India Investment Journal

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IN THIS ISSUE

Well Oiled

Dharmendra Pradhan
India's Oil & Gas Minister

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india inc.
ENGAGING LEADERS
INCISIVE CONTENT
IMPACTFUL EVENTS

November 2016

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@manojladwa

INDIA'S ECONOMIC JIGSAW FALLING INTO PLACE

The cogs of growth are now mostly in place. The Narendra Modi government, which came to power on the promise of transforming the Indian economy, has, over the past two and a half years, made several important structural changes that should begin to show results over the coming quarters.

It has, for example, passed the Bankruptcy Code to speed up liquidation of sick companies, is well on the way to legislating the Goods and Services Tax (GST), which will stitch India's 30 states and seven Union Territories into one common market and ensure a digital trail of transactions that will make evasion and corruption that much more difficult and early in November, demonetised high value Rs 1,000 and Rs 500 notes to strike at the heart of India's shadow (black in local parlance) economy that feeds off and encourages crime, evasion and corruption. The expected extinguishing of about $70 billion in currency notes – and, in effect, government liability of an equal amount – is expected to lead to a 100 basis points (bps; 100 bps = 1 percentage point) cut in interest rates over one year that should help growth rates move up sharply.

Now that Modi has most of his pieces in place to revive the economy, his focus must shift to the creation of jobs.

Energy Justice

Over the past few issues, 'India Investment Journal' has featured individual ministries and ministers who personify the Modi government's "can do, will do" attitude. This time, we feature an interview with India's young petroleum minister Dharmendra Pradhan, a first time entrant into the Council of Ministers, who has proved sceptics wrong by rising to the challenge of transforming, within a short time, a moribund oil and gas sector he inherited. I particularly commend the fact that the government, under Modi, is moving beyond the concept of mere energy security and focussing on energy justice.

In a related article, Vikram Mehta, Chairman and Senior Fellow, Brookings India, points out how, "the officials were comatose (and) saw less risk in the act of omission than the act of "commission..."

Post-Trump Landscape

The most important news dominating global headlines is the election of Donald Trump as President of the US. While there is concern about how his protectionist campaign rhetoric will translate into policy and how this will impact India, John Chambers, Chairman US India Business Council and iconic chief of Cisco, is optimistic that the countries can and will fulfil the potential that many see in this relationship.

Did you know, for instance, that the US holds more official dialogues with India than with any other country? He quotes Prime Minister Modi to reiterate that the "two countries have overcome the hesitations of history by forging a strategic alliance rooted in our guiding principles of freedom, equality and democracy".

Read on to delve into his vision for the future of this relationship and how entrepreneurs across the world can benefit from flagship initiatives such as Make in India.

India-UK

India and the UK have always shared a special relationship that goes beyond the numbers and much further than the spoken word. But, belying expectations on both sides, ties seem to have hit the pause button following British Prime Minister Theresa May's recent visit to India. This is causing concern to hundreds of Indian businesses that had, prior to Brexit, invested billions of pounds in the UK in the hope of using it as a bridge to the European Union. What will be the fate of those investments? No answers are forthcoming. But as our analysis shows, the India-Britain relationship is too deep and strong and will easily survive such transitory headwinds.

Conclusion

Now that Modi has most of his pieces in place to revive the economy, his focus must shift to the creation of jobs. This was primarily why he was elected with such an overwhelming majority and this is the yardstick by which most of the electorate will judge him. But that can happen only when private investment picks up and the private sector begins to add fresh capacities. Analysts believe that is a matter of a few more quarters.

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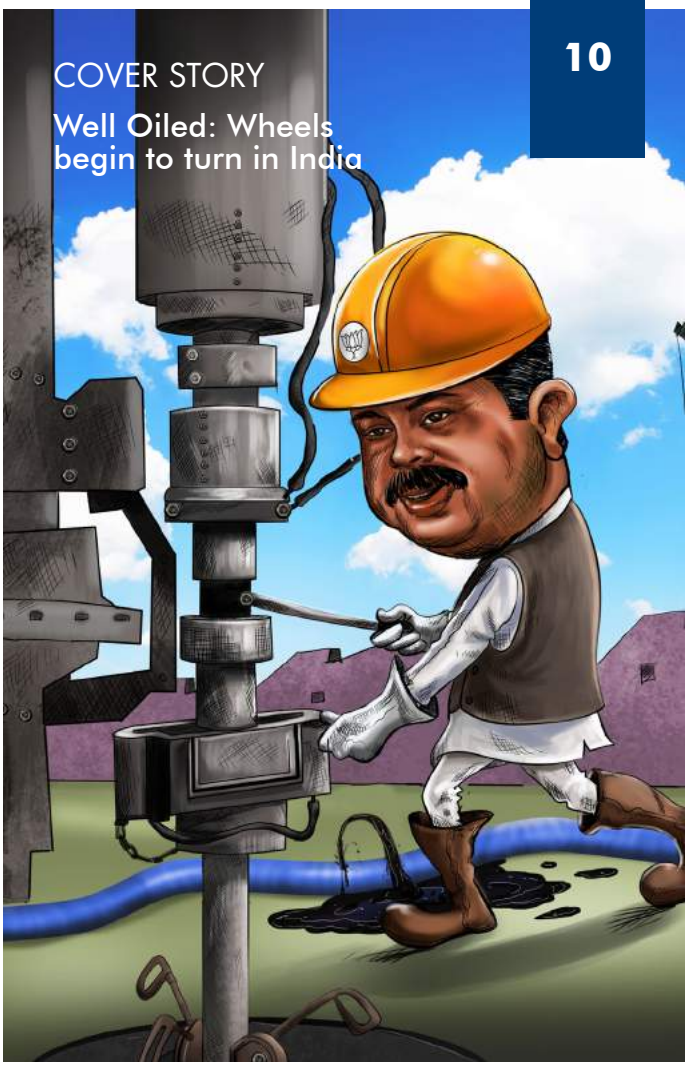
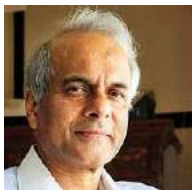


COVER STORY: OIL & GAS



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STATE FOCUS: MADHYA PRADESH

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EDITOR'S NOTE

The last few weeks have been marked by major tectonic shifts in the political landscape of the world; from the US presidential race to India's very own big bang announcement of the demonetisation of its Rs 500 and Rs 1,000 notes.

While the dust around all these storms is nowhere near settling down, there has been an equal hive of activity around India's inbound investment scenario. This edition of 'India Investment Journal' brings with it the usual mix of news, views, analysis, interviews and reviews to track the economic trajectory of the world's fastest growing large economy.

This time we dig into the oil and gas sector of India, which has immense potential to attract global investments but it is only now that it seems to be finally getting on with the task at hand. The man at the heart of the unshakeable drive needed to make the industry truly tick is Dharmendra Pradhan, minister for petroleum and natural gas. He speaks exclusively to 'IIJ' during his roadshow around the world about the ambitious goals he has set for himself and why he believes energy justice for every citizen of India is within reach.

Besides the interview, there is a wealth of data around the key milestones in the sector and an analysis by experts on what more needs doing.

Our other spotlight is on the recently-concluded India visit by British Prime Minister Theresa May. While the Acting Indian High Commissioner to the UK tells 'IIJ' that the tour was a success because it has moved the India-UK relationship to the next level, the general vibe has been of a rather muted prime ministerial tour of a country no longer content with mere symbolism. We take stock of why there remains a lag between the expectations and actual delivery of this so-called "special relationship".

There is also a snapshot of India-Russia ties against the backdrop of the recent BRICS summit in India and India-EU ties against the Europe India Chamber of Commerce (EICC) summit in Brussels.

The US India Business Council (USIBC) chief gives his take on what India-US ties could look like under a new American President and a young ethical hacker from India talks about how Brexit has opened up the arena for Indian cyber-crime warriors.

The Corporate Social Responsibility (CSR) section this time features two very divergent views – one on social entrepreneurship and another from the Mahindra Group.

Our State Focus this time is on Madhya Pradesh, the so-called heartland of India. The state's chief minister, Shivraj Singh Chouhan, gives an impassioned first person account to the 'IIJ' on how far his once backward state has come. We present an Expat's Guide to its capital city of Bhopal and an interview with the Indore-born Deputy Mayor for Business in London, Rajesh Agrawal.

There is, as always, something for all our readers in the pages ahead.

Aditi Khanna
Editor, India Inc.

FULL OF ENERGY

After several false starts, Indian petroleum minister Dharmendra Pradhan has got the Indian hydrocarbon sector back on track. If the proof of the pudding lies in the eating, the oil and gas sector would seem to be getting ready for a banquet. After years of unsuccessfully chasing foreign oil companies to invest in India, things are turning around. At the same time, the government is also well on its way to attaining its goal of achieving energy justice – creating easy and affordable access to energy. Read on to find out how a first time minister is injecting fresh excitement into a legacy industry.

THE MODI AND MARKET SYNERGY AT PLAY

India's minister for petroleum and natural gas, Dharmendra Pradhan, is a man on a mission. He recently concluded his global roadshow series to attract investments into the country's small oil fields discovered by the Directorate General of Hydrocarbons (DGH). In this exclusive interview, he talks 'India Investment Journal' through the paradigm shift in the Indian energy market under the Narendra Modi led government and how he hopes to achieve energy justice in India.

What can the Indian energy market offer foreign investors?

I want to extend the Prime Minister's invitation to all – please come to India. It is the No. 1 FDI [foreign direct investment] destination in the world today. We have taken a lot of initiatives... I would emphasise that ease of doing business is not mere lip service for us.

In line with the Indian government's aim to reduce import dependency on oil and gas by 10 per cent by 2022, India is offering 46 Contract Areas consisting of 67 small fields across nine sedimentary basins for exploration and production of oil and gas in India under a liberalised policy regime.

DGH, the technical arm of the Ministry of Petroleum and Natural Gas, is inviting bids for areas which hold 625 million barrels of oil and oil equivalent gas (O+OEG) in-place volumes, spread over 1500 sq km, in 26 on-land, 18 shallow water and two deep water areas.

We are offering these oil fields with the ambition to augment our production. There is a paradigm shift in the Indian energy market, primarily in hydro-carbon.

What is your overarching aim for the petroleum and natural gas sector?

India is the number three consumer of oil today. We have surpassed Japan. If we look at CAGR in the last few years, the primary energy growth is 5 per cent. This is the highest among the world.

Under the leadership of Prime Minister Modi, the focus is on providing energy to all citizens of India. That cannot be achieved unless we create an easy and affordable access to energy. Our concept of energy expansion is not cars, it is two-wheelers, it is clean cooking fuel to domestic consumers. These are the expanding areas in the energy market.

So the crux lies in energy justice to all citizens and power for all and the key is transparent policies, through good investment.

What has the investor sentiment been like on your international roadshow?

We have completed our international road show series. It started in Houston, then Calgary, then Dubai, Singapore and finally the UK market. Everywhere there is a positive vibe for India; that is for two reasons – everybody is eyeing the Indian market and everybody is depending on the leadership of Prime Minister Modi. There is a good synergy of Modi and market.

The de-regulation of petroleum products is among the biggest statements of Prime Minister Modi to invite investment. Another important reform is market-driven price of products. In both cases, the driving force is market mechanism, which offers the biggest assurance to investors.

Energy justice for all means we have to bring in more investment, which means bringing in more players and opening up the market. Ultimately, the consumer will benefit from all these strategies.

Are there any concerns among investors on issues such as retrospective taxation?

I would quote Prime Minister Modi's words: 'Gone are the days'. There is a new regime in India. We are very transparent on all tax issues. There will be no problem in future.

Energy is a very basic need. Through energy availability and accessibility, all other human indicators benefit – be it education, health or economic activities. For the Indian government, energy is not just an economic commodity. It is a commodity for socio-economic transformation.

We know we have to upgrade our production. If we come out with progressive policies, if we incentivise them, foreign investors will be interested in investing in India. Two major UK companies are big players in the Indian market – BP and Cairn. They are doing well in India and they are going to invest further in a big way. Due to our reforms, both BP and Cairn are willing to collectively invest more than $10 billion in their projects.

We have to respect the sentiment of investment. Industry has had a bad experience with the Indian business model in the past. Now through our reforms, we have created a positive roadmap and ecosystem. It is time to harness that.

Is the government also working on alternative fuels?

We are not just working on ethanol, but menthanol as well. We want to diversify our energy sources. We will be depending on coal, oil, natural gas, bio-fuels, solar energy, wind energy and nuclear energy. We aim to have a balanced basket.

The cleanest fuel in the basket is natural gas – the world average consumption of natural gas is around 23-24 per cent. India starts at 6.5-7 per cent. If we look at Gujarat, it is 26 per cent – higher than the international average. It is all due to good planning by then chief minister Narendra Modi, which provides great inspiration to other states.

That is the reason to focus on a mixed basket strategy. Energy is a very basic need. Through energy availability and accessibility, all other human indicators benefit – be it education, health or economic activities.

For the Indian government, energy is not just an economic commodity. It is a commodity for socio-economic transformation.

What are the areas you would flag up as energy injustice?

The areas of deprivation lead to injustice. After 70 years of independence, lots of villages are yet to be electrified and millions of households are yet to be linked with clean cooking fuel. This has huge negative dividends in society.

In my ministry, it took 60 years for 40 million households to be connected to LPG [liquefied petroleum gas]. Under the Modi government, we took 27 months to connect another 40 million. That is the speed and scale and the vision the Indian Prime Minister has.

WELL OILED: WHEELS BEGIN TO TURN IN INDIA

by India Inc. staff

Bold policy initiatives and a move towards tapping India's natural gas potential are set to transform the oil and gas industry in the country.

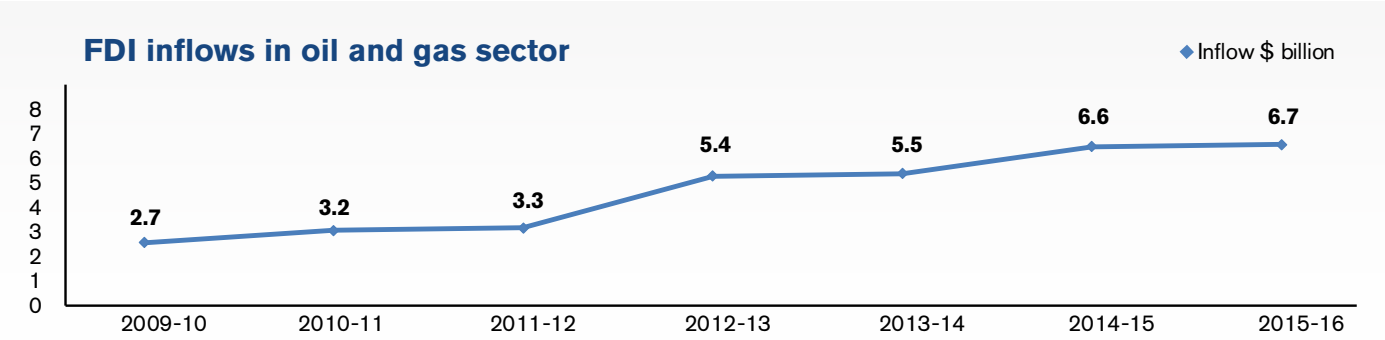
Sometimes an under serviced high potential industry or sector needs a commensurate high profile billion-dollar global deal to get things moving. For India's domestic oil and gas industry, last month's $13 billion-deal between Ruias of Essar Group and a Russian consortium led by petroleum giant Rosneft PJSC seems like that Eureka moment.

