Bengal and Tamil Nadu or even Kerala. Most people expect the Shiromani Akali Dal (SAD)-BJP coalition that has been in power in Punjab for 10 years (two terms) to lose. But it is expected to do well in all the other states – Uttar Pradesh, Goa and Uttarakhand.

As I said before, Uttar Pradesh is the most important of all these state elections. Over the last two decades, the state has mostly seen a two-horse race between the Samajwadi Party, that has been ruling the state since 2012, and the Bahujan Samaj Party, which ruled it for the previous five years. The two national parties, the BJP and the Congress, had been confined to the sidelines during this period. But the Narendra Modi-Amit Shah (Prime Minister and BJP president, respectively) combine has managed to revive the fortunes of the BJP in the state, as seen in the 2014 general elections, and the party now stands a real chance of coming to power in the state in 2017.

The question is: Can it win a majority in the state and form the next government? Opinion polls have thrown up various

possible scenarios – including a hung house where the BJP could be the largest or the second largest party but all of them agree on one thing – that the BJP will do well and that this election in UP will see a three-cornered contest. The better the party does, the better it is for Modi's chances of re-election in 2019.

#### **What is the worst case scenario for the economy? And how likely is such an outcome?**

The worst case scenario would be for the BJP to lose Goa and Uttarakhand in addition to Punjab and do badly in Uttar Pradesh. There's also the possibility of the SP tying up with the Congress and winning in Uttar Pradesh. In such a scenario, the Congress would find itself in power in India's most important state. Uttar Pradesh is India's largest state, has a population of 200 million – the same as Brazil. It is considered a political barometer of the political mood in the country. So, the results of UP will be the most important. Then, if the Congress or the other contender Aam Aadmi Party (AAP) win three states, it will present a very challenging scenario for the Modi government and also for the economy. It will almost certainly reduce any chance of the Opposition cooperating with the government to pass the GST Bill as well as any other important reform-related legislations. However, such a scenario is unlikely to unfold. The BJP should do better than the Congress in all states barring Punjab (and Manipur).

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*Uttar Pradesh is India's largest state, has a population of 200 million – the same as Brazil. It is considered a political barometer of the political mood in the country. So, the results of UP will be the most important.*

#### **What should foreign investors be looking out for in these elections?**

As I've said earlier, Uttar Pradesh is the most important state. Over the last 25 years, regional parties have held sway there. But under Modi and Shah, the BJP, a national party, has once again emerged as a contender for power. If Modi can win the state for the BJP it will indicate a new churning in Indian politics and indicate that there is space in this country for a macro-economy-led development model.

Already, Modi has reclaimed ground lost to regional parties in Maharashtra, Haryana and Jharkhand but Uttar Pradesh will be the big test case

#### **Why is this round of elections being called the semi-finals before 2019?**

In a sense, every state election is a semi-final, at least in that state, before the general elections; and this round of elections is no different. That said, Uttar Pradesh is so large that it is going to be a test of whether the Modi magic, witnessed in 2014, still has juice. If the BJP does well, it will improve his chances of getting re-elected in 2019. And if the Congress does badly, it will diminish its chances of a revival. Such a scenario will mean that the BJP will not have any pan-Indian rival to contend with in 2019. Then, this will be the first Assembly elections after demonetisation, which has affected every family in UP and the rest of the country. In that sense, it will also be a sort of referendum of demonetisation.





## IS AN INTEREST RATE CUT ON THE HORIZON?

The questions on everybody's lips are: When will the RBI cut rates? And when will banks pass on RBI's previous rate cuts to customers?

The logic behind those questions is evident. The short-term economic forecasts are not very encouraging. The Reserve Bank of India (RBI) expects the country's GDP to grow at 7.1 per cent in 2016-17, a sharp half percentage point lower than its previous growth estimate of 7.6 per cent.

This contraction in growth estimates is mainly because the government's demonetisation initiative has led to a temporary cash crunch that has shrunk economic activity across both the formal and the informal economy.

Economists estimate that India has to grow at over 8 per cent per annum for the Modi government to be able to fulfil its promise of delivering *achcche din* (good times) to the electorate.

But even prior to demonetisation, industry and many independent analysts had been clamouring for a repo rate cut by the RBI to lower the cost of money to spur fresh investments, consumption and growth.

The central bank, however, disappointed the markets by keeping its repo rate (which banks use as a benchmark for setting their lending and deposit rates) unchanged at 6.25 per cent in its December 7 monetary policy announcement in order to keep inflation in check.

"The decision of the Monetary Policy Committee is consistent with an accommodative stance of monetary policy in consonance with the objective of achieving consumer price index inflation at 5 per cent by Q4 of 2016-17 and the medium-term target of 4 per cent within a band of +/- 2 per cent, while supporting growth," the RBI said shortly after releasing the policy.

The central bank was worried about the recent rise in

crude prices pushing inflation in India beyond its 5 per cent comfort band despite admitting that demonetisation and the consequent shrinking of demand will temper the retail inflation figure by 10-15 basis points (bps; 100 bps = 1 percentage point).

Many analysts feel the RBI has been behind the curve on cutting rates. Given that banks are suddenly flush with liquidity following the rush to deposit old currency notes, they may lower lending rates a senior economist at a large Indian bank said: "A 10-15 bps cut in lending rates will only be cosmetic change. We need to lower lending rates by at least 100 bps for the consumption demand and investment to pick up significantly."

Will the RBI and the banks oblige? They have to look out for not one but 800 pound gorillas in the room before they can.

The RBI has to bear in mind US Federal Reserve chief Janet Yellen's statement on interest rates rising in the US. This could lead to an outflow of dollars from emerging economies, including India. India's central bank may be forced

to keep rates unchanged to avert such a possibility.

Then, commercial banks, which are facing a mountain of bad debts (called non-performing assets or NPAs in banking lingo) have so far been unable to pass on the full benefit of RBI's rate cuts during 2016 because they have to make provisions for their NPAs.

How RBI and the banks square these two circles will determine the direction of interest rates in 2017.

*Economists estimate that India has to grow at over 8 per cent per annum for the Modi government to be able to fulfil its promise of delivering achcche din (good times) to the electorate.*

# CRUDE PRICES AND US RATE ARE THE X FACTORS

by India Inc. Staff

**W**hen will Reserve Bank of India (RBI) Governor Urjit Patel cut interest rates? Speak to analyst, economist or businessman; that will be among his top two or three concerns.

## The background

The central bank dashed hopes for a rate cut in December when the six-member Monetary Policy Committee (MPC), which sets rates, decided to retain the repo rate, the rate at which the RBI lends to banks and the key rate that banks use as a benchmark for the lending and deposit rates, unchanged at 6.25 per cent.

The apex bank adopted this hawkish stance despite retaining its March-end retail inflation projection at 5 per cent. It, however, cautioned that high oil prices and rising interest rates abroad could once again fan inflation.

## Growth to slow down

The RBI has cut its growth forecast for 2016-17 to 7.1 per cent, down from its earlier estimate of 7.6 per cent in a clear indication that the government's bold demonetisation initiative, though positive in the longer term, will crunch growth rates in the immediate term.

## Consumer spending down

The festival season, beginning with Diwali in October and ending with the end of the wedding season in March usually witnesses a peaking of sales of consumer durable items such as cars, TVs, refrigerators and other such high value items. But the latest data shows that consumer durables output declined to a minuscule 0.2 per cent in October, down sharply from 14 per cent the previous month. The data also shows that consumers spent less on eating out, most likely due to the ongoing cash crunch.

This trend is likely to persist over the next couple of months as the demonetisation initiative continues to take a toll on spending and the weekly and daily limits on cash withdrawals cap discretionary spends.

## Banks pass on some rate cut benefits

Most economists agree that lowering rates and forcing banks to pass on the benefits to consumers could lead to a loan-fuelled consumption boom that, in turn, could increase demand and set off a virtuous cycle of growth, investment, job

generation and consumption.

With the banking system being flush with funds following the demonetisation-induced deposit rush and a nudge from the Prime Minister, many banks, led by State Bank of India, the country's biggest lender, have cut lending rates by 0.90 per cent. Other banks like HDFC Bank, Andhra Bank and a few others have also cut their lending rates in line with the repo rate cuts by RBI since the beginning of 2016.

These banks have, thus, cut their lending rates by 200 basis points (bps; 100 bps = 1 percentage point) and now charge their prime customers interest rates in the range of 8.60-8.75 per cent.

## Room for more

Analysts, however, say that the real sweet spot for interest rates – at which consumers are likely to come out in droves to buy houses, cars, TVs and other items – is the 7.5-8.0 per cent range, ie, another percentage point lower than the rates now being offered by most banks

For that to happen, Urjit Patel and the MPC have to lower the repo rate from 6.25 per cent at present by another 1.0-1.25 per cent at least. But can he?

## Patel's perspective

RBI Governor Patel has two mandates that are completely at odds with each other. On the one hand, it has to keep the inflation rate under control, since a rise in prices hits the weakest the hardest, also crowds out investment and hits growth. The tool to keep inflation in check is to keep interest rates high to check wasteful consumption.

On the other hand, RBI also has to ensure that the



## RBI Governor Urjit Patel may be able to cut rates but only later this year. We take a look at what this would mean for the Indian economy.

economy continues to grow at a healthy pace to ensure jobs and prosperity for all Indian citizens. The way to do it is to lower interest rates to encourage debt-fuelled discretionary spending.

These two mandates, obviously, contradict each other, but they're not mutually exclusive. The job of the MPC, then, is to find the equilibrium between these two opposing demands.

### Rising crude prices

Even as falling growth rates increase the pressure on Patel to cut rates to encourage investments and spending, he

will also have to keep one eye sharply focused on the Middle East, where Saudi Arabia and Iraq, which supply 40 per cent of India's crude, have decided to end the world's two-year honeymoon with soft oil prices, by cutting output and increasing prices.

This is a clear signal that oil prices, which have been on the rise for the past few months, will increase further. Since India imports 80 per cent of its crude requirement, this will, obviously, have an impact not only on inflation but also on the balance of payments account, the fiscal and current account deficits and the value of the rupee.

Collectively, this will be inflationary in nature and will severely restrict the MPC's ability to lower rates.

### The Yellen factor

Patel and the other members of the MPC will also have to keep their eyes peeled on US Federal Reserve Chief Janet Yellen's moves. After keeping interest rates unchanged at near zero since 2008, the Fed increased its key policy rate by 0.25 per cent recently and signalled further increases in the months ahead.

This could lead to a flight of dollars from emerging markets, including India, and cause turmoil in the currency and stock exchanges, bump up the price of dollars (and other hard currencies), increase the cost of imports and fuel inflation.

One just has to hark back to what happened in August 2013 to visualise what might happen in a worst case scenario. The rupee had fallen to a record low of 68.85 against the dollar and 100 against the British pound, inflation had leapt up and the current account gap widened beyond the 5 per cent mark, almost bringing the Indian economy to its knees.

### The saving grace

The economy is a lot stronger now and as former RBI Governor Raghuram Rajan reiterated several times, is well positioned to handle such shocks in the future. The broad metrics – fiscal deficit, current account deficit, wholesale inflation, retail inflation, tax buoyancy and GDP growth rates are all in a comfortable zone.

During November, India's wholesale inflation rate fell to 3.15 per cent, down from 3.39 per cent the previous month. Though it was sharply higher than the rate of (-) 2.05 per cent in November 2015, food inflation, which affects the ordinary Indian most, recorded a steep fall, from 5.55 per cent in November 2015 to 1.25 per cent in November 2016.

Retail inflation, likewise, also fell sharply from 4.2 per cent in October to 3.63 per cent on November.

### Push for growth

Despite the global headwinds, Patel and the MPC also have a domestic imperative to push growth. Patel has indicated that he is inclined to accommodate this line of thought. Economists and analysts will be praying that OPEC's decision to cut output and raise premiums on crude oil does not lead to a massive spike in global oil prices. They will also be hoping that Yellen's bark is worse than her bite and that foreign investors take into account the inherent strength of India's economy when deciding on safe havens for their funds. If the impact of these two X-factors – global crude prices and US rate hikes – remain moderate, there is every reason to expect RBI to cut rates by up to 100 bps after a lag of about a quarter.

If that happens, achieving a GDP growth rate of 8 per cent and more will be that much more attainable.

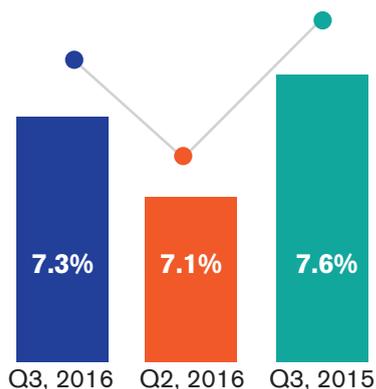


# IN THE INTEREST OF GROWTH

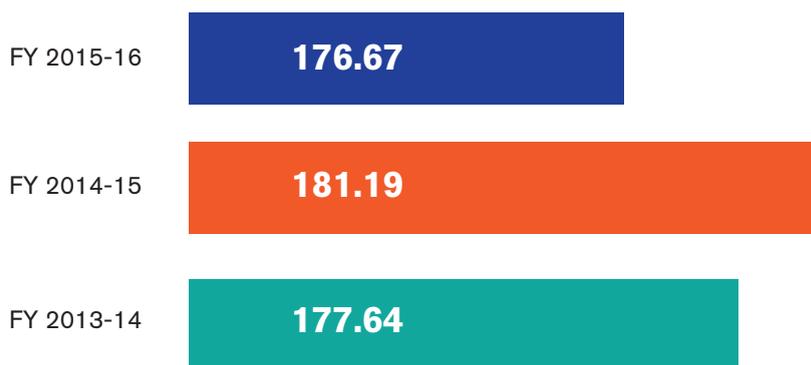
## What is the repo rate?

Repo rate is the rate at which the central bank of a country (Reserve Bank of India in case of India) lends money to commercial banks in the event of any shortfall of funds. Repo rate is used by monetary authorities to control inflation.

## GDP - real growth rate



## Wholesale Price Index (WPI) for All Commodities



Source: Office of the Economic Adviser, Govt. of India

## Importance of repo in monetary policy

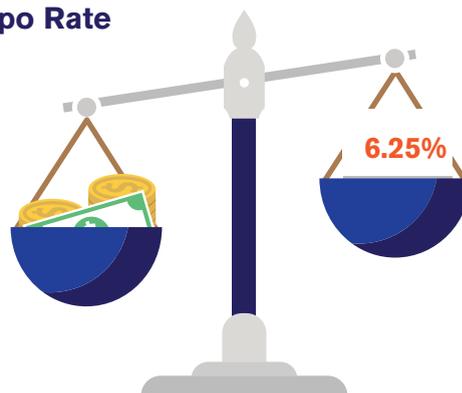
Banks use the repo rate as the benchmark while setting their lending and deposit rates

Repo has emerged as the most effective instrument to fight inflation.

RBI has made repo as 'the policy rate'.

Banking system borrows through the repo route to meet their liquidity requirements.

## Current Repo Rate



## CPI - Rural, Urban, Combined (As of Nov 2016)

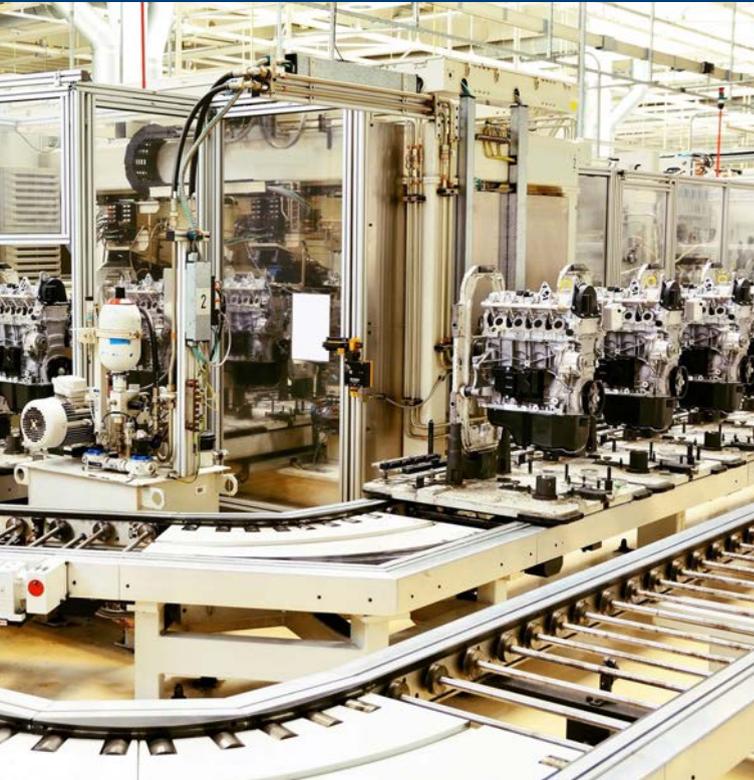


Legend: Rural (Orange), Urban (Blue), Combined (Teal)

Source: Reserve Bank of India

## Why Banks have cut lending rates now?

- Huge deposit base because of demonetization
- Higher liquidity makes it imperative for banks to deploy these funds
- Challenge of deploying the large amounts
- Lowering rates induces industry/consumers to take on more loans



## JOB CREATION MAY GATHER PACE FROM SECOND HALF OF 2017

The immediate impact of demonetisation will mean a slower pace of job creation but, overall, there is some good news in store for the New Year.

How long will the current phase of jobless growth in India, which began during the UPA II regime continue? And when will the Narendra Modi government's flagship schemes such as Make in India, Start-up India, etc., start generating jobs – which, for many Indians, remains the true touchstone of the *achche din* (good times) promised by the Prime Minister in the run-up to the 2014 general elections?

There's some good news and some bad news on this front. According to a survey by a leading jobs portal, the organised sector will generate about 875,000 jobs this year. Leading HR consultancy firm TeamLease had also released a survey in October that projected hiring outlook in India at a three and a half year high. But the impact of demonetisation will lead to a shrinkage in job growth in the short term before the outlook and, more importantly, actual recruitments pick up.

For middle class Indians seeking a career in the IT sector, the news isn't good. The sector's apex body, Nasscom says net hiring during 2016-17 will be slightly lower than the 200,000 fresh recruitments last year. The forecast for the coming year is also expected to be muted in the face of the global economic stagnation and the uncertainty over how a Donald Trump administration will impact the Indian IT sector.

Sectors like retail, real estate, construction and automobiles, which had traditionally driven job growth in the country have been badly hit by demonetisation. Till they pick up steam once again, probably in the latter half of this year, hiring outlook will remain muted.

According to the government's own records, only about 135,000 new jobs were created in 2015, lower than 419,000 jobs in 2013 and 900,000 two years before that.

Several HR experts expect job growth to pick up

exponentially in the latter half of the year when the positive impact of demonetisation begins to kick in, with more economic activity entering the formal sector like Modi's flagship schemes Housing for All and Sagarmala gather steam.

Then, analysts feel demonetisation will lead to a fall in inflated house prices as well as interest rates – a combination tailor-made for the growth of the real estate sector, which, has backward and forward linkages with about 250 allied sectors, all of which will push up overall GDP growth by several basis points and drive employment growth.

However, there are some disturbing aspects that have come to light following the report of the Sixth Economic Census by the government of India. According to data in the census, India has 10.3 million manufacturing establishments that employ 30.4 million workers. Over an eight-year period, the

number of establishments grew 28 per cent but the number of workers increased only 19 per cent, indicating a shrinkage in job opportunities at individual establishments.

This is not good news since the manufacturing sector will have to do most of the heavy lifting to create employment opportunities for the 12-15 million youngsters who join the workforce every year.

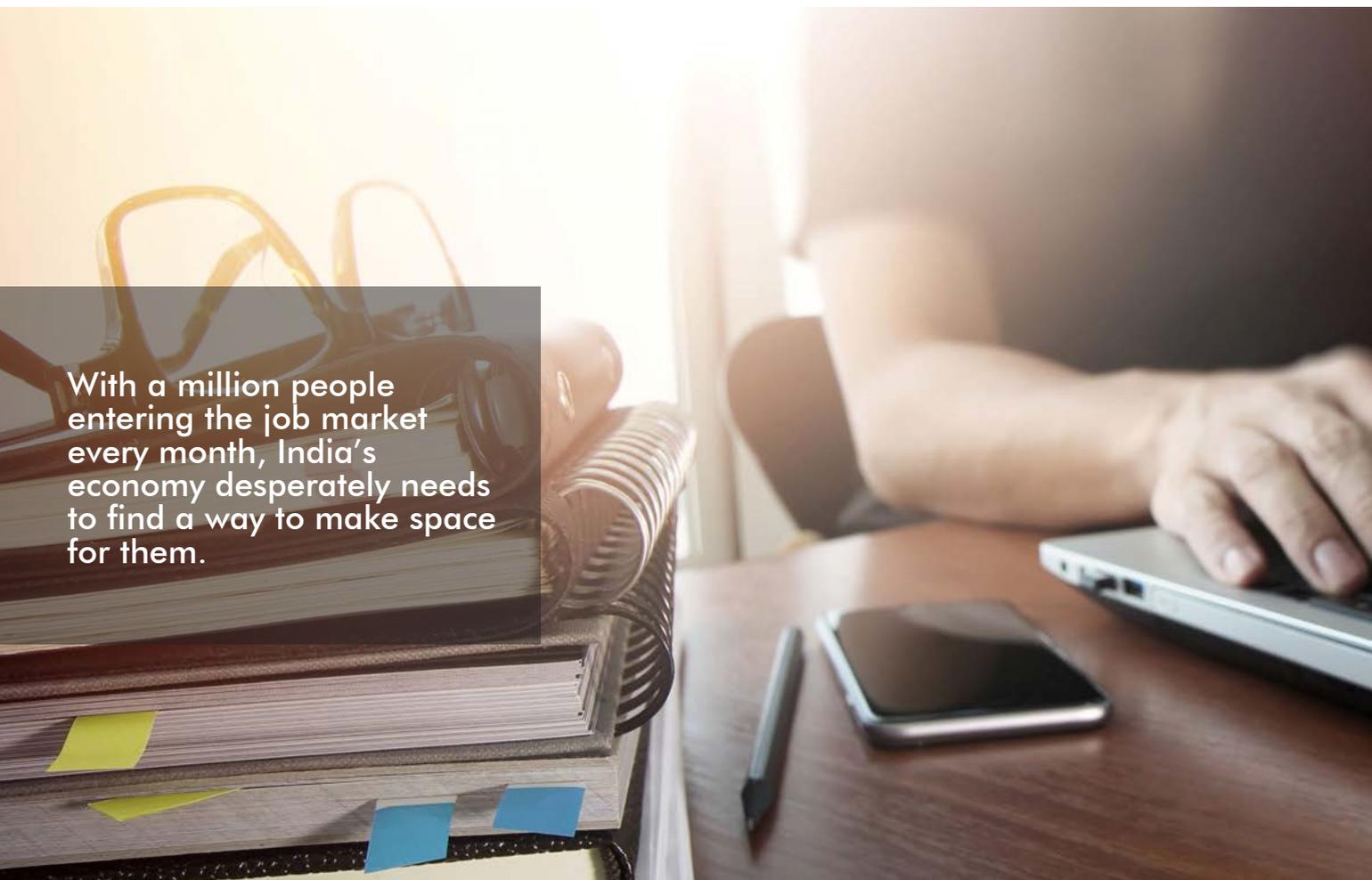
Then, the continuing global slowdown and rising protectionist barriers in the West, the world's largest consuming economies, mean that India's hope of replicating the Chinese model of making for the world will face considerable headwinds.

But economists remain optimistic that if the government can lift India's growth rate beyond 8 per cent per annum, enough employment opportunities will be created for people to start feeling that the promised goods times are here.

*Sectors like retail, real estate, construction and automobiles, which had traditionally driven job growth in the country have been badly hit by demonetisation.*

# INDIA'S BIG JOB CRUNCH

by India Inc.Staff



With a million people entering the job market every month, India's economy desperately needs to find a way to make space for them.

The morning of September 17, 2015, India woke up to a curious headline: PhD holders among 2.3 million applicants for peon jobs in UP. The response to 368 vacancies for peons in the most populous state of the country had been a record of sorts. The minimum qualification for the post was no more than school education and bicycle riding skills. The salary, a measly \$240 [Rs 16,000] per month. Yet among the 2.3 million applicants there were more than 150,000 graduates and 24,969 post-graduates. There were also more than 250 doctorates or PhD holders. The clamour for the posts surprised even the government that had initially planned to select candidates through interviews but then opted for a written examination to screen the large number of hopefuls.

*The silver lining in the story is in newer sectors like the boom in start-ups in the country that have opened up fresh avenues for employment.*

The story mirrored the tragic state of employment in the country, often touted as the fastest growing economy in the world. But it does not really come as a surprise. According to the labour bureau, the unemployment rate in the country shot up to a five-year high of 5 per cent in 2015-16. The rate was higher at 8.7 per cent for women and 4.3 per cent for men. It was 4.9 per cent in 2013-14, 4.7 per cent (2012-13), 3.8 per cent (2011-12) and 9.3 per cent (2009-10). India is home to 356 million people in the age group of 10-24 years that would be eligible for work within the next decade. Already the government says an estimated 1 million people join the workforce every month. Having such a young population is an obvious strength. There would be no dearth of able hands should there be enough work. However, creating

proportionate viable opportunities is a Herculean task by any standards.

“Young people are the innovators, creators, builders and leaders of the future. But they can transform the future only if they have skills, health, decision-making, and real choices in life,” says Babatunde Osotimehim, Executive Director of United Nations Population Fund (UNFPA). “Never before have



there been so many young people. Never again is there likely to be such potential for economic and social progress. How we meet the needs and aspirations of young people will define our common future.” The current slowdown in economic activity in the country coincides with the increasing influx of people in the job market and poses a stiff challenge for the government. A majority of India's population continue to be employed in the agriculture sector, which has stagnated and is often at the mercy of fickle monsoons. Attempts at creating more opportunities in manufacturing and services industries in the cities have only been partially successful.

According to the fifth annual employment-unemployment survey, about 77 per cent of the households had no regular wage or salaried person. The survey was conducted across all states and union territories during April 2015 to December 2015 with a total sample of 1,56,563 households – 88,783 households in rural and 67,780 in urban sector. The challenges in generating employment are multifarious. Tra-

ditional labour intensive sectors like textiles, leather, gems and jewellery and metals and mining are increasingly mechanising their processes for greater efficiency. Far from creating new jobs, it raises the prospect of loss of employment. Coupled with it the slowdown in these sectors along with IT/BPO segment has aggravated prospects.