> "India's energy demand will be more than double by 2040 as the economy will grow to more than five times its current size. A six million barrels per day rise in oil use is the largest projected for any country's oil demand as 260 million new passenger vehicles will be added."
>
> *Dharmendra Pradhan, Petroleum Minister*

The deal sees Rosneft along with its two partners, Trafigura and United Capital Partners, acquire 98 per cent stake in Essar Oil, which has a 20 million tonne per annum refinery in Gujarat and is India's second-largest non-state refiner. The Russian consortium also acquired the Vadinar port, making this not only the biggest deal in the oil and gas sector in India but also the largest foreign direct investment (FDI) in the country till date, upstaging Vodafone's 2007 acquisition of a controlling stake in Hutchison Whampoa Ltd's mobile business in India.

The high valuation for the stake at a time when global commodity prices are tepid highlights the potential for growth of India as a market for oil and gas. Already, India is the third-largest oil consumer in the world and two-thirds of its domestic oil requirement is imported. An uptick in economic activity in this fiscal has seen demand grow fastest in a decade in the first half of fiscal 2017. According to the International Energy Agency, India is tipped to top the list of largest oil consumers in the world, surpassing China and the US in the process. India was also the fourth largest liquefied natural gas (LPG) importer in 2015, accounting for 5.68 per cent of global imports. Demand is slated to double in the next five years.

The persistent need for energy, a pre-requisite for any growing economy, and an overt dependence on imports that



Source : Department of Industrial Policy & Promotion

results in hard earned dollars flowing out of the country has belatedly pushed the government into looking at increasing production within the country.

Oil: Demand-Supply Mismatch

Tucked far away on the Western border of the country in Rajasthan surrounded by barren Thar desert from all sides, Barmer has always been the quintessential sleepy little town. Despite being the fifth largest district in the country in terms of size, its population of just 2.6 million makes it one of those places bookmarked for punishment postings for bureaucrats, civil servants or police officers. Yet, the destiny of the city changed forever in 2004 when British firm Cairn discovered oil deep within its sandy top soil.

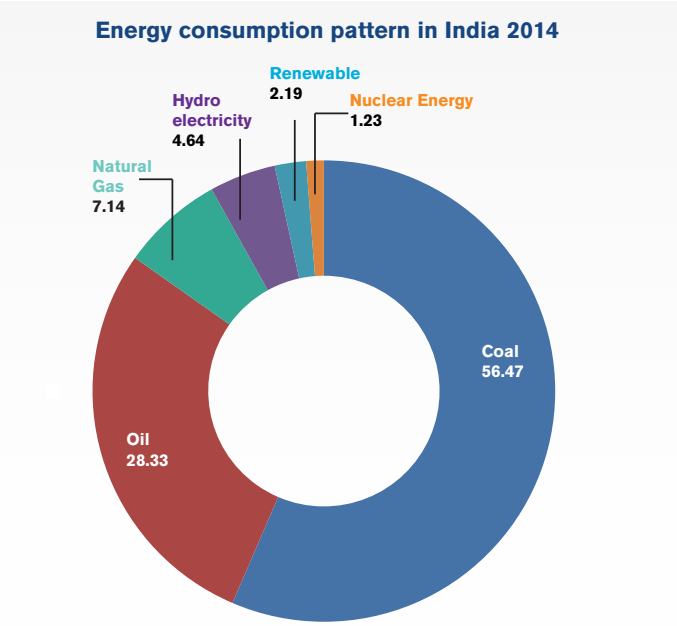
As the company set up its camp offices and started acquiring land for the project, property prices soared, infrastructure development kicked off and hotels and malls mushroomed in the city. Oil put Barmer on the world map.

"Land prices have shot through the roof. The discovery has changed the city forever," says Lalit Kumar Kiri, a local who was a beneficiary of the oil discovery by providing supplies and services to Cairn.

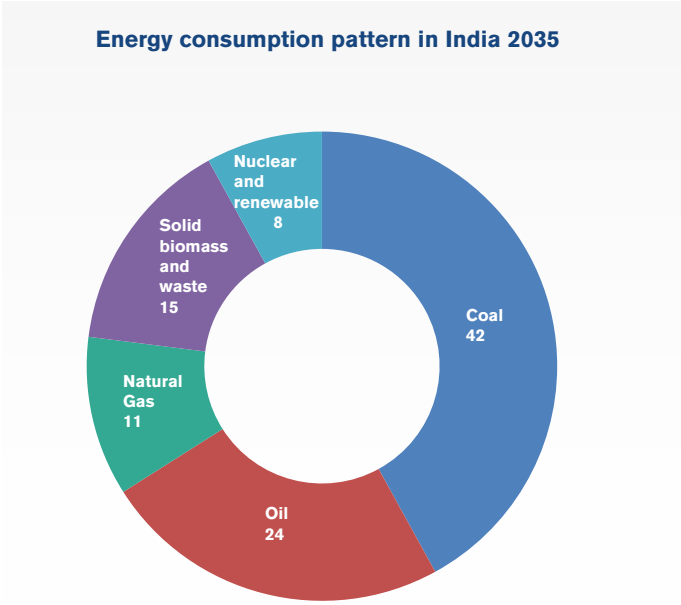
For a country that guzzles energy to the tune of 700.50 million tonnes oil equivalent every year and imports nearly 80 per cent of its crude oil requirement, discoveries like these ought to be numerous. Instead, they are few and far between. Domestic production of crude oil has either remained stagnant at 1 million barrels per day for the last three fiscals or merely inched up from 0.7 million barrels per day six years ago. In absolute terms, domestic crude production of 33 million tonnes in 2015-16 was actually lower than 38.76 million tonnes of 2014-15.

Domestic production of crude oil has either remained stagnant at 1 million barrels per day for the last three fiscals or merely inched up from 0.7 million barrels per day six years ago. In absolute terms, domestic crude production of 33 million tonnes in 2015-16 was actually lower than 38.76 million tonnes of 2014-15.

Worse, demand is only likely to go up. Exponentially. India's middle class that is often at the centre of this thirst for energy is only 22 per cent of the population today but is expected to jump to 45 per cent by 2030. This would mean more people aspiring to buy cars. As it stands, India has just 40 cars per



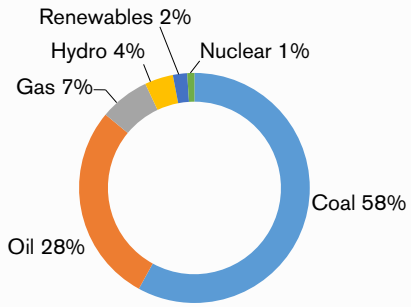
Source : US Energy Information Administration, BP Statistical Review 2015, International Energy Agency



Source : US Energy Information Administration, BP Statistical Review 2015, International Energy Agency

India's energy mix (2016-17)

More than 125 years old hydrocarbon industry;
Oil & gas ranks amongst India's six core industries



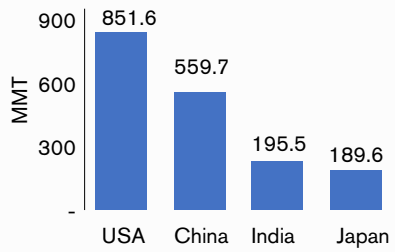
Source: BP Statistical Review 2016-17

Oil & gas contributed about 34.4% to primary energy consumption

2P (Proved + Probable) balance recoverable reserves 636 MMT of oil reserves & 1252 BCM of natural gas reserves as on April 01, 2015

OIL AND GAS INDUSTRY IN INDIA

3rd largest consumer of oil in the world

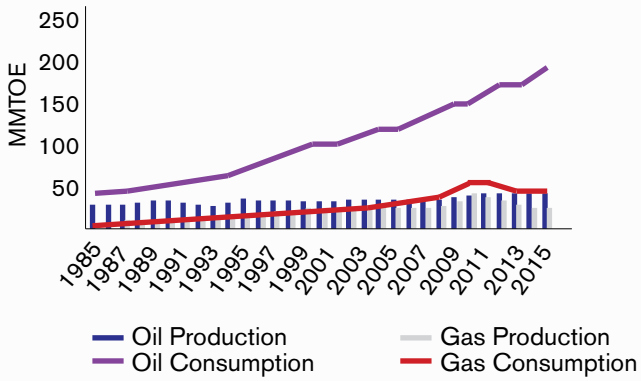


Source: BP Statistical Review 2016-17

India is the 3rd largest consumer of oil & petroleum products in the world

Estimated coalbed methane (CBM) resources of the order of 2600 billion cubic meters (BCM) or 91.8 trillion cubic feet (TCF) spread over in 11 states in the country

Oil & gas production & consumption

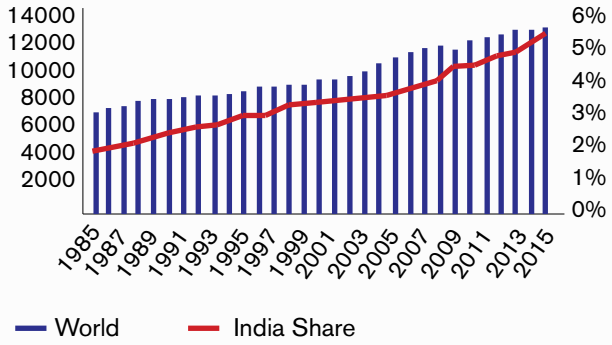


Source: BP Statistical Review 2016-17

Total oil & oil equivalent consumption of India was 241.0 MMT, whereas total production was 67.5 MMT during 2015-16

Oil & gas imports constitute about 78.9% & 42.2% respectively of India's total domestic oil & gas consumption in 2015-16.

Primary energy consumption



Source: BP Statistical Review 2016-17

India's primary energy consumption has increased at a CAGR of 5% since 2010 making India consuming about 5.3% of the world's primary energy

every 1,000 people today, which compares unfavourably to the world average of 168 per 1000. As more cars hit the roads, demand for fuel would also go up proportionately. By 2040, India is tipped to import 550 million tonnes of oil every year, up from 202 million tonnes today.

"India's energy demand will be more than double by 2040 as the economy will grow to more than five times its current size. A six million barrels per day rise in oil use is the largest projected for any country's oil demand as 260 million new passenger vehicles will be added," says petroleum minister Dharmendra Pradhan.

"The demand for oil is projected to rise to 458 million tonnes of oil equivalent (MTOE) with a CAGR (Compound Annual Growth Rate) of 3.6 per cent."

The government has of late taken a host of measures to cut bureaucracy and encourage more exploration and production. In May, Pradhan launched the auction of 67 discovered small oil and gas fields and announced the contracts for all the acreages with reserves worth nearly $10.5 billion (Rs 70,000 crores). These blocks were discovered by state-owned ONGC and OIL but could not be developed due to their small size or other technical/geographical constraints.

"In the past, both the government and the DGH (Directorate General of Hydrocarbons) created obstacles and reserves worth Rs 70,000 crore remained locked. Our government has brought a separate policy with switch over to revenue-sharing

model and launched the bid round. All contracts will be signed by January 2017," the minister explained.

At the same time, steps are being taken to facilitate ethanol blending to reduce dependence on crude oil. However, lack of fresh exploration and Barmer-esque discoveries suggests the answer perhaps lies elsewhere.

Natural Gas: Reserves Aplenty

Unlike crude oil, there is no dearth of reserves for natural gas in the country and there has been an increasing push to adopt natural gas over oil. Only in March this year, Pradhan's ministry brought in sweeping changes in the exploration and production rules for hydrocarbons along with a liberalised gas price regime. The intention is obvious—to replace crude oil as a source of energy with natural gas. The reforms are aimed at attracting investment to the tune of $25 billion in the next few years.

"Forty billion dollars of hydrocarbons will be unlocked for production through this policy reform," he says.

"Some of the decisions we are taking today should have been taken 10, 20 years back. When we came to power (May 2014) there was a trust deficit in the industry between the government and stakeholders… We have to go for international business models. Gradually we are shifting towards a sustainable gas economy."

The numbers support this shift as well. India's proven gas reserves have consistently grown over the years and was 1,489 billion cubic metres as of December 2015. The country's gas consumption though was a mere 47 billion cubic metres. While India's crude oil reserves would only last 25 years at the current rate, its gas reserves would last much longer. Since 1950, roughly 69 trillion cubic feet of proven and probable recoverable gas reserves have been discovered in India but only 42 trillion cubic feet have been developed and are currently under production. That leaves 18 trillion cubic feet of reserves yet to be produced and 27 trillion cubic feet of reserves yet to be developed. According to an analysis of 12 basins across India done by GE, approximately 64 trillion cubic feet of risked recoverable resources are yet to be found. Further, on top of conventional gas reserves, India also holds an estimated 63 trillion cubic feet of recoverable shale gas. Lack of freedom on pricing of gas, however, has been a perennial problem that has kept private players away and the new policy only makes a half-hearted attempt at resolving that. While it talks about marketing and pricing freedom and also provides for doubling existing gas prices to $7 per unit, there exists a ceiling on prices based on landed cost of alternate fuels.

"It is a country that wants to have electricity for every home by 2022, but companies distributing electricity have a tough time earning money …there is no magic solution other than letting a more natural pricing that can justify the investment and begin building generating capability," Jeffrey R. Immelt, chairman and CEO of GE, had said during his visit to India last year.

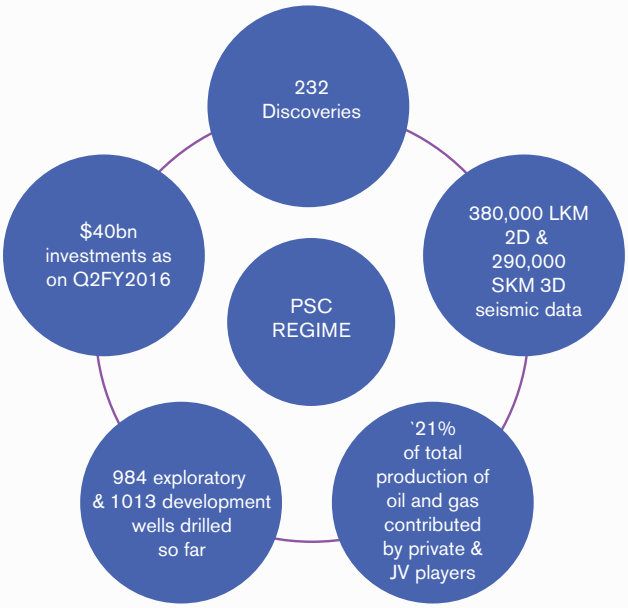
As the Rosneft deal indicates, the wheel has just started to turn and Immelt may be a bit more optimistic now.

Production Statistics

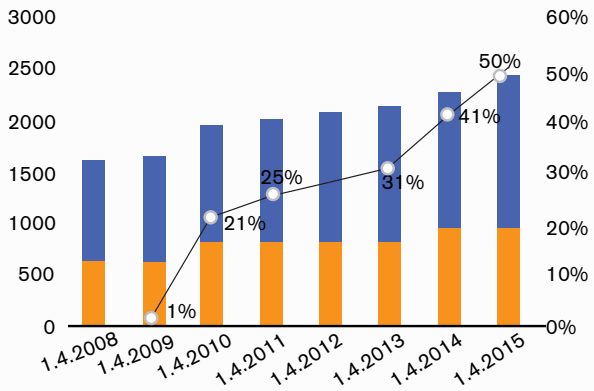
FY 2015-16

	PSUs (Nomination+PSC)	Private & JV Co.s (PSC)	Total
OIL (MMT)	29.24	7.71	36.95
GAS (BCM)	25.52	6.72	32.24

UPSTREAM SECTOR- PSC REGIME HIGHLIGHTS



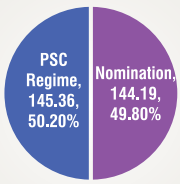
In-place volume trend over the years under the PSC regime



Source: DGH

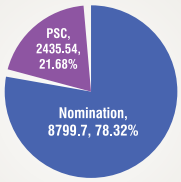
- Sum of gas (BCM)
- Sum of oil+cond (MMT)
- %Growth with base year 2008

Reserve accretion in-place*



A total of 289.55 MMT of total reserve accretion in-place

2P reserves in-place*

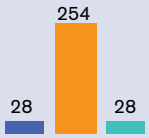


A total of 11235.24 MMT of 2P (Proved+Probable) in-place reserves

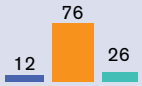
*as on April 01 2015

Total of 310 blocks/fields were awarded

310 blocks/ fields awarded



114 blocks/fields under operation



Pre-NELP Bidding Round NELP Bidding Rounds Field Bidding Rounds

As on March 31, 2016

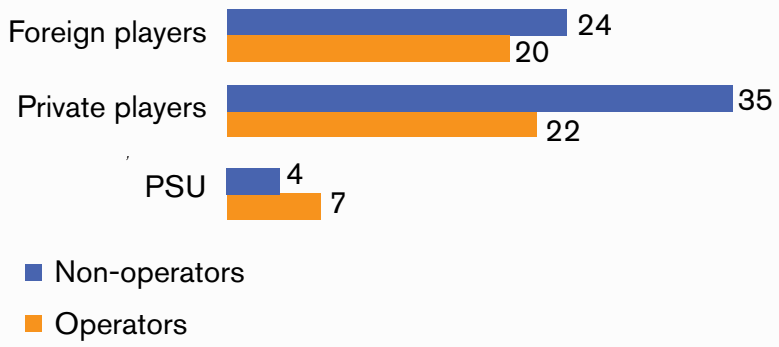
"As on Q2 FY16, the upstream sector attracted a total of **$40bn** investments under PSC regime"

A total of **232 discoveries** have been made till 2015-16 in PSC

119 Oil and Associated Gas Discoveries

113 Free Gas Discoveries

PARTICIPATION FROM LARGE NO. OF PLAYERS



*Nomination fields- Petroleum Exploration License (PEL) were granted to national oil companies viz.
Oil & Natural Gas Corporation Ltd (ONGC) & Oil India Ltd. (OIL) on nomination basis prior to implementation of NELP

*PSC Regime- Petroleum Mining Lease (PML) granted under a production sharing contract regime.
This includes fields/blocks awarded under the pre-NELP & NELP regime

Discovered Small Fields Bid Round 2016

With the objective to augment domestic production of crude oil & natural gas, the Government of India has announced the offer of 67 fields discovered by Oil & Natural Gas Corporation Ltd (ONGC) & Oil India Ltd (OIL) under the Discovered Small Field Policy (DSFP) through International Competitive Bidding (ICB).

Salient Features of DSF policy

- Technical capability not a pre-qualification criteria
- No mandatory work program
- Biddable revenue sharing model
- Single license for conventional & unconventional hydrocarbon exploration
- No oil cess
- Custom duty exemption
- Pricing & marketing freedom for oil and gas on arm's length sales principle
- Exploration allowed during entire contract period (20 years), mutually extendable for upto 10 years

What is on offer?

	Type of area	No. of areas for bidding
46 Contract areas	Onshore	26
	Shallow water	18
	Deep water	2

Spread over 9 sedimentary basins
625 MMBBL of oil & oil equivalent

2042 LKM 2D, 1336 SKM 3D & 130 Wells

A DILIGENT ENERGY DIPLOMACY AT WORK

by Ashok Malik

Dharmendra Pradhan has learnt quickly on the job and proved Prime Minister Modi's bet on this new minister in the Ministry of Petroleum and Natural Gas was a good one.

Dharmendra Pradhan was only in his mid-40s when he was appointed petroleum and natural gas minister in the Narendra Modi government in May 2014. It was a big leap of faith on the part of the Indian prime minister, and the placing of a large responsibility on the shoulders of a young and talented political colleague who was nevertheless a first-time minister.

Pradhan had no time for apprenticeship. While a minister of state (ranked below a full cabinet minister) he was given independent charge of the Departments of Petroleum and Natural Gas. Two years later, that bet has proved to be a correct one. Pradhan has emerged as one of the successes of the Modi government. His record in office has been impressive and he has grappled with multiple problems with vigour.

He has been diligent in his energy diplomacy, in west Asia but further afield as well, from Africa to the Americas, in helping build an Indian strategic reserve and tying up long-term energy supplies for India.

Dharmendra Pradhan, India's Oil & Gas Minister

Pradhan's years in the ministry have coincided with the oil price slump, as part of a larger commodities slump. They have also seen pressure on India and other countries to invest in renewables. This scenario has given Pradhan opportunities and challenges. It has allowed him to decontrol diesel prices in India, and leave these to market forces rather than bureaucratic fiat and state subsidies. He has been diligent in his energy diplomacy, in west Asia but further afield as well, from Africa to the Americas, in helping build an Indian strategic reserve and tying up long-term energy supplies for India.

Domestically, he has overseen an expansion in availability of gas (especially liquefied petroleum gas or LPG) for household kitchen use. By urging upper-income families to give up their traditional subsidies – an appeal by Prime Minister Modi and by Minister Pradhan was well-received across the country and over 10 million consumers gave up their subsidies over a year-long campaign in 2015-16 – the government found the means to deliver subsidised LPG connections to lower-income families and get them to replace coal-fired stoves, an environmental and health hazard.

This massive exercise, which now includes direct-cash transfers to those LPG consumers who still get government subsidies, has given Pradhan a reputation for efficiency and diligence. His next endeavour is to re-start India's stalled oil and gas exploration programme, difficult as this is given global market conditions, and restructure India's flagship, state-owned oil and gas companies. For these state-owned enterprises, Pradhan is said to be keen to invite professional managerial talent from the private sector to complement in-house expertise, and to give the companies room and autonomy to take risks globally and become genuine multinational corporations.

Ashok Malik is a Senior Columinist.

SHORT TAKES

India, Russia study joint pipeline

India and Russia are studying the construction of a gas pipeline to transport Russian gas from Siberia to India, over 2,800-3,700 miles.

The mega infrastructure project, estimated around $25 billion, kick-started with a memorandum of understanding (MoU) signed by India's state-run Engineers India Ltd and Russia's Gazprom during Russian President India visit for the India-Russia Annual Summit on sidelines of the 8th BRICS Summit in Goa in October.

The length of the pipeline would vary depending on the route that will be chosen, should the two nations agree to go ahead with the project. The route through the Himalayas and into northern India would be the shortest one.

The two other alternatives are building it through Central Asia, Iran and Pakistan, to western India, or – the longest route – through China and Myanmar. It's the longest route that has been estimated to cost the $25 billion.

Russia is seeking to expand energy ties in Asia amid tensions with the West sparked by Moscow's annexation of Crimea in 2014.

Indian companies have snapped up stakes in production assets in Siberian fields.

Venezuela signs Indian oil deals

Venezuela signed oil production deals with India worth nearly $1.45 billion.

Petroleos de Venezuela SA (PDVSA), India's Oil and Natural Gas Corporation (ONGC), and Venezuela's consortium Delta Finance BV — led by local Delta Petroleum — said the deals would help increase oil production.

Venezuelan President Nicolas Maduro said: "I want to thank you for your confidence in our oil industry, your confidence in our country and to tell you that we are reliable partners to continue working, producing and to continue winning with these partnerships."

The agreement signed in Caracas in November comes amid a severe economic crisis in the South American country and is aimed at increasing oil income.

The Indo-Venezuelan partnership, created in 2009, is expected to double the San Cristobal field daily oil production from 20,000 to 40,000 barrels of oil.

Local Delta Petroleum also became a partner with PDVSA after buying Houston-based Harvest Natural Resources.

PDVSA plans to increase production at Petrodelta, which is now 40 per cent owned by Delta Petroleum, from 40,000 barrels per day to 110,000.

Russia's Rosneft strikes Essar deal

Russia's state-controlled oil giant Rosneft and its partners took over India's second-biggest private oil firm Essar Oil in an all-cash deal valued at about $13 billion.

The deal is India's biggest foreign direct investment (FDI) agreement and involved Rosneft buying a 49 per cent stake in Essar Oil's refinery, port and petrol pumps. Netherlands-based Trafigura Group Pte, one of the world's biggest commodity trading companies, and Russian investment fund United Capital Partners split another 49 per cent equity equally.

The remaining 2 per cent will be held by minority shareholders after delisting of Essar Oil.

The deal has an enterprise value of close to $12.9 billion – $10.9 billion being for a 20 million tonnes a year refinery in Gujarat and over 2,700 petrol pumps and another $2 billion for Vadinar port in Gujarat.

Trafigura, which has been funded by Russian bank, may sell its stake to Rosneft at a later date.

SHIFTING THE ENERGY NEEDLE IN THE RIGHT DIRECTION

by Vikram Mehta

A senior public policy expert recaps the progress made in India's petroleum sector and what more needs to be done for 'India Investment Journal'.

Vikram Singh Mehta is chairman & senior fellow at Brookings India.

In the over two years that the Narendra Modi led government has been in power in India, they have shifted the needle of policy on petroleum in the right direction. More needs to be done but the first few steps have been taken to reinvigorate domestic exploration and production; correct pricing distortions upgrade and strengthen logistics and distribution infrastructure; staunch leakages and minimise noxious emissions. Also, relations with the major petroleum producing countries have been improved and this has mitigated somewhat our exposure to supply disruptions.

A major lacuna in the petroleum sector is the inadequacy of the gas pipeline network... This inadequacy has to be corrected.

Prime Minister Modi inherited a moribund oil and gas sector. Domestic production was on a downward trajectory in part because the Ministry of Petroleum (MOPNG) had suspended NELP (exploration licensing rounds). This was in part because ONGC /OIL, the two public sector exploration and production companies, had cut back their exploration expenditures to finance the "under recoveries" of the downstream companies and in part because the price of gas had been set by the government at a discount to market levels and that had deterred companies from developing and producing discovered fields. Refining and marketing was also in bad shape as the downstream companies had been drained of cash by the politically populist decision to subsidise kerosene, LPG, diesel and petrol. In consequence, there had been no substantive allocation of resources towards the upgradation of logistics and distribution infrastructure or for R&D. And finally, the officials were comatose. They saw less risk in the act of "omission" than the act of "commission" given the sword of Damocles of the CBI , CVC and CAG that hung over their heads.

Files were either shelved or passed on. But few were signed.

Two years on this situation has changed appreciably.

One, the government has come out with a finely tuned model for reinvigorating domestic exploration and production. The terms of the recently announced "Discovered small fields round" are competitive, pragmatic and flexible. These terms include an open acreage licensing policy; market related pricing of oil and gas; the freedom to market without encumbrance and written and verbal assurances of fiscal and contract stability. In addition, the government has now permitted companies that have a petroleum exploration license for conventional hydrocarbons to explore for unconventional hydrocarbons under the same terms and conditions. And also 100 per cent foreign direct investment (FDI) into exploration through the automatic approval route. Of course, it remains to be seen whether all these changes will spark investor interest. I suspect not under the present low oil price market conditions. But that said the conditions are now in place for enhanced exploration activity if and when prices do move up.

The terms of the recently announced "Discovered small fields round" are competitive, pragmatic and flexible. These terms include an open acreage licensing policy; market related pricing of oil and gas; the freedom to market without encumbrance and written and verbal assurances of fiscal and contract stability.

Two, the government has fully deregulated the prices of diesel and petrol, capped the supply of discounted LPG cylinders and reduced the subsidy on kerosene. It has also replaced the leaky Public Distribution System (PDS) with the direct cash transfer of benefits on the platform of the UID (unique identification system). As a result, IOC/ HPCL and BPCL have now been restored to financial health; wasteful consumption has been cut back and fuel adulteration has been reduced. One of the most damaging consequences of the erstwhile policy of subsidisation was the "diesalisation" of the economy and air pollution caused by mixing kerosene into diesel. Both these trends have, to an extent, now been arrested.

Three, the government has diversified its sources of crude oil imports. Earlier, the bulk of its crude requirements were sourced from the Middle East. Today, it imports also from Russia, Nigeria, Venezuela, Malaysia and Australia. Many of these countries are, of course, facing severe political, economic, and social challenges. The challenge of coping with a supply disruption remains therefore high on the policy agenda. In anticipation, the government has filled one strategic reserve cavern and a second is near completion. The PM and Ministry of Petroleum and Natural Gas have also been assiduous in strengthening bilateral relations and economic diplomacy.

Four, steps have been initiated to amend the Prevention of Corruption Act, which has a clause that officials consider particularly pernicious. As a result of these assurances, files are now being signed.

More, of course, needs to be done. A major lacuna in the petroleum sector is the inadequacy of the gas pipeline network. There are presently only two interstate pipelines and most of southern and eastern/north-eastern India has no gas connectivity. This inadequacy has to be corrected. For gas is the bridge fuel between the present of oil and coal and a future based on renewables (solar, wind and bio etc). Its usage should be encouraged for environmental and economic reasons. The private sector will not invest because of low returns so the task of creating a national gas pipeline grid rests with the public sector. The completion of this task should be a foremost priority.

Moving petroleum, gas and bulk liquid chemicals safely and cost effectively is not an easy task given the hazardous nature of the products. Given that India is emerging as one of the largest consumers of refined petroleum products and liquified petroleum gas, it is not surprising that the logistics effort to support this growth is receiving some attention.