The labour ministry's 27th Quarterly Employment Survey said there were 43,000 job losses in the first quarter of FY 2015-2016. The second quarter was better, with 134,000 new jobs, but it was a far cry from the peaks of 2010 when 1.1 million jobs were created. In the following five years, 1.5 million jobs were lost. There has been no signs of recovery in fiscal 2015-16.

“If you look at 2025, this (job creation) problem is going to grow larger,” says Y.C. Deveshwar, chairman, ITC, a century old large Indian conglomerate that employs over 25000 people in the country. “Creating sustainable employment which is environment friendly are the two big challenges that our country has to address, right now, and at an accelerated pace tomorrow.”

*India is home to 356 million people in the age group of 10-24 years that would be eligible for work within the next decade. Already the government says an estimated 1 million people join the workforce every month. Having such a young population is an obvious strength*

India has failed to live up to this challenge in the past. Between 1991, the year the country's economy was liberalised, and 2013, the size of the country's working age population increased by 300 million. The economy, however, could absorb less than half or only 140 million of them into the labour market according to Asia-Pacific Human Development Report. It estimated that by 2050 at least 280 million more people will enter the job market and suggested the country should focus on specific industries in manufacturing to create jobs and try to move people away from agriculture. These numbers fly in the face of high GDP growth that is often dished out as the panacea of all problems.

“The economy is generating less jobs per unit of GDP,” says D.K. Joshi, chief economist at ratings and research firm Crisil. “In manufacturing, if 11 people were needed to execute a piece of work that generated US\$ 14700 [Rs 1 million] worth of industrial GDP a decade ago, today only six are needed. The economy has become less labour-absorbent.”

The silver lining in the story is in newer sectors like the boom in start-ups in the country that have opened up fresh avenues for employment. IT industry lobby Nasscom said in its report in 2015, that India was the third largest base for new companies with more than 4,000 registered digital start-ups employing an estimated 85,000 people. By the turn of this decade, the number of start-ups is expected to swell to over 11,500 creating employment for 0.25 million people in the process.

Surely something to cheer for, but a country of 1.26 billion needs way more.

# WORKING ON JOB CREATION

## Jobs

### New workers entering the work force every year

According to labour ministry data, around 1 million people enter the workforce in India every month i.e

**12 million** every year.

### India's population

India is the second most populous country in the world, with

**1,266,883,598** (July 2016 est.)

### Size of work force

**501.8 million** (2015 est.)

Source: CIA

### Unemployment rate

**5%**

Source: Report on 5th Annual Employment-Unemployment Survey (2015-16)



## Sectors with highest employment



Textile & Apparels



Gems and Jewellery



IT/BPO



Automobiles



Leather

## Roadblocks to job creation

Need for skill development

Move towards automation

Lack of investment in infrastructure

Need for more entrepreneurs

## Why job creation is politically important for NDA government

India's aspirational youth will judge Modi's promise of ushering in 'Achhe Din' (good times) mainly on the basis of the jobs he creates for them.

## Organised vs Informal Sector

Large informal sector accounts for **84%** of current jobs in India

India has only about **30 million** jobs in the organised sector and nearly **440 million** in the unorganised sector

## India's Foremost Outbound Investment Magazine

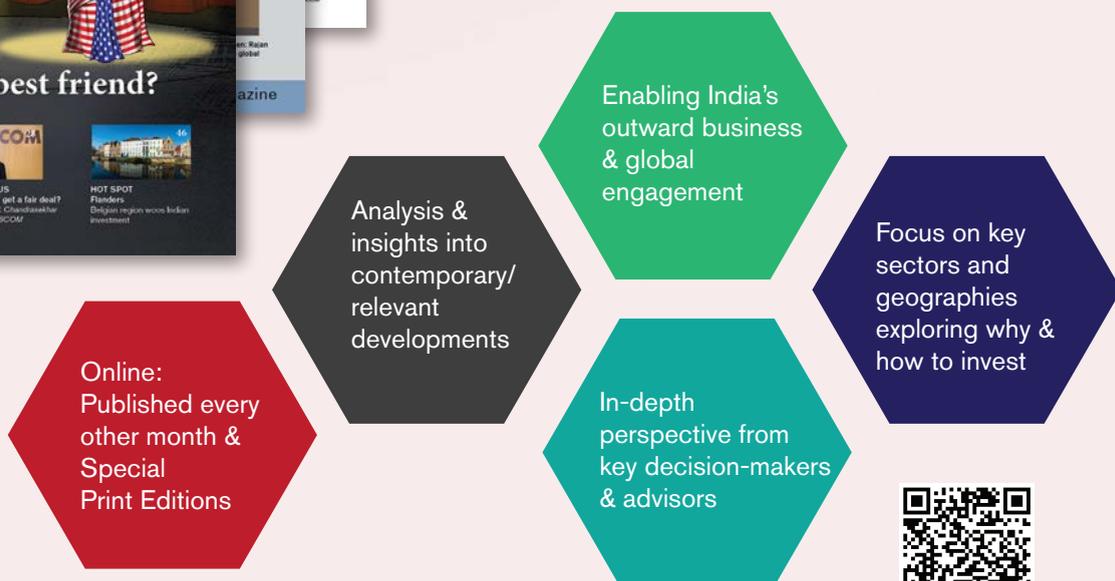
'India Global Business' (IGB) is the flagship outbound publication of India Inc. The magazine published every other month focuses on India's outward contribution to and engagement with the world.



### EDITORIAL THEMES

- Outbound investments
- Exports
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**Innovation – more specifically, a local, sustainable innovation ecosystem – is needed to address India’s challenges.**

## INNOVATION IS THE ANSWER TO INDIA’S CHALLENGES

**A**s Managing Director for South Asia and Vice-President, Sales & Marketing Group, of Intel Corporation, Debjani Ghosh is responsible for establishing new growth areas for the US-headquartered tech giant in the region. She works with governments and industry in South Asia to establish policies and initiatives that help accelerate the adoption of technology in the region, especially as an enabler of inclusive growth and development.

### **Two years into the Digital India, what is the experience of tech collaborators like Intel?**

For nearly two decades now, Intel has been committed to digitally transforming India into an empowered society and knowledge economy with a focus on education, skill development and innovation. Now, with the government’s vision for a digital India, we’ve got a higher impetus to drive the next wave of computing among non-urban users, and make an impact at the grassroots level. Our experience shows that public private partnerships and local innovation are two of the key components to achieve the Digital India goals.

Over the last two years, we have collaborated with the government for multiple initiatives, one of the key ones being the creation of a blueprint for the digitisation of non-urban India. As a part of this, in 2015, we announced our flagship first-time PC user campaign, Ek Kadam Unnati Ki Aur [One

step towards progress], to deliver PC access and digital skilling for non-urban citizens. Till date, we have touched the lives of 500,000 citizens across 11 states in the country, through 100 Unnati Kendra digital learning centres.

In addition, innovation – more specifically, a local, sustainable innovation ecosystem – is needed to address the country’s challenges. With 18 years of strong and consistent growth in engineering-focused R&D in India, we are committed to delivering high-end and advanced engineering work involving significant innovations across chip design, graphics, platform and software for cloud, datacentre, devices and IoT markets. These technologies have enabled us to create a community of Indian innovators across age groups, wherein hundreds of prototypes and a few real solutions have emerged from initiatives such as the IoT Labs, Intel India Maker Lab, and the Intel & DST Innovate for Digital India Challenge, to incubate and accelerate technology solutions developed by Indian makers.

### **Last mile connectivity, especially in remote areas, remains a big problem in India. How can the government overcome this?**

Last mile connectivity is not a problem that the government can and must solve alone; the industry has an equally critical role to play. We must realise that Digital India is a pyramid –

the strength of its superstructure will depend on the base, and to create this base, a strong public private partnership across three areas, is the need of the hour.

First, a strong base will be crystallised with the successful completion of the national fibre-optic project, which will onboard first-time internet users onto the network of a digitally connected India. Just as important as this project, is the industry's rollout of 4G network. Jointly, this would enable the delivery and scale of cloud as a utility to every citizen, creating access for over one billion citizens to on-demand e-governance and digital services in healthcare and education. Indigenous data centres, cloud-powered services, and connected devices will serve as the end-to-end platform to deliver and deploy these citizen-centric services. This will also generate data, analyses and insights to drive further innovation, releasing new services and businesses back into our economy.

In parallel, there has to be a collective realisation that a transformative impact at the macro-level will begin by creating a digital footprint at the grassroots. For this to happen, industry, academia and government must come together to be the catalyst behind driving the government's Digital India vision and bringing about scalable change through technology access in the non-urban and rural areas.

Finally, fostering a culture of local innovation that helps India develop tech solutions relevant for its non-urban regions, will help address issues related to last mile connectivity, as they come up with solutions that cater to local problems. To achieve this, there is a need to inculcate a temperament of innovation in our education system that would enable local solution thinking to solve India's problems.

### **How deep is Intel's commitment to Digital India? In which specific areas are you participating?**

For almost two decades now, Intel has been committed to digitally transforming India into an empowered society and knowledge economy. Our commitment for Digital India can be broadly categorised into the following three focus areas:

- **Accelerating Innovation** – There is a need to build a local, sustainable innovation ecosystem to address the country's challenges. We have been committed to delivering high-end and advanced engineering work involving significant innovations across chip design, graphics, platform and software for cloud, datacentre, devices and IoT solutions. These technologies are also available to makers, for whom we are fostering innovation opportunities at every level, from schools to colleges, from entrepreneurs to enterprises with initiatives such as the Atal Tinkering Labs, the Internet of Things Labs, the Intel & DST Innovate for Digital India Challenge, and the Intel India Maker Lab.
- **Building Solution and Ecosystem Leadership for the Backend Infrastructure** – As part of our growth strategy, Intel is moving away from a hardware-driven infrastructure approach to a software-defined approach. This will enable customers such as the Government of India, to build solutions and lay the foundation for a digital infrastructure in the country. Big data analytics, cloud and HPC will accelerate through government initiatives such as smart cities and UID.

**Skill Development & Capacity Development** – Inclusive growth is the key to India's digital development. Every citizen has to have access to the basics like education, healthcare, and financial services. To achieve this, we have been trying to increase

relevance and digital know-how for the population.

More than 80 lakh citizens have been trained in the country across skill development and capacity building initiatives; Our flagship initiative for 2016 - 'Ek Kadam Unnati Ki Aur' has been a great learning experience, taking us to exciting new markets and tapping new demographics.

### **What is the status of Intel India Maker Lab initiative? Can we expect any breakthrough in hardware development in India?**

In August 2015, we set up the Intel India Maker Lab to help start-ups accelerate the creation of new products and solutions by providing them infrastructural, technological and mentorship support. 17 start-ups have been utilising the lab facilities for projects in the areas of education, sports, health, agriculture, BFSI and e-governance across IOT, cloud, and client compute. Of these, nine these start-ups have already launched their products in the market; five have their products ready and are moving to customer trial stage, and the remaining three are in the design stage.

Some prominent start-ups from the first batch include Avench, Aerxlabs, and GreenOcean, among others.

**Aerx Labs:** Aerx Labs' core product portfolio includes Flight Simulators. Its model is to leverage standard Intel® Core™ i7 socketed boards & boxed CPUs from channel and apply their domain knowledge in aircraft systems to integrate complex mechanical, electronics and software elements to create the flight simulator. ([www.aerxlabs.com](http://www.aerxlabs.com))

**Avench:** Avench has integrated Intel's Next Unit of Computing (NUC) platform along with Wi-Fi module & storage to build a Content Access Point which is used for enabling 50 simultaneous HD video stream users for education & transportation verticals. ([www.avenchsystems.com](http://www.avenchsystems.com))

**Green Ocean Research:** Green Ocean Research has built a medical diagnostic platform using Intel® Edison Board to monitor multiple parameters such as BG, Pulse oximetry, BP etc. ([www.greenocean.in](http://www.greenocean.in))

### **Talk us through the genesis of the Intel-Department of Science & technology Innovate for Digital India Challenge.**

The Intel and DST Innovate for Digital India Challenge with support from MeitY and MyGov, was announced in 2015, and aimed to foster a culture of innovation by encouraging Indian citizens to develop customized and localized technology solutions to solve local problems under Intel's aegis of platform architecture, prototype incubation, and technology mentorship. Currently, six of our top 10 teams have achieved what we call the mind-to-market philosophy, by taking their solutions not just to the Indian, but even the global market.

Our top three winners were:

- **Jayalaxmi Agrotech**, an end-to-end solution, with a user-facing app that delivers information about 20 crops in regional languages and audio-visual content, for the benefit of uneducated farmers. The data is delivered through a local server (Agripole) based on Intel® Edison. The solution is being used by 7400 villages, downloaded via 300 Agripoles, reducing input costs by 14 per cent and increasing profitability by 17 per cent. The company has secured 3 Fortune 500 clients and is currently even deployed in Ghana, Africa.
- **Asha+**, a low-cost, handheld, 'point of care' device which

tracks and monitors patient health levels remotely to allow millions of geriatric, post-op and rural patients to check their vital stats at home. This 7-in-1 device has had success in trials for both clinical and commercial use, and is currently in talks with healthcare clients in Sweden.

T-Jay\*, a hand-glove that battles epilepsy with a wearable device that detects and diagnoses epileptic fits before they occur for real-time intervention. It reduces diagnosis duration from 45-60 minutes to real-time within seconds.

Building the momentum of the inaugural challenge, we announced Intel Digital for India Challenge 2.0 this year. Intel India Maker Lab will also be available to the top 10 winners of this Challenge, and have access to infrastructure, tools and technology and mentorship. We will continue to focus on the maker market in India as that is the key to ensure sustainable technological solutions to the local problems faced by country.

### **Intel recently launched three initiatives to accelerate digital literacy at the grassroots level; are you targeting any particular numbers?**

In May this year, we announced our intent to launch the Challenge 2.0, which went live in early September, and have received 800 applications as of the deadline, well over our target of 500. We recently identified the top 10 teams that are already in the accelerator phase, and we will have our next set of winners by early next year.

On the same day, we had launched EK Kadam Unnati Ki Aur, a blueprint for India's digitisation, as part of which 100 Common Services Centres across 11 states were to be converted into 'Unnati Kendras' or digital training and PC experience centres. We have achieved this even before the timeline we set out for ourselves, and as of today, made the experience of personal computing real for more than 500,000 local citizens. This effort is a part of the larger goal to make India a knowledge economy. While the rapid penetration of mobile phones has accelerated content consumption, our recent research with KIMRB and ISB shows that to progress towards becoming a knowledge economy, larger screens, such as those on the PC, drive higher content creation and productivity, enabling citizens to contribute to the country's economic growth.

### **What's in it for Intel?**

Our global virtuous cycle of growth complements the Digital India initiative. India is a key market for the mothership, both in terms of engineering talent as well as business. For Digital India to succeed, India must have a strong backbone of data centers and cloud computing that becomes the engine for all the offerings needed to connect all citizens with education, healthcare and other essential services.

Digital India is likely to be the world's largest cloud deployment and its success will be determined by the ability to develop an e2e platform connecting the government and citizens to the cloud. And that aligns perfectly with the Intel strategy outlined by our global leadership where we believe the cloud is the most important trend shaping the success and future of the connected world.

Our DNA lies in making amazing experience possible through technology, and as India is poised for its digitization, we see a very clear alignment between our business strategy and the value addition we can create here. Though technology has been adopted very well in silos, the entire nervous system of the country's technology ecosystem needs to be connected for a real Digital India to take shape.

This has been a journey of enlightened self-interest for us, because India gives us the opportunity to create long term markets, which is what we do well, world over. In India, we are committed to make technology accessible, a win-win situation for us, from a business stand point, and for India, from a digitization perspective.

### **How long will it take for Digital India to start showing concrete results – creating jobs, delivering telemedicine, distance education and government services?**

Digital India is already showing results. You can't observe them by reading a report, but rather by touring towns and villages across India to observe how technology is changing lifestyles. It is the most rewarding feeling to talk to people in non-urban India, and hear how technology has helped them earn more for their families

or to do more with their education and jobs, and to feel that we have played a part in making that possible.

Our most recent data shows that 500,000 citizens have walked-in to the Unnati Kendras since the launch of the first center in Telangana 6 months ago. Nearly half (46per cent) are learning how to use a computer

to access educational content and over a quarter (27per cent) are using PCs for entrepreneurial activities and creative expression. One-third (33per cent) of these walk-ins are students and youth aged between 18-25 years and nearly one-fourth (22per cent) are women.

### **What are your future plans in India?**

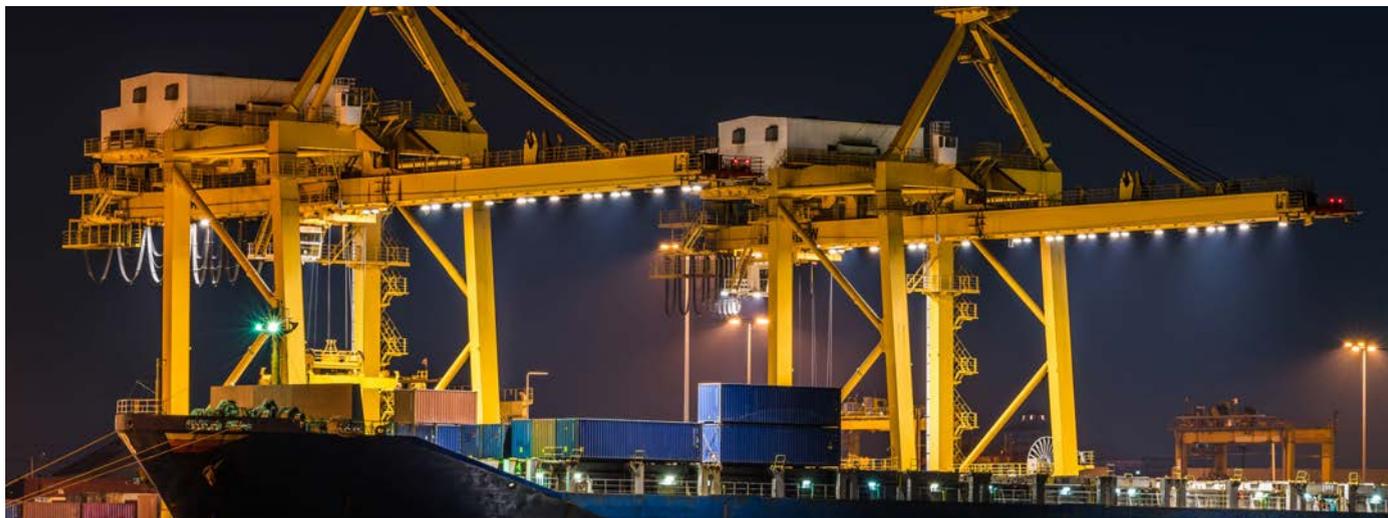
The Indian government's Digital India vision is about using technology to create a smart infrastructure to deliver government services to citizens in real time as well as encourage makers to create indigenous solutions to address local problems. We have the assets and the experience to power every segment of this new smart and connected world, from the edge to the cloud, resulting in a robust, secure and high performance infrastructure that can improve the lives of over a billion plus people. By leveraging out our expertise in 5G, HPC, artificial intelligence and machine learning space, we will continue to power smart infrastructure in the spaces of smart cities, agriculture and transportation.

Finally, we will continue to work with the government in India and local ecosystem players to accelerate Digital India and Make in India initiatives. Our focus area remains the digital empowerment of citizens, to create citizen access and impact, and to lead development of customized solutions for India through makers and PC devices.

*Last mile connectivity is not a problem that the government can and must solve alone; the industry has an equally critical role to play. We must realise that Digital India is a pyramid – the strength of its superstructure will depend on the base, and to create this base...*

# A NATURAL TECH PARTNERSHIP FOR THE NEW YEAR

A new report tracks the opportunities for future technology collaborations between India and the UK to strengthen links in the areas of Smart Cities, Digital Healthcare and Advanced Manufacturing



Today 30 per cent of India's population resides in urban centres, with these centres contributing around 65 per cent of India's GDP. It is projected that urban India will contribute about 75 per cent of the national GDP in the next 15-20 years, while the number of people residing in urban centres doubles to 600 million.

A new report by Confederation of India Industry (CII) and Deloitte titled 'India-UK Technology Collaborations' highlights this speed of urbanisation will exert immense pressure on urban infrastructure, resources, and quality of urban life. While some new Greenfield cities may be contemplated for accommodating this significant urbanisation trend, most of this expansion will have to be accommodated within the existing urban centres.

## Smart Cities

In order to manage this high level of urbanisation, it is imperative for the Indian government to explore smart living concepts leveraging information, communication and technology and examine practices that other countries facing similar urbanisation challenges have adopted. The Smart Cities Mission Programme, covering 100 cities has been conceptualised to this end. While the government's outlay of Rs 500 billion (£5.5bn) to be spend on 100 cities over the next five years to transform and rejuvenate these cities may not be enough, it is a beginning made to an ongoing journey to be sustained by

citizen expectations and aspirations. As these cities embark on their journey to become smart cities, there will be significant opportunities for domestic and international organisations to participate through providing their products, services, solutions to improve quality of life of Indian citizens adopting innovative technology, financing, business and operating models.

The UK and India have come together to work on three smart cities in India. Of the three cities, two cities are in the state of Maharashtra (Pune and Amravati) and the third is in the state of Madhya Pradesh (Indore).

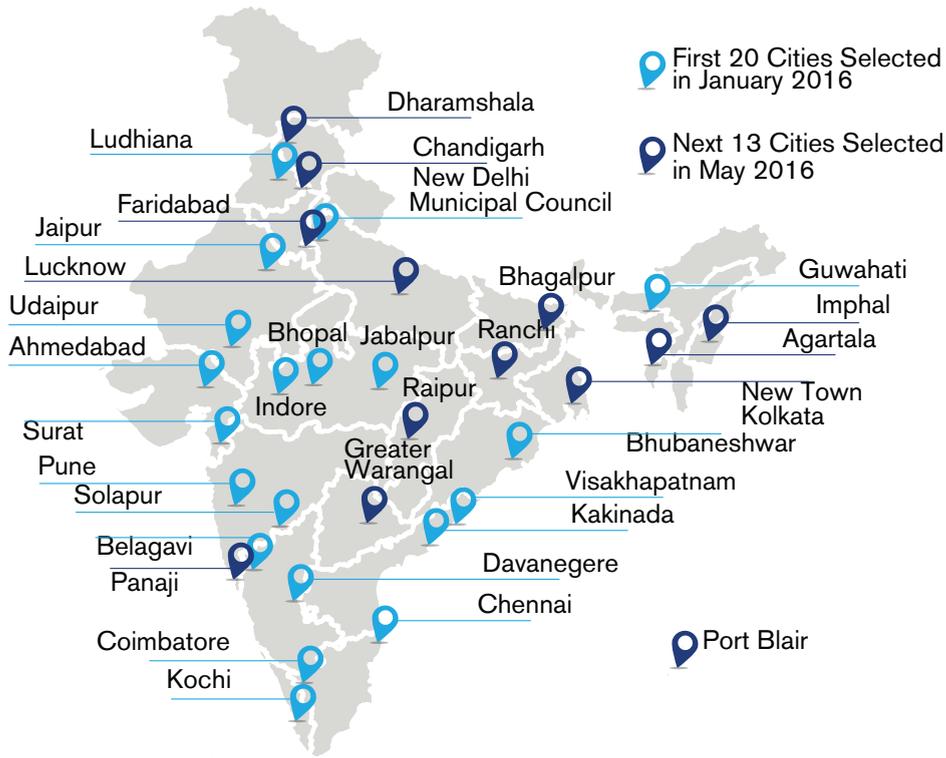
Based on Deloitte's analysis of the smart city features listed in the smart city proposals of the top 20 cities, smart solutions using innovative technologies in urban mobility, citizen safety & security and intelligent governance services emerge as key citizen needs.

The report found that collaboration between India and UK can help resolve challenges and provide innovative technological solutions for smart cities. During Indian Prime Minister Narendra Modi's visit to UK in 2015, key MoUs were signed between India and UK in the energy, nuclear energy, public administration and governance reforms which could enable collaborations between India and UK for smart city development.

Anindya Mallick of Deloitte India says: "Significant opportunities exist in sharing of knowledge on smart &

*While the government's outlay of Rs 500 billion (£5.5bn) to be spent on 100 cities over the next five years to transform and rejuvenate these cities may not be enough, it is a beginning made to an ongoing journey to be sustained by citizen expectations and aspirations.*

## 33 smart cities selected for initial funding allocation



sustainable cities between India and the UK. The smart cities programme in India creates ample opportunities for UK organisations to showcase solutions that can be implemented using innovative business and operating models.”

### Digital Healthcare

Accessible, affordable and effective healthcare system for its 1.25 billion citizens is a key part of India’s development agenda. A Digital India envisions a world in which healthcare professionals hundreds of miles away can connect to patients



“ Significant opportunities exist in sharing of knowledge on smart & sustainable cities between India and the UK. The smart cities programme in India creates ample opportunities for UK organisations to showcase solutions that can be implemented using innovative business and operating models. ”

*Anindya Mallick,  
Partner, Deloitte India*

in health centres in remote villages and can advise and prescribe treatment for them online.

The development of Digital Healthcare is a priority in most countries. For example, Digital Health is an important part of the UK government’s National Health Service (NHS) policy agenda. India and the UK are both implementing ‘smart healthcare’ to harness the potential of digital solutions and leverage technologies developed in each other’s countries,

healthcare analytics, mobile health-e doctor/remote doctor consultations; wearables and remote patient monitoring and remote data capture.

King’s College Hospital NHS Foundation Trust and Indo UK Healthcare Pvt Ltd have signed an agreement to open King’s College Hospital, Chandigarh. This could be a step toward collaborations in areas such as digital healthcare technologies as:

- It will lead to the creation of jobs for 2,500 nurses and 500 doctors
- It is the first of a proposed 11 new UK-Indo Institutes for Health that will be developed across India, which, when fully implemented, would amount to a £1-billion investment into India’s healthcare system, accompanied by strategic clinical and training partnerships with UK’s leading NHS organisations, universities and private sector companies.
- A bilateral India/UK

taskforce involving government representatives will help drive forward delivery of the proposed 11 UK-Indo Institutes for Health, and foster greater collaboration in other areas of this sector.

### Advanced Manufacturing

Globally, the manufacturing sector is going through a transition from the traditional model of creating value from economies

‘cross-pollinate’ and share experience in research and technology.

The opportunities in India for UK healthcare are expanding – the UK’s experience in universal healthcare provided by the NHS, and in developing innovative technologies, has a lot to offer India. Similarly, India’s rural area capabilities and budding start-up environment are bringing many mass-market and cost effective solutions to fruition. These can be meaningful to the UK, seeking affordable healthcare solutions.