PETROLEUM, GAS AND CHEMICAL LOGISTICS: OPPORTUNITIES AND PITFALLS IN INDIA

by Raj Chandaria

The extent of vertical integration in the oil sector has varied over time and over countries, but of late the trend globally has been to focus and specialise on what you do best and outsource everything else. This is more visible in developed countries with the oil majors outsourcing many functions, including product storage or tank farm operations, transportation, pipeline operations and retailing because specialist providers of these services are able to deploy their own capital and provide these services at a lower cost thereby boosting the return on capital employed of the outsourcer. State owned or state controlled oil firms, including those in India, have tended to be much more vertically integrated, jealously guarding all aspects of their operations, save some retail outlets and road transport logistics. Change, albeit slowly, is coming to the oil industry in India. As the subsidies for petrol, diesel and LPG fade away and the industry moves away from simply passing on the high cost of operations or inefficiencies to the government subsidy budget, more and more activities are being outsourced, delivering important cost savings to the state controlled oil marketing companies like BPLC, HPCL and IOCL. Despite the compelling business case for increasing outsourcing and focusing on core competencies, the biggest challenge that private sector firms face is organisational resistance within state controlled oil firms in India to a perceived loss of control and an aversion to dealing with the private sector.

Despite the much-heralded opening up of the Indian economy to inward investment and trade, the ease of doing business at the state and local level in India remains a serious challenge. This is reflected in the latest World Bank rankings where India managed to come in at 130, easily outranked by its BRIC partners. Poorly drafted laws and unrealistic regulations, rent seeking local officials, a plethora of licenses and permits and unequal enforcement make India a difficult environment for those firms wishing to abide by the law. Nevertheless, simply by dint of its sheer size and growth prospects for petroleum, gas and chemicals, India offers great opportunities for specialised logistics companies in storage and distribution that are willing to take the long view.

The future energy requirements of India are so large that it would not be possible to detail the opportunity in each one, but some deserve to be highlighted. For example, aviation, both domestic and international, is slated for rapid growth, with several new regional airports being built. This brings with it the requirement for aviation fuel logistics. India is a large and growing market for Natural Gas and Liquified Petroleum Gas (LPG), each requiring import and distribution facilities. Refineries need inter-

As the subsidies for petrol, diesel and LPG fade away and the industry moves away from simply passing on the high cost of operations or inefficiencies to the government subsidy budget, more and more activities are being outsourced, delivering important cost savings to the state controlled oil marketing companies like BPLC, HPCL and IOCL.

modal logistics and containment to optimise their output of fuels and transport the refined products to markets where they are required.

With both the complexities and the opportunities described above, it would appear that the common sense approach for global players in oil, gas and chemical logistics would be to enter into the Indian market through the joint venture or acquisition route. Given the capital intensity of petroleum, gas and chemical logistics, well capitalised firms will clearly have an advantage, but capital on its own is insufficient to truly take advantage of the opportunities. Selection of an appropriate partner is critical in any joint venture, but especially true in India and in this sector. In the case of my own company, Aegis Logistics Limited, a joint venture with Itochu Corporation for LPG logistics, was two years in the making, with both partners evaluating the suitability of each other and what each party brought to the table.

Well capitalised, reputable and professionally managed enterprises are able to deliver petroleum, gas and chemical logistics infrastructure at a considerably lower cost, offer logistics services at a lower cost and respond much more flexibly and rapidly than the state controlled oil firms themselves. They should be encouraged to pursue this opportunity to improve their return on capital employed by engaging with the private sector.

Raj Chandaria is vice-chairman and managing director of Aegis Logistics Limited, India's leading provider of specialised logistics services for the oil, gas and chemical sector.

WHY IT'S TIME TO DIG INTO THE INVESTMENT SCOPE IN INDIA'S OIL & GAS SECTOR

by Mike Watts

Dr Mike Watts is the CEO and co-founder of Magna Energy Ltd. He has over 36 years' experience in the international oil and gas industry industry with Shell International, Premier Oil, Holland Sea Search and Cairn Energy.

As a global leader of economic growth, a domestic market of 1.25 billion people, an educated and energetic workforce, a democratic political culture and an established and independent legal system, India offers foreign investors unparalleled investment opportunities across multiple business sectors. Increasing confidence in this constitutional and fiscal stability, when taken together with the size of the domestic market and its prospects for continuing growth, is particularly attractive to investors.

From the outside it seems that economic momentum is inexorable, as all the constituent parts of Team India - politicians, business leaders, entrepreneurs, workers, educational practitioners and media – appear to be aligned. There is a clear sense that India will emerge at the centre of the global stage in the coming decades.

Large scale infrastructure projects, smart city developments and modern communication systems are priorities driving the Indian economy forward. Areas for investment such as aviation, technology, power, rail, road, electronics, petrochemicals, space, agriculture, mining, tourism, health, media, entertainment and many more, are all booming. Underpinning and sustaining this remarkable economic growth is the Indian energy sector, where the exploration and production of oil and gas plays a fundamental role.

As the third largest consumer of crude oil behind the US and China and an increasingly important player in the LNG market, India's balance of payments is greatly affected by the level of oil & gas imports and global prices.

Role of Oil and Gas

India is energy hungry. As the third largest consumer of crude oil behind the US and China and an increasingly important player in the LNG market, India's balance of payments is greatly affected by the level of oil & gas imports and global prices. Successive central governments have shaped energy policy to promote the contribution of oil and gas, primarily through:

1. promotion of investment into known hydrocarbon provinces overseas by its state entities and its flagship companies, and
2. stimulation of investment in the search and development of hydrocarbons within India.

The experience of ONGC Videsh, IOC and Reliance provides numerous examples of the former strategy working successfully and this international investment trend will no doubt continue. But what of the domestic strategy?

Domestic Oil & Gas Activity

The early history of oil and gas activity in India can be traced back to pioneers such Burmah Oil in Assam. In the period after World War II and up until the early 1990s, however, the sector was dominated by the state entities and by ONGC in particular. Indian state operators were primarily responsible for the exploration and development of prolific provinces such as the Cambay Basin in Gujarat, the giant Bombay offshore field and the onshore and shallow water parts of the KG basin on the east coast.

Legislation and policy changes to liberalise the industry saw the entry of foreign investors in 1992/94 and the first licensing round open to international bidders. From this first generation of overseas entrants, the most successful include Cairn and BG (now Shell). There were some less successful stories too, the most notable from that era being Enron's ill-fated downstream involvement.

Foreign competition in the upstream oil and gas sector re-invigorated ONGC, in much the same way as the success of private airlines in India resulted in improved performance by their state-owned counterparts. This also led to a resurgence of established domestic downstream operators, such as Reliance and Essar, entering upstream oil and gas for the first time.

The early 2000s saw the first major success stories of the liberalisation of the industry. Large discoveries in Rajasthan and the deep water KG offshore transformed the general perception of the geologic and commercial potential of India, and created a new

wave of interest from international investors. More recently BP entered the Indian upstream industry in a significant way for the first time.

The present government has sought to stimulate further investment in upstream oil and gas through a series of initiatives, including:

- modernising the fiscal contract terms to focus on profit share rather than cost recovery, which has resulted in several lengthy legal disputes over the last two decades;
- gas pricing initiatives, including enhanced pricing for the most difficult fields;
- new licensing rounds such as the 2016 Discovered Small Fields Round (DSFR) and the forthcoming HELP exploration round; and
- making unconventional resources a recognised investment target.

Challenges and Potential Remain

The economic exploitation of the "Tight Hydrocarbon" and "High Pressure High Temperature" (HPHT) bearing reservoirs of India presents both tremendous upside potential and severe geological, technological and commercial challenges. By analogy with the transformational successes in North America there is potentially a large in-place gas/gas condensate resource, commercial recovery from these tight and HPHT reservoirs in India but for similar value to be realised it is likely that commercial recovery of tight hydrocarbons will first require to be demonstrated in pilot "proof of concept" programmes before full-field development and material production can commence.

The industry needs to reflect on the most suitable way of approaching tight and HPHT hydrocarbons in India. One possible approach is seeking to overcome the considerable geological and technological challenges through technically-driven collaboration of operators and experienced service providers working in strategic partnership.

The Discovered Small Field Round is perhaps an indication of other challenges that lie ahead. The round offered 67 small and hence largely immaterial oil and gas discoveries, formerly operated by state companies, to the industry at large. Anecdotal evidence suggests that interest in the round, which closes on 21 November 2016, is correspondingly subdued. On a more positive note, it is hoped that the round represents a prelude to more attractive and substantial offerings in future.

The Way Ahead

The oil and gas industry is responding to the government's fiscal incentives and is gearing up for a significant investment of around $25 billion over the next few years in the deep water projects of the KG and the desert of Rajasthan.

Over and above these traditional areas of focus, huge untapped potential remains in the tight, HPHT and unconventional hydrocarbon resources of India.

However, if the country is to replicate the success of the unconventional story in the United States, the Indian geology, the level of knowledge and technology applied by the industry, access to infrastructure, the commercial and legal arrangements and the ability to access investment capital, will all be fundamental to India unlocking and realising this potential.

SHORT TAKES

BP to set up thousands of India pumps

UK-based oil major British Petroleum (BP) will soon be setting up its petrol pumps in India.

The government of India granted a license to the firm to operate 3,500 petrol pumps in the country. BP Plc, Europe's third-largest oil company, becomes the 10th company to enter India's fuel retailing business.

Earlier this year, BP had also earned an in-work approval for retailing Aviation Turbine Fuel (ATF) in India, which was later extended to a full approval.

BP said in a statement: "BP sees a strong future for transportation fuels in India. We are keen to be involved in this market and contribute to its development. Towards this longer term objective, we can confirm we have been granted approval for marketing for Aviation Turbine Fuel (ATF) and have additionally applied for an authorisation to market MS (petrol) and HSD (diesel)."

The marketing rights for transportation fuel, including petrol, diesel and jet fuel, are given to a firm investing or proposing to invest Rs 2,000 crore [$300-million] in exploration and production, refining, pipelines or terminals in the country.

BP's India head Sashi Mukundan said: "It's (India) a huge market, which is growing. Aviation business is growing. Then, obviously, we are a very large player globally in aviation business. So it makes sense for us to be here."

Nigeria eyes $15bn oil deal with India

Indian oil and gas minister Dharmendra Pradhan, along with his Nigerian counterpart Emmanuel Ibe Kachikwu, discussed the potential of diversifying the engagement of the two countries in the hydrocarbon sector in October.

India is also looking at signing a preliminary agreement with Nigeria in December to invest in refineries as well as exploration and production of oil and gas in the African nation.

An Ministry of Petroleum and Natural Gas said: "The Nigerian Minister requested a potential

investment by India of $15 billion, if the terms can be agreed to, in Nigeria as upfront payment for crude purchase.

"Both agreed to explore investment opportunities for Indian public and private sector companies in Nigeria."

Both countries have agreed to work on a memorandum of understanding (MoU) to facilitate investments by India in the Nigerian oil and gas sector and specifically in areas such as term contract, participation of Indian companies in the refining sector, oil and gas marketing and upstream ventures.

Abu Dhabi bags Indian oil field deal

Abu Dhabi based National Petroleum Construction Company (NPCC) has won a $141-million contract from India's Oil and Natural Gas Corporation (ONGC) Ltd.

The project involves replacement of 10 well-head platform topsides at ONGC's Mumbai High North and South fields, MHN and MHS, according to Gulf reports.

The decommissioning and removal of the existing topsides are part of the engineering, procurement and construction (EPC) contract and the project is scheduled to be completed by the end of April 2018.

NPCC is owned by Senaat, an Abu Dhabi state holding company, and has successfully executed several mega EPC projects for ONGC over the past three decades.

Aqeel Madhi, CEO of NPCC, said: "ONGC has been a valued client of NPCC for decades and we take pride in winning and executing ONGC projects. Outside GCC, India is a key market for us and our long-term commitment to ONGC speaks for itself."

WARM BUT AWAITING NEW DIRECTION

India-UK Tech Summit, New Delhi

The rhetoric remains as warm as ever. But the visit of British Prime Minister Theresa May to India in early November, her first official visit as British leader outside Europe, did little to take the relationship forward from an apparent post-Brexit pause that has puzzled most analysts and foreign policy experts. Stressing the importance of free trade, May said Britain would remain a passionate advocate of greater trade and closer economic cooperation with all its partners including India. "Countries that don't embrace opportunities stagnate. Free trade creates a rising tide that lifts all boats. It makes us all richer. It creates jobs," she said shortly before leaving for India.

Hard line stance unchanged

Analysts on both the UK and India are questioning the route she has chosen. In the context of Indo-British ties, they have reservations about the timing of the announcement – just three days prior to her visit to India – of fresh visa restrictions on overseas students including new two-tier visas that place a premium on the quality of the courses the students wish to pursue in Britain. The government also announced fresh restrictions on the issue of work visas to control immigration.

"The U.K. will consider further improvements to out visa regime if at the same time we can step up the speed and volume of returns of Indians with no right to remain in the UK," she said.

That is obviously not what her Indian interlocutors wanted to hear but she seemed oblivious to the fact that her reluctance to ease the strict visa restrictions on students, professionals and visitors from India will make it difficult for the Modi government to proceed with any meaningful trade deal since any concessions to Britain would become politically contentious.

Out of the script

But the script wasn't supposed to unfold like this. There was euphoria in the immediate aftermath of Brexit about an imminent upsurge in trade ties between India and the United Kingdom and even the early completion of a free trade agreement about the two countries. That feeling has now been tempered and May's choice of New Delhi as her first foreign stop outside Europe – seen as a harbinger of closer economic and strategic ties – is now being dismissed as a false dawn.

Key partnership

Despite the disappointment following May's visit, analysts are unanimous that bilateral ties between the two countries are far too important – and deep – to suffer any long-term or irreparable damage even if they pass through a transitory indifferent phase.

Two MoUs were signed on improving the ease of doing business and on intellectual property rights in the presence of the two prime ministers but that was poor takings from a visit that had promised much more, given the potential.

India and Britain remain important trade and strategic partners. India is the third largest foreign investor in the UK and Indian-owned companies from the largest bloc of

employers in that country's manufacturing sector.

And the Tata Group, which owns such marquee British assets as Jaguar Land Rover, Tata Steel Europe and Tetley Tea, among several others, is the single largest employer in the UK.

Britain is among India's most important sources of technology, armaments and FDI. And London is, arguably, the most important international financial centre for Indian companies looking to raise money, including through rupee-denominated (masala) bonds.

Post-Brexit euphoria subsides

There was optimism both in the UK and India that its exit from the European Union would prompt the British government to sign a Free Trade Agreement with India, and a few other countries, and also ease entry rules for Indian students, professionals and other individuals.

The hopes have been belied. Not only has Britain not made entry easier for Indians, it has moved in the opposite direction.

Unanswered questions

Over the last few years, the UK has tightened visa rules for Indians. Since she took office as Home Secretary in the Cameron government, the number of Indian students in the UK has fallen from 40,000 to about 25,000. During this time, the number of Chinese students in the UK has jumped almost 60 per cent from 55,000 to 90,000.

A massive increase in visa fees, a strict clampdown on issuing work permits to Indian students who complete their higher education in the UK and tougher norms for people to visit family members settled in Britain are the main causes for this decline. Since taking office in 2014, Indian Commerce Minister Nirmala Sitharaman and other functionaries of the Indian government have taken up this issue with their counterparts in London but the UK government has shown no signs of relenting on the matter.

May did not indicate that she was thinking of any ways of addressing Indian concerns. Instead, her assertions on stepping "up the speed and volume of returns of Indians with no right to remain in the UK" point to a continuation of the hard line approach she had adopted in her previous role as Home Secretary in the David Cameron government.

Wait and watch mode

Prime Minister Narendra Modi and May inaugurated the India-UK Tech Summit in New Delhi on November 7, which will provide a platform for the two countries to explore further cooperation in entrepreneurship, technology, innovation and IPRs.

And British International Development Secretary Priti Patel's had promised help for the Prime Minister's ambitious Smart Cities initiative.

But despite this, there is a feeling in India Inc that the India-UK relationship has entered a wait and watch mode.

Billions at stake, no clarity on future

Indian companies such as the Tatas, Birlas, Essar, Infosys and others have invested billions of dollars in the UK not only to gain a foothold in that country but also to serve the European Union market from their British bases.

Following Brexit, their plans of serving the Continental market from across the English Channel have been thrown into disarray. Clarity will emerge only when the roadmap and the fineprint for Britain's exit from the EU become clear.

Till then, senior India Inc executives say, Indian companies aren't likely to embark on big-ticket investments in Britain unless a really attractive deal – involving a company with marquee brands or really high technology – comes along.

Reassuring British voters

Interestingly, May's delegation did not include any representatives of Big Business. The official line was that the two countries want to focus on cooperation in the MSME space, which form the backbone of both economies and which generates the maximum employment in India.

There is no doubt that for Modi's ambitious Make in India initiative to succeed, India's fragmented and mostly uncompetitive MSME segment has to pull itself up to global standards and become part of the international value chain. And collaboration with British industry is one way of achieving this goal.

But there is a school of sceptics in New Delhi who believe the absence of Big Business in May's delegation is simply a pointer to the fact that she can't cut any trade deal with India till she navigates the UK out of the EU.

So, this school of thought goes, British Big Business is not really interested in expanding their footprint in India (and elsewhere) till they are clear about where they stand vis-a-vis the EU in the aftermath of Brexit.

May's visit, the sceptics say, was really about convincing British citizens and Conservative voters that the UK can do just fine without the EU.

So, moves that reassure MSME stakeholders – owners, employees, suppliers and financiers – would suit the Tories better than a trade deal.

Given that this could facilitate job creation in India – a key BJP election promise – no one in New Delhi was complaining.

Analysts are unanimous that India's ties with the UK will remain warm and stable. May's visit will be keenly watched as it will be a test case on the direction she takes as the UK forges ahead with its relationships with major economies in the post-Brexit phase.

Pointer to the potential

Analysts are unanimous that India's ties with the UK will remain warm and stable. May's visit was keenly watched as it was considered a test case on the direction she will take as the UK forges ahead with its relationships with major economies in the post-Brexit phase.

There are significant areas of cooperation that the two sides broadly agree they should pursue. Defence equipment, strategic affairs, counter-terrorism, climate change, renewable energy and science and technology are the obvious sectors of collaboration.

These are being pursued and this will continue. There could even be several small and large breakthroughs in these fields. They will be pointers to the great prospects of the India-UK relationship. But the full potential will unfold only when there is clarity on the fine print of the UK's divorce settlement with the EU. For now, to use a cricketing parlance, the match is on halt due to a rain-induced break. It has not been abandoned. Not by a long shot.

BREXIT OR NO BREXIT, INDIA-UK TIES ON UPWARD PATH

Dinesh Patnaik, as the Acting High Commissioner of India to the UK, was the man charged with much of the groundwork that went into Theresa May's first visit to India as British Prime Minister earlier this month. Here he highlights some of the key outcomes and takeaways from the visit for 'India Investment Journal'.

The biggest outcome of the visit is the signal it sends to the world of the close relationship between India and the UK.

We had agreed on a biennial visit, which is that every two years the Prime Ministers on both sides would meet. The fact that Prime Minister Theresa May has gone within one year of Prime Minister Modi's visit to the UK speaks volumes of the importance she attaches to India.

Secondly, this was the first major bilateral visit by her outside the European Union (EU). The message is that the UK considers India of primary importance. It was not clubbed with any other visit; it was a standalone tour.

Chemistry and body language

Both Prime Ministers got on very well. Prime Minister Modi had a good relationship with former Prime Minister David Cameron and it was to be seen if the same chemistry and dynamics worked this time. And. it seems it has worked very well.

The one-hour bilateral one to one meeting between the two PMs continued for almost two hours. Though we won't know what was discussed but the fact is they spoke cordially and the chemistry and body language between them showed that there is a great relationship between the two PMs.

This augurs well. The vision statement during PM Modi's visit and the joint statement issued this time have charted out a course for the two democracies to work together over the next few years.

And before the next prime ministerial visit, we will make sure that the things that have been mandated for us to do, will be fulfilled.

Action points

They agreed on home secretary level talks, which is very important. Prime Minister May gives lot of importance to immigration issues and we also give importance to the fact that Indians need access to the world. We have a large community here in the UK which feels the visa regime needs a little tweaking. So the fact that we have agreed to a dialogue is a very positive step.

This dialogue will look at all issues faced by both countries and we will find solutions.

During PM Modi's visit there were many MoUs signed for business cooperation and over the last one year a lot of progress has been made but Brexit and many other factors came in. So we will be taking that forward vigorously.

Then there are aspects like intelligence cooperation and we have set up a working group on trade. It is important to

note that this is not to look at an FTA [free trade agreement]; it is to look at improving trade between both countries, such as addressing non-tariff barriers and other issues involved in trade in goods and services.

The trade in services is very critical because that is somewhere both sides have a synergy. The UK is one of the leading services power in the world and we are also one of the growing powers in services. So we have a lot to give each other.

Britain has the technology, we have the manpower which can utilise the technology and make it better.

The working group will help wrinkle out any issues between both sides and also give a fillip to the bilateral cooperation. The fact that PM May went with tech companies for the UK-India Tech Summit shows that tech is the future – from smart cities, fintech, aerospace – technology in all its aspects.

This is a synergy which we will build up over the next few years. There is no question that the visit has moved the relationship forward and was overall a very successful one.

An important aspect to highlight is that given the short period of time that we had to prepare for the visit, both sides got together very quickly and worked out details in the quickest possible manner. This basically shows that the cooperation and interaction between the two sides has reached a good level of comfort.

Dinesh Patnaik, Acting High Commissioner of India to the UK

India is not wanting to push Indians into the UK. Our government's position is that we want access for our people everywhere in the world. We are a big nation with a lot to offer the world and we want Indians to be able to access anywhere in the world – be it as tourists, short-term workers, professionals, businessmen, technical entrepreneurs, or as students.

Visas and immigration

I really want to make it clear that nowhere was the visa issue a big thing for both our countries. After Brexit and the strong feeling around immigration control, it was assumed that it was topmost on the agenda. The main agenda was trade and technology.

India is not wanting to push Indians into the UK. Our government's position is that we want access for our people everywhere in the world. We are a big nation with a lot to offer the world and we want Indians to be able to access anywhere in the world – be it as tourists, short-term workers, professionals, businessmen, technical entrepreneurs, or as students. So our message is don't put in place rules and regulations which restrict access of Indians.

But we don't want to push. Today if we look at the figures, the number of Indian students in the UK has fallen by 50 per cent. But they have risen by more than 30 per cent in the US, they are rising in Canada, Australia, New Zealand, Hong Kong, Singapore Germany, France etc.

So Indian students have access everywhere. It is up to Britain to decide whether it wants Indian students to have greater access or not. There is nothing in the rules which stops them coming to the UK, there is no cap on the number of Indian students.

When post-study work visa rules were changed, it affected some students. When Britain says it remains open to the best and the brightest, Indian students are among the best. So it is up to the UK to take a decision.

Similarly on Tier 2 visas, Indians can still come but the salary threshold has been increased. Indian companies can accept that. All they have been saying is that please do not change rules regularly. If there is a five-year period where the rules are clear, they can work accordingly. It is a fact that Indians are among the biggest suppliers of hi-tech professionals to the UK.

The whole point about opening a dialogue is to have a discussion on these issues and to see where the problems lie and where they can be wrinkled out.

We don't see students and short term workers as migrants; they should not be counted within the migrant quota.

We are confident the UK side understands these aspects and has offered to have a dialogue.

Illegal immigration

The UK does have a problem of illegal migration and we cooperate fully on the issue. It has been our standard policy not to leave any stranded India anywhere. Our issue always has been identification of nationality. So all we ask is that while they conduct their checks, we should be able to verify as well. Our job is to help all Indians abroad to have a fair system of getting back to their own country.

The kind of work we have done in Yemen, Lebanon, Libya where Indians were stranded speaks for itself. The government of India, under the leadership of Prime Minister Modi and external affairs minister Sushma Swaraj, has gone out of the way to help Indians stranded anywhere in the world.

And if Indians are in trouble in the UK, we will do our best to help them. So it's a way of working together.

Conclusion

In my view Brexit or no Brexit, the relationship between India and the UK is on an upward path.

Brexit brings with it both challenges and opportunities. Unlike any other country, we are very much integrated into the UK. Our Indian companies are based here, they do business here and use the UK as a gateway into Europe. So they face the same problems that British companies would face. So it is a challenge for us to see how we can work with British companies and the British government to ensure that Indian companies get a fair deal in the negotiations with the EU.

The opportunities lie in the fact that India and the UK bilaterally have a very strong relationship. And how Brexit will impact that is a work in progress, which has already started.

BRITISH PM MAKES UNDERWHELMING VISIT TO INDIA

Prime Minister Theresa May at Sri Someshwara Swamy Temple, Bangalore, India

Prime Minister Theresa May's visit to India between November 6 and 8 resulted in deals worth around £1.2 billion. The figures themselves reflect the underwhelming nature of her first trade mission as the leader of a post-Brexit Britain. The intention of the visit was quite clear – to pitch the UK as having giant economies like India keen to strike a bilateral trade deal following its impending exit from the European Union (EU).

May wanted to use the visit to deliver on her "ambitious vision" for Britain after Brexit, forging a new global role as a country with the "self-confidence and the freedom" to look beyond the continent of Europe.

She said: "Leaving the European Union presents us with a world of opportunities and I'm determined to seize them. That's why I went to India to deliver on global Britain and I have to say that the response I've had here in India has been excellent. This is my first trade mission but we've seen on this visit deals worth a billion pounds being signed.

"We have an agreement with the Indian government to work with them on our trade relationship. What that means is more trade for British businesses, more jobs and investment in the UK and that's good for the whole country."

But despite all the right gestures and body language, including wearing a sari during her stopover at the Sri Someshwara Temple in Bengaluru, the visit was anything but smooth sailing. Besides the seismic shifts in world politics in the form of the US elections, the timing of her visit also coincided with the UK's fresh tightening of its visa regime. Under new rules announced just days before she landed, anyone applying after November 24 under the Tier 2 intra-company transfer (ICT) category would be required to meet a higher salary threshold requirement of £30,000. It is a fact that the ICT route is largely used by Indian IT companies in Britain, accounting for nearly 90 per cent of visas issued under this route.

This, on the back of previously announced curbs on student visas, meant the message in India was one of scepticism over the UK's intention over bringing down barriers.

Prime Minister Narendra Modi did not mince his words during his address at the India-UK Tech Summit, which the two leaders jointly opened in New Delhi.

He said: "Education is vital for our students and will

It was billed as a clear signal of a very special relationship that Theresa May had chosen India as her first major bilateral visit outside Europe since taking charge as British Prime Minister. However, if she thought that trade and investment talks can be divorced from concerns over the UK's ever tightening visa regime, she was in for a surprise.

define our engagement in a shared future. We must therefore encourage greater mobility and participation of young people in educational and research opportunities."

Indian commerce minister Nirmala Sitharaman was more candid: "The UK seems to want access to the Indian market, the UK seems to want Indian investments, but the UK does not seem to want Indian talent."

If a Donald Trump victory had not managed to push the visit to smaller headlines, the Indian government's announcement over the demonetisation of its banknotes certainly ensured a complete wipe-out.

Back home in the UK, the media was hardly kinder and also focussed on India's demands of ease of access in return for closer trade and investment cooperation.

The India-UK relationship may be described as "special" but this visit makes it clear that an India decisively marching ahead on the international stage will not be content with mere symbolism and hyperbole.

In PM Modi's words: "India is now the fastest growing large economy with the most open investment climate. Our innovative entrepreneurs, talented work force and R&D capabilities combined with large markets, demographic dividend and increasing economic competitiveness offer new growth sources for the world economy."

Therefore, its relationship with the UK needs to reflect this position of strength, especially against the backdrop of Brexit and a number of other European regions making a play for its lucrative market.

A list of commercial deals signed between India and the UK during the visit:

- **UK's Dynamatic** signed a deal worth £205 million. Dynamatic and Airbus announced the commercial production of flap track beams, which are high-tech guide rails fitted to the wings of the aircraft, crucial in controlling speed, direction and balance. The parts are machined in Dynamatic's facilities in Swindon and Bristol and then manufactured and assembled in Bengaluru.

- **Dyson is to open** flagship stores in major cities across India, including Delhi and Mumbai, as well as partner with leading retailers to make its technology available to Indian consumers. Dyson expects to set up in India in 2017 and generate around £150 million revenue over the next five years.

UK Prime Minister Theresa May speaking at the inaugural of the India-UK TECH Summit 2016 in New Delhi

- **Buffalo Grid** uses solar energy to provide mobile power and internet services to off-grid communities. The company expects to export 500 solar-powered, internet-connected hubs to provide mobile power and internet to rural villages in India – connecting over 250,000 people living in some of India's poorest villages. These hubs will be manufactured in the UK and will generate up to £24 million in revenue over five years.

- **King's College Hospital,** Ernst and Young UK and Pricewaterhouse Coopers along with other leading UK health providers have signed a range of commercial and financial partnerships with the Indo-UK Institute of Health (IUIH) worth £300 million.

- **Westminster Healthcare** are investing £14-£15 million in a pioneering diagnostic centre in India, which will open in January 2017. The UK export value of goods and services will be approximately £10 million with a turnover of around £75 million over a five-year period.

- **Gurr Jones will** provide services such as the valuation and appraisal of fine and decorative art, antiques and collectables to art enthusiasts and collectors across India. The deal is expected to generate a turnover of £50 million in the next three to five years.