To this end, the UK and Indian governments have set up an implementation taskforce to ensure closer collaboration and speedy implementation of healthcare projects. The report identifies six priority areas within health technology that are being developed in India – digitisation of patient records,

# Innovative Health Solutions in India

## Monitoring & Evaluation (M&E)

Frameworks based on M&E to develop clinical excellence tools to monitor and analyze dimensions of service delivery such as clinical skills, effectiveness of care, efficiency, safety to improve outcomes and drive service quality. E.g. Apollo's Ace@25 framework

## Health Management Information System

The pertinent benefits of HMIS such as streamlined operations, enhanced administration, monitoring and improved response to patient care (electronic health records) and cost control have already been tapped into by the government and private players. E.g. Govt. of Maharashtra's "Amrita HMIS" implemented by HP

## Tele Medicine

Telemedicine services help in the prevention, diagnostics and management of disease and morbidity by improving the reachability to at risk-population via fast paced internet or tele-consultancy. E.g. Apollo Telemedicine Networking Foundation rural initiative in Aragonda, Andhra Pradesh

## Capacity Building

Enabling e-learning platforms that also provide offline content access and assessment solutions to increase the use of virtual learning solutions to aid in the capacity building process of health care workers in both public and private sector. E.g. The Intel Skool Healthcare Education Platform, Medvarsity, etc.

## Procurement

The Tamil Nadu Medical Services (TNMSC) was set up to ensure availability of affordable quality drugs to all. TNMSC has managed to bring down drug prices and saved 30% on costs and is the benchmark nationally in the public sector in procurement, logistics and capacity building.

## M-Health

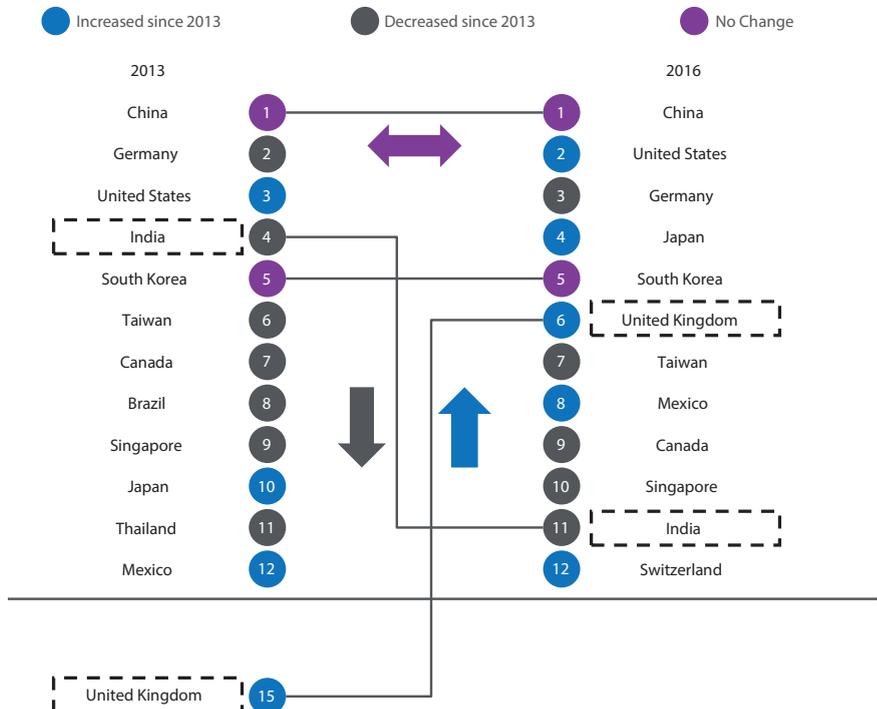
M-Health, a technological support initiative inclusive of m-diagnosis, treatment tracking for chronic patients, health promotion messages, preventive check-up reminders, transfer data to doctors/hospitals for real time monitoring, etc. E.g. Wipro's patient monitoring, point care solutions, Govt. of Gujarat's e-mamta, a mother and child tracking system

of scale to that of personalisation and customisation. Advanced manufacturing technologies like additive manufacturing, advanced materials, robotics etc are playing a crucial role in transforming the value chain. However, the rate of adoption of these technologies and ability to leverage technologies to remain competitive, varies significantly across nations.

The 'Make in India' campaign aimed at facilitating investments, encouraging innovation and building high-class manufacturing infrastructure is expected to significantly drive manufacturing activities in key sectors including automobile, auto components, electronics and electricals, capital goods, railways, aerospace.

India and the UK have placed manufacturing at the core of their economic strategies and are collaborating on advanced manufacturing areas like advanced automation, high performance materials and sustainable manufacturing.

## Global Competitiveness Ranking 2016, compared with 2013



# MAKING SUSTAINABLE LIVING COMMONPLACE

by Prasad Pradhan

One of the world's leading consumer goods giants, Hindustan Unilever Limited, lays out its CSR vision for 'India Investment Journal'.



Prasad Pradhan is Head, Sustainable Business & Communications at Hindustan Unilever Limited (HUL) and Director, Sustainable Business & Communications, South Asia, Unilever.

At Hindustan Unilever Limited (HUL), our purpose is to “make sustainable living commonplace” and our vision is to grow our business, while reducing our environmental footprint and increasing our positive social impact. This vision has been codified in the Unilever Sustainable Living Plan (USLP), launched in 2010, which is our blueprint for sustainable growth.

In India, we have three focus areas under USLP, namely WASH (water, sanitation and hygiene), environment and sustainable agriculture & enhancing livelihoods.

Under the focus area of WASH, till date, we have cumulatively reached over 125 million people. This has been possible through various focused interventions.

Through the Hindustan Unilever Foundation (HUF), we help build capacities to conserve water along with our partners and NGOs.

The three key principles driving our programmes include water governance, water quantity through supply and demand side management and water quality. Till date, HUF partnerships have helped create water conservation potential of 200 billion litres, created cumulative agricultural production of 1.5 lakh tonnes and created 20 lakh person days of employment.

In the area of access to potable water, our Pureit water purifiers provide safe drinking water at 30 paise per litre without the hassles of boiling, the need of electricity or a continuous tap water supply. Pureit devices are available at an affordable cost starting from Rs 1,500 (\$20). For households that are unable to afford these devices we have partnered with micro-finance institutions (MFIs) to increase water accessibility. In India, Pureit has provided over 70 billion litres of safe drinking water till date.

Every year, in India alone, 1.3 million children die before they reach the age of five, many due to preventable infections. The simple act of handwashing with soap at five critical occasions in the day can significantly reduce the incidence of such infections. Our Lifebuoy handwashing behaviour

change initiatives help us in promoting the benefits of handwashing with soap at key times among people. Over 65 million people in India have benefited till date through our handwashing programmes.

World Bank has estimated that poor sanitation costs India \$53.8 billion a year – equivalent to 6.4 per cent of the country's GDP. In order to improve access to sanitation, we launched Domex Toilet Academy in 2013. It is our market-based, entrepreneurial model, which trains local youth to create awareness on safe sanitation practices, build and maintain household toilets. This creates demand for household toilets and helps to improve sanitation

practices. As a marketing company, we have used our expertise to create awareness and build a mass movement in the WASH area.

In 2015, we launched 'Swachh Aadat, Swachh Bharat' [Clean Habit, Clean India] programme to create large-scale WASH behaviour

change. The programme aims at the adoption of three simple clean habits – washing hands with soap, using a toilet and keeping it clean and adopting safe drinking water practices. The 'Swachh Aadat' national mass media campaign of 'Haath Munh aur Bum, Bimari Hogi Kam', has reached 75 million people with over 20 million views on YouTube. 'Swachh Basti', our on-ground WASH behaviour change pilot programme in the slums of Mumbai and Delhi in partnership with the respective municipal corporations, has reached 2 lakh people till date. Also, to engage with our employees in remote villages, we leveraged our network of factory workers and launched Swachhata Doot. This is a mobile-led rural behaviour change communication programme where HUL's factory workers act as agents of WASH behaviour change. It has reached 2 lakh people till date.

In the area of sustainable agriculture, we work closely with smallholder farmers to drive sustainable farm practices and enabling the farmers to become more competitive. We are working towards sustainably sourcing our key agricultural

*Through the Hindustan Unilever Foundation (HUF), we help build capacities to conserve water along with our partners and NGOs. The three key principles driving our programmes include water governance, water quantity through supply and demand side management and water quality.*

commodities. We source 100 per cent of tomatoes used in Kissan ketchup from sustainable sources. All our palm derivatives are backed by RSPO (Roundtable on Sustainable Palm Oil) certificates. Over 28 per cent of tea is sourced in India from sustainable sources in India for Unilever's brands. We are also working closely with the Tea Board of India to help encourage sustainable cultivation of tea.

drives business growth. We are making good progress in areas under our direct control – that is, reducing environmental impact in our manufacturing units but we continue to face challenges in the areas outside our direct control – that is, creating consumer behaviour change. We recognise that businesses can play a bigger role in addressing societal challenges. We are keen to expand our efforts in key areas by



In the focus area of enhancing livelihoods, HUL's Project Shakti has financially empowered rural women and created livelihood opportunities for 70,000 Shakti entrepreneurs. Through Rin Career Ready Academy launched in June 2015 we have equipped youth with skills in English training, office dressing and interview training. Till date, 200,000 people have been reached through the initiative.

We have also helped to empower girl students through the Fair and Lovely (FAL) Foundation by granting a number of scholarships. In 2015, FAL Foundation partnered with edX to promote access to quality higher education and skills for women across India. edX is a non-profit online learning destination founded by Harvard University and MIT. This partnership will leverage edX's online courses to provide a holistic, career guidance-driven learning to enable higher employability for young women.

Since the launch of USLP, we have learnt how sustainability

leveraging our expertise and working collaboratively to make a significant difference to society while helping our business grow.

The government is playing a pivotal role in scaling up WASH initiatives. The Centre is now considering a proposal to mandate companies to spend 30 per cent of their Corporate Social Responsibility (CSR) funds on projects supporting 'Swachh Bharat Abhiyan'. Different stakeholders will have varying views on this proposal, which is understandable. But one thing is certain – businesses cannot flourish in an ailing society. Our experience in the last six years has shown that when sustainability is made integral to how we do business, it drives business growth and helps address societal challenges.

If this win-win perspective is embraced by all businesses, a mandate to invest a certain amount of a company's CSR budget would not be necessary in the first place.



## PACKING IN A LONG-TERM INDIA STRATEGY

As Swedish retail giant IKEA gets set to open up its first India store in Hyderabad this year, 'India Investment Journal' catches up with IKEA India's Deputy Country Manager Patrik Antoni to see how the New Year is likely to pan out for the company.

### How do you view 2017 for the company in India?

Very exciting times as we are working towards opening our first India store in Hyderabad by end 2017. Many people in India will soon have access to our home furnishings offer and a unique IKEA shopping experience.

India is a very important market for IKEA. We have been here for 30 years sourcing products for our stores around the world. We are learning a lot from India and we strongly believe that India will influence IKEA globally in a very positive way, both in terms of a retail market and also growing our sourcing landscape with new suppliers, new categories and new materials. We plan to open 25 stores by 2025 in the major Indian cities. So far we have bought land in Hyderabad and Mumbai, we are in parallel looking for sites in the four prioritised cities- Delhi NCR, Bengaluru, Mumbai and Hyderabad.

### Has the journey to the first store been quite a tough one, given Indian retail sector constraints?

It has been a very positive journey so far, and we see good initiatives coming from government easing the way business can be done. We feel supported both from the central government and by the states.

IKEA has a very long term view on India and we want to do things right from the start. With the government and the states focusing on ease of doing business, processes have become faster and more efficient. We also see that there is a healthy competition between the states to attract foreign investments and it is motivating a lot of global brands to look at India.

IKEA will bring of modern retail practices in India and we strongly believe that this will have a positive impact on the retail industry. There are many best practises that can be put in place from how to attract women to the work place and to allow for logistics operation at night to how to simplify store routines like allowing relabelling and perhaps do away with pricing on the product itself.

It has taken us time to acquire land in India since our need is of very large parcels with specific demands – great visibility, easy access on a major highway and near metros or public transport.

### Are the FDI norms welcoming enough for international retailers; what are some hurdles that still remain?

We appreciate many positive steps towards facilitating ease of doing business – positive approach to local sourcing norms, efforts made to develop retail policies by the states, e-commerce policy, GST and many other steps. However, we are still on the way and many things have to evolve in order to make retail in India more modern and attractive.

Entering India was a smooth process. Now, we are working with the central and state governments on ease of business operations and bring some of the global modern retail practices that will benefit the consumers and the industry. There is a need to simplify existing regulations around land, labour and labelling - to avoid extra labelling and extra costs thereby making products more affordable. Land laws around ground coverage, floor area ratios etc need to be simplified. Labour laws need to facilitate better working processes for women and do away with current restrictions on women working at night.

### What are the kind of investments, both tangible and intangible in terms of CSR, your company is making in the local economy?

IKEA believes in making a real difference to the society and community and not just implement CSR activities for the sake of it. We believe that an IKEA store will be good as it will make a positive impact on the local economy, through GDP, taxes and employment, the manufacturing sector and contribute towards gender equality and diversity. IKEA India has committed to employ 50 per cent women at all levels in the organisation. We will engage the local communities around our stores in direct and indirect services, thereby boosting



IKEA's furniture models set for the Indian market

economic activities. We also see a great results in our supply chain. IKEA has over the past 15 years implemented IWAY, our code of conduct, and we today see that our Indian suppliers are performing well on global levels with both strong social commitments towards the employees and strong environmental commitments.

IKEA Foundation the philanthropic arm of IKEA, has been working on community projects with long standing partners such as UNICEF, UNDP and Save the Children since 2001, with an aim to create better opportunities for children and families. An amount of €250 million is committed for India so far. The foundation has impacted 178 million globally, out of which 100 million children are in India and millions of women so far. Recently IKEA Foundation in partnership with many public and private partners is involved in a skill building project for 1 million women in India in different sectors, including retail.

IKEA aims to initiate cooperation with local social entrepreneurs through the "Next Generation" initiative through various community and skill building projects. Since 2012 IKEA has been building partnerships with social entrepreneurs around the world sharing knowledge about design, production, export and more. Working with IKEA gives social entrepreneurs access to a global marketplace, giving them a strong foundation for self-sufficiency and independence. In return, IKEA customers get the opportunity to buy limited edition collections of handmade and unique products. Today we work with two social entrepreneurs in India, Rangсутra and Industree, involving 1,200 women artisans.

### What would be some uniquely Indian features at IKEA stores in the country?

The IKEA concept is the same all over the world and we aim to offer a great shopping experience for everyone. We will bring the totality of this concept to India, offering the Indian customer the same great IKEA experience as we do globally. We will offer relevant solutions to enable a better everyday life for the many people. About 9,500 inspirational home furnishing

products will be on offer, most of which will be the global IKEA range and some locally relevant range such as the masala box, idli maker, pressure cooker, tawa etc.

The IKEA stores are a one-stop destination for home furnishing needs and a family destination also for a day out. There will be something for everyone in the offer and as in all IKEA stores, we will have a children's play area called SMALAND where parents can leave their children while they shop, and an IKEA restaurant for customers to eat.

Every store will depict local living situations conditions to be relevant for the target group and we want to be accessible to as many people as possible. IKEA is learning about India. Over the past few years we have been focusing on understanding

life at home or how people live in their homes through over 500 home visits and researches and these can be different from state to state. This is needed to not only assess living situations but also understand frustrations, needs and aspirations. So, a store in Delhi will offer the same experience as a store in London but at the same time certain unique products and the way the range is presented will reflect the needs and aspirations of people in Delhi.

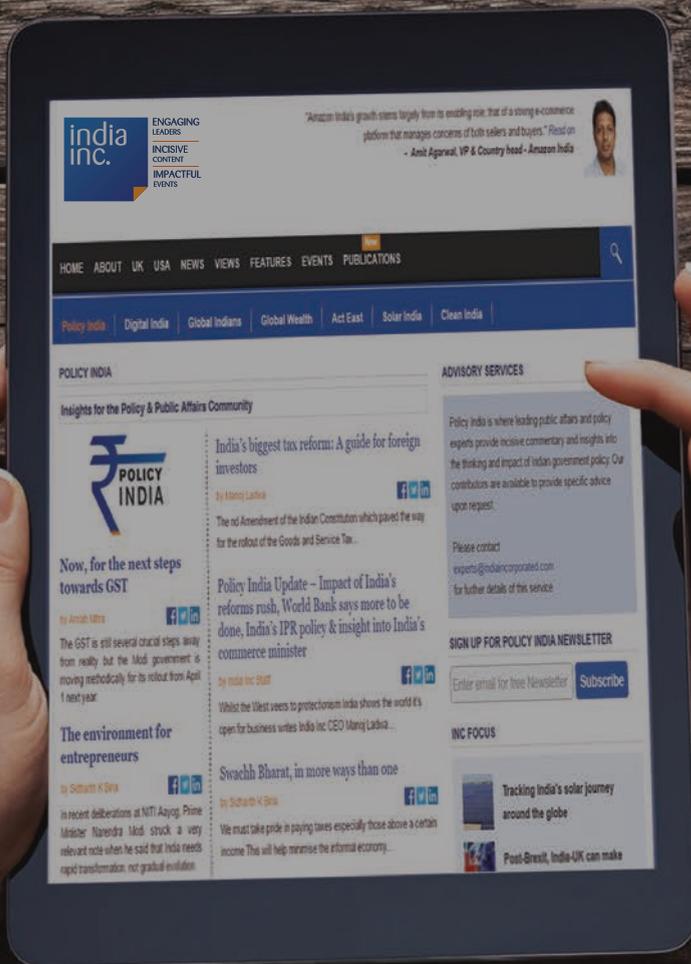
### How do you forecast Indians will receive IKEA's ready-to-assemble options?

Do it yourself (DIY) is an integral part of the IKEA concept and the idea is that when you buy IKEA products, you are able to take it home the same day and start using them instantly. Assembling the furniture especially with the family is fun and hopefully Indian customers will enjoy doing them. We also know that India has a high level of service expectations and we will have a very strong service offer from the beginning for assembly, pick and deliver and delivery services.

As a first touch point with IKEA products for Indian customers, IKEA will have Hej Home exhibitions ('Hej' is Swedish for 'hello'), starting from Hyderabad. As part of this, customers can touch and feel IKEA products and find inspiration about how to do up the home. We will also organise some DIY workshops.

## POLICY INDIA INSIGHTS

A tracker offering insights for the public affairs community as well keen India watchers from a policy perspective.

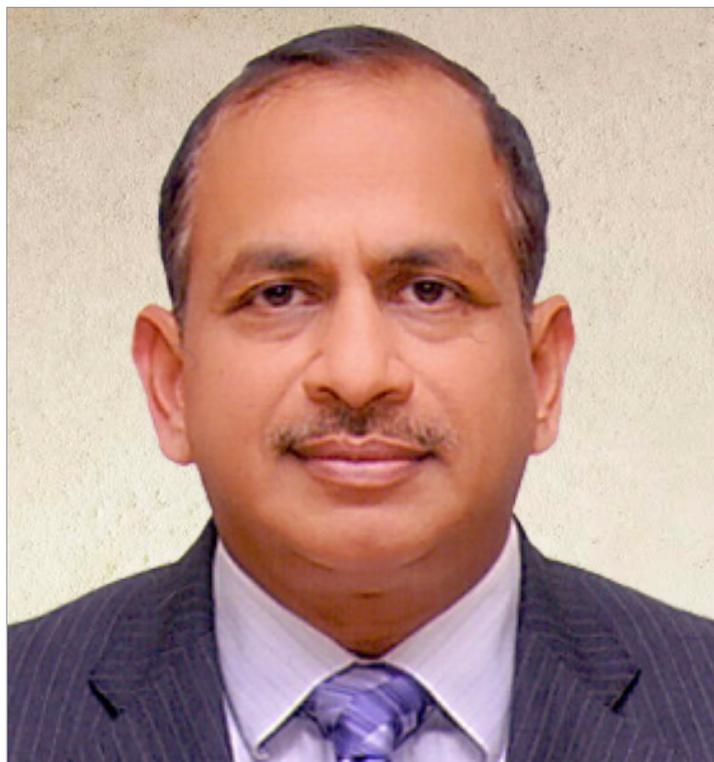


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# REFORMS WILL REFLECT IN EASE OF DOING BUSINESS RANKING IN 2017

Ramesh Abhishek, Secretary, Department of Investment Policy and Promotion (DIPP), took time out of his punishing schedule to meet 'India Investment Journal' to speak about, among other things, how his department is easing rules and re-engineering government processes to make India an easier place to do business in.



India's rank has improved just one place to 130th in this year's World Bank Ease of Doing Business Index. Why?

Reforms on ease of doing business are underway on 10 parameters. Unfortunately, there is a gap between the implementation of reforms and their recognition by the private sector, which is surveyed by the World Bank for this report.

We have undertaken very radical reforms on building permits in April in Delhi and May in Mumbai. This is a completely online system with no physical touch point. The private sector has to give its feedback by the end of May. The World Bank needs users to rate each reform. India's rank on Getting Electricity was 137 not so long ago. Today, we are in the 26th position, an improvement of 25 positions over last year. We expect a similar improvement in Dealing with Construction Permits when the next rankings are released.

Then, take the new Bankruptcy code. The rules have been framed and it is being implemented from December onwards. I'm hoping that this will be reflected in next year's rankings.

On the parameter on Trading Across Borders, the SWIFT single window interface for facilitating trade is a completely online system from April this year. The FSSAI, Drug Control authorities, etc have come on board. This now accounts for 98 per cent of all imports and marks a huge improvement over the past that should show up in next year's rankings.

The World Bank looks at imports of electrical goods and exports of auto parts and doesn't take into account other

goods. But direct delivery from ports has increased and the number of days taken for giving clearances has come down drastically.

On incorporation of companies, the Ministry of Corporate Affairs has introduced a new form called INC29 that cuts down time significantly. The World Bank has not given us credit for that as only 30 per cent users use this. As its use becomes more widespread over the year, our rank (155 in the latest index) on this parameter will also improve.

The new Simplified Proforma for Incorporating Companies Electronically (SPICE) has gone live from December. This will streamline the process further and increase the ease of use on this count. The procedures relating to provident fund, insurance and tax payments have also improved. We're hoping to get credit for these improvements next year.

**How is the domestic Ease of Doing Business Index ranking states working out? Will this affect the flow of FDI (foreign direct investment) into India?**

The states have been doing wonderful work. There's huge competition among state governments to improve their rankings and attract more investments. We've put the rankings on a public platform and anyone can track a state's rank in real time. This gives investors the best possible picture of the investment climate in individual states and facilitates their decision making.

We're working with ministries, regulators and the states to ease regulations to provide a simple and easy business climate across India in accordance with the vision of the PM. I must mention here the wonderful job done by Invest India (the government's newly set up investment promotion and facilitation agency), which has facilitated \$40 billion in investments. Thanks to the combined efforts of all stakeholders, we received the largest FDI inflows last year. This year, we have seen a 30 per cent jump in FDI in the first six months of FY 2016-17. 30 per cent jump. There is massive interest in India among foreign investors.

### What else is the government doing to improve India's image as a foreign investment destination?

I have mentioned the initiatives we have taken which will reflect in next year's rankings. Besides these, we are actively engaging with foreign investors, reaching out to them and convincing and persuading them to invest in India. We are offering fast track solutions to problems faced by foreign investors in India by devising a dynamic and proactive mechanism to engage with them whenever they face problems with state governments, regulators, etc.

### How realistic is the target of being ranked among the top 50 nations within three years?

Improving from the 130th rank to 50 requires enormous amounts of government process re-engineering. For example, starting a business in India now takes 26 days. We have to bring this down to 9.5 days to come within top 50 on this count. We're working on this and all the other parameters. You have to appreciate that even after we reform the system, there is a time lag before they reflect in the rankings because the private sector has to use and feel happy with it. One major issue is our low per capita income, which makes costs appear very high. But all of these reforms (mentioned above) taken together mark a huge improvement in the ease of doing business. As I explained earlier, not all of it got reflected in the rankings due to methodological issues. They will next year. Improving processes and easing procedures remains a work in progress but I'm confident that we will reach the top 50 in due course, in accordance with the target set by Prime Minister Narendra Modi.

### How will the recent demonetisation impact the ease of doing business?

This measure will bring the shadow economy into a formal sector and give both policy planners and analysts a much better idea about size of economy and economic activity within it. The percentage of cashless transactions will go up. This will help the organised sector and boost the formal economy. The ease of accessing services will also improve with increased transparency. And as more activities transition from the shadow to the formal economy, tax compliance will go up. This will lead to more infrastructure investments and lower cost of logistics.

### What is the government doing to improve the logistics of

### doing business in India?

The Logistics Performance Index developed by the World Bank captures views of foreign handlers on ease of doing business with a country and we've seen a considerable improvement in this with regard to India. The dedicated freight corridor between Mumbai and Delhi will bring down the time taken to transport goods between these two cities from 14 days to 14 hours. There are other freight corridors being built or planned between important trade and industry hubs. These investments will improve the logistics of trade in this country once they're up and running. And GST will be a game changer for logistics as well.

### What is the progress of GST? Will the government be able to meet its rollout deadline of April 1, 2017?

The government is committed to rolling out GST. A few issues still have to be discussed and decided upon and I'm sure that these will soon be sorted out. Work is going on as per schedule. Your department has reportedly identified 150 MNCs to attract investments. Please talk us through this initiative. This is in addition to the investment promotion we have been doing. The extra focus on particular investors is

because of the potential of their investments. We have been meeting their CEOs in their country and here, giving them comfort that we will handhold them through this entire journey.

Our FDI policy has been liberalised so much. We have eased processes to ensure FDI is not hindered. India is

now one of the most open countries for FDI – 90 per cent now comes under the automatic route.

### What is Make in India 2.0?

The Make in India plans were made in December 2014. Many of those action points have already been implemented. A few that were found unfeasible have been discarded. Many more new initiatives and areas have been identified. We had consultations with stakeholders, companies, ministries and others to assess what more needs to be done. We have identified electronics manufacturing as a priority area and now have as many as 40 cell phone manufacturers in India. Every global auto brand is present in India and the country has become a global hub for the export of small cars. Almost all the world's top companies have R&D and design centres in India. We have to ensure that they are able to expand because generating jobs is our highest priority. But thanks to disruptive technologies like Artificial Intelligence, robotics, 3D printing, etc., there may not be enough jobs in traditional manufacturing. But the service sector is creating jobs as a result of the manufacturing sect. E-commerce has created millions of jobs. Ola and Uber have created thousands of jobs. Infrastructure, logistics, delivery of goods... these are creating jobs. And the government is specially focusing on leather, garments, gems and jewellery, which are labour intensive. Another sector that can create millions of jobs is value addition in the agri sector. B2C e-commerce has been liberalised in food products and these companies can attract FDI to help them reach the market.