Theresa May with Indian President Pranab Mukherjee

- **He-Man Dual** Controls are setting up a manufacturing plant in Chennai, with a total investment and export value of £800,000 over the next 5 years.
- **Equiniti India,** an intelligent provider of sophisticated technology, administration, processing and payments services, has invested an additional £3.1 million as part of their expansion plans for India.
- **Wockhardt,** a leading Indian pharmaceutical and biotechnology company, has a Sterile Manufacturing Facility based in Wrexham, North Wales, which employs approximately 380 personnel. The site currently has capacity to manufacture and pack 25 million ampoules, vials and cartridges. It is now investing a further £10 million to enhance its existing manufacturing capabilities in Wrexham. This investment will result in an additional capacity of 50 million ampoules and vials and will also generate 40 to 50 new jobs.
- **Pandrol Rahee Technologies** Pvt Ltd is investing around £1.5 million to build a state of the art manufacturing unit in Hyderabad. The plant will manufacture specialised railway clips and is expected to generate £45 to 50 million in turnover over the next five years.
- **London-based** Kloudpad exports the very best of British designed technology and is investing £50 million into a new manufacturing plant in India. This will see profits soar by £300 million – bringing 50 new jobs into London.
- **Firstsource Solutions**, which has seven centres across England, Scotland, Wales and Northern Ireland, is adding 1,000 staff over the next six months. The Business Process Management company already employs 4,000 people in the UK. The firm also recently opened a centre in Warrington, employing 250 people.
- **Wipro announced** the expansion of its Wipro Digital business with the opening of its second office, a 150-seater facility in London. Wipro Digital had unveiled a 75-seater digital pod in London last year. These two pods will together give Wipro Digital increased specialised capability in digital strategy, design and engineering. It will offer UK and global brands integrated and end-to-end digital transformation services.

UK-INDIA YEAR OF CULTURE 2017-18

The Science Museum in London to host two exhibitions in 2017 centred on the culture and history of innovation in India. One exhibition is an ambitious and unprecedented survey of photography in India from the emergence of the medium in the 19th century to the present day. The other will highlight the long tradition of scientific thought in India, from the ancient past to the present day.

Theresa May said: "This celebration of India's rich culture and history of innovation is another clear demonstration of the close ties between our two countries. I welcome the Science Museum's aim to use its series of exhibitions during the UK-India Year of Culture to strengthen the relationship between British and Indian scholars and cultural institutions."

QUOTE-UNQUOTE

THERESA MAY

NARENDRA MODI

"

The UK is ready to support the development of India's defence capabilities through Make in India and technology transfer. And by jointly promoting our defence equipments in other markets.

India now has one of the best visa services for the UK in the world, with more application points than any other country and the only country where it is possible to get a same-day visa. That happened because we listened to what businesses are saying.

One of our most important and closest friends has to be India — a leading power in the world, with whom we share so much history, culture and so may values, and which is led by a Prime Minister who is undertaking a far-reaching programme of reform.

"

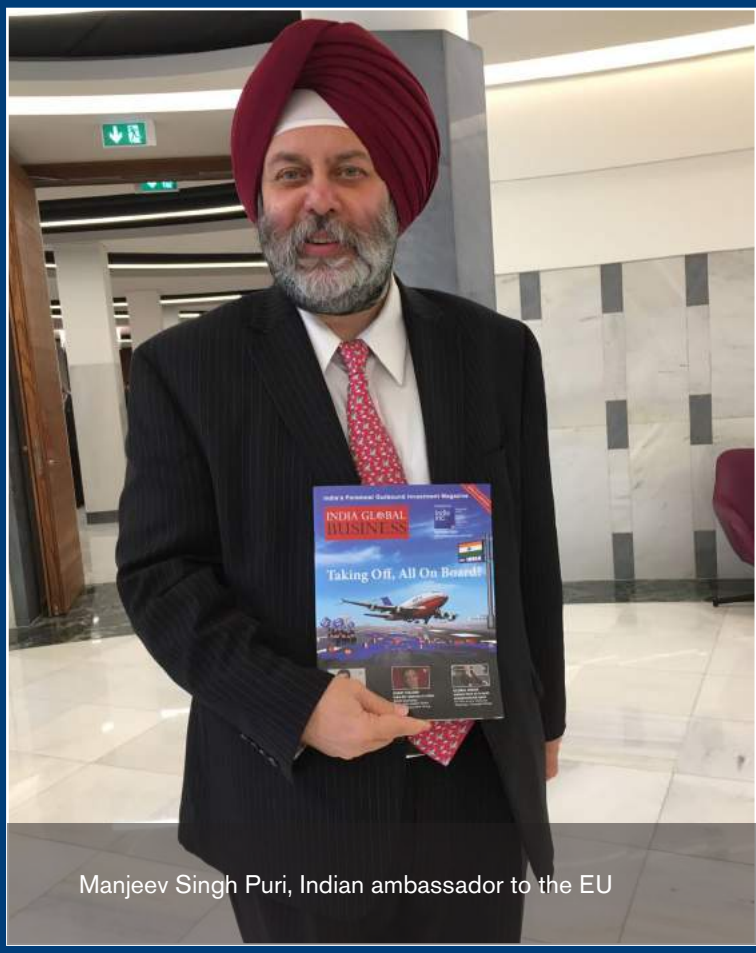
I believe that India and the UK must continue to nurture and support an ecosystem of high quality fundamental research to pave the way for joint technology development that can address global challenges.

Today, the world is at an inflection point where technology advancement is transformational. It is vital that India and the UK, two countries linked by history, work together to define the knowledge economy of the 21st century.

We are bringing in last mile connectivity to nearly 100,000 villages across the country. Such rapid growth offers new digital highways and new markets for UK and Indian companies to address.

EU REMAINS COMMITTED TO BROAD, AMBITIOUS FTA WITH INDIA

Swapan Dasgupta, Indian Member of Parliament



Manjeev Singh Puri, Indian ambassador to the EU

Panel discussion on digital disruptions in India

India and the European Union (EU) are poised for a broader and more ambitious engagement was the key outcome of the Trade and Investment Partnership Summit (TIPS) 2016, the annual flagship event of the Europe India Chamber of Commerce (EICC), held in Brussels in November.

India and the European Union (EU) have been working on signing a free trade agreement (FTA) since 2007 but an agreement remains elusive over key sticking points on both sides.

A senior EU trade official has now reiterated that the economic bloc remains committed to a broad and ambitious FTA and called on India to not give up on the goal.

Jolana Mungengová – member of the Cabinet of EU Trade Commissioner Cecilia Malmstrom – said at the EICC summit: "The EU and India are long-lasting partners and the EU remains committed to a broad and ambitious FTA with India.

"While our bilateral negotiations remain at a stalemate for the time being, it does not mean nothing is being done to resume talks. Our objective is not to resume negotiations just for the sake of it. The goal is to resume negotiations so that the EU and India can have a real chance to make progress to conclude a trade agreement."

Canada Model

Her views were echoed by other industry and policy experts at the summit, however some sounded a note of caution over the approach towards achieving a trade agreement.

"The entire issue of an FTA is a very contentious one. The EU has signed a landmark agreement with Canada, which could be a pointer to what is possible and what is difficult. It is important to note that every FTA also has to address a domestic political constituency… there must be a happy meeting point," said Swapan Dasgupta, Rajya Sabha MP and keynote speaker at the summit.

Arnaldo Abruzzini, CEO of Brussels-based trade group Eurochambres, questioned whether the traditional trade agreement format was even viable.

"Are we sure that the traditional trade agreement is the best way to invest our resources today? We should be pushing for a new dimension of international trade relationship, one that involves economic diplomacy – a different way to achieve the same results as trade negotiations," he said.

Building Bridges

The EICC's TIPS annual conference was created with the aim of fostering bilateral trade, investment and economic relations between the European Union (EU) and India.

"We are here to build economic bridges. We believe this relationship is very important," said Manjeev Singh Puri, Indian ambassador to the EU.

This year the theme of the summit revolved around 'Europe and India: Anchors of economic stability in today's chaotic times', given the backdrop of Britain's recent referendum in favour of an exit from the economic bloc.

Dr Ravi Kumar Mehrotra, EICC chairman and Executive Chairman of the Foresight Group, noted: "The best coupling is India and the EU – they are both democracies and both keen to grow. The strength of EU innovation and India's growth can find great synergies."

Shishir Bajoria, chairman of the Bajoria Group and EICC Director, who spearheaded the 'EU, Brexit and India: Changing Landscapes' session at the summit said: "As far as India is concerned, we would like increased trade with all. Brexit – if it happens, when it happens – is the sovereign will of the people."

Sunil Prasad, EICC Secretary-General, encapsulated the summit as "historic" for addressing the primary issues confronting the EU and India.

He said: "It was widely believed that it is time to effectively 'de-ice' EU-India relations and strengthen the partnership, with understanding on the part of member states of the added value of collectively cooperating with India on issues of common concern."

Europe launch of 'The Modi Doctrine'

Modi Doctrine

The event also marked the Europe launch of the latest edition of 'The Modi Doctrine' – about Indian Prime Minister Narendra Modi's new paradigms for Indian foreign policy and Europe's central stake.

Dr Anirban Ganguly, one of the editors of the doctrine and director of the Dr Syama Prasad Mookerjee Research Foundation, explained: "This is about India's place in the world. The common thread running through the volume is Prime Minister Narendra Modi's go-getting edge and how India under his leadership is engaging with the unengaged."

SHORT TAKES

UK's Vero Software eyes India

UK-based Vero Software, which specialises in CAD/CAE software, is planning to step up investments in India.

The firm which was acquired by technology giant Hexagon two years ago, has around 2,000 clients in India mainly in the automotive and general manufacturing sector, wants to be a market leader in the segment in India over the next five years.

Vero Software CEO Steve Sivitter said: "We have invested half a million and are planning to triple this investment in 2017. We will be investing in the areas of sales, marketing and technology support, among others. We will also be increasing our manpower in India by 50 per cent next year as we have 24 people and will be taking that number to 36."

The company, which has 24 employees in India, will add 12 more by next year as it eyes more manufacturing activity under the 'Make in India' campaign.

The Cheltenham, England, headquartered company is targeting to close this financial year with annual sales of €110 million against €98 million last year.

UK launches new tech awards for India

The British High Commission has launched the new 'DevTech Awards' to recognise entrepreneurs who create innovative solutions that benefit people from low-income population in India.

Launched in association with the Tech Rocketship Awards, the new awards are aimed at entrepreneurs and innovators who have used technology to address some of the most critical development challenges faced by India's poor and create a positive, large scale impact on areas such as education, skills, agriculture, nutrition and basic services.

DevTech winners will win a trip to the UK, which will include access to the best of British expertise and a chance to pitch to potential investors at the India UK Tech Summit in New Delhi between November 7 and 9.

The UK's Department for International Development (DFID) is leading this initiative as technical partner while Villgro – as implementing partner - will manage the process of receiving applications, shortlisting, facilitating the pitching sessions of shortlisted entrepreneurs to a jury who will select two winners.

Marshall Elliott, head of DFID India, said: "I am delighted to announce the DevTech Awards in India. These awards recognise India's vibrant entrepreneurs who have developed tech-based solutions to help India's poor.

"The winners will have the opportunity to showcase their work at the forthcoming India UK Tech Summit, alongside the best of British and Indian technical experts."

The closing date for applications is October 15.

UK firm plans pork plant in Punjab

UK-based Cranswick Foods Company recently met Punjab chief minister Parkash Singh Badal with plans to set up a modern pork processing plant in the state.

Interacting with the delegation, Badal assured them that the government would extend all possible support and cooperation to implement the project, which would act as a catalyst to hasten the process of value addition in the animal husbandry sector on the one hand and give boost to the farm diversification on the other, an official release said.

Cranswick chief operation officer Chris Aldersley also promised to provide all technical support and expertise to progressive pig farmers to further consolidate their economic position.

The firm would also provide information about high quality pig genetics to the state, which would enable the state government to identify sources for import of live pigs and semen. The state government could then use these resources to provide high quality piglets to the farmers, the release said.

Badal directed Punjab's additional chief secretary, advisor and director of animal husbandry to visit Cranswick in UK along with a delegation of progressive pig farmers to study and finalize the modalities.

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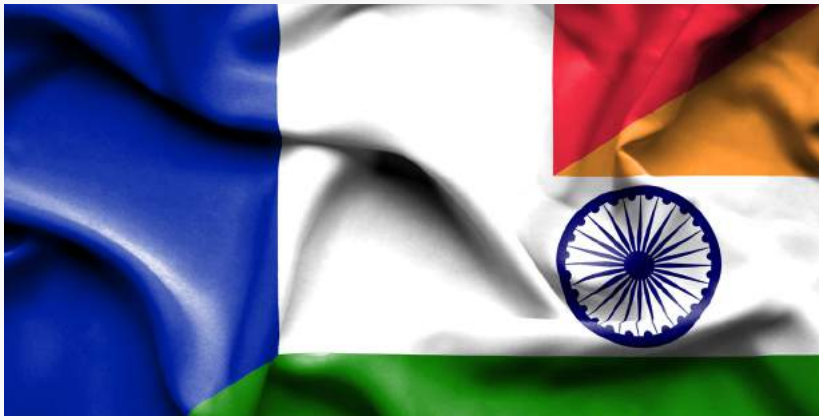
INDIA-RUSSIA:
The ties that bind

India's close relations with Russia covers politics, defence, civil nuclear energy, anti-terrorism cooperation and space. The strategic partnership has endured the test of time. Here is a snapshot.



"An old friend is better than two new ones."

Narendra Modi, Prime Minister of India

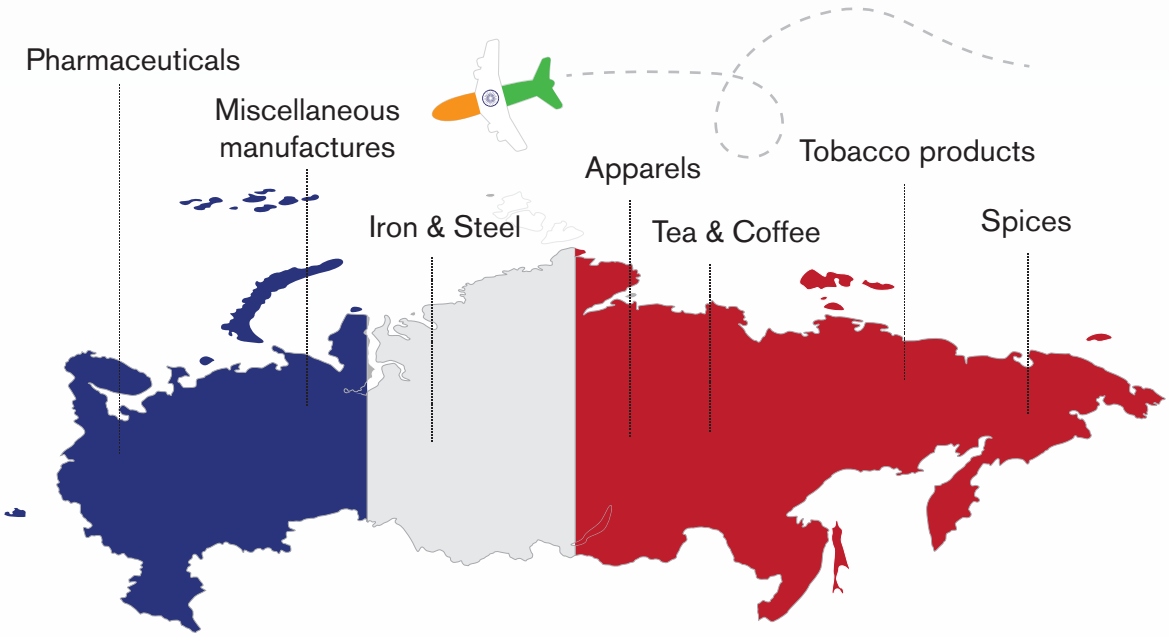
"Industries of both countries are improving cooperation; military and technical cooperation is also improving."