# ON ROAD TO A CORRUPTION-FREE INDIA

by Rajesh V. Shah

Employment intensive sectors such as agriculture, housing, tourism, textiles and retail must flourish and grow, writes a policy expert.



Narendra Modi donned an unexpectedly huge challenge on himself and every citizen of India to completely disrupt and totally metamorphose our economy and society.

With no Indian untouched by this move and by massively utilising social media platforms, television and radio, the Prime Minister is determined to be connected directly to each one of us in a most unprecedented manner.

In such uncertain times, despite remaining fully supportive though anxious, people would expect the Government to strongly reassure them that the focus on the creation of many more jobs, enhancing economic activity and increasing household incomes, remains at the core and is the overriding measure of all Government actions. Employment intensive sectors such as agriculture, tourism, textiles, retail and especially housing, must flourish and grow if the pledge for a worthier future is to be fulfilled.

*Ministers and officials have made several statements recently about protecting the honest and severely punishing the dishonest. The only objective way to determine who is honest and who's not, is to examine all of a person's or entity's financial transactions and evaluating those against the current tax code and other applicable regulations.*

The RBI Act does not mandate autonomy and some economists have rightly argued in favour of the Government directing the Central Bank to be more sensitive to its imperatives. The recent events demonstrate the supremacy of the Government in monetary policy and hence it should be much easier for them to redouble their exertions to infuse massive doses of less expensive liquidity and cheery optimism into our economy urgently and quickly if we are to avert the danger of our economy stalling or worse, spiralling downwards.

Ministers and officials have made several statements recently about protecting the honest and severely punishing the dishonest. The only objective way to determine who is honest and who's not, is to examine all of a person's or entity's financial transactions and evaluating those against the current tax code and other applicable regulations. This massive time consuming and manpower intensive investigative exercise can only be conducted by the legions of revenue collection officers whose integrity, impartiality and efficiency we'll have to hope for and rely on. It would be most unreasonable to expect businesses or individuals to function normally, begin to



*As there cannot and will not be any turning back would it not be wise on the part of Government representatives to now drop the sharp discourse of “us versus them”, and accusing those not sharing their views or implementation methods as bedding with black money and terrorism? Would it not be more helpful if the Government reaches out sincerely to welcome and be responsive to recommendations from all manner of business, political and social organisations, so together, we can confront successfully this perilous and arduous journey ahead?*

spend or invest aggressively till this dreaded burden, real or otherwise, of the taxman eases.

The adherence to the pre-election promise made in 2014 by the Prime Minister to not permit “tax terrorism” must be upheld to remove lurking apprehensions.

As there cannot and will not be any turning back would it not be wise on the part of the Government representatives to now drop the sharp discourse of “us versus them”, and accusing those not sharing their views or implementation methods as bedding with black money and terrorism? Would it not be more helpful if the Government reaches out sincerely to welcome and be responsive to recommendations from all manner of business, political and social organisations, so together, we can confront successfully this perilous and arduous journey ahead?

To imagine an India where government officials efficiently conduct their responsibilities and don't demand bribes, where

every citizen pays full taxes, where the smallest of transactions is captured by the banking system, and where the income and wealth inequality gap narrows, is the astonishing dream and dare the Prime Minister has placed before the country. We must fervently hope that our political leadership has fully absorbed the enormity of the huge leap of faith this vast and diverse country has taken in their ability to deliver on this promise and realise this awesome vision for India.

Such an extraordinary and monumental opportunity to regenerate belief in ourselves and reaffirm the values we wish establish for future generations is unlikely to come by any time soon

*Rajesh V. Shah is Co-Chairman and Managing Director, Mukand Ltd, and a Former President of the Confederation of Indian Industry (CII).*

# UK MUST RETHINK ABOLITION OF TAX RELIEF FOR OVERSEAS WORK

by Matthew Brown



Changes to how overseas work, including in India, will be taxed is among wider UK government plans to alter how termination pay outs, such as redundancy payments, will be dealt with by Her Majesty's Revenue and Customs (HMRC).

It would be a mistake for the UK Government to go ahead and abolish, in April 2018, Foreign Service Relief (FSR) on termination payments made to UK taxpayers. FSR is a long-standing relief which wholly or partly exempts non-contractual termination of employment payments from income tax in the UK, where a UK tax resident employee has worked abroad for a significant part of their period of service.

We are urging the UK government to rethink its proposal because FSR seems fair to the many UK residents who spend a substantial part of their careers working abroad. It is also vital that the UK continues to support its internationally mobile workforce.

In the UK there is a £30,000 exemption on payments made on termination of employment where that payment is not otherwise chargeable to tax; for example as a payment in respect of untaken annual leave or contractual bonuses. Additionally, if an employee has 'foreign service', which is broadly speaking a period of work outside the UK when the employee was not resident in the UK for tax purposes, he/she may be exempt from income tax in the UK on some or all of the compensation payment.

The payment will be exempt from income tax in its entirety if the employee's foreign service comprises 75 per cent of the total period of service to the termination date; or all of the previous 10 years, where the total period of service to the termination date exceeds 10 years; or 50 per cent of that period including any 10 of the previous 20 years, where the total period of service to the termination date exceeds 20 years.

Where the full exemption is not available, the individual may make a claim for partial relief on that part of the compensation payment in excess of £30,000. The taxable amount above £30,000 is reduced pro rata depending on the proportion of the individual's foreign service to their total period of service.

Termination payments arise in a whole range of common

circumstances including redundancy, breach of contract, irreconcilable differences between employer and employee and a personal thank you for a relationship that has endured over many years. While they may happen at a 'single point in time' and be intended to compensate for the loss of future earnings they will generally recognise the time invested by an individual with their employer over a number of years. We consider that it is right to recognise those parts of a termination payment that are 'sourced' to periods of non-UK employment.

'Sourcing' payments of earnings between UK and non-UK duties in order to determine what earnings are liable to UK tax is fully recognised in the UK tax code. For example, changes made in 2014 to income tax rules for internationally mobile employees mean that from 6 April 2015 taxable income arising from the exercising of share options is apportioned on a time basis so that only the part which relates to UK duties is subject to UK income tax. Removing FSR would mean that termination payments are actually treated less favourably in the UK than contractual payments of earnings or the vesting of share options.

We believe that FSR is as relevant today as it was when it was introduced and that it is right to reflect FSR in deciding what should properly be sourced to the UK and taxed in the UK and what to non-UK service - and, thus, exempted from UK tax. FSR is logical and fair and has worked well in practice over many years.

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Matthew Brown is the Technical Officer for the Employment Taxes and Owner Managed Business sub-committees at the UK's Chartered Institute of Taxation



## THE PROMISE CALLED INDIA

by Adarsh Sharma

India crossed the \$300 billion FDI mark at a time when the global economic slowdown has had a dampening impact. This speaks volumes of the opportunity India as an investment destination has to offer and how timely market reforms are creating a positive ecosystem for the international investor.



Adarsh Sharma is Assistant Vice-President, Media & Content, at Invest India, the country's leading invest promotion agency globally

The government of India has taken up a series of measures to improve Ease of Doing Business in the country. The emphasis has been on simplification and rationalisation of the existing rules and introduction of information technology to make governance more efficient and effective. Today the international investor is all ears to the India story as never before. Almost every decision-making meeting globally has India on its agenda.

Government Initiatives such as Digital India, Skill India, Startup India and Smart Cities is, generating the much-needed momentum that is seeing global investments and partnerships to make the most of this opportunity. Evidence to this excitement are the results of such flagship programmes that have already started to emerge with large-scale commitments being made by both domestic as well as foreign investors. In fact, India received its highest ever FDI inflows of \$55.7 billion in 2015-16.

Prime Minister Narendra Modi's flagship programme "Make in India" plans to convert India's manufacturing sector into the engine of growth for the economy. India has all the necessary resources: technology, manpower, markets and most importantly, a will to meet this objective. 'Make in

India' is not only setting new standards of quality in Indian manufacturing but also seen as a source of employment generation for the youth of our country. It represents an attitudinal shift in how India relates to investors: not as a permit-issuing authority, but as a business partner.

The introduction of Initiatives such as Invest India has only accentuated the positive environment that India has to offer to an international investor. Invest India is the National Investment Promotion and Facilitation Agency and is the first point of reference for investors looking to enter India. The experts guide investors through their entire investment lifecycle, providing them both sector and state specific inputs. It is also the investors' voice to the central and state governments to ease the investment process.

Invest India also houses the Start-up India Hub, the single point of contact for the entire start-up ecosystem. It connects start-ups to relevant stakeholders in the central and State governments, Indian and foreign VCs, angel networks, incubators and more. More than a nodal agency, Start-up India Hub guides start-ups through their lifecycle – from obtaining financing to expansion.

Invest India is the recent winner of UNCTAD

**2015:** India rated most preferred investment destination for global investors.

**2015:** India rises to 1st position in the Baseline Profitability Index, up from 6th 2014.

India moved up **12 places** on the World Bank Ease of Doing Business 2016 rankings.

India moved up to **6th position** amongst the world's leading manufacturers, up from 9th.

India jumped **16 places to 39th rank in 2016 from last year's 55th position** in the Global Competitiveness Index (GCI), highest jump of any country this year.

## INDIA FDI FACT FILE



Manufacturing Value Added (MVA) growth up to **7.6%** in 2015, up from **5.5%** in 2014.

India jumped **15 spots** to 66th position in 2016 in the Global Innovation Index; up from **81st** in 2015.

Up **19 spots** on the Logistics Performance Index 2016 to **rank 35th** in 2016.

India jumped **13 positions to 2nd spot** in retail potential in the 2016 Global Retail Development Index (GRDI).

In 2014, India was in **71st position** on GCI; it has thus jumped **32 positions** in two years.

Investment Promotion Award 2016 for being one of the best investment promotion agencies.

### Creation of a single economic union

GST [Goods & Services Tax], a significant step towards indirect tax reforms is the harbinger of the opera to make India one of the most conducive places to do business globally. Manifold taxes, with differential rates in different states, created hurdles for the smooth conduct of business and added costs at every stage, frustrating foreign investors. Foreign investment decisions and the expected rate of return from projects often suffered due to these distortions, occasionally even deterring fresh investment plans. The successful implementation of GST will reverse this, helping to attract new investments especially from global value chains which often aggregate inputs from different constituencies.

The manufacturing sector, in particular, is expected to be a big beneficiary of GST as the economic system becomes more competitive. Also since GST will be aligned with an information technology platform; the tax payment system would also be streamlined. The new tax system is expected to become a standardised, and a workable format.

Seeing it from a macro level we can safely believe that GST heralds several other reforms that the government of India is spearheading, and they're all converging to make India a lucrative investment option for foreign investors.

### Collaboration in diversity

The making of public policy for a country as large, populous and diverse as India is intrinsically a more complex task than in a smaller political unit. Measured by economic growth or attainment of human development objectives.

*'Make in India' is not only setting new standards of quality in Indian manufacturing but also seen as a source of employment generation for the youth of our country. It represents an attitudinal shift in how India relates to investors: not as a permit-issuing authority, but as a business partner.*

There can, of course, be valid disagreements as to what is the "right" policy in a given sector, in a given situation. It can be argued that merely because there are errors, changes or postponements in policies, one cannot conclude that policy-making suffers from weakness. Success is often the result of trial and error. Disagreements, often strong ones, are common and, in a democratic society, both inevitable and healthy. Vigorous debate prior to policy-making and adaptation in response to debate is good, not bad.

A classic example of this collaborative effort could be the Ease of Doing Business ranking. The Department of Industrial Policy & Promotion, with support from World Bank group and KPMG, had carried out an assessment framework, consisting 340-point action plan with states, capturing the implementation status of various factors enabling ease of doing business. The rankings, released in 2016, allow states to learn from one another and replicate success stories, thereby rapidly improving the regulatory environment for business nationwide.

### Conclusion

India reaching an FDI inflow of \$300 billion is only tip of the iceberg that is indicative of the India Investment success story. With the efforts that are on behind the scenes to make India the most favourable investment destination, it is safe to say that we are in the midst of very exciting times as the scale and opportunities of investing across varied possibilities are bringing forth stronger propositions like never before for the international investor. These are supplemented by strong reforms that the current government has put in place to create a conducive investment environment.

# BUSINESS TRAVEL TO INDIA: SOME PRACTICAL TIPS FOR YOUR VISA JOURNEY

by Milan Zala

An Indian visa strategist demystifies some of the jargon that is often associated with very simple travel procedures for the country and analyses how the e-visa is changing the landscape for business travel to India.

When one hears the words Indian visas, one usually has images of nightmare queues and waking up at ridiculous hours of the morning to trek to the Indian mission. Well, with the advent of an online visa (the so called e-Tourist Visa (e-TV for short)), let's examine the impact these changes have had on the business traveller to India.

Firstly, the e-TV is a single entry 30-day visa that can be used for tourist visits, meeting family and friends, medical tourism or casual business visits. It can only be applied for online twice in any one year from a minimum of four days in advance of the date of arrival with a window of 30 days. After about four-five days, the applicant receives an e-mail confirming their visa, which they

need to print out and take to India. They will then be issued with a Tourist Visa on Arrival at passport control in India.

There is no strict definition of what "casual business" means in this context, but the implication would be that this would encapsulate explorative visits to potential partners and sites

*There is no strict definition of what "casual business" means in this context, but the implication would be that this would encapsulate explorative visits to potential partners and sites or fact finding missions. It would also allow a business traveller to explore general business opportunities for his business in India*

or fact finding missions. It would also allow a business traveller to explore general business opportunities for his business in India. It must always be looked at in context and should any of the proposed activities of the business traveller fall within the categories for a full blown Business visa or they require

a multiple entry visa or a visa for a period greater than the permitted 30 days, then a full Business visa would need to be

applied for in the normal way.

Before I go on, it is worth mentioning at this point that many companies around the world are beginning to employ persons of Indian origin (PIOs) who can take on projects in India, with the advantage that their cultural and language skills provide for a smoother integration of the business relationship between the two entities. These and many smaller Indian businessmen with a foreign nationality are increasingly turning to the Overseas Citizen of India Card (OCI Card), which is granted to PIOs and effectively provides for a lifelong any-purpose visa (with a few exceptions), without any registration requirements for foreigners, typically required by Business and Employment visa holders who stay a continuous period of 180 days or more in India. There is a strict eligibility criteria and the process takes around six to eight weeks, but the benefit of no further visa applications for business or employment visits to India can be well worth it for the business traveller.

With these two exceptions aside, the normal course for a business traveller would be to apply to one of the VFS centres

familiar with the activities of each category of visa and it would not come as a surprise that people have been caught out, not just at the entry point, but also exit points, where a verbal discussion of the purpose of their visit does not coincide with the visa issued to them. Although this can be a moot issue at the point of exit, remember the individual could face sanctions, including fines, potential jail for flouting immigration laws, deportation and potential black listing from further visits to India.

Once in India, you can go about your business. However, if you are intending to be in India for more than 180 days, your visa will be endorsed with a registration requirement, where you will be required to register at the local FRRO. For Employment visas, this will more often be mandatory as the period of stay is usually one year and a Residency Permit will also be issued. There will be additional formalities that will need to be complied with if, once registered, you change address, locality or exit from India within the validity period of the visa.



for either a Business or Employment Visa. Business visas are typically granted for between six months to one year, though it is likely your first Business visa could be anything between three to six months. Two-year Business visas can be granted, but are rare. Employment visas, on the other hand are typically granted for one year only, with yearly extensions (up to a maximum of five years) available in India via application to the local Foreigners Regional Registration Office (FRRO).

However, what's more important is the activity the traveller is undertaking in India. If he/she only intends a short visit of one day or two weeks, if the activity falls within the Employment visa category, then a full Employment visa will still need to be applied for. So it is best to seek advice beforehand on the proposed activities in India to determine the correct visa category to apply for. As part of the application process, it is now mandatory for certain visa categories, including Employment visas, to require personal submission by the applicant to provide photo and biometric enrolment to assist in tracking the visa holder in India. Employment visas are usually endorsed with the name of the employing entity. With a few exceptions, a change of employer is not permitted in India, without first exiting the country and re-applying for a new Employment visa in the applicant's home country.

It cannot be stressed strongly enough that with the Indian systems being more streamlined, the potential for falling foul of the rules is a strong possibility, particularly if you enter on the wrong visa. For example, the immigration officers are

It is also important that all tax laws are complied with during any visit, whether on a Business or Employment visa. To this end, a PAN Card, or permanent account number, will be required. This is a unique 10-digit alphanumeric identity, allotted to each taxpayer by the Income Tax Department under the supervision of the Central Board of Direct Taxes. It is also issued to foreign nationals. This number is mandatory for most financial transactions such as opening a bank account, receiving taxable salary or professional fees, sale or purchase of assets above specified limits etc. The PAN Card is unique and valid for the life-time of the PAN-holder throughout India. It is not affected by a change of address or employment. It is advisable that individuals locating to India for Employment commence the process for a PAN card application alongside their visa applications.

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*\*This brief outline provides basic information about working visas in India and does not constitute legal advice. Nor does it deal with any other compliance, employment, regulatory or tax requirements under Indian law, which must be considered, as applicable.*

# TREASURES FROM THE BODLEIAN LIBRARIES' INDIAN COLLECTION

by Camillo A. Formigatti

The Bodleian Libraries, the world famous research hub of Oxford University, houses the world's largest known collection of Sanskrit manuscripts outside the Indian subcontinent, consisting of approximately 8,700 items. A leading Indologist charged with this wealth of information writes exclusively for 'India Investment Journal' on the treasures that will mark the UK-India Year of Culture 2017 celebrations.



The first Sanskrit manuscript acquired by the Bodleian was an astrological work, the *Jyotiaratnama* 'Garland of Jewels on Astrology' by Sripati. It was copied in 1644 and was given to the Library by John Ken, an East India merchant, in 1666. It is uncanny to think that now this manuscript is 350 years old, but when it was acquired by the library it was a 'new manuscript', having been written only 22 years earlier!

The next big step in the life of the Sanskrit manuscript collection took place in the 19th century, when the first Boden Professor of Sanskrit at the University of Oxford, Horace Hayman Wilson, sold his considerable personal library of 627 manuscripts to the Bodleian for £500 in 1842. Wilson's passion for Sanskrit literature led him to translate Kalidasa's *Meghaduta* ('The Cloud Messenger') into English for the first time. His version of this classic Sanskrit poem was printed in 1813 in Calcutta and a copy of this book is available in the

Bodleian for readers to consult.

Another witness for the dawn of Sanskrit studies in Great Britain is a manuscript of Sir William Jones' translation of the *Abhijñanasakuntala* ('The Recognition of Shakuntala') by Kalidasa, dated 1788. This manuscript is the working copy of the first translation of a Sanskrit drama into English. The richness of the collection led Professor Max Müller in 1856 to describe the Bodleian's Sanskrit manuscript holdings as the second best in Europe, surpassed only by those of the East India Company.

It was, however, in the 20th century that Bodleian's collection of Sanskrit manuscripts took the shape that we know now. In 1909 a marvellous act of generosity by the Prime Minister of Nepal, the Maharajah Sir Chandra Shum Shere, brought more than 6,000 manuscripts to the library. This collection of unique Sanskrit texts covers every branch

of Sanskrit literature. The collection also grew when the University of Oxford's Indian Institute Library became part of the Bodleian in 1927, and most recently the Library's collection of Jain manuscripts has been enriched by the donation of more than 60 manuscripts belonging to the late Simon Digby (1932-2010).

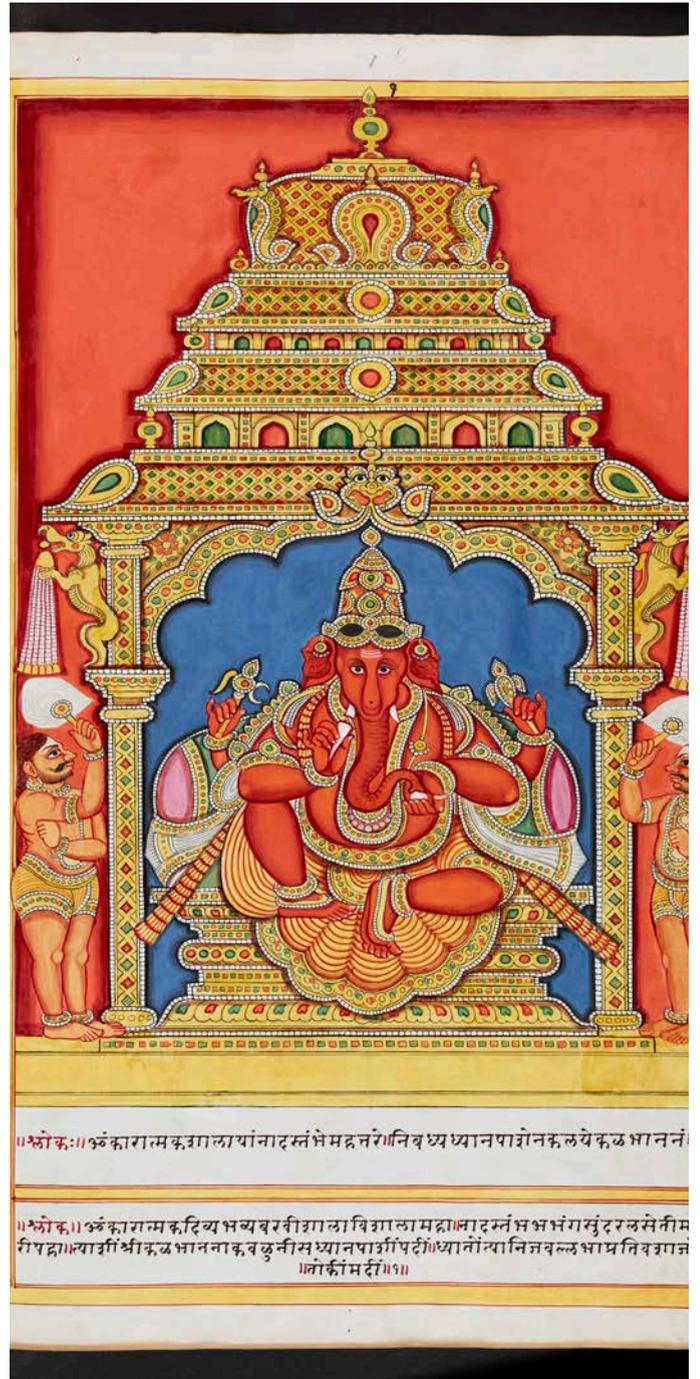
While strolling between the shelves where all these manuscripts are kept, one's attention is drawn to a large wooden box, proudly sitting between the greyish modern boxes used to protect all other manuscripts. The sturdy box resembles a relic from a bygone era and once you open it, you realize that the vessel fits perfectly the content, for it contains one of the oldest Sanskrit manuscripts in the Bodleian: the so-called Bower manuscript. Recovered from the ruins of a Buddhist site near Kucha in Afghanistan, close to the main group of caves of the Min-Oi of Qum Tura, it was presented to Major-General H. Bower by a Turkic treasure-seeker, while he was on a confidential mission from the Government of India in quest of the murderer of a certain Mr Dalglish in 1890. The manuscript is written on birch-bark in an early Indian script that allows us to date it to the 6th century CE. It is a very important witness of the Indian medical knowledge, transmitting several recipes for the preparation of different types of medical remedies.

Separated from its companions and safely kept in a strong-room is another treasure of the Library: The Bakhshali manuscript, an important mathematical treasure which includes the first use of zero. The antiquity of the mathematical works contained in the Bakhshali manuscript is tied to a controversial debate about the reciprocal influence of South Asian and Greek mathematics. One of the curious features of the computation used in the Bakhshali manuscript is that approximations are all done in exact rational arithmetic; one impressive feature is that there are hundreds of zeros in it. Unfortunately, both the dating of the manuscript as well as the dating of the works is still open to debate: due to style of the handwriting, the manuscript is dated 8th-12th century, a very wide range! Needless to say, Indian scholars assign the works to a very early date, while some Western scholars disagree, assigning the works to a very late date.

A somewhat younger "star manuscript" that found its way to Oxford is the Shikshapatri. Composed in 1826 by Sahajananda Swami (Lord Swaminarayan), a reforming Hindu leader, this sacred book provides moral and spiritual guidance for everyday life in 212 Sanskrit verses. It is read, heard and venerated daily by Swaminarayan followers. It is believed that Sahajananda Swami himself gave this manuscript to the Governor of Bombay, Sir John Malcolm, to promote understanding between cultures. Usually on display in the Treasures Gallery of the Bodleian's Weston Library, it is occasionally moved to a small display dedicated on the occasion of the veneration of this sacred book by the Swaminarayan community. Two darshans are already scheduled for January 2017.

On 24 February 2017, the wealth of Sanskrit literature preserved in the Bodleian's manuscripts will be presented in a lecture performance. Indian classical literature, dance and music all share an understanding that art is about creating emotional states such as love, laughter and horror in the minds and hearts of the audience. I will explore the language of love in the medieval Indian text 'The Ocean of the Rivers of Story' and Dr Menaka PP Bora, Affiliated Artist at the Bodleian

Libraries, will present its expression through gestures in dance. All are welcome to experience how through dance and gestures the sentiment of love leaps from the silent page of manuscripts to enter the heart of the public.



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# India Inc. Top Picks: Inbound Deals of 2016



**As the fastest growing large economy in the world, India was the destination of choice for investments from across the globe in the year just gone by. 'India Investment Journal' reviews some of the key inbound investments that poured into the country in this New Year top picks.**

## Uber eyes \$3.5bn investment potential

US-based taxi hailing company Uber has described India as its second-largest market after the US where it is looking to drive into even more cities.

Christian Freese from Uber in India said the company is looking at creating critical mass in order to sustain the momentum.

He said: "We are now in close to 30 cities in India and will grow deeper into the existing service areas first. In the next phase, we will expand further into more cities, which will happen in the mid –end of the next year."

In 2015, Uber had announced an investment of \$1 billion in India to expand its services. In 2016, it raised \$3.5-billion funding from Saudi Arabia's sovereign wealth fund – with a substantial portion reserved for its India expansion plans.

## Vodafone plans \$3bn equity infusion



Vodafone India, the country's second-largest telecom operator, has revealed aggressive investment plans for its networks over the next year.

Vodafone India chief executive Sunil Sood said: "Data is next big opportunity. We will

double our network rollout target this year together with partner Nokia. A massive amount of money will go out in next 12 months.

"We are rolling out networks and executing it as per aggressive targets were given by our global chief executive."

The UK-based telecom giant has indicated that the upcoming investment would take place across 3G and 4G technology network rollouts.

In September the firm said it was up to \$3-billion in equity infusion in its India unit to replace debt.

## USAID, ADB to invest in solar parks

The US Agency for International Development (USAID) and the Asian Development Bank (ADB) signed a Memorandum of Understanding (MoU) to facilitate \$848 million (Rs 5,681 crore) in funding to develop solar parks across India. Through the agreement, USAID will align the technical resources of two of its pro-programmes to support ADB's investments in the development of solar parks and renewable energy transmission infrastructure in states at the forefront of India's efforts to promote clean energy.

The collaboration will initially focus on the state of Rajasthan.

## China's Sany Group in \$4bn India spend

China-based heavy equipment major Sany Group has plans to ramp up its presence in the country and will be taking its overall commitment in India to \$4 billion.

The firm plans to set up manufacturing units and wind farms in India and has set its sights on the top spot in the construction equipment space in the country.

Deepak Garg, director and chief executive officer at Sany Heavy Industry India, said: "We want to be the number one in five years in construction equipment in India. We will be growing more than 60 per cent year-on-year."

Tang Xivguo, president, Sany Group, said: "We have already invested \$100 million in our plant in Pune and are looking at taking our investment in the country to the tune of \$1 billion over the next 10 years."

## Shanghai Fosun buys Gland Pharma

In what was described as the largest Indian corporate takeover by a Chinese company, Shanghai Fosun Pharmaceutical Group Co. unveiled plans to buy Indian drugmaker Gland Pharma Ltd. for no more than \$1.26 billion.

Fosun Pharma will acquire 86.08 per cent of Gland Pharma, according to a statement filed with the Shanghai Stock Exchange. Fosun Pharma plans to borrow up to \$800 million from financial institutions to help fund the purchase.

The transaction would Shanghai Fosun to gain control of a new stable of injectable medicines as well as manufacturing facilities in India.

## UAE's Lulu Group invests in stores

UAE-based Lulu Group, a retail chain of hypermarkets, announced investments worth around \$751 million (Rs 5,000 crores) in India by 2020.

A majority of the funds will be used for setting up shopping malls in the country, including mega shopping complexes in Chennai, Hyderabad, Bengaluru and Thiruvananthapuram.

Yusuff Ali MA, managing director of Lulu Group, said: "The business environment in India has improved significantly. A lot of restrictions are removed to facilitate investment. The best thing the new government has done to treat all NRI investment as domestic investment."

## China's SAIC finalises \$1bn plan



China's largest automaker SAIC Motor (formerly Shanghai Automotive Industry Corporation) is finalising plans to invest around \$1 billion in India by 2018.

It would look to manufacture products that would suit local tastes and can also be exported.

Governments of three states — Maharashtra, Andhra Pradesh and Tamil Nadu — have already made presentations to the company, with proposals of hosting its manufacturing unit.

SAIC has products across categories and owns the brands Maxus, MG, Roewe and Yuejin. It also has a number of joint ventures with General Motors, Iveco, Skoda Auto and Volkswagen.

The full details of this deal will become clear in 2017.

## Juniper in \$1bn Digital India move



US-based Juniper Networks is planning to invest around \$1 billion in its Indian operations to tap into the opportunities arising as a result of the government's Digital India programme.

Juniper Networks' global chief executive Rami Rahim was quoted as saying that the firm intends to continue to invest in India with "at least another \$1 billion or so" over the next few years.

Juniper offers software-defined network solutions, routers and switches to telecom service providers and large enterprises including government departments, and competes with Cisco, Ciena and Hewlett-Packard, among others.

The NYSE-listed company has invested \$1 billion in India in the past six years, mostly on research and development, and has about 2,600 workers in the country across locations including Bengaluru and Delhi.

## Canada firm clinches SBI deal on assets

Brookfield Asset Management Inc, among the world's largest alternative asset managers, has signed a memorandum of understanding with State Bank of India to set up a joint venture to invest in stressed assets in India.

The Canadian asset manager will invest around \$1 billion into the venture and SBI would contribute 5 per cent of the total investment. Brookfield will be in charge of managing the recapitalised businesses.

Brookfield, with \$240 billion in assets under management with focus on property, renewable power, infrastructure and private equity is expected to play an important role in helping banks with bloated non-performing assets.

## Fosun International plans \$1bn spend

Chinese conglomerate Fosun International is making an entry into the Indian real estate space and plans to invest close to \$1 billion through a real estate private equity platform it is setting up here, according to Indian media reports.

The diversified investments firm will first start with buying income-producing rental assets in the country.

Founded in 1992 in Shanghai, Fosun International is listed on the Hong Kong Stock Exchange. The group has annual revenue of \$12 billion and profit of \$1.2 billion, according to 'Bloomberg' data.

Guo Guangchang, chairman of Fosun, is nicknamed China's Warren Buffett as the country's 17th richest person with a net worth of \$5.6 billion.

## Wal-Mart eyes food entry

Wal-Mart India is evaluating an India-specific model of entry into the retailing of processed foods.

The move follows the Indian government's liberalised policy of allowing 100 per cent foreign direct investment (FDI) in trading of food products produced and manufactured in India.

Krish Iyer, president and CEO of Walmart India, said: "We are currently evaluating all the policy guidelines and we do not have an 'only food model' anywhere. So, we need to conceptualise, evaluate and come up with a model, which takes time.

"It is not something we will jump into very quickly."

## China's Holitech to invest \$1bn

China-headquartered Holitech Technology, a maker of LCD and touchscreen panels used in mobile phones, plans to invest \$1 billion in India in 2017.

Bingshuang Chen, chief executive of Holitech Technology, said: "We are looking at the supply chain here and how mature it is.

"From our point of view, next year [2017] will be best time for us to enter the country... It (investment) could be as big as \$1 billion considering the requirement of facilities, equipment and all other technical aspects."

## Gujarat to become Suzuki hub

Gujarat is set to become the global production hub for Maruti Suzuki.

The automotive firm's new Ignis will be produced and exported from the Sanand plant in Gujarat, making it the global production hub for the car to be launched in India in the festive season.

The car is to be marketed as a hatchback-crossover, with its production-ready concept showcased at the 2016 Auto Expo.

Meanwhile, a new plant in Mehsana, Gujarat, is expected to start production in full flow from January-February, 2017. The plant will manufacture the Maruti Suzuki Baleno and the new-gen Swift Dzire, to be debuted in 2018.

## UK's Lightsource eyes Solar India

Britain's solar company Lightsource Renewable Energy is aiming to develop 1GW of solar projects in India in the next two to three years.

According to Rupesh Agarwal, managing director and head of India operations at the company, that level of installations will represent \$943 million of investment.

Agarwal said: "We are eyeing 1000 MW of solar power projects in the country, which is bare minimum in the backdrop of government's ambitious target of adding 100,000MW by 2022. We would like to do even more than targeted 1000MW in coming years depending on the auctions of these projects."

## Chinese consortium acquires Media.net

A consortium of Chinese investors acquired ad-tech venture Media.net for about \$900 million in a rare reverse merger deal being touted as the largest in the sector.

India's Media.net develops products for advertisers as well as publishers, providing them with an entire suite of services, including creating, targeting and evaluating advertising campaigns, as well as connecting publishers through their Yahoo-Bing network.

The all-cash deal was said to override other acquisitions, including Google's buyout of AdMob for \$750 million in 2010, followed by Twitter's acquisition of MoPub for \$350 million three years later.

## US firm to set up urea plant in Maharashtra

A yet-to-be-named US firm is expected to invest nearly \$1 billion (Rs 6,000 crores) to set up a urea plant at Bhadravati in Maharashtra.

Indian minister for transport Nitin Gadkari told reporters: "Negotiations with the concerned company have reached final stages and a number of meetings have been held with chief minister Devendra Fadnavis and Union minister of state for home Hansraj Ahir, who represents the area (Chandrapur district).

## EXIM Bank raises \$1bn from overseas bonds



Export Import (Exim) Bank of India has announced that it has raised \$1 billion (about Rs 6,700 crore) by selling bonds to overseas investors.

Initially announced for \$500 million, the issue was upsized to \$1 billion based on strong demand from the investors, Exim Bank said in a statement this week.

The issue attracted a total order book in excess of \$2.50 billion from over 157 investors. This was the largest issuance ever for Exim Bank and also the largest single tranche issuance out of India in 2016.

Exim Bank chairman and managing director Yaduvendra Mathur said: "The bank is the closest proxy to sovereign in the international markets and the 10-year issuance was based on investors' feedback, so that benchmark 10 year curve out of India could be established."

## I Squared Capital invests \$1bn



I Squared Capital, the US-based private equity (PE) firm, has plans to invest around \$1 billion in Indian infrastructure.

The company will invest in infrastructure projects for roads and rooftop solar power projects. It will also infuse some of the funds allocated for road assets into the logistics business and warehouses.

Gautam Bhandari, partner, I Squared Capital, said: "While we don't have country specific allocations, we can see ourselves putting somewhere from \$500-600 million to a billion dollar plus in the country over the life of our fund. If the right opportunity shows up, then we can transact at that scale."

The company has already invested \$150 million in three major Indian road projects through its investment platform Cube Highways and Infrastructure (P) Ltd. Cube Highway also plans to venture into logistics business, warehousing and wayside amenities, looking to convert two of their roads to intelligent highways.

## Equis to double India's renewables

Equis Pte Ltd, a Singapore-based company, plans to invest \$1 billion in the Indian renewable energy sector over the next two years. This will double the country's portfolio to nearly 2GW of wind, solar and hydro energy installations.

Currently, the developer-cum-investor holds 3.6 GW of renewable energy in India, Japan, the Philippines and Thailand in its portfolio and has raised \$2.67 billion of equity since 2011.

David Russell, chief executive officer, Equis, said: "We should be looking to invest another \$1 billion into the Indian renewable energy market and we think that's very feasible considering our position." The asset developer has approved equity commitments of \$630 million to India in the last four years.

## MasterCard to invest \$800mn



MasterCard, the global real-time payment processing firm, has plans to invest \$700-800 million in India over the next four years.

Porush Singh, country head, MasterCard India, said that the major portion of the proposed investment, which is double the

\$400 million it has invested in India from 2014 till date, will go into processing, mobile technology and solutions and data analytics.

He said: "We are pretty confident of the Indian market, which is why we are looking to make this level of investment (in the next few years)."

The company will partner with the Confederation of All India Traders (CAIT) for increase of card usage in the country. In last two years, MasterCard helped 200 million people in 55 countries come into the financial system and plans to reach up to 500 million by 2020.

## Singtel to acquire Bharti Airtel stake



Singapore Telecommunications Ltd (Singtel) has signed an agreement to acquire 7.39 per cent stake in Bharti Telecom Limited — the holding company of Bharti Airtel in India, via Temasek Holdings, which holds majority stake in Singtel, the company said in a statement.

The deal valued at around \$659.51 million will allow Singtel to further strengthen its holding capacity in India via Bharti Airtel, which is India's largest telecom operator in terms of subscriber base.

## IKEA sets for pop-up stores

Swedish furniture retailer IKEA has said it plans to launch at least 50 pop-up stores in India by 2025.

The pop-up Hej Homes concept comes from the Swedish word "hej" which means "hello" and they are typically housed in areas with high footfall, such as malls. Hej Homes would house a cafe and a play area for children, and mirror IKEA's big box re-tail format in a smaller size.

Ulf Smedberg, Country Marketing Manager, IKEA India, said: "The aim is to give a slice of brand to the consumers. We will be launching the first such pop-up store in Hyderabad, where our first (regular) store is set to be rolled out."

## Vivo to triple India manufacturing



Vivo claims to be the only Chinese smartphone manufacturer to set up a full-fledged manufacturing unit under Prime Minister Modi's 'Make in India' initiative.

Vivo Mobile India is currently manufacturing and assembling one million units a month at its Greater Noida plant and aims to triple the production to 3 million a month in the near future.

Vivek Zhang, chief marketing officer, Vivo India, said in media interviews: "We are the first smartphone player from China to set up a manufacturing unit in India. The unit caters to the manufacturing and assembling of Vivo smartphones, thus creating more employment opportunities here and reducing Vivo's dependence on imports."

The company has invested \$19 million (Rs 125 crore) in its first phase in the already existing 30,000 square-metre facility at Greater Noida which became operational last year.

## Finland's Fortum keen on Solar India



Finland's state-owned energy firm, Fortum, is looking to invest around €200-400 million in India, which it sees among its priority market for solar projects.

Fortum India managing director Sanjay Aggarwal said: "It is hard to ignore India. It is a market for large utilities like us. Fortum's investment in solar is just in India.

"The Indian risk profile suits large utilities with robust financing. The Indian market is unlikely to give favourable and quick returns to PE-backed small players. Going ahead, large utilities are the way forward."

The Finnish company has 170 MW of solar power projects in the pipeline and currently has 15 MW of operational solar capacity in India. It has also won projects under the National Solar Mission tenders in Rajasthan and Tamil Nadu. The company is conducting studies to participate in other state government tenders for solar projects as well.

## Norway's Yara buys Tata Chem unit

Yara International ASA has entered into an agreement to acquire Tata Chemicals Ltd (TCL) Babrala urea plant and distribution business in Uttar Pradesh for \$400 million on a debt and cash free basis, including normalised net working capital.

Svein Tore Holsether, President and Chief Executive Officer of Yara, said: "This acquisition represents another significant step in our growth strategy, creating an integrated position in the world's second-largest fertilizer market. India has strong population growth and increasing living standards, and significant potential to improve agricultural productivity." The plant has an annual production of 0.7 million tonnes ammonia and 1.2 million tonnes urea, and generated revenues and EBITDA of respectively \$350 million and \$35 million in the financial year ended 31 March 2016.

## Singapore firm plans \$400mn IT park

Singapore-based business space solutions provider Ascendas-Singbridge announced plans to develop an IT Park in Gurgaon, Haryana, at a project cost of \$400 million.

In the first phase of development, the company would set up two buildings with about 1 million sq ft of Grade A office space, to be completed by end of this year.

The International Tech Park Gurgaon (ITPG), an integrated IT park within the upcoming business district in India's National Capital Region (NCR) was unveiled by Singapore's Deputy Prime Minister, Tharman Shanmugaratnam.

The company said that ITPG will mark a major development for Ascendas-Singbridge in North India under the Ascendas India Growth Programme.

## Thai firm to supply food to India

Charoen Pokphand (CP) Foods, Thailand's largest meat producer, is in talks with McDonald's Corp and KFC in India to supply them with their chicken needs within the next few months, as part of a push into the Indian market.

For this, the company is looking at an investment of \$400 million in India in the next 20 years.

Sanjeev Pant, Senior VP - Food Business, CPF (India) Pvt Ltd, the flagship unit of Charoen Pokphand Group, confirmed talks with multiple fast-food chains in India, including McDonald's and Yum Brands' KFC. The packaged food market in India is set to increase to \$50 billion by the year 2017 from around \$32 billion in December 2015, according to a survey by ASSOCHAM. This is will help CP Foods increase its revenue by 20-25 per cent in the coming years.

## IKEA plans \$300mn investment in Haryana

Swedish furniture retailer IKEA signed a memorandum of understanding (MoU) with the Haryana government with plans to invest an estimated \$300 million (Rs 2,000 crore) to open its stores in the state.

"IKEA India inked an MoU with the state of Haryana as a major step forward towards establishing retail stores in the state. IKEA will invest an estimated Rs 2,000 crore for its retail expansion in Haryana, will employ about 1,000 co-workers directly and engage around 3,000 more for providing services such as furniture assembly, delivery services among others," the company said in a statement.

In 2015, IKEA had signed MoUs with Karnataka, Telangana, Uttar Pradesh and Maharashtra to set up stores and 2017 marks the year it opens its first store in India.

## Lenovo plans to Make in India



Chinese multinational technology giant Lenovo is in talks with the governments of Tamil Nadu and Puducherry in South India to explore the prospect of setting up a manufacturing facility in the region.

Lenovo already manufactures personal computers and laptops in the Union Territory of Puducherry, about 150 km from Chennai, and chief minister V. Narayanasamy said it has now

shown interest in setting up a mobile phone manufacturing facility with an investment of around \$298 million (Rs 2,000 crores).

He told the local Assembly: "We should provide them concessions and facilities as the unit they are contemplating would provide jobs to technically qualified youth in Puducherry."

## Samsung to double manufacturing by 2019



Samsung announced that it would double its smartphone production capacity in India by 2019 with an investment of around \$300 million. The investment will be put towards doubling capacity at its Noida plant by the end of 2019.

The company established its manufacturing plant in Noida back in 1996. The plant employs around 4,000 people and makes Samsung products like TVs, smartphones, refrigerators and more. Smartphone production is currently at 60 million units and will be doubled to 120 million units by the end of 2019.

## China's LeEco eyes India stores

Chinese device maker LeEco filed an application with India's Foreign Investment Promotion Board (FIPB) to seek permission for single-brand retail trading of electronic products, both through stores and an ecommerce portal.

The company hopes to strengthen its foothold in India and bring in its entire line-up for Indian consumers. LeEco has sought relaxation from the mandatory 30 per cent domestic sourcing rule as part of the foreign direct investment (FDI) norms in India's single-brand retail sector.

## Amazon invests in wholesale



Amazon India has injected around \$24 million (Rs 160 crore) into its wholesale business. Under its current business model, AmazonBusiness has signed up corner stores, pharmacies and small outlets to order from its platform, extending credit lines to these businesses through

a partnership with banks and non-banking financial institutions. The wholesale arm of the world's leading online marketplace runs B2B selling platform Amazon Business, which includes consumer goods, food and beverages, office supplies, IT products, health and personal products and cleaning supplies.

The platform also serves as a marketing and distribution channel for certain brands and ships their products.

"We continue to invest in India as part of our long-term commitment but we do not comment on specific details of our investments," an Amazon India statement said.

## Dyson plans £154mn investment



Dyson Ltd, the UK's famous bag-less vacuum cleaner manufacturer, plans to enter India with its own retail stores by the middle of this year and invest around £154 million over the next five years.

The company has already sought permission from the Department of Industrial Policy and Promotion (DIPP) to import and sell products in the country.

Founder James Dyson said: "If we get the permit we'll set up middle of next year. Over the first five years, we'll invest about £154 million in India. Our investment will be in building infrastructure (retail), taxes (to the government), marketing and promotions."

India will be Dyson's 76th international market.

## Ford starts exports from Gujarat

Ford started shipping its new Figo manufactured at its Sanand plant in Gujarat to Europe, where it will be sold as the Ka+.

The move is part of the US automotive giant's plans to develop India as an export hub for its passenger car models. Ford produces the second-generation Figo hatchback and the new Figo Aspire sedan models at its Sanand plant, which is an integrated manufacturing facility. Between the new Figo and the Aspire, the production capacity for domestic and exports is 240,000 units at Sanand.

The Detroit-based carmaker has invested \$1 billion in the Gujarat plant as part of its goal to triple exports from India in the next five years.

## Dubai leisure group to invest \$200mn



Dubai-based Landmark Group's entertainment arm Landmark Leisure is planning to invest around \$200 million (Rs 1,200 crore) to increase the number of its Fun City entertainment centres to 100 in India over the next five years. At present, the company has 19 Fun City centres in the country.

Landmark Leisure COO Silvio Liedtke said: "Landmark Leisure will expand presence of Fun City entertainment centres from current 19 to 100 over in the next

five years in India... Our per store investment will be in the range of 15-20 crore."

Established in 1999 in the Middle East, Fun City runs franchises in nine different countries and India is one of its key markets, Landmark Leisure said in a statement.

## Toyota in \$130mn investment plan



Japanese auto giant Toyota Motor Corp (TMC) has made a fresh set of investments in India amounting to around \$130 million (Rs 870 crore).

The company has invested in its Indian auto financing arm, Toyota Financial Services India Ltd (TFSIN), to support business expansion in the medium term. TFSIN has already used about \$25.6 million (Rs 170 crores) from the \$130 million.

The company plans to introduce additional capital to support TFSIN's growth plans and will raise \$60 million (Rs 400 crore) through debentures to fund operations in the country.

## Bosch in India investment surge

German engineering major Bosch said it plans to invest around \$164 million (Rs 1,100 crore) in India across its 10 group companies in 2016.

The firm is also looking beyond the market for mobility in India, with energy, transportation, and smart cities among some of its focus areas.

Bosch managing director and president, Steffen Berns, said: "Overall, Bosch has invested heavily on expansion. In the last four years, we have invested Rs 3,500 crore [\$522mn]. This year, we will be investing Rs 1,100 crore [\$164mn] across the 10 divisions of the Bosch Group."

The Bosch Group in India has more than 10 business entities, generating revenues of over \$2.5 billion (Rs 17,000 crore) with 18 different manufacturing locations and over 30,000 employees, including 14,000 employed in R&D activity.

## Abu Dhabi invests in hospital chain

VPS Healthcare, an Abu Dhabi-based hospital chain, has acquired New Delhi headquartered Rockland Hospitals.

VPS Healthcare has committed to invest about \$222 million (Rs 1,500 crore) to acquire and expand Rockland Hospitals.

Rockland Hospitals has three operational facilities in the National Capital Region where it also plans to set up a fourth hospital.

VPS Healthcare has a network of 16 high-end hospitals and 100 primary care centres across the UAE, Oman and London.

## UK Fund to invest in IIFL unit

Financial services firm IIFL Holdings Ltd said the CDC Group Plc, a development finance institution owned by the UK government, will invest about \$15 million (Rs 1,000 crore) in its unit India Infoline Finance Ltd (IIFL Finance).

CDC's investment will help the IIFL Group expand its financing business and address the capital needs of under-served segments.

The proposed investment is by way of compulsorily convertible preference shares which on conversion will result in about 15 per cent equity stake for CDC in IIFL Finance on a fully diluted basis. The proposed transaction is subject to necessary regulatory approvals.

## Online payment start-up eyes India

Stripe, a Silicon Valley based mobile payment start-up, is all set to enter India with a multi-million-dollar budget.

The company will compete with payment solution start-ups like Razorpay, Citrus Pay, and PayU, among others in India. Stripe claims to offer easy to use and customisable payment solutions to small and medium businesses.

Founded in 2010, Stripe operates in 25 countries, which include South-East Asia, the US and Europe.

## Schneider Electric eyes India hub

French energy management and automation major Schneider Electric wants to make India its export hub for the region.

S. Nagarajan, vice-president (national sales), Schneider Electric India, said: "Schneider runs a big R&D (research & development) centre in India in Bangalore. From Karnataka, we are exporting our whole range of products to 15-20 countries. In a way, India is already an export hub for Schneider and we intend to make it one."

The R&D centre in Bengaluru is manned by over 1,200 people and Schneider is eyeing double digit growth in the India market this fiscal.

## Cisco plans India plant



Global technology major Cisco has revealed it is working on a plan to establish a manufacturing facility in India.

Cisco CEO Chuck Robbins said the company is "very actively involved in India across the board" and working on a broader base from digitisation to smart cities in the country.

He said: "Prime Minister Narendra Modi is very committed to manufacturing. We worked through a business case and... presented to him that... That was fantastic and we have been moving forward."

Cisco is engaged in over 15 smart cities projects in the country. The company is also working with the Andhra Pradesh government for rolling out Bharat Net.

## Japan's Daikin signs up to Make in India



Japanese air conditioning manufacturer Daikin Industries Ltd's 100 per cent subsidiary, Daikin Air-Conditioning India, has made a big push to Make in India.

Under its upcoming five-year business plan, the company is looking at setting up an R&D centre in India with an investment of \$90 million (Rs 600 crores) to develop customised products for emerging markets.

Around \$15 million (Rs 100 crores) will be spent on the R&D centre and the rest will be used to fund expansion plans over the next one and half years. So far, Daikin has already pumped in around \$165 million (Rs 1,100 crore) in India.

## Sembcorp invests in India renewables



An Indian subsidiary of Singapore-based Sembcorp Industries, Sembcorp Utilities, has acquired 74 per cent stake in the owner of 25.5MW of wind power capacity in Tamil Nadu.

The transaction involved Indian renewables firm Sembcorp Green Infra, which now owns a majority stake in special purpose vehicle (SPV) Mulanur Renewable Energy Pvt Ltd. The buyer paid a bit over \$24 million for the 74 per cent stake, using internal funds, according to a statement.

Mulanur Renewable Energy's wind park is located in the district of Dindigul.

## US firms pledge \$45bn for India

American companies including Amazon, Cisco and 21st Century Fox are all set to invest \$45 billion in India over the next two-three years.

John Chambers, chairman, US-India Business Council (USIBC), said: "Over the next two-three years, we see this pace accelerating, again with about 20 per cent of our member companies reporting, indicating that USIBC members are on track to invest an additional \$45 billion, which is a conservative estimate.

"Given Prime Minister Modi's track record towards implementing 'Digital India' and key economic reforms, we are optimistic that this number will be dramatically exceeded, perhaps even doubled."



## Honda doubles Gujarat capacity

Honda Motorcycle & Scooter India (HSMI), the Indian arm of the Japanese two-wheeler manufacturer, has inaugurated the second assembly line of its fourth manufacturing plant at Vithalapur (Mandal taluk, Ahmedabad district) in the western state of Gujarat.

The two-wheeler major has expanded to producing 6,00,000 units per annum and with expanded capacity in Gujarat, the company might also look at export prospects from the site.

Keita Muramatsu, president & CEO, Honda Motorcycle & Scooter India, said: "India is not only the World's No. 1 two-wheeler market but is also going to be the No. 1 contributor to Honda global two-wheeler sales for the first time in this fiscal year 2016-17."

## Gionee plans new Make in India base

Chinese tech major Gionee is planning to set up a new manufacturing base in India in the next year.

Timir Baran Acharyya, regional director, Gionee, said: "We are looking 50-70 acre land in north India, preferably in or around NCR, for our manufacturing plant."

Acharyya said the company has been investing heavily on strengthening its network and sales force and is aiming at three-fold growth in sales to \$1.4 billion (Rs 9,000 crores) in the current fiscal.

Gionee's two domestic vendors, Foxconn in Andhra Pradesh, and Dixon in Delhi NCR, contribute around 30-40 per cent of the handsets sold in the country, while the rest are imported.

## Swiss firm expands India facility

Switzerland-based Datwyler has decided to construct its most advanced manufacturing facility, 'FirstLine', at Datwyler India's Satara site in Maharashtra.

The Swiss firm is a global supplier of customised sealing solutions to manufacturers and companies which operate in the healthcare, automotive, civil engineering and consumer goods sectors.