Vladimir Putin, Russian President

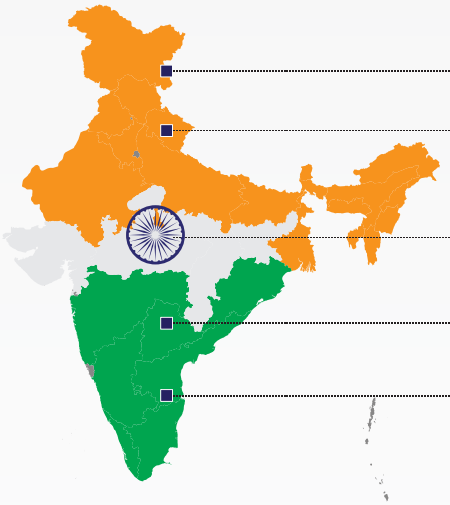
India-Russia Annual Summit: October 2016

- **16 agreements** across several fields
- India to spend over **$5 billion to acquire S-400** Triumf air defence missile system
- India to buy three **Project 11356 frigates** from Russia
- Russian companies to invest in smart cities in **Andhra Pradesh and Haryana**
- Make in India: India-Russia to jointly manufacture **200 Kamov 226T** multi-use helicopters
- Russian Direct Infrastructure Fund and India's National Infrastructure Investment Fund will each invest **$500 million** to create a joint **$1-billion** infrastructure fund for India
- Russian oil major Rosneft bought Essar Oil in an all-cash **$13 billion deal**

Main Indian Export Items to Russia



Main Indian Import Items from Russia



- Fertilizers
- Electrical equipment
- Defence and nuclear reactors
- Mechanical appliances, automobiles
- Iron & steel articles

Russia's Sectors of Focus in India

- IT
- Pharmaceuticals
- Construction and engineering services
- Manufacturing
- Aviation

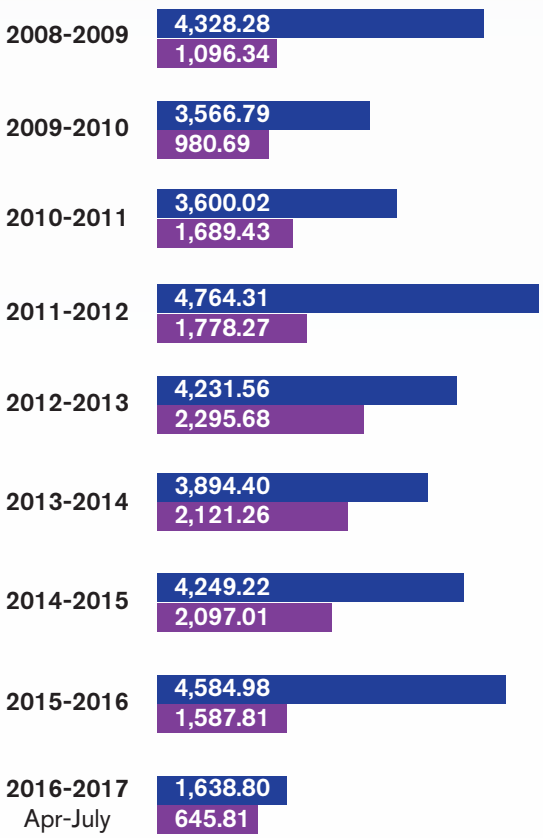
Initiatives to attract Russian investments

- The two countries signed a protocol on **24 December 2015** to simplify visa procedures for businessmen.
- The India-Russia Inter-Governmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation **(IRIGC-TEC)** is the apex G2G forum to review economic cooperation.
- India-Russia Forum on Trade and Investment and India-Russia CEOs Council are the two primary mechanisms to promote direct bilateral **B2B contacts** between India and Russia.

- **Mechanisms such as**
  - **India-Russia Business Council** (partnership between FICCI of India and CCI of Russia)
  - **India-Russia Trade, Investment and Technology Promotion Council** (partnership between CII of India and RUIE of Russia)
  - **India–Russia Business Dialogue** (partnership between CII of India and Russia's Business Council for Cooperation with India)
  - **India-Russia Chamber of Commerce** (with focus on SMEs) supplement the efforts to build direct B2B ties

- **India and Eurasian Economic Union (EaEU)** signed a joint statement to undertake joint feasibility study for the FTA between India and EaEU.

Bilateral Trade (Values in US$ mn)



Source: Department of Commerce, Ministry of Commerce & Industry, Government of India

A COMPLEX FRIENDSHIP ROOTED IN HISTORY

India-Russia ties have a deep-rooted history but the political realities of the 21st century may require a fresh approach to old ties.

India's relationship with Russia is a complex one, saddled with history and more recently geography. Russia has been an old and once-trusted supplier of defence equipment and weapons systems and has recently signed a slew of deals for co-production of military helicopters and Indian purchase of missiles and frigates. Separately, the Russian energy giant Rosneft led a consortium that bought Essar Oil, an Indian petroleum and refining conglomerate.

If one adds cooperation in areas as far apart as pharmaceuticals and nuclear energy, the India-Russia relationship seems deep. Yet, is it wide – or even deep enough? The latest arms deals have come against the run of play and the keenness in India to move away from Russian weapons systems. India is determined to diversify its supplier sources because Russian defence factories and technologists are now open to the Chinese and through them the Pakistanis. For instance, the engine of the MiG 29, which the Indian Air Force uses, also figures in the Chinese-Pakistani JF 17.

President Vladimir Putin of Russia has leveraged a growing relationship with China and Pakistan to remind India that Moscow is not without options, as New Delhi itself seeks friends in Washington, DC, and European capitals. Yet, the fact is this is a short-termist game because the broader sweep of civil society and private-sector business relations between Russia and India no longer exist. Indian business steers clear of Russia and sees it as a tough place to invest in. Indian students prefer the United States, the United Arab Emirates, Australia, Singapore – anywhere but Russia.

Unlike the West, India has not taken on Russia on the Crimean issue and on its expansionism into Ukraine. The reason for this is two-fold. First, these geographies are too distant and India isn't really involved. On the other hand, when there was talk of Russian troops exercising in Pakistan (including in Pakistan-occupied Kashmir), India was concerned, did protest and reached out to Russia.

Second, Asian powers like India (or China for that matter) are that much more realist than many in the West and predicted – even if they didn't support – Putin's muscular near-neighbourhood policy and his desire to take Russia into the realm of "Big Politics" by beginning bombing operations in Syria and so on. The West was surprised, given Russia's economy and demography is going south, but Indian strategists anticipated it.

That doesn't mean, however, that Russia has a rosy future. Its long-term challenges still remain. Given the fall in oil and gas prices, it faces economic uncertainty and its young people are happy to abandon it. Yet, it retains enough capacity and military prowess to be a factor in the immediate future. India is alive to that, even as it accepts Russia is gradually walking into the Chinese sphere of influence, and that Russian tourists are no longer coming to Goa in the large numbers they used to at the height to the energy boom a decade ago.

SHORT TAKES

ADB to fund Solar India rooftops

Asian Development Bank (ADB) will provide a $500-million credit line to introduce sun-based rooftop frameworks in India.

The financing involves $330 million from ADB and $170 million from the multi-benefactor Clean Technology Fund, controlled by the subsidising agency.

"This funding should mean that 11 million fewer tonnes of greenhouse gases are emitted over the typical 25-year lifetime of solar rooftop systems," ADB said.

The financing will be channalised through Punjab National Bank, which will utilise the ADB assets to tender loans to different developers and end-clients all over the nation to set up sun based housetop frameworks.

Consolidated with an extra $300 million in subproject value speculation and $200 million in advances from business banks and different agents, the whole cost of the Solar Rooftop Investment Programme is around $1 billion.

Germany's Marquardt plans India unit

German premium automotive switch maker Marquardt is planning to set up its second manufacturing facility in India and expand the local R&D centre.

The leading German manufacturer of electro-mechanical and electronic switches and switching systems for automobiles and other sectors is

witnessing a resurgence after a slow growth period.

Marquardt plans to set up the new greenfield plant in the automotive hub of Chakan, near Pune. The plant is likely to be commissioned by 2019-20.

Last year, the firm had inaugurated an R&D centre in Pune, which now employs 160 engineers. It plans to increase the number of engineers at the R&D centre to 200 by this December, and to 400 in the next three-four years.

Marquardt will be investing around $15 million (Rs 100 crores) in its India business over the next few years, which will be put into the new plant and in doubling its R&D workforce to work on global projects.

VW plans Make in India model

India Inc India Inc: Monday, 03 October 2016 14:23
VW plans Make in India model

German car maker Volkswagen is expected to use India as a manufacturing base for its new compact SUV based on the Polo hatchback, which will enter the market in 2018.

At the ongoing Paris Motor Show, Juergen Stackmann, member of the board of management, Volkswagen told Autocar Indi: "We are in the process of trying to localise the compact SUV in India."

The SUV will be based on the T-Cross concept, which was showcased by Volkswagen at the 2016 Geneva Motor Show.

Localisation will help VW to keep costs at a low end and pit the new model against Hyundai Creta in India. VW says that the compact SUV's cabin will be similar to the BUDD-e concept, which means the number of buttons and knobs inside the cabin will be minimal.

FULFILLING THE POTENTIAL OF US-INDIA BILATERAL TIES

by John Chambers

Around the world, anti-trade sentiment is on the rise. It has taken center-stage in the US presidential election, and helped drive the UK's recent "Brexit" vote to leave the European Union (EU). Meanwhile, the global economy entered into its fifth consecutive year of subpar growth in international trade this year, according to the World Trade Organisation (WTO).

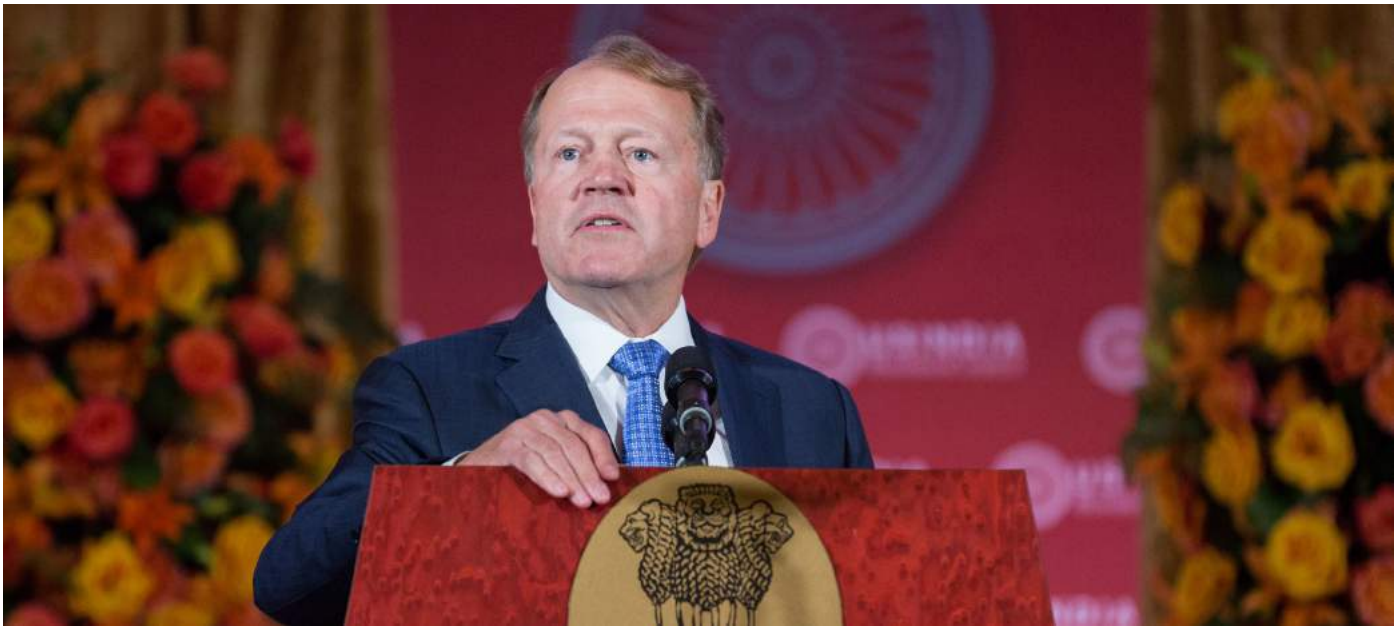
Despite this trend, trade between the US and India remains at an all-time high. As the chairman of the US-India Business Council (USIBC), an advocacy group that champions the case for free enterprise in the US-India corridor, I'm proud to help lead this partnership, which is forging a new growth and innovation story that I consider a model for the entire world. And there is potential to do much more, not just in terms of incremental trade or investment, but in terms of transforming businesses and the lives of 1.3 billion people in India.

As Prime Minister Modi remarked in his address to the joint session of the US Congress in June, the two countries have "overcome the hesitations of history" by forging a strategic alliance rooted in our guiding principles of freedom, equality and democracy. Most notably, this partnership paved the way for a landmark civil nuclear agreement between both nations, the US-India Civil Nuclear Deal, which in the 10 years following its passage has tripled two-way trade to more than $107 billion.

At Cisco, we're helping strengthen this bilateral trade relationship through continued investments in India's economic transformation. Building on our 21 years of operations in the country, we recently announced a series of strategic investments that will total more than $100 million, including $40 million to fund early-stage and growth-stage companies.

The US holds more official dialogues with India than with any other country – a testament to our commitment to India. In fact, the US and India recently held the second India-US Strategic and Commercial Dialogue in New Delhi, where US Secretary of State John Kerry met with Indian External Affairs minister Sushma Swaraj and Commerce and Industry minister Nirmala Sitharaman to advance bilateral cooperation around the two nations shared priorities of generating sustainable economic growth, creating jobs, improving the business and investment climate, enhancing livelihoods, and sustaining the rules-based global order.

At Cisco, we're helping strengthen this bilateral trade



relationship through continued investments in India's economic transformation. Building on our 21 years of operations in the country, we recently announced a series of strategic investments that will total more than $100 million, including $40 million to fund early-stage and growth-stage companies. Supporting the next phase of the country's digitisation plans, Cisco will collaborate closely with state governments in India on strategic initiatives including the addition of six new innovation labs, three centres of expertise, funded university collaborations and skills investments.

Thanks to Prime Minister Modi's numerous structural reforms to encourage economic development, we expect these types of American investments to pick up in the coming years. Recent government reforms have helped cut government bureaucracy and incite innovation, such as the passage of Goods and Services Tax (GST), an entrepreneur-friendly bankruptcy code, the establishment of ebiz portals and the liberalisation of FDI in several sectors of the economy such as civil aviation and pharmaceuticals to send a message that India is open for business. As a result, India's ranking on WEF's global competitiveness index jumped from 55th in 2015 to 39th in 2016 – the largest jump among the 138 countries on the list. Simultaneously, FDI inflow (new equity) to India surged by $43.7 billion, or 30%, in past 12 months.