The FirstLine facility is specially designed to manufacture pharmaceutical rubber components in a fully integrated good manufacturing practice (GMP) environment using innovative automated processes, and conforming to the highest industry standards, Datwyler said.

## Panasonic plans \$17mn investment



Japanese home appliances and consumer electronics company Panasonic's India arm announced an investment of around \$17 million (Rs 115 crore) to set up a manufacturing plant at Jhajjar in Haryana to locally produce refrigerators.

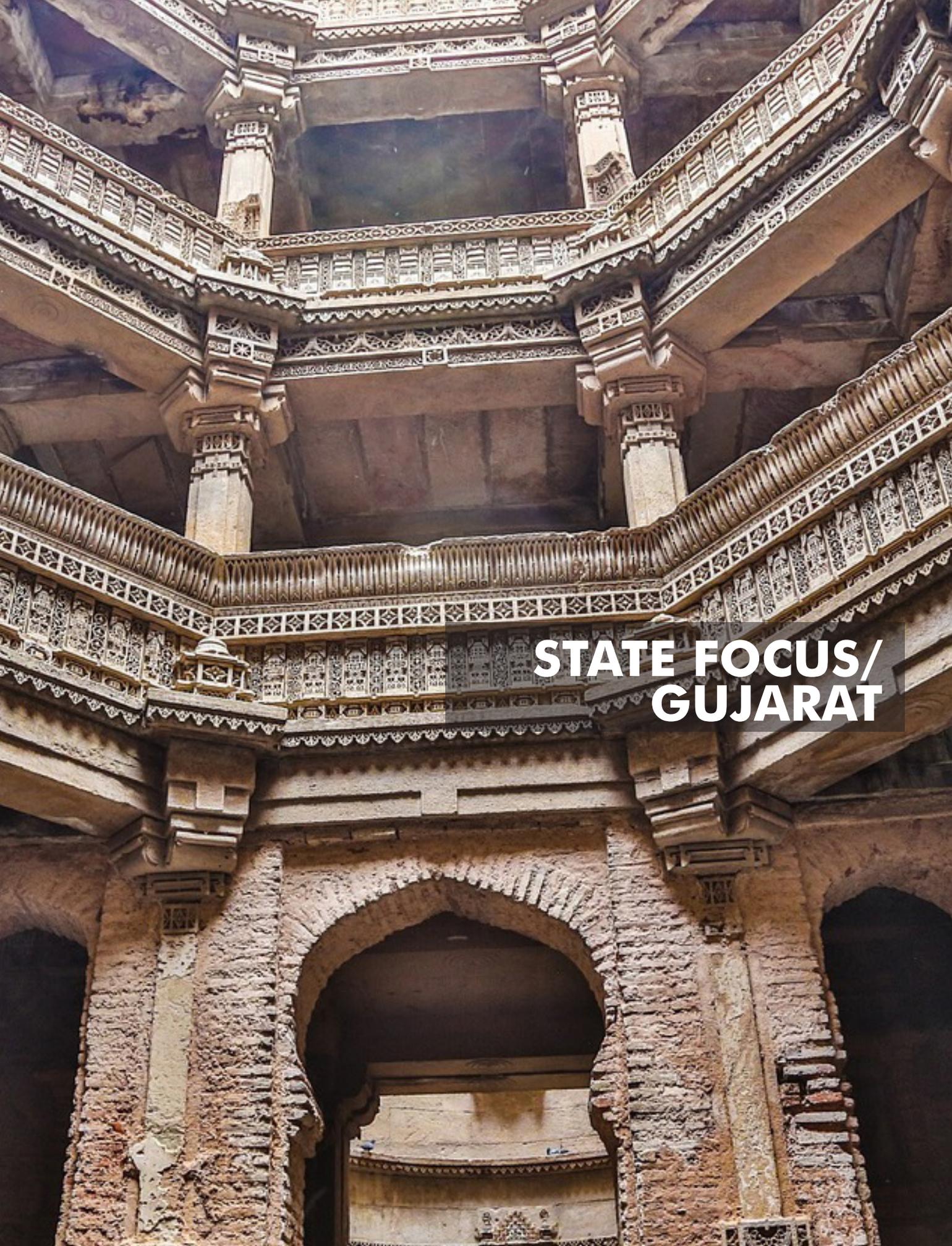
The factory spread across 1,50,000 sq ft, with an annual production capacity of 500,000 units will be operational in November 2017 and the company expects sales from the unit to kick start from April 2018. Panasonic India and South Asia president and CEO said: "This will fill the balance pie that was missing from Panasonic's locally manufactured product portfolio in India."

Panasonic currently imports refrigerators from Thailand, Indonesia and Vietnam into India.

## Toshiba forays into Indian Railways

Japanese conglomerate Toshiba is all set to establish a new production facility of electrical equipment for railway systems in Hyderabad to expand its commitment to India and its ability to supply international markets.

The new unit will manufacture power-conversion systems and train-control systems that provide overall operation management.



**STATE FOCUS/  
GUJARAT**

## GUJARAT CONVERTS ROADBLOCKS INTO OPPORTUNITIES

Against the backdrop of the 2017 Vibrant Gujarat summit, Gujarat chief minister Vijay Rupani takes time out for 'India Investment Journal' to trace the state's journey to be recognised as one of the country's most investor-friendly destinations.

## What is Gujarat doing to maintain its lead in the Ease of Doing Business (EODB) rankings?

Gujarat has always been the frontrunner of creating investor friendly ecosystem. It is enthralling to see that there is a stiff competition among the states and they are also aggressively adopting measures to enhance the business environment.

Gujarat has implemented a large number of critically important reforms in the state which has enhanced transparency and improved efficiency of the government. As per the rankings of 2016, Andhra Pradesh and Telangana have overtaken Gujarat by a slight margin. However, this is a sign of healthy competition between Indian states, and we shall surely bounce back next year. Some of the areas where Gujarat is a clear national leader in EODB rankings are: Availability of Land Information, Environmental Registration, Inspections, and Obtaining Electricity Connection. We have a very Information Technology driven approach to facilitating approvals and disseminating information in these domains.

However, as per a joint study of the National Council for Applied Economic Research (NCAER), supported by the British High Commission in India in February 2016, Gujarat was rated as the top performing state in terms of investment potential. The state was rated top performing in some critical investment decision factors such as Power Availability, Number of Airports, Governance & Political Stability, Infrastructure and Land Availability

The Economic Freedom of the States of India (EFSI), 2013, estimates economic freedom in the 20 biggest Indian states, using a methodology adapted from the Fraser Institute's Economic Freedom of the World (EFW) annual reports.

### Gujarat achieves top rank in Economic Freedom Index of the States of India based on three parameters:

- Size of Government (expenditure, taxes & enterprises)
- Legal structure and security of property rights
- Regulation of Labour & Business

According to latest report by World Bank on Doing Business, one of the pain points in India is the long and complex procedure to start a business. Irrespective of having a streamlined procedure to start a business, the government of Gujarat has started working to further reduce the timeline to start a business through Government Process Re-engineering.

The government of Gujarat believes in continuous improvement and strongly committed towards creating an investor friendly atmosphere through minimum government and maximum governance. Gujarat has always emphasised on smarter regulations that aims to strike a balance between the need to facilitate the activities of the private sector while providing adequate safeguards for the interests of stakeholders and will continue to do so in the coming years. Gujarat is one of the states to set examples for best practices of doing business and determined to adopt global best practices for building a better business environment supported by modern industrial infrastructure.

## This year, the Vibrant Gujarat Summit goes beyond manufacturing and industrial development to encourage knowledge creation and R&D. Please talk us through the thinking behind this.

The first Vibrant Gujarat Summit, which was held in the year 2003, was with the intention of re-establishing Gujarat as a favoured investment destination. From 2003 till 2011, five editions of the Vibrant Gujarat Summit were held with an objective of promoting Gujarat as an investment destination. The theme of Vibrant Gujarat Global Summit 2011 was 'Gujarat: The Global Business Hub'.

These summits played a pivotal role in creating an enabling ecosystem in Gujarat, both in manufacturing and services sectors. The state houses many of the Fortune 500 companies and has a base of over 2 million Micro, Small & Medium Enterprises (MSMEs). This ecosystem combined with excellent port connectivity facilitates forward/backward

linkages, access to domestic and international markets through competitive exports.

The government of India has declared the current decade as the 'Decade of Innovation'. As part of Vibrant Gujarat 2017, Government of Gujarat organized a National Summit on Innovation and Technology (NSIT). The summit was conducted

for two days with sessions on Bio-Technology & Start-ups and IT & Electronics. Students of L J Group of Institutes won National Award for developing a device for differently-abled people (also known as Divyang as named by the Prime Minister of India, Narendra Modi) that helps them in mobility. Another product was that of a sewerage treatment device that disinfects sewerages using UV radiation. Some of the unique/innovative products/start-ups showcased during the summit:

- Brain controlled robotic low cost prosthetic hand
- Real time vehicle diagnosis through a car connected device and mobile app
- Aerobotics7 – Start-up on UAVs, drones and robotics started by 14-year-old Harshwardhan Zala
- Manufacturing and supply of innovation and research driven bio fertilizer products
- Development of novel enzymes for applications such as dinking without recycling of paper, bio fuel, instant pain relief etc.
- Bio degradable sanitary pad made from banana tree fibre
- A dental implant product with novelty in locking mechanism with better bio compatibility
- ZAxis – Gujarat based UAV and drone manufacturer with products catering to needs of defence, fire and disaster management etc.

Gujarat has taken a leap by moving towards a knowledge economy. Ideation, exchange of best practices, networking, research and development and inclusive growth are the key aspects that the government is focusing on. The state government is proactively promoting these since Vibrant Gujarat 2013.

### What are some of the more tangible targets you have set for the year?

The state government programmes are conceived from a long term perspective and with an intention of achieving balanced growth and development that reaches all levels of society.

The state government focuses towards strengthening Gujarat's foothold in sectors like:

- Aerospace and Defence Manufacturing,
- Electronic System Design & Manufacturing,
- Development of Freight Corridors (Railways), Smart Cities and Special Investment Regions
- Coastal Economic Zones
- Increase accessibility and reach to quality healthcare and education facilities
- Supporting sectors enhancing employment generations

Prime Minister. Gujarat has a very strong presence across the entire value chain in chemicals, petrochemicals, textiles, pharmaceuticals, auto & auto components, engineering, plastics.

The state accounts for 23 per cent of India's water front, and 48 large ports in the state account for over 40 per cent of India's cargo movement. The state has created enabling large scale infrastructure such as Dholera Special Investment Region, which has a total area over 900 sq. km and has been declared as a National Investment & Manufacturing Zone. The state also has India's first and only operational Petroleum Chemicals & Petrochemicals Investment Region (PCPIR) at Dahej.

India's first International Financial Services Centre (IFSC) has been approved by the government of India and has been developed at GIFT City. In a short span of just 10 months, six banks have started operations in GIFT IFSC and have already



Chinese Delegation meets Gujarat CM

### What, in your view, are the pull factors for foreign investment into your state?

Gujarat ranks among the top 5 in terms of Foreign Direct Investment (FDI) in India. While the state garnered \$6 billion worth of FDI from year 2000 to 2010, during years 2011 till 2016 Gujarat attracted \$7.2 billion in FDI. Much of this is attributed to the favourable ecosystem in the state, coupled with the policy driven approach that the government has proactively undertaken over the years.

As many as 14 policies (textiles, electronics, IT/ITeS, Aerospace & Defence, to name a few) have been announced and are attracting substantial investment.

### What are some of the sectors that make Gujarat the ideal destination for overseas businesses?

Gujarat is a national leader in 15 of the 25 focus sectors of the prestigious 'Make in India' initiative announced by the Hon.

reported transactions of over \$1 billion. The IFSC is an ideal destination for Banks, Insurance Companies and Capital Market entities such as exchanges, brokerages, clearing corporations, depositories, etc.

The state has a robust outlook in Electronics System & Design, Aerospace & Defence, IT & IT Enabled Services, Biotechnology and Ports & Port led development. Policies in all these sectors has been announced by the state government, and the investor response received so far has been encouraging.

### What do you perceive as roadblocks to the Gujarat growth story?

Gujarat is known to convert roadblocks into opportunities. The state government has done this in the past, and will continue to do so in the times to come.

## India's Foremost Inbound Investment Magazine

'India Investment Journal' (IJ) is the flagship inbound publication of India Inc. The magazine published every other month focuses on the world's engagement and contribution to India's transformation.

### EDITORIAL THEMES

- 📌 Inbound investments into India
- 📌 Strategic Imports
- 📌 World's perception of India and its strategic role in India's growth
- 📌 India attracting investments from global investors & corporate expansion
- 📌 In-depth look at states and union territories of India
- 📌 Policies & key initiatives

### KEY FEATURES



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# VIBRANT GUJARAT SUMMIT TO PITCH FOR INVESTMENTS ACROSS INDIA

by India Inc. staff

The event, launched by Modi in 2003 to showcase his state, has emerged as India's largest investment promotion meet.

Many Indian intellectuals who see things only through the prism of their own ideology call Gujarat the laboratory of a divisive communal agenda, where ideas, policies and processes were honed and perfected and then rolled out across India. This is the view they hold and this is what they disseminate to the world at large.

There is another more widely accepted but less discussed view that sees Gujarat as a laboratory, not of majoritarianism, but of development, where Narendra Modi (as chief minister from 2001 to 2014) seeded ideas and successfully implemented schemes that he later unveiled on a pan-India stage as his flagship Make in India, Start-up India and solar initiatives, among many others.

## Exchanging ideas

Over the years, the summit has emerged as a platform, not only for attracting investments to Gujarat and elsewhere but also to exchange ideas on development models that could work under different circumstances. Many of the elements of the much lauded Gujarat Model of development emerged from discussions at this summit.

And India's new development paradigm, portions of which are being piloted abroad by the World Bank and other international institutions, owes a huge debt of gratitude to the round tables and seminars organised at the previous seven summits.

Prime Minister Modi, who launched this biennial event in 2003, to attract fresh Indian and foreign investments to his state, will use the Vibrant Gujarat platform, the largest investment promotion meet in India, to pitch for investments across India.

## Sustainable development

The summit has also played a lead role in setting the development and policy agenda of the government. Even as his rivals decried Modi politically, many of them borrowed liberally from ideas aired at the summit to industrialise and

develop their own states.

In keeping with Modi's green push and his credo of Sabka Saath Sabka Vikas (development for all), the theme of this year's summit is "Sustainable Economic and Social Development". At the summit, heads of states and governments, ministers, top corporate executives from across the world as well as India, leading policy makers, heads of international institutions and a galaxy of Nobel laureates will discuss how to promote development and cooperation.

And like before, many of the ideas disseminated by global thought leaders in their respective fields will find their way into government policies in the coming months.

## Nobel laureates to share insights

A special attraction at this year's summit is the Nobel Prize Series Exhibition and the Nobel Laureate Dialogue at which as many as nine Nobel laureates will discuss cutting edge ideas and interact with industrialists, policy makers and students. This will be the first time that so many Nobel Prize winners will be coming together for such an exchange of ideas in India.

"The Nobel laureates will interact with students of educational institutes such as IIT Gandhinagar, Gujarat University and MS University on January 11," a senior official said.

This is particularly significant as Gujarat, having topped the industrialisation charts in India, is now planning to transition to the next stage – and emerge as a knowledge and R&D destination for the world's leading companies.

And, as stated above, many of these ideas will seed new businesses and perhaps even new development paradigms not only for India but also for the many countries that will be participating at the summit.

## Transforming India

On the agenda this year, among many others, is a Global CEO Round Table on "Transforming India" where Modi will hold a dialogue with the heads of 35 foreign multinationals and 23

leading Indian industrialists.

Leading global business leaders who have confirmed their participation at the Round Table include Bertrand-Marc Allen, President of Boeing International, John Chambers, Chairman of Cisco and Jean-Bernard Levy, CEO of French electricity giant EDF.

"The roundtable aims to brainstorm on industry's expectations to make India an ideal investment destination," the state's Additional Chief Secretary P.K. Taneja told the media.

### 80 countries to attend

The 2017 edition of the summit will have participants from more than 80 countries. The Prime Ministers of Portugal and Serbia, the Presidents of Kenya and Rwanda, the deputy Prime Ministers of Russia and Poland and senior ministers from Japan and Sweden will be among the delegates to the summit.

This is in addition to the participation of the 12 "partner countries", which includes the US, UK, Canada, Singapore, the Netherlands, Denmark and Australia among others.

### Focus on women, MSMEs, start-ups

In keeping with the Modi government's focus on empowering women, encouraging entrepreneurship among Indians and generating employment for the army of 12-15 million youth who join the Indian work force every year, the 8th Vibrant Gujarat Summit will specially focus on start-ups, women entrepreneurs and medium, small and micro enterprises.

To enable them to rub shoulders with the big boys of the world of business, the organisers have given discounts of 50 per cent to 90 per cent.

### Top ministers to participate

"The Vibrant Gujarat Summit is definitely India's largest and highest profile investment promotion meet and offers investors a unique opportunity of interacting and networking with the country's top political leadership and policy makers," said

Deepak Bagla, CEO of Invest India, the country's recently set up investment promotion agency.

The organisers are expecting 11 Union ministers, mostly holding important economic portfolios to attend the summit.

Besides Finance Minister Arun Jaitley (and Gujarat Chief Minister Vijay Rupani) who will be part of the PM's round table meet with global and Indian CEOs, Defence Minister Manohar Parrikar, Urban Development Minister Venkaiah Naidu, Transport Minister Nitin Gadkari, Commerce and Industry minister Nirmala Sitharaman and Power Minister Piyush Goyal are among the senior Union ministers who will take part in various sessions of the summit.

### Focus on defence units

In the run-up to the summit, Gujarat Chief Minister Vijay Rupani has spoken of his interest in encouraging defence and aerospace companies to set up base in the state and also of his plans to "a coastal economic zone on the lines of China".

In the course of his meetings with leading industrialists from Mumbai, he said, a large group, which already has a license for making arms, expressed interest in building ships and repairing submarines in Gujarat. This is likely to emerge as a key focus sector for the state.

### Reaching for the skies

The organisers have planned a spectacular inaugural show for the delegates as well as the 1.5-2.0 million people who are expected to attend the summit.

For the first time, two teams from the Indian Air Force will conduct special displays for the assembled guests. A 14-man squad from the IAF's Akash Ganga team of sky divers will drop from a Mi-17 helicopter to a park near the event venue.

Later, a Chetak chopper will fly past, dropping rose petals over the venue. And finally, there will be an aerobatic display by a Sukhoi 30 MKI multi-role fighter and a show by four planes of the IAF's Surya Kiran Aerobatic Team.

## Vibrant Gujarat: Value Proposition

- Opportunity to interact with key policy makers, industry leaders, global thought leaders, regulators and renowned academicians from all over the world
- Opportunity to witness coherent deliberations between sector experts and global luminaries in an array of knowledge seminars during the Summit to comprehend evolving global sectoral trends
- Platform for SMEs to connect globally with potential partners to explore opportunities of collaboration and partnership
- Networking forums to foster interaction between stakeholders through B2B and B2G meetings
- An exhibition spread over 1,25,000 sq mts with exclusive demo sessions showcasing the latest trends and technology, products and services across sectors.



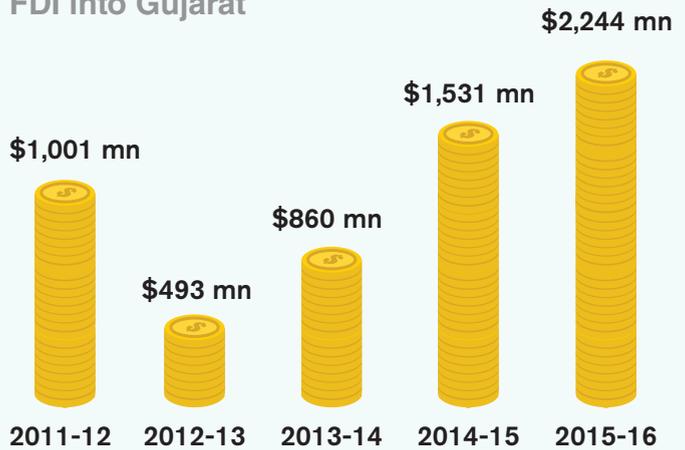
# Gujarat Fact Sheet

India's western-most state has worked hard to position itself as a hub of business and technology. Here is a snapshot of what Gujarat has to offer foreign investors and why it is ranked among India's leading foreign direct investment (FDI) destinations.

## Focus Sectors in Gujarat



## FDI into Gujarat



## Quick facts on Gujarat



**16 Domestic & 1 International**  
Highest no. of operating airports in India



**15 richest Indians are Gujaratis**  
(Forbes 2015)



Gujarat has topped the list of **21 states** with most investment potential (NCAER State Investment Potential Index 2016)



Of the top 10 destination states for FDI in the Asia Pacific region in 2015, Gujarat was the top state attracting **\$12.4 billion in investments**



Gujarat is World's largest producer of **processed diamonds**.



India's largest producer of **pharmaceuticals, chemicals and petrochemicals**



### Surat

has the largest manmade textile centre in India



Home to India's largest **peanut butter** manufacturing state



Gujarat is home to the world's largest scooter manufacturing plant – **Honda Motorcycle and Scooter India (HMSI)** plant at Vithalapur with a capacity of 1.2 million scooters per annum



Gujarat ranks first among the states in India in **marine fish production**



### Amul

is Asia's biggest dairy

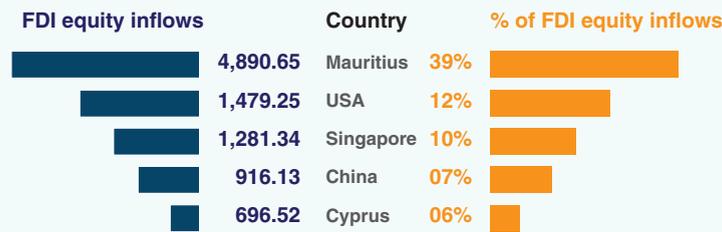


**Mundra Port** is the world's largest fully mechanised coal terminal with a capacity of 60 MMTPA

Source: DIPP & Various

## Top 5 Countries for FDI inflows

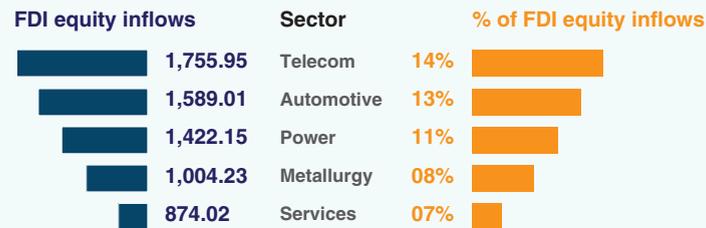
Amount in US\$ mn



Above figures from Jan. 2000 to Dec. 2015

## Top 5 Sectors for FDI inflows

Amount in US\$ mn



Above figures from Jan. 2000 to Dec. 2015

## Six mega Investment Regions



**Dholera**  
Ahmedabad  
Investment Region



**Bharuch**  
Dahej Investment  
Region as PCPIR



**Vadodara**  
Ankleshwar  
Industrial Area



**Surat**  
Hazira Industrial  
Area



**Palanpur**  
Mehsana  
Industrial Area



**Valsad**  
Umernagar  
Industrial Area

## Special Economic Zones

Gujarat has the distinction of being the first state to enact the Special Economic Zone (SEZ) Act 2004.



## Special Investment Regions (SIRs)

- In January 2009, the State Government promulgated a legal framework - The Gujarat Special Investment Regional Ordinance 2009 to create large size Investment Regions and Industrial Areas in Gujarat.
- Complimented with the Government of India strategy of a **Dedicated Freight Corridor (DFC)** between Delhi and Mumbai.
- The area of **150 km** on both sides of the DFC developed as the Industrial Corridor - **38%** falling in Gujarat.
- As part of this **Delhi-Mumbai Industrial Corridor (DMIC)**, six mega industrial nodes (four industrial areas and two investment regions) have been proposed for Gujarat.
- Almost one-third of the proposed investments of about **\$90 billion dollars** in DMIC is expected to take place in Gujarat.

## The state claims to offer investors

- Business-friendly environment
- Investment facilitation
- Inherent entrepreneur skills
- Skilled & educated man power
- Efficient power sector
- Natural resources in abundance
- Connectivity by road, rail, air, sea
- Large consumer base
- SEZ growth engines
- PPP – Public Private Partnership
- Urban Development
- Visionary political leaders

Source: DIPP & Various



## A NEW CHAPTER IN GUJARAT'S VIBRANT GROWTH

by Pankaj Patel

**A leading Indian industrialist traces the Gujarat development story and lays out the many opportunities in specific sectors for foreign investors.**

As we enter the year 2017 and review the global economic outlook, we see a horizon that is quite challenging. Global economic growth is still weak. Strategic and economic relations among major countries are undergoing a change. Global trade architecture is in for a makeover, with priorities being redefined by countries.

As businesses prepare to deal with these bouts of uncertainty, they would obviously be looking for destinations that offer good prospects for growth and where policies are being calibrated to unlock potential of the domestic economy as well as reap benefits of aligning with regional value chains. India is one such country, perhaps one of the very few in the world, that fits into this category.

Guided by the strong reformist credentials of our Hon'ble Prime Minister Shri Narendra Modi, we are today amongst the fastest growing major economies in the world and have emerged as a key destination for foreign investors. Growing at a rate of over 7 per cent and certain of maintaining this momentum despite the temporary disruption caused by demonetisation, the Indian economy offers a plethora of opportunities to investors. And the confidence level of investors has only been improving with each major policy move of the government, be it the passage of the GST Bill, the Bankruptcy and Insolvency Code, reforms in the power sector or those related to labour legislations. Add to these

the procedural reforms underway to improve the business environment and we understand why CEOs of top global corporations have made India an integral part of their global itinerary.

While a lot of action is happening at the Centre, one must not forget that the real building blocks of India's growth are the states. As we move around the country we see a very healthy competition developing among states to reform their regulatory policies, processes and practices so that each can pitch itself to prospective investors and make them anchor in their respective regions.

As we evaluate states on the basis of the efforts being made to fast track growth, initiate development projects and spur industrial growth for employment generation, we find Gujarat – which also happens to be my home state – to be amongst the front-runners. With a contribution of nearly 7.14 per cent to India's GDP, 19 per cent to industrial output and about 20 per cent to exports, Gujarat is one of the most progressive and industrialised states in the country and a shining example of what can be achieved when you marry favourable economic policies with the entrepreneurial spirit of the people and provide an enabling business environment with requisite infrastructure.