So how can we propel the US-India partnership even further? Modi's focus on infrastructure and logistics will be key, including an estimated investment of $1 trillion in overall infrastructure, with $140 billion for rail infrastructure, $15 billion for 100 Smart Cities, and a commitment to build 20 million affordable housing units. Likewise, it's critical that India's logistical services and transportation infrastructure keep up with its rapidly growing economy. It is estimated that India will also be the third largest aviation market by 2030 and need an additional 250 airports. Moreover, both the Indian and US governments should pursue open trade policies that, despite the political rhetoric, will continue to deliver economic prosperity for India and the United States.

Smart economic reform in India can also incite greater American investment, such as privatizing public banks suffering with chronic bad loans that could help address the lack of adequate funding. Public-Private Partnership (PPP) models need more clarity and a better de-risking mechanism for fruitful participation of the private sector. At the same time, steps should be taken to extend the depth of the corporate bond market to facilitate infrastructure financing. The government should also be applauded for rolling out the Single Window Clearance system for customs – a one-stop shop established in April – one that is operational only in a handful of other countries. Likewise, USIBC encourages India's steps towards trade liberalisation including supporting its interest in the Asia-Pacific Economic Cooperation (APEC) region and resuming negotiations on a US-India Bilateral Investment Treaty.

Further, to make our $500-billion target in bilateral trade goal a reality, India will need to aggressively address its talent gap, as outlined in Prime Minister Modi's "Make in India" initiative. India will soon have the largest workforce in the world, yet many workers don't have the skills required for the high-paying jobs of the future, in areas like data analytics, networking and cloud computing. To combat this issue, India will need to update its current educational system to focus on training the workforce for the jobs of the future. Businesses, including Cisco, will also play a role in reskilling existing and potential talent. That is why Cisco recently committed to training more than 250,000 students in India through our Networking Academies by 2020.

I believe that the best is ahead for both the US and India, and that through continued government and business collaboration, we will see unprecedented opportunities. Both countries must strive to find a common ground on trade to move business ahead, which will require continued clarity in policy decisions, consistency in their application, and predictability for the road ahead.

John Chambers is chairman of US India Business Council (USIBC) and executive chairman of Cisco Systems.

INDIA'S SOLAR POWER SECTOR TO SHINE BRIGHTER

by Jun Zhang

As the world, especially emerging economies, grapple with the challenges posed by climate change, it is essential to come up with innovative solutions to address energy shortages that can significantly benefit people with no or limited access to energy. An International Finance Corporation (IFC) expert analyses where India fits in.

Jun Zhang is International Finance Corporation's (IFC) senior country manager for India, based in New Delhi

At COP 21 in Paris last year, leaders from across the world recognised climate change as an urgent and irreversible threat to the planet that required nations to curb greenhouse-gas emissions. The dialogue encouraged nations to scale up funding to help developing countries shift to green energy and fortify themselves against climate-change impacts.

The partnership between India and France to form the International Solar Alliance (an association of 121 countries led by India) to collaborate on increasing solar energy use around the world, will mobilise $1 trillion investments for solar power by 2030. The alliance will hopefully see rapid progress in times to come.

India — A Bright Spot

The National Solar Mission initiative, launched by India in 2010, was the first initiative that envisaged significant capacity addition of solar power in the country's energy mix. In the last six years, the solar sector has seen impressive growth, from a mere 10 MW to around 8 GW. In fact, capacity has more than doubled in just the last two years. This is important progress – and there is still a long way to go to achieve the country's target of 100 GW of solar power by 2022, of which 40 GW will come from rooftop projects.

India has shown strong leadership by taking on both the challenges of climate change and providing energy access to over a billion citizens. Its commitment to supply 24/7 electricity over the next five years to all citizens is a challenging task. For this dream to reach fruition, it is crucial that India achieves the ambitious target of 100 GW solar power as solar-based power both increases power supply and reduces the carbon footprint of the energy mix.

The World Bank has committed $1 billion to support India's renewable energy generation push in India. This money will be invested in solar rooftop projects, infrastructure for solar parks, bringing innovative solar and hybrid technologies to market, and transmission lines for solar-rich states. The World Bank Group has signed up as a financial partner for the International Solar Alliance.

The partnership between India and France to form the International Solar Alliance (an association of 121 countries led by India) to collaborate on increasing solar energy use around the world, will mobilise $1 trillion investments for solar power by 2030.

IFC is a pioneer in renewable energy in India, investing in the sector since 2009. It is now helping Madhya Pradesh set up the largest single-site solar power project in the world, with a capacity of 750 MW. IFC's advisory services team is structuring and implementing the transaction and helping attract private investments to the project.

Some years back, IFC's Public-Private Partnership and Sustainable Business Advisory teams took an early initiative to help the Indian state of Gujarat implement the country's first rooftop solar program in Gandhinagar. IFC assisted the state government on transaction structuring, supported setting up a competitive bidding process, so that the state government could evaluate the bids and identify appropriate private partners for implementing the project. Similar advisory support could be provided in other cities and states to replicate the success of this experience.

These initiatives have demonstrated that scaling up renewable capacity is possible to meet India's energy needs in a sustainable manner.

Innovative Financing Solutions

The 100 GW target will require close to $100 billion of new investments in the next few years. Domestic lenders have supported the deployment of renewable energy through long-term loans and can be expected to continue to do so. Refinancing of projects has also picked up. However, such large-scale lending cannot be done by domestic lenders alone. India needs to mobilise investments from the local capital markets and from other countries,

including institutional investors and commercial banks.

In 2013, IFC unveiled the onshore Maharaja and offshore Masala bond programs. These programmes have attracted new classes of investors from within and outside India, lengthening maturities/ developing yield curves, and mobilising long-term rupee financing for infrastructure needs. Green bonds are innovative instruments that help raise capital for projects with high climate-smart and climate-friendly outcomes. These bonds attract more progressive and long-term investors and enable vast amounts of capital to be channeled to support a low-carbon climate-resilience path.

As an institution that believes in creating opportunity where it is needed most, IFC was first in India to issue green bonds. We have also been the principal subscriber to green bonds issued by banks in India to help construct green residential buildings, develop renewable energy projects, and create jobs. For example, in August 2015, IFC invested $50 million in green bonds issued by Yes Bank. The success of this first issue encouraged the government to ask public sector units to issue green bonds to fund renewable projects in the country.

The scale of capacity addition is also an opportunity for India's manufacturing sector. Recent reforms, such as easing of regulations and initiatives such as the Make in India program, are helping revive the investment climate. Results have been mixed. Currently, solar cell manufacturing in India has a production capacity of less than 2 GW per year, which is low compared to the scale achieved by Chinese companies. Especially, in the context of the supply glut facing the international solar equipment market. On the other hand, India has created significant manufacturing capacity in other parts of the sector—primarily solar inverters, mounting structures, and transmission systems. Recent estimates from Bridge to India, a consultancy and knowledge services provider in the Indian renewable market, indicate that companies such as TMEIC and Hitachi are planning to use their Indian manufacturing units to make solar inverters for export.

Foreign direct investment (FDI) is another avenue for large-scale investments in the sector. In the last three years, India attracted about $2 billion FDI in the renewable sector. Prominent players from Japan, the US, China, France, Finland, and Canada have announced joint ventures with Indian companies to set up solar manufacturing facilities and solar power plants. With 100 per cent FDI permitted under the automatic route in the solar sector, more global organizations are expected to foray into the Indian solar sector. This will boost solar manufacturing and create a large number of jobs.

Attracting Investments in Rural Solar Power

With about 60 million households still not electrified and relying on energy sources other than grid electricity for lighting and other basic energy needs, off-grid renewable energy is emerging as a powerful solution to address the access-to-electricity problem in rural India. Solar power becomes especially critical for the remote corners of the country where grid-connected power is unavailable or difficult to reach.

There are now a wide variety of options that can provide off-grid solar electricity to individual households. These solutions range from pico-solar lanterns to large solar home systems and mini-grid connections that can power several lights and electrical appliances. The government's policy draft on mini-grids is a step in the right direction and will bring much-needed regulatory and policy clarity in the sector.

Meanwhile, IFC's Lighting Asia/India programme, has been working in three states — Rajasthan, Uttar Pradesh and Bihar—to provide safe and reliable electricity access by increasing awareness on solar lighting among consumers. IFC is also working to bring on board manufacturers and distributors of quality-assured solar lighting products. There is a need to work with the private sector to support a market-based approach and pave the way to attract more investments into the rural solar sector.

Way forward: Sustained Optimism for Solar

India is firmly committed to providing affordable energy access to its citizens and reducing dependence on fossil fuels. The rapid scaling up of solar installations, various states announcing solar policies, and sustained interest from both domestic and global players indicate that there is optimism in the sector. IFC has supported the private sector in India for six decades now and is also one of the earliest supporters of renewables. IFC's portfolio companies today have set up over 3 GW of different forms of renewable power projects in the country. And, we are working to increase that.

CSR CANNOT BE AN AFTERTHOUGHT

A social impact entrepreneur describes how he leverages technology to provide skills training for under-privileged youth and create employment opportunities. He tells 'India Investment Journal' about his journey so far and the motivation behind his serial entrepreneurship.

Kartik Kilachand, the CEO & co-founder of Magnus Gyan, is a serial entrepreneur with a focus on India-US initiatives.

I have been an entrepreneur nearly all my life, except for the first five years after my graduate studies at University of California, Berkeley, when I cut my teeth at GE HQ in New York. All my ventures have been India-US driven – products and services from India sold primarily to the US market place.

This was way before India was on the global radar but I had innate belief in the India story.

By 2010, India's information technology services had acquired a niche of its own and I observed that many successful Indian IT entrepreneurs – both in the Silicon Valley and Bangalore – were investing their dollars in tech-led education start-ups. This was going to be a disruptive gamechanger – high quality education provided at affordable price points to everybody, instead of the privileged few.

I had been privileged to be the product of very high quality education (IIT Bombay; UC Berkeley; Cornell University) and was very conscious of the tremendous opportunities such an education had provided me. So six years ago, when I hit the "pause-refresh" button on what I wanted to do in my life moving forward I hit upon a potential solution to impact India's under-privileged youth by providing them affordable high quality adaptive education leveraging technology.

CSR cannot be an afterthought; it has to be at the core of the organisation. You cannot have a VP heading the company's CSR initiative – every employee from the Owner/CEO down has to own it.

Setting a fresh roadmap

I was always skeptical of traditional NGO [non-governmental organisation] models – primarily because they were not scalable and hence could not make a significant impact.

My roadmap to make a difference was to revolve around social impact entrepreneurship – a for-profit vehicle which would be scalable and sustainable with a clearly defined social impact outcome. The central aim was to help under-privileged youth get jobs in the digital economy of the future, combining all three of my passions – technology, education and entrepreneurship. I felt it was time to give something back.

One of the initiatives I had started in 2008, the World BPO/ITO Forum, had become the Davos of Global Sourcing Events – an Annual two-day knowledge sharing conference in New York. I met Madan Padaki, founder of Merit Trac – India's leading assessment company for the ITO/BPO industry, which he had recently sold to Manipal Global Education. We started brainstorming on how we can enable under-privileged youngsters with similar opportunities that could lead to them achieving the same success we had. This led to the birth of Head Held High (HHH; head-held-high.com) What started as an experiment with eight under-privileged youth from one of the 100 poorest districts in India (18-25 years of age) who had never been to school, HHH has now skill trained and created employment for over 3,000 such youth. The vision now is to scale this model to train and create employment for 1 million plus youth over the next five years.

Decoding Magnus Gyan

One of my colleagues from Brazil, Robert Janssen, had a boutique consulting firm called Outsource Brazil, which helped Brazilian IT companies look for customers outside Brazil and represented the Brazilian government's IT ministry - Softex.

Both Robert and I had this strong belief that the traditional transfer of technology model from North to South, which had prevailed over the last 200 years post Industrial Revolution in the West, was becoming more and more irrelevant. Technologies developed in one growth economy would be far more relevant/applicable to another growth economy – what I call the South-South model. This is specifically more relevant in the three big domains of education, healthcare and agriculture.

Quite simply, wouldn't a technology developed for sugarcane crop yield enhancement in Brazil be more relevant in the farms of Uttar Pradesh than a similar technology developed for the farms of Idaho in the US?

Given the similarities between India and Brazil – 50 per cent of the population under 25 in India and 45 per cent in Brazil; 325 million students in India (25 per cent of the population) and 56 million students in Brazil (also 25 per cent of population) –

coupled with India's prowess in IT and EdTech, one could use India's advantage in EdTEch and make it available to Brazil

In parallel, whilst growth economy governments were spending billions of dollars in bringing "last mile" internet connectivity to the poorest of its citizens, the missing link was the "last person" connectivity – since the price of a PC never dropped below $500. Hence, whilst you had affordable adaptive educational software, the low cost delivery vehicle was still missing to make it accessible to the many.

It just so happens that a Director of IIT Jodhpur, Dr Kalra, had his R&D team working since 2008 on developing a "Low Cost Access Device" – the word Tablet did not exist till Apple launched its ipad in 2010. IIT Jodhpur launched a $50 Tablet in 2011 on the same specs as the then Samsung Tab.

I met Dr Kalra at IIT Jodhpur. After many hours of brainstorming on my South-South vision of using a low cost tablet loaded with adaptive affordable educational software (Math/Science/English) from India to be deployed to under-privileged youth in Brazil, Dr Kalra agreed to have IIT Jodhpur license its technology for a "Low Cost Access Device" to us for Brazil and, Magnus Gyan (magnusgyan.com) was born.

Quantifying success

In my view, in order to define success, one first has to be very clear on the "WHY" – most people confuse the reason for doing what they are doing. They focus on the "how" or the "what". In both initiatives, our "WHY" was to create employment for the under-privileged; although it appears we are a skills training entity, that is the "what". So the success in our case is easily quantifiable by our students getting jobs. The "how" is using a demand-driven skills training model instead of the traditional supply-driven educational model.

In my view, the current model of companies spending a certain percentage of income on CSR [corporate social responsibility) is flawed. The concept of having a CSR division in a company is non-effective.

CSR cannot be an afterthought; it has to be at the core of the organisation. You cannot have a VP heading the company's CSR initiative – every employee from the Owner/CEO down has to own it.

In order to be a truly impactful CSR organisation, the entire DNA of the company has to be what Sisodia/Mackey define very clearly as "Conscious Capitalism" – the inherent good of both society and capitalism. Featuring some of today's best-known companies, they illustrate how these two forces can, and do, work most powerfully to create value for all stakeholders: customers, employees, suppliers, investors, society, and the environment.

These "Conscious Capitalism" companies include Whole Foods Market, Southwest Airlines, Costco, Google, Patagonia, etc. You only have to walk into a Whole Foods and you can tell you are in a different ecosystem.

Once again, it boils down to the "WHY" your organisation exists. The WHY can never be the pursuit of only maximising