Today, Gujarat and industrial development are coterminous and the state has emerged as one of the leaders in India for

chemicals and petrochemicals, textiles, pharmaceuticals, gems and jewellery, agro based industries and engineering industries. Let me elaborate on each of these a bit.

### **Chemicals & Petrochemicals**

This industry is expected to reach \$250 billion by 2020 with specialty chemicals accounting for \$70 billion and petrochemicals about \$100 billion. It is estimated that we would need investments worth \$600 billion by 2030 across the hydrocarbon chain. Gujarat already accounts for a third of India's chemicals production and over two thirds of its petrochemicals production.

The state has a very well established downstream network of processing units for polymers, rubber chemicals and plastics. The state government provides a very strong support for R&D in this area and with its dedicated Petroleum, Chemical & Petrochemical Investment Region (PCPIR), we have on offer a natural hub for development.

### **Textiles**

This industry is expected to reach \$200 billion by 2020 in India. Rising disposable incomes, growth of online platforms and marketplaces as well as demand for non-clothing varieties called technical textiles will be the drivers of this growth. Gujarat being the largest producer of raw cotton and man-made fiber in the country is well poised to capitalise on this growth opportunity. Through its incentive policy for textiles, the state has attracted investments of nearly US\$ 2.5 billion in the last three years and has a special focus on promoting manufacturing of technical textiles. Investors must look at this area and plan their engagement well.

### **Pharmaceuticals**

I can say from my personal experience that Gujarat is the place in India for catering to global markets. The pharma industry will be \$55 billion by 2020 and our exports are likely to touch \$40 billion by the same year. With a contribution of nearly 40 per cent to India's total pharmaceuticals production, 28 per cent to its exports and nearly half of the total medical devices manufactured in India, Gujarat is the undisputed leader in this area in the country. The pharma clusters in Ahmedabad, Vadodara, Bharuch and Vapi are growth centers and investors must visit these areas to see for themselves the opportunities on offer.

### **Gems & Jewellery**

Gujarat also leads the way in the gems and jewellery sector, contributing to over 70 per cent of the total exports from India. With diamond processing and trading units spread across centres like Surat, Ahmedabad, Palanpur, Bhavnagar, Valsad and Navsari, Gujarat is also India's diamond hub, accounting for almost 80 per cent of diamonds processed and 95 per cent of diamonds exports. Traditional expertise, highly skilled workforce and cost-competitiveness, make Gujarat an attractive destination for investment in the gems and jewellery sector.

### **Agro Processing**

The trends that emerge when you have a young population and a swelling work force are well known. The market for packaged and ready to eat foods is growing at a fast clip in India. Gujarat

with its 8 agro-climatic zones, dedicated agri export zones and one of the highest cold chain storage capacity in the country offers the right mix for growth of this industry. With 100 per cent FDI permitted in this sector through the automatic route, investors must fully leverage Gujarat's enabling ecosystem for agro and food processing industry.

### **Engineering**

Gujarat's engineering sector has a wide base with industries spread all over Gujarat - Castings & Forgings at Ahmedabad, Rajkot; Vadodara being the hub for Castings and Forgings; Jamnagar as the centre for Brass Parts; Diesel Engine and Parts centred at Rajkot; Textile Machinery Parts located at Surat and Surendranagar; Ahmedabad, Rajkot being a hub for automobile components to support the fast expanding automobile sector; Machine Tools at Rajkot; Air & Gas Compressors and Industrial valves at Ahmedabad; among many others.

Heavy engineering is another strength area for Gujarat. Through the establishment of 30 engineering product clusters that provide ready infrastructure for new engineering units as well as for expansion of existing ones, the state has shown its preparedness to bridge the country's export – import gap in heavy engineering. This skill intensive and labour intensive sector presents a huge potential for new investments with a plethora of opportunities for foreign collaboration.

There are opportunities aplenty in the state even beyond manufacturing.

With its huge coastline and ports being strategically located, the state also offers excellent avenues, especially in handling of cargo, setting up of maritime clusters and development of port cities. Further, with plans afoot for development of Ahmedabad, Surat, Vadodara, Rajkot, Dahod and Gandhinagar as smart cities, there is plenty in store in the area of urban infrastructure and other related services.

While talking of infrastructure, one must also mention the landmark Delhi Mumbai Industrial Corridor, a good part of which passes through Gujarat. This itself will give rise to investment opportunities in setting up logistics hubs, metro rail, hospitals, schools, road and rail connectivity projects.

In financial services, the state has taken the lead in establishing India's first operational International Financial Services Centre (IFSC), called Gujarat International Finance Tec-City (GIFT). GIFT offers firms a world-class infrastructure, where they can easily undertake offshore transactions in the field of banking, insurance & capital markets.

One can go on and write more in terms of what Gujarat offers to investors. Being from the state and given my own experience, I can relate and share my own experience of being a very satisfied investor. I urge global businesses to look at the new India that is in the making and how states like Gujarat are contributing to this positive change of growth, development, progress and prosperity.

*Pankaj R. Patel is president of the Federation of Indian Chambers of Commerce and Industry (FICCI) and Chairman & Managing Director, Zydus Cadila – Cadila Healthcare Ltd*

# INDIA'S FIRST FINANCIAL SERVICES HUB GETS GOING

GIFT City in the state of Gujarat, located near Ahmedabad airport, has been classified as the country's model Smart City.



Ajay Pandey, Managing Director & Group CEO during a visit to London to explore why it offers the ideal blueprint for India's Smart City drive.

**G**IFT City in the state of Gujarat, located near Ahmedabad airport, has been classified as the country's model Smart City. 'India Investment Journal' caught up with its Managing Director & Group CEO, Ajay Pandey, during a visit to London to explore why it offers the ideal blueprint for India's Smart City drive.

## What makes GIFT City a model Smart City for India?

GIFT is an acronym for Gujarat International Finance Tec-City. GIFT City is one of the model smart cities in India because when the entire initiative of smart cities started off and when in June 2015 the criteria was listed, we were the only name listed as a 'model smart city'. This goes to show that we are in a way leading the pack of this journey.

This was conceptualised when the Prime Minister, Narendra Modi, was the chief minister of Gujarat. It is India's first international financial services centre (IFSC), on the lines of London, Dubai, Singapore. So it has a Special Economic Zone (SEZ), taxation benefits for the banking sector, insurance sector, capital market players, broker community, among others.

It is the only geography in the country where such benefits are available.

The City itself is about 886 acres of land, out of which there is a component of about 260 acres which is a one-of-its-kind SEZ. The City was notified as India's first IFSC in April 2015. In the last one year, we worked very closely with the government of India in Delhi and for some budget announcements which have proved conducive enough for these players to come in.

## What state of readiness is this City in?

The way it stands today, we have quite a few players in the banking sector already operational and close to \$700 million worth of transactions have already been done.

A lot of international players have begun to show their interest in coming to GIFT City. The Bombay Stock Exchange (BSE) has announced that India's first international securities and commodities exchange would open up at GIFT in the month of January, corresponding to Vibrant Gujarat 2017.

Both the BSE and National Stock Exchange (NSE) are in advanced stages to open India's first international exchange.

In the UK, we have held meetings with the London Stock Exchange Group (LSEG), which has a partnership with NSE. They were keen to understand the progress made. We have also had meetings in London Metal Exchange and the Lloyds Insurance marketplace.

It is very special to India as a country because it is the first time something like this is happening in India. Such transactions were taking place in Singapore, Dubai and London. This is an attempt to bring back some of the jobs, businesses and other stories back to India.

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## What are some of the plans to populate this City?

We are organising an International Financial Services seminar during Vibrant Gujarat, supported by the Department of Economic Affairs in the Ministry of Finance.

GIFT city showcases some of the world's most unique infrastructure.

- A few things to flag up include:
- Smart street lighting
- The first city where water from the tap is drinking water
- Dual source of power supply
- Automated waste disposal system
- India's first district cooling system, which is 30 per cent more cost efficient
- A certain portion of the City's power that is getting covered through the solar infrastructure.
- Zero discharge of water in the city, to ensure we don't waste any water – it is used either for air conditioning, cooling purposes or irrigation

purposes.

- Many elements of green standards have been followed

So the hardware is in place alongside some of the softer elements like competitive tax regime, international arbitration centre and ease of doing business.

Therefore, the City is smart not only in terms of the infrastructure but also as India's first financial services centre.

### **What are some of the businesses already based at GIFT City?**

We have 3,500 already working there. There are 10 banks already operational, all leading Indian banks including ICICI, State Bank of India, among others.

Two of India's large insurance companies – New India Insurance and GIC – are already operational and Tata Communications outfit has a presence there.

Oracle has declared GIFT City as their fourth software development centre in India.

The City is being developed on a walk to work concept with residential buildings and an operational school with 500 kids enrolled.

So the City is already up and running and ready to accept more businesses. This year will mark the beginning of a great ecosystem.

The location is also ideal, just 15-20 mins from Ahmedabad airport, which is well connected to Delhi and Mumbai; and direct flights to major international destinations. India's first bullet train is planned between Mumbai and Ahmedabad.

### **How interested have other countries been in this initiative?**

They are all very interested in India and for the first time now they have a defined geography that also has regulations which are conducive for them to do business. Everyone wants to be part of India's growth story but what GIFT has done is to enable the whole interest to a different level all together.

Our story is no longer a power point or a planning story. It

is an already operational story, which will serve as a model for other smart cities of the country.

### **What are some of the crucial aspects involved in creating a Smart City?**

It has to be planned well in advance. Unfortunately, in India businesses come first and the infrastructure follows which means you are always in a catch-up situation. But our learning is that if you have great infrastructure, it gives a lot of confidence and brings in fair amount of discipline right from the word go.

Through a special clause of the Indian Constitution, we have been given an extraordinary power in terms of single window treatment. So our other major learning is the importance of sorting out the governance mechanism of running a Smart City.

Finally, every Smart City is not only about roads, lights and infrastructure. It is also about the character of the city. It should have some kind of an identity, which in our case happens to be as India's first financial services centre. Once there is a focus on identity, then you can create an ecosystem that supports that story.

There are some great plans for Smart Cities across India and the execution steps have started. I think it is early days but it is pretty much on track.

The real competition among the various states will become clearer as we move along.

### **How is Vibrant Gujarat 2017 likely to help?**

GIFT is an important project done on a public-private-partnership (PPP) basis – 50 per cent of the shareholding is with the government of Gujarat and 50 per cent is a company called ILFS. Therefore, it is an important project from the government of Gujarat perspective.

GIFT is organising one of the financial services seminars and we will have a host of visitors for Vibrant Gujarat visiting GIFT City as well.



# The Growth of India's Financial Services / ITeS Sector

	No. of Jobs (Thousands)	Value add to GDP (US \$ Billion)	Market Capitalisation (US \$ Billion)	
<b>Core Financial Services</b>	2,750-2,900	30-35	175-190	<b>2007</b>
	7,400-7,600	240-250	1,150-1,250	<b>2020</b>
<b>Capital Markets &amp; Trading</b>	4-5	0-1	6-7	*Value add defined as PAT+Operating Expenses **Includes Institutional equities, Investment Banking, private equity and hedge funds, does not include retail brokerage which has a potential of 1 million jobs by 2020.
	19-20	8-10	65-75	
<b>IT for Financial Services</b>	500-600	14-18	80-90	
	2,000-2,200	100-120	300-375	
<b>ITeS/BPO for Financial Services</b>	175-225	3-4	11-16	
	750-850	25-35	100-150	
<b>Total</b>	3,500-3,700	50-75	275-325	
	10,000-11,000	375-425	1,600-1,800	

Source: McKinsey & Company



“ Oracle is among one of the first organisations to invest in the GIFT city. We set up our 10th development centre here in 2015 as part of our strategy to build our product development team and further accelerate our work in developing cutting-edge cloud solutions.

I am delighted with the work our team here is doing – they are playing an important role in helping our customers transition to the cloud. GIFT city has been able to provide us with easy access to world class infrastructure and facilities. This unit is one of our finest facilities in India. ”

*S. Shenoy, Group Vice-President, Development, Oracle India*

## Information & Communication Technology



## GIFT CITY: Business Structure

**Multi Service SEZ**

**Domestic Finance Centre/  
Corporate Office/Trade Centre**

**Associated Infrastructure,  
Housing & Social Facilities**

# VIBRANT VOICES



**Lord Meghnad Desai**  
UK-based economist  
and parliamentarian

“

Gujarat is a unique region of India. It has been an open trading economy for its entire history. Its people have been known for their enterprise and affability. The Gujaratis have been travelling, trading and making their homes abroad throughout its history. Today, they are making their contribution to the social and economic life of countries and continents across the world. Their presence in UK spans across commerce, the arts and academia and politics.

For most of its history Gujarat has been a prosperous region. It has developed in the modern period as a hub of commerce and industry. It has good educational institutions and infrastructure. Over the years, I have seen Gujarat setting an enviable pace of modernisation and development. It is a warm and welcoming community for anyone who wants to do business. Indeed Gujarat and Gujaratis are known for their business orientation. Come and trade with Gujarat and profit. That is what Gujaratis love to do themselves.



**Lord Dolar Popat**  
UK-based businessman  
and parliamentarian

Since the turn of the millennium, British investors have been drawn to Gujarat over other Indian states. The reason for this is simple; Gujarat is one of, if not the, easiest places to do business in India.

Putting aside the entrepreneurial instincts of the Gujarati population, although it has certainly helped, and the prominent Gujarati Diaspora in the UK – of which I am a proud member – Gujarat has been aided by strong political leadership. Narendra Modi's time as chief minister was seen by outsiders as a focused attempt to bring in foreign investors.

Planning laws and land purchasing was made simpler. Corruption was considered to be minimal. Problems that affect other states, like regular power outages and poor infrastructure, were tackled and often eliminated. Gujarat became blessed with a dual sense of stability and being business-friendly.

Narendra Modi went from chief minister to Prime Minister in large part because of his economic achievements in Gujarat, and it is the state that all others should be emulating. Gujarat is wealthier, has more jobs and stronger expertise than ever before because it is outward-facing and appreciates the importance of being business friendly.

# SMALL IS BEAUTIFUL IN GUJARAT

by India Inc. staff

Gujarat has forever been the land of brave entrepreneurs and industry friendly policies have led to the proliferation of many successful micro, small and medium enterprises (MSMEs).

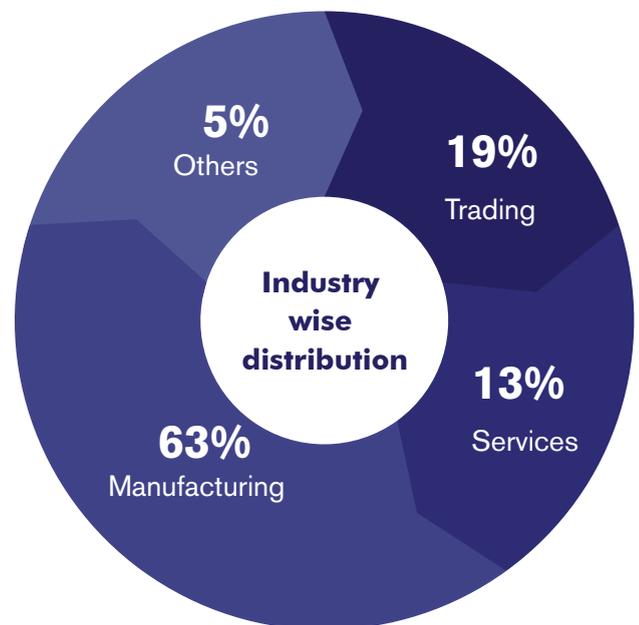
Fifty-two-year-old Kishore Patel of Ankleshwar based printing and packaging firm Techno Packaging credits his success to the business friendly and technology savvy nature of his state Gujarat. Patel started out from a small godown (warehouse) in 1998 supplying cartons and labeling equipment to local industries in the vicinity. His familiarity with computers and an inherent urge to expand the business matched other similar entrepreneurs around and he quickly graduated to more sophisticated offset colour printing, scanning and visualisers. As businesses grew big feeding on the state's industry friendly policies, so did Patel.

"If I had been in any other state, perhaps I would not have been this successful or worse may not have succeeded at all," he says. "People in Gujarat are very progressive and do not shy away from embracing change. It helps governance as well. We are early adapters of technology and for a company like ours that is very essential."

Another Surat based businessman Vipul R. Bhatt, who runs an international courier and cargo business – New Creation International – concurs with Patel. As traders from the state expanded their horizons and spread out in the world, Bhatt realised the potential for a trusted merchandise delivery business and quickly got into it. Easy access to finance, his networking skills and knowing the importance of every penny helped him in his cause.

"Our community understands business. You cannot fool us in accounting," Bhatt says. "When you do business with people with the same mindset it becomes easier. You know you cannot fleece the customer but also are confident you will not be fleeced in the bargain. The government realises that too so they talk our language."

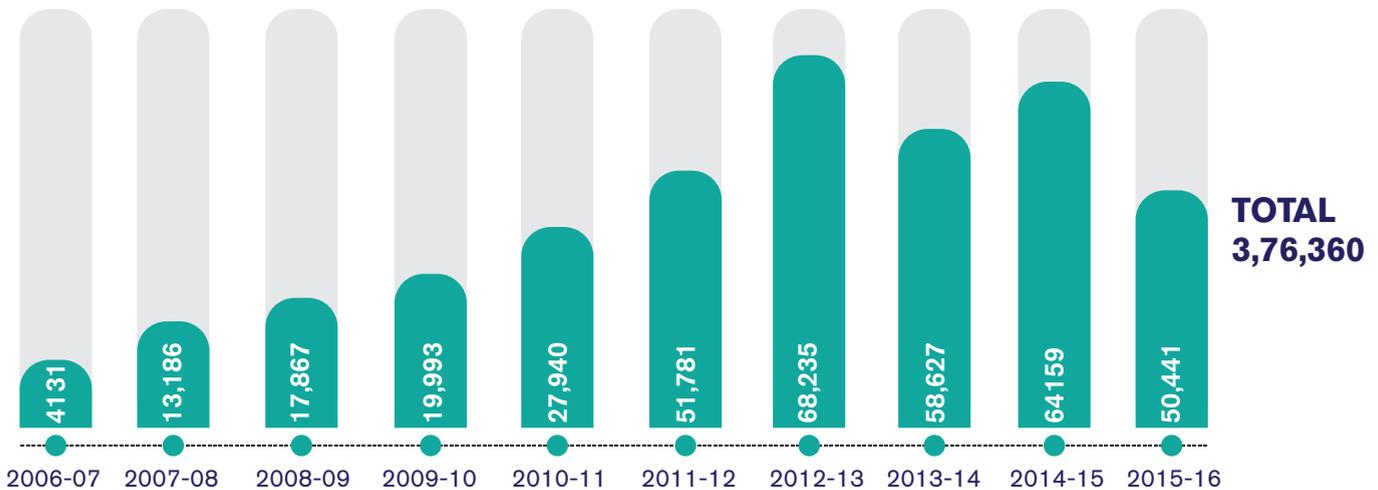
## Industry-wise distribution of MSMEs in Gujarat



Source : Industries Commissionerate, Government of Gujarat

Bhatt and Patel are part of a burgeoning tribe of small and micro businesses in Gujarat that have thrived in the state for well over a decade. Between 2005-06 and 2015-16, the number of micro, small and medium enterprises (SMEs)

## Year wise registered MSMEs in Gujarat



Source : Industries Commissionerate, Government of Gujarat

*Gujarat has always scored high on this count. In 2014-15, a total of 64,160 “Entrepreneur Memorandum” (EMs) — a key barometer in the sector — were filed in Gujarat. It ranked second behind only Tamil Nadu and accounted for 15 per cent of overall EMs filed across the country. Like the number of MSME units, filing of EMs has also shown an uptrend in the state from 13,185 in 2007-08 to over 36,000 in the first half of 2015-16 alone.*

classified as units with investment in plant and machinery up to Rs 25 lakh (\$37,000), between Rs 25 lakh and Rs 5 crore and between Rs 5 and 10 crore (\$0.75 and 1.5 million) respectively, has shot up more than 90 times from 4,131 units to 376,348 units.

In isolation, these units do not matter much to a state's overall economy but in cumulative terms, the MSME sector depicts the real health of any economy. Nationally there were 4.89 crore MSME units employing 11.14 crore people in 2013-14 contributing 8 per cent to the country's GDP, 45 per cent of its manufacturing output, 40 per cent of exports and is the second-largest employment generator after agriculture.

Gujarat has always scored high on this count. In 2014-15, a total of 64,160 “Entrepreneur Memorandum” (EMs) — a key barometer in the sector — were filed in Gujarat. It ranked second behind only Tamil Nadu and accounted for 15 per cent of overall EMs filed across the country. Like the number of MSME units, filing of EMs has also shown an uptrend in the state from 13,185 in 2007-08 to over 36,000 in the first half of 2015-16 alone.

The units are also well spread out in the state, sectorally as well as geographically. There are 106 activity clusters in the state — 23 for chemicals, 21 engineering, 18 textile clusters and 16 mineral based among others. As Bhatt and Patel testify, the encouragement by the state government in tangible terms has been a big reason behind this proliferation. The state provides capital investment subsidy of 10 per cent for loan amounts up to Rs 15 lakh (\$22,000) in municipal areas and 15 per cent for loan amounts up to Rs 25 lakh (\$37,000) in non-municipal areas. At the same time interest subsidy of 5 per cent with maximum amount of Rs 25 lakh per annum for five years in municipal areas and 7 per cent with maximum

amount of Rs 30 lakh (\$44,000) per annum for five years in non-municipal areas is also provided.

Similar assistance for venture capital or fund raising, quality certifications, technology upgradation or patent registration is also given. Further, for small businesses financial help by way of 50 per cent of rent paid up to Rs 50,000 (\$750) per annum in municipal areas and Rs 25,000 (\$375) per annum in non-municipal areas has been provided. The overall quantum of assistance is widely regarded the best by any state in the country.

It does not come as a surprise then to find success stories like Savji Dholakia, a school dropout who started out his diamond polishing business with a mere Rs 3,900 (\$60) in his pocket or Chandu Virani who started out selling snacks outside a cinema hall and today owns a potato chips manufacturing firm.

Dholakia's Hari Krishna Exports today has presence in 75 countries and employs 9,000 people while Virani's Balaji Wafers is a Rs 4,000 crore (\$595mn) brand and an annual turnover of Rs 1,200 crore (\$180mn). Dholakia often grabs headlines for his generous Diwali gifts to his employees. This year he handed out 1,260 cars — Datsun Redi GO and Maruti Alto — to his workforce.

“Gujarat is without doubt one of the best states for investments,” says state chief secretary J.N. Singh. “When the industry looks for investment there are only four or five states. When it comes to where you will get the overall infrastructure, raw materials, we feel we are strong.”

As the lowest common denominator in the business cycle, the small enterprises and businessmen in the state are clearly a happy lot.

# VIBRANT GUJARAT: PAST, PRESENT AND FUTURE

by Subhash Thakrar

January 2017 marks the 8th edition of the Vibrant Gujarat summit in Gandhinagar, Gujarat. The event, held every two years since 2003, has become a hub of business activity for a state recognised worldwide for its investor-friendly ecosystem. A UK-based entrepreneur who led Britain's first-ever delegation to the summit gives 'India Investment Journal' his insights.

The inaugural Vibrant Gujarat summit took place back in 2003 when I, as then chairman of the London Chamber of Commerce, led a trade mission to participate at the summit at the invitation of then chief minister Narendrabhai Modi and the Gujarat government.

The 2003 summit was the beginning of the unveiling of the vision of CM Modi to put Gujarat on the world map. He put personal effort and interest in the project. I recall him visiting the UK, when he was my guest at the dinner hosted by the London Chamber.

I particularly remember that Mr Modi came equipped with all the right information to promote Gujarat. His message was that UK investors were welcome with a red carpet to come and invest and do business in Gujarat. The Gujarat government was ready to guide, assist and also solve any challenges. He had even prepared a brochure giving a list of selected projects with investment values and brief professional evaluation of each project that could be suitable for UK investors. I still refer to this state of preparedness when I meet leaders of African countries who have the same dilemma of attracting international investments to their countries. It is an example of going that 'extra mile' to make it happen!

I attended subsequent five summits and each time the attendance and grandeur of Vibrant Gujarat increased by leaps and bounds. I am sure the 2017 event will be even bigger. The focus of the summit is 'Sustainable Economic and Social Development' and it will be at the specially built conference centre, Mahatma Mandir in Gandhinagar.

I have seen and experienced that this is an event well attended by Gujarat government chief minister and ministers as well as leaders from several countries. There is always an array of top Indian businessmen who attend and participate.

Gujarat is the fastest growing economy in India and has a number of economic strengths. It has one of the longest coastlines, with deepest sea ports. The road network and conditions are the best in India. The Gujarat government is pro-business. There are many established industries ranging from pharmaceuticals, engineering, food processing as well as



agro business.

I have actually done business in Gujarat for several years. We operated and managed the Ahmedabad to Meyshana toll road. We have always found the Gujarat government very receptive.

I believe any international business who is looking to invest or do business in India should definitely take a closer look at Gujarat as the ease of doing business in Gujarat is the best one can expect in India.

For the future, many things have now changed and the world is going to become even more competitive, challenging but yet new opportunities will arise. With India very definitely taking the status as one of the fastest, if not the fastest growing economies in the world, it is imperative for UK companies not to miss out the opportunities that can be available.

Generally, India has seen only very large investments from the UK. There has not been much interest or investment from

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Thakrar with Narendra Modi, then CM of Gujarat

*Any international business who is looking to invest or do business in India should definitely take a closer look at Gujarat ease of doing business in Gujarat is the best one can expect in India.*

the SME sector. Whilst the Non Resident Indians (NRIs) know and do business in Gujarat and India, I feel the sector that has not been exposed to Gujarat are the non-Indian UK SMEs. Both Indian and UK governments need to address this omission. This is bound to increase business.

When we take the London Chamber trade missions to other countries we find that UK SMEs do not participate as much as they should. New methods have to be found to encourage them to look at the Gujarat and the Indian market. India is no longer the same market as it was 20 years ago. Those who travel to India nowadays will see that it is a huge market to explore and do business with. Today's India is leapfrogging in a number of areas. It has jumped from land-line telephony to mobile phone usage in a massive way.

With demonetisation, the electronic banking and transactions will further transform the way transactions take place. When I first started doing business in India back in 1995, there were estimated to be just 5 million credit cards in issue. Today, the number must be in excess of 300 million. What was considered as the Indian middle class in the mid-90s by no means was comparable to the middle class

in the West. The estimate was around 250 to 300 million people who were the Indian middle class. Whilst this was a sizeable market, over the last 20 years, their wealth and disposable income has grown substantially. The 'new' Indian middle class is now the same as the Western middle class capable of owning a house, car and also enjoying all modern leisure pursuits including international holidays, frequenting international restaurants etc. The real middle class has emerged.

There has also been huge wealth creation, producing many more millionaires. This is a market worth addressing as it is hungry for consuming the products and services from the West.

Vibrant Gujarat is the gateway to get started.

*Subhash V. Thakrar is a professional chartered accountant with over 35 years of experience and an international businessman.*

# THE NEXT GEN AT WORK IN GUJARAT

As Gujarat races ahead in its growth story, there is a strong crop of young professionals and entrepreneurs propelling this journey. 'India Investment Journal' profiles a few of these next generation high-achievers.



## Munjal M. Jaykrishna

Munjal is Joint Managing Director, AksharChem (India) Ltd, a manufacturer of Dye Intermediates (Vinyl Sulphone) and Pigments (CPC Green). Apart from being the largest exporter of Vinyl Sulphone in India with over 45 per cent share in exports, AksharChem also claims dominance in the export of CPC Green.

Under his stewardship, the company counts itself among the largest players in the field, with a global market share of 10 per cent.

"Our products have varying end user applications in Textile, Paint, Ink, Plastic, Rubber and Leather industry," he explains.

The firm's manufacturing facility is strategically located in the chemical belt of Gujarat, at Mehsana.

### Why Gujarat?

"Apart from being located along the coastline, I feel, Gujarat has had a stable government for a while now with sound policies. Recent reforms in online tax payments, construction, permits, electricity connections and environmental clearances in a specified time is bound to immensely benefit the local businesses for a long time.

"As per the World Bank 'Ease of Doing Business' list, Gujarat has consistently featured in the top three states, proving our point.

### Goals for 2017

"We are looking to expand our product portfolio to strengthen our position in the dye intermediate and pigment space.

"Our growth plans currently include increasing our product basket and catering to leading global colourant customers. As a key to running a successful business, we are always open to various ideas, provided the right opportunity comes along."

### Motivations & Career Highs

"Seeing the dedication and commitment that my mother has shown towards the business over close to three decades keeps me motivated to take the business to newer heights and make AksharChem (India) Ltd a brand to reckon with. As the Joint Managing Director, I am responsible for the AksharChem family of more than 250 people who have been a great support during the growth of the company.

"I have also been very influenced by my grandfather, Shri Jaykrishna Harivallabhdas, his morals and life lessons have helped me grow both as a person and a business man.

"Since inception AksharChem (India) has grown manifold, both in terms of topline and bottomline. In the history of the company, we haven't faced a single instance of goods being returned or any bad debts.

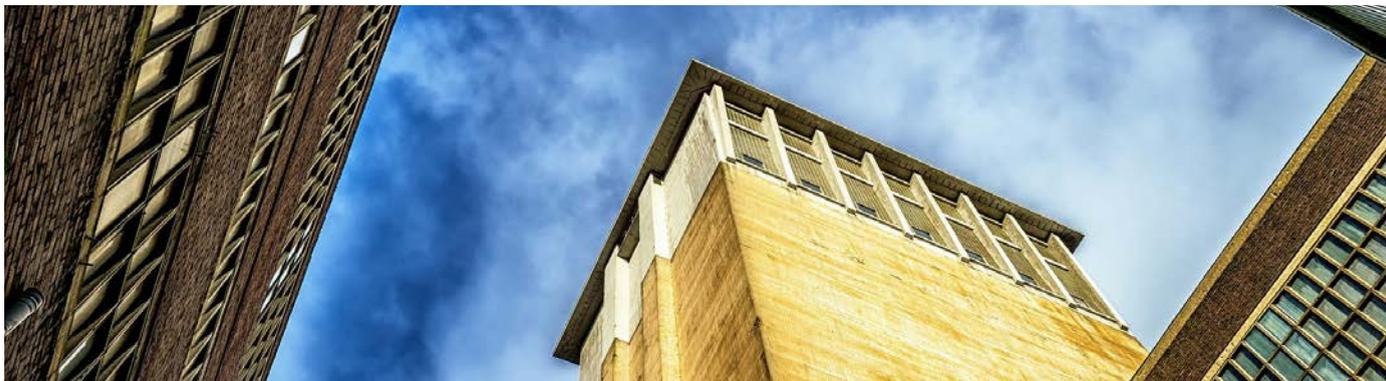
"Till date, we have been conferred with four awards from the Federation of Indian Export Organisations (FIEO) and the Gujarat Dyestuffs Manufacturers' Association (GDMA).

### Away from the boardroom...

"I enjoy a leisurely swim every morning. When time permits, I also enjoy skiing, scuba diving and adventure sports. These hobbies help me focus better and achieve my goals at work."



*Even for our future expansions, AksharChem will look at Gujarat as a destination as it has the right combination of policies, people, raw materials, ports and customers. //*



## Vishal Mehta



Vishal is Managing Director, Infibeam Incorporation Ltd, a company making waves in the global e-commerce landscape. It provides all necessary platform tools to generate higher sales in the e-commerce space.

The company has leveraged its technology assets to develop cloud-based advanced and scalable platform BuildaBazaar ([www.buildabazaar.ooo](http://www.buildabazaar.ooo)), which enables complex, modular and customisable digital solutions including online storefront, mobile applications, digital catalogue, content management, social media integrations, payment gateway and fulfilment services.

“As part of strategic initiatives, the company has launched .ooo top level domain registry. It results in acquiring merchants as well as helps the company bring them on to the BuildaBazaar platform. The domain registry business places Infibeam in an extremely strong position, wherein it would have the ability to earn revenues in future,” he explains.

### Why Gujarat?

It offers dependable connectivity and utilities and plentiful human resources in management and IT skills.

“Some of the premium institutes in the world, like the Indian Institute of Management, Indian Institute of Technology, National Institute of Design and Mudra Institute of Communication (MICA), allow us to employ the best talent and team members.”

### Goals for 2017

“Going forward in 2017, the company will continue to focus on merchant acquisition across the e-commerce eco-system comprising of the BuildaBazaar platform and Infibeam.com retail platform by leveraging established customer base and experience, offering digital solutions to established brand and enterprise customers both in India and globally.

“The company has a strong focus on international expansion by way of entering into strategic partnership arrangements.”

### Motivations & Career Highs

“Solving hard problems at scale that empowers the business ecosystem and commitment to do my best consistently and at all times.

“Promoting the goal of gender equality by offering training development and implementation of an e-commerce platform to SEWA women, which helped generate economic empowerment and create equal opportunities for urban, semi-urban and rural women.

“Mentoring and training young entrepreneurs to enable them to becoming self-sufficient and creating job opportunities and engagement in mainstream business processes.

“Infibeam, the first Indian e-commerce company to go IPO and get listed on stock exchanges, was judged the E-commerce Platform Service Provider of the Year 2016 by Frost & Sullivan.”

### Away from the boardroom...

“I love spending time with my kids and family and reading books of my interest.”



*Gujarat provides the most business-friendly infrastructure and very favourable business policies.*



## Chirag Parekh

Chirag is Chairman and Managing Director of the Acrysil Group of companies and Founder of the Polo League.

The Acrysil Group is the fourth-largest composite quartz and granite kitchen sinks company in the world. Besides Carysil Quartz Sinks, the group has diversified into stainless steel sinks, faucets, food waste disposer and kitchen appliances like hobs & cook tops, ovens, wine chillers and dishwashers. It also launched a range of sanitary bathware products under the brand name Sterhagen.

Apart from having a successful career as a businessman, Chirag is also credited with promoting the sport of polo. Traditionally considered a sport for royalty, he has made significant strides over the years in taking polo to the masses.

### Why Gujarat?

"A positive government, ease of business, no labour problems and available infrastructure for running an industry are the key reasons which make Gujarat a special place to do business.

### Goals for 2017

"To become the world's best manufacturer of Carysil quartz kitchen sink and Sternhagen bathroom premium series. And, to bring Zone polo format on to the world map.

"We are seeking foreign collaborations/ foreign investments in the field of kitchens and bath segments to increase our global presence by optimising marketing networks. We aim to strengthen our manufacturing capability locally and market our products globally."

### Motivations & Career Highs

"Excitement and passion towards any creativity that has not been unearthed by anyone and is exclusive. Though the game of polo is very exciting and challenging, it is limited to the rich and watched by a few. This motivates me to make this game popular with the common man by making it more live and fun filled.

"On a personal front, I won the Army Commando Cup, Chikara Polo Cup, H.H. of Jodhpur Polo Cup, Kota Cup, Jaipur Polo Cup, ARC Polo Cup and many other prestigious polo awards.

"On the business front, there have been many esteemed awards for Acrysil Group companies."

### Away from the boardroom...

"I am passionate about Polo as it is a game of taking calculative risks. This has taught me to channel all my extra energy into business. Polo has turned me into fitness freak. Music keeps me relaxed and rejuvenated.

//  
*Also, being a Gujarati first, it's a matter of pride to see industrial growth in the state.* //



## Dr Sharvil Patel

Deputy Managing Director, Cadila Healthcare Limited

Dr Sharvil Patel is the son of Pankaj Patel, CEO of Cadila Healthcare – one of the largest pharma companies in India. He has a PhD from the University of Sunderland for his research work in breast cancer at Johns Hopkins Bayview Medical Centre in the US.

He combines both pharma and research expertise as he believes research and innovation are critical for growth. Recently, the company acquired six brands from global drug giant Merck for an undisclosed amount as it seeks to strengthen its portfolio in the therapeutic segment.



## Kulin Lalbhai

Executive Director, Arvind

Kulin Lalbhai is the younger son of Sanjay Lalbhai, Chairman and Managing Director of Arvind. An MBA from Harvard Business School and a BSc in Electrical Engineering from Stanford University, Kulin has initially worked with management consultancy McKinsey & Co. He has been spear-heading Arvind's foray into the e-commerce space and plays an active role in company strategy with a focus on B2C businesses.

Arvind today retails its own brands like Flying Machine, Newport and Excalibur and licensed international brands like Arrow, Lee, Wrangler and Tommy Hilfiger, through its nation-wide retail network.



## Karan Adani

CEO, Adani Ports and Special Economic Zone Limited (APSEZL) of Adani Enterprises Limited

Karan Adani is the son of Gautam Adani, who is the chairman and founder of multinational conglomerate Adani Group. With a degree in Economics from Purdue University, US, Karan started his career by learning the intricacies of port operations at Mundra.

Over the years he has successfully steered the growth of Adani Ports from two ports to a string of 10 ports/terminals across the Indian coastline. He is technologically savvy and believes in setting the highest benchmarks in all areas of business.

The Adani Group has diversified businesses across resources, logistics, agribusiness and energy sectors.



## Arjun Handa

Vice-Chairman & Managing Director, Claris Lifesciences Limited

Arjun Handa is the eldest son of Sushil Handa, the founder of Claris Lifesciences, a leading player in the lifesciences industry. Arjun has a Masters in Business Administration from Northeastern University, Boston, US.

Under his leadership, the company has won several awards including the Frost and Sullivan Manufacturing Excellence Award. It has also achieved significant milestones including the launch of niche, difficult to develop products and expansion into the regulated markets.

# Why the World Comes to Gujarat



**Industry:** Automotive    **Headquarters:** Minato, Tokyo, Japan

**Year of establishment in Gujarat:** February 2016

## Overview

Honda inaugurated one of the world's largest scooter exclusive plants at Vithalapur in Gujarat with an annual capacity of 1.2 million units. The new plant will employ approximately 3,000 people within the first two years of commercial production. Spread over 250 acres, the facility has come up in just 13 months with an investment of nearly \$167 million [Rs 1,100 crore]. In October 2016, the firm started exports of its two-wheelers from this Gujarat base to Sri Lanka.



**Industry:** Electronics    **Headquarters:** Gerlingen, Germany

**Year of establishment in Gujarat:** 1976

## Overview

Bosch Rexroth (India) Ltd, a subsidiary of German automation giant Bosch Group, inaugurated its facility in Sanand, Gujarat, in 2013 with an investment of around \$42 million [Rs 280 crore]. The facility is for the manufacture of hydraulics components and systems. The firm had an older manufacturing facility at Vatva near Ahmedabad, which started operations in 1976. The entire operation of the Vatva facility was moved to the newer plant at Sanand.



“

We started the new plant replacing the old facility not only to expand production capacity, but to focus more on the services business as well as expand our product line through the technology centre. Going beyond production, we have developed the Sanand plant more and more into a technology centre.

**Johannes T. Grobe**  
Managing Director, Bosch Rexroth



**Industry:** Pharmaceutical    **Headquarters:** Petah Tikva, Israel

**Year of establishment in Gujarat:** 2013

## Overview

Israel-based Teva Pharmaceuticals, an \$18-billion generic drug maker, set up an over-the-counter (OTC) medicine facility in Gujarat in collaboration with Procter & Gamble in 2013. The facility focuses on OTC product manufacturing, including liquid, oral solid dosage and inhaler production, including P&G's current Vicks range of cough & cold medicines and throat drops in India. It has plans for other OTC products for India and other regional markets.

Gujarat, with its investor-friendly policies and outward looking approach, has succeeded in attracting some of the world's biggest corporates to its shores. 'India Investment Journal' profiles a few of the key MNCs happy with Gujarat as their base.



**Industry:** IT

**Headquarters:** Redwood City, California, US

**Year of establishment in Gujarat:** 2015

### Overview

The American software products giant commenced operations at its new product development centre (PDC) at Gujarat International Finance Tec-City (GIFT City) in Gandhinagar in December 2015. Oracle India has taken up three floors in GIFT City Tower-1. The centre is now operational with around 120 professionals, who are developing cutting-edge cloud solutions at what is the company's 10th product development centre in India.



**Industry:** Frozen Foods

**Headquarters:** Florenceville-Bristol,  
New Brunswick, Canada

**Year of establishment in Gujarat:** 2007

### Overview

McCain Foods set up a processing plant at Mehsana in Gujarat. In 2013, the company announced an investment of around \$53 million [Rs 350 crore] to increase the existing production capacity at the unit. It has around 1,200 contract farmers over 4,000 acres in the state to cultivate processed quality potatoes. The company plans to double the land under potato cultivation, thereby enhancing employment opportunities in the state.



“

The Indian frozen snacks market is on the rise as the combination of taste and convenience is rapidly increasing the retail market. For a variety of reasons, including agro-climatic conditions, a strong base of skilled farmers and infrastructure, Gujarat will continue to be our preferred destination.

**Vikas Mittal**

Managing Director, McCain Foods



**Industry:** Electronics

**Headquarters:** Berlin and Munich, Germany

**Year of establishment in Gujarat:** 2007

### Overview

Siemens has two factories in Vadodara, for Steam Turbines and Laboratory Diagnostics. It also has a memoranda of understanding (MoU) with the government of Gujarat to set up six Centres of Competence with an investment of around \$108 million [Rs 714.90 crore]. Siemens has already invested around \$76 million [Rs 500 crore] to set up five such centres of excellence in the state.



**Industry:** Electronics    **Headquarters:** Chiyoda, Tokyo, Japan  
**Year of establishment in Gujarat:** February 1984

## Overview

Hitachi's state-of-the-art facilities are based at Gandhinagar and Sanand in Gujarat to manufacture a wide range of Power Electronics products. The Sanand-based manufacturing unit is modelled on Hitachi's Omika Works, Japan.

---



**Industry:** Automotive    **Headquarters:** Dearborn, Michigan, US  
**Year of establishment in Gujarat:** 2015

## Overview

Ford has invested \$1 billion [Rs 6,200 crore] in its Sanand facility in Gujarat, which consists of vehicle assembly and engine plants. The plant has an installed capacity of 200,400 vehicles and 200,700 engines annually. It manufactures compact sedan Ford Aspire and hatchback Next-Gen Ford Figo. The company exports to Mexico, the Middle East and South Africa from the Sanand plant. In September 2016, Ford India achieved a new milestone by rolling out its 100,000th vehicle from the facility.



“

With the opening of our plant in Sanand, we have taken our growth commitment to a new high in India. We are doubling our manufacturing capacity in India, creating good jobs and serving our customers around the world with great products.

**Mark Fields**

President & CEO, Ford

---



**Industry:** Consumer goods    **Headquarters:** New York City,  
New York, US  
**Year of establishment in Gujarat:** 2014

## Overview

Colgate began construction work at its site in Sanand in 2012 and kicked off commercial production from its new facility in May 2014. The Sanand plant marked Colgate's fifth plant in India. In the initial phase, the company was looking to manufacture 15,000 tonnes of toothpaste from this facility. The project has been set up with an investment of around \$300 million [Rs 200 crore].

# An Expat's Guide to Ahmedabad

Ahmedabad is the largest city in the state of Gujarat, located on the banks of River Sabarmati. The city's name dates back to its 15th century founder Ahmed Shah and is today recognised as a rising centre for business, technology and education.

While it was replaced as the state capital by Gandhinagar, Ahmedabad remains the hub of trade and commerce in Gujarat. The commercial importance of Ahmedabad also makes the city an important travel destination in India. Besides being home to a number of important industries and immense modernisation over the last few years, Ahmedabad also boasts of many majestic monuments, with the old and new part of the city sitting comfortably together.

## TOP ATTRACTIONS

### Gandhi Ashram, Sabarmati

Gandhi Ashram was established by Mahatma Gandhi on a quiet stretch of the banks of the Sabarmati in 1917. During Gandhi's lifetime, it was the centre of India's freedom movement and known as Satyagraha Ashram. It was from here, in 1930, that the Mahatma began his famous "Dandi March" to the sea to protest against the Salt Tax imposed by the British. 'Hridaya Kunj', the simple cottage where he lived, is preserved as a National Monument.



### Kankaria Lake

Kankaria is one of the most popular and favourite tourist attractions in Ahmedabad. It is a circular lake constructed in 1451 by Sultan Qutb-ud-Din. In the centre of the lake is an island garden with a summer palace known as Nagina Wadi.

### Sidi Sayed Mosque

Constructed in the year 1573, the mosque was established by Sidi Sayed, a slave of the city's founder Sultan Ahmed Shah. The mosque consists of 10 semi-circular windows, the appeal of which is accentuated by the splendid mesh covering them, more popularly known as jaali. This monument has gained worldwide recognition due to its splendour.



### Auto World Vintage Car Museum

Auto World Museum, the largest and the biggest automobiles collection of India and one of the best in the world, is in Ahmedabad. It has a wide range of antique vehicle collection of cars, motorcycles, buggies including models like Rolls-Royce, Bentleys and Daimlers.

### Akshardham Temple

A specimen of fine craftsmanship, the Akshardham temple in Gandhinagar is one of the largest and most prominent temples in the entire state of Gujarat. The architectural masterpiece consists of a number of things under one roof – art, education, architecture, exhibitions and research.

## POPULAR LOCAL DISHES

Dal-dhokli | Chevdoth | Dhokla | Undhiyu | Khaman  
Handvo | Khandvi | Khichu | Fafda | Papdi



## ACCESSIBILITY

### Sardar Vallabhbhai Patel

**International Airport** in Ahmedabad caters to international routes, including to the Middle East, Singapore, Kuala Lumpur, some parts of Europe and the US.



### Direct flights to and from Ahmedabad

Air India, Singapore Airlines, Emirates, FlyDubai, Air Arabia, Spicejet, Qatar Airways, Kuwait Airways, Jet Airways and Etihad.

### Most domestic airlines that operate flights on a regular basis from Ahmedabad

Jet Airways, Air India, Alliance Air, Air Deccan, Indian Airlines, Air Sahara, SpiceJet, Kingfisher Airlines, and GoAir.



### Ahmedabad is very well connected with the rest of India by train.

The Metro cities of Mumbai, Delhi, Calcutta, Chennai and other major cities are linked by a number of superfast and express trains.

## POPULAR RESTAURANTS

Swati Snacks

Agashiye

Vishala

Atithi

Rajwadu



## POPULAR FESTIVALS

Uttarayan: International Kite Festival

Tarnetar Festival

Modhera Dance Festival



Rann Utsav

Diwali

Navratri

Holi

## Top Hotels

### Lemon Tree Premier; The Atrium, Ahmedabad

Phone: +91 79 25505505  
Address: Off Nehru Bridge, Sabarmati River Front, Ahmedabad 380001, Gujarat  
Website: [www.lemontreehotels.com](http://www.lemontreehotels.com)

### Crowne Plaza Ahmedabad City Centre

Phone: 91-79-6777 9000  
Address: S. G. Road, Near Shapath - V, Ahmedabad - 380015, India  
Website: [www.ihg.com/crowneplaza](http://www.ihg.com/crowneplaza)

### Courtyard Ahmedabad

Phone: +91-79-66185000  
Address: Ramdev Nagar Cross Road, Satellite Road, Ahmedabad 380015, India  
Website: [www.marriott.com](http://www.marriott.com)

### Four Points by Sheraton Ahmedabad

Phone: 91-79-3091 2345  
Address: Opposite Gujarat College, Ellis Bridge Ahmedabad, Gujarat 380006, India  
Website: [www.starwoodhotels.com/fourpoints](http://www.starwoodhotels.com/fourpoints)

# END OF A WATERSHED YEAR

by Deepak Varghese



What looked like an optimistic start to the year with leasing activity picking up in the commercial segment was not to be, writes India Inc. property expert.

If 2015 was a roller coaster, 2016 was definitely a steep downhill for the real estate sector.

With the passing of the Real Estate Regulation Bill, residential buyers hammered away at residential developers with judges passing landmark judgments against developers for delayed delivery.

If this did not have the developers scurrying for cover, the National Green Tribunal ruling on distances from water bodies and reserve forests got parts of Mumbai, Bengaluru, Chennai and Delhi in a slowdown mode as under-construction projects had to be stopped until revised sanctions were obtained. The issue still has quite a few projects stalled across these cities.

If that was not enough, the income declaration scheme targeting undisclosed income came with income tax raids where real estate companies were targeted in the hope of getting them to declare undisclosed incomes. Unfortunately, poor sales track record of the past 12 months had anyway consumed whatever cash they did have, yielding a poor haul for the income tax sleuths.

The final nail for the year was demonetisation, which undid booked sales with buyers hopeful that this move of the government could make them eligible for further discounts from developers. And as we start a New Year, buyers are not buying and sellers not selling as the price expectations are completely mismatched. For the first time, nationally, most developers are giving a price guarantee for homes, assuring buyers that the current price is the best possible and if the price drops before June 2017, the benefit will be passed on to any buyer who had bought in December 2016.

The market hopes that come January 15, buyers will blink and come back to buy with the backdrop of the Indian festival of Makar Sankranti – marking a good time to acquire homes for end use. The sellers will also be graceful and give some token discounts to get the deals going.

But given that states have a target date of March 26, 2017 to implement the RERA bill, one wonders what stall effect this will have on the market, given that each move in 2016 has given more teeth to buyers to bargain and developers/sellers pushed into a corner. Now any more push would mean painting oneself into a corner with disastrous outcome for

the real estate sector as a whole, which is as it is suffering from poor sales and low liquidity besides the requirement to become compliant overnight.

That said, the last quarter of the year has seen some large Chinese construction and development firms making their way to India and one of them also having acquired a Bengaluru company for \$50 million. Hopefully, this will pave the way for a liquidity infusion into the market and possible consolidation of some of the larger domestic players, besides an exit of the smaller ones who do not have the scale or financial resilience – hopefully by way of a sale to larger domestic players.



Deepak Sam Varghese is founder-director of Moonbeam Advisory

# CAN DEMONETISATION DELIVER VOTES?

Good economics has given rich political returns over the last decade. Will the trend hold in 2017?

In India, conventional wisdom had it, for decades, that good economics makes for bad politics. Some politicians still think caste, religion and populism are more important factors than economic growth.

It is probably this line of thinking that has prompted politicians of all hues – from Congress vice-president Rahul Gandhi to West Bengal chief minister Mamata Banerjee to Uttar Pradesh chief ministerial aspirant Mayawati – to come out all guns blazing against the bold move of Prime Minister Narendra Modi to demonetise high value Rs 1,000 and Rs 500 notes.

Anecdotal evidence from the ground, however, suggests that there is very little public anger against this economically critical, but financially painful, initiative despite concerted efforts by a combined Opposition to whip up popular outrage.

But do the people actually support this move and will such support translate into a political victory for the BJP in the crucial state of Uttar Pradesh, where it is locked in a three-cornered fight with two regional parties?

Recent evidence, however, shows that voters have begun to appreciate and reward politicians who improve their

economic lot.

Bihar chief minister Nitish Kumar, who doesn't have a large political base himself, scored a landslide victory in 2010. Reason: he had delivered double-digit growth, which had visibly improved living standards across his state.

Former (government of India) Chief Economic Advisor Arvind Virmani's economic model attempts to analyse and explain this new phenomenon in Indian politics. It posits that a chief minister who, during his five-year term, manages to expand his state's economy at a pace faster than the previous five years, is more likely than not to get re-elected.

This theory provides a plausible explanation for the shock defeat of Atal Bihari Vajpayee in the 2004 general elections. The average growth rate during the Vajpayee years was 3.8 per cent, partly because of a global recession triggered by the Asian financial crisis and the dotcom bust as well as droughts. The growth rate during previous five years was 4.7 per cent.

In fact, almost 75 per cent of all incumbent state governments were voted out of office during this period. But in the five-year period that followed, i.e. 2004 to 2009, the chief ministers of Bihar, Chhattisgarh, Orissa and Madhya Pradesh, who ensured faster economic growth than in the previous period, were all re-elected.

But like many theories, this one, too has its exceptions. Mayawati, as Uttar Pradesh chief minister from 2007-12 ensured a growth rate of 7 per cent, faster than earlier, but still lost the 2012 Assembly elections. On the other side of this argument, Assam chief minister ruled for three full terms despite his poor record on the economic development front.

So, how will the Indian electorate treat Modi for his demonetisation initiative. The pain on the ground is very real and very widespread, but so is the belief in Modi's promise that the short-term pain is a precursor to longer term gain.

Demonetisation promises many economic benefits over the medium- to long term. Among them, are a sharp reduction in corruption, larger public expenditure on a range of schemes as tax revenues rise from more economic activity coming into the formal economy and a pick-up in GDP growth rates.

But as of now, only a handful of economists realise this. The ordinary Indian either instinctively believes what Modi is saying or he doesn't.

So who will he/she vote for when the time comes to press a button on an electronic voting machine?

We'll know on March 11. That day, we will also know whether good economics is good politics in India or whether the older paradigm still holds sway.

Foreign investors, too, will be watching. A victory for the BJP will convince them that the Indian electorate is keen to protect their investments from capricious political interventions.



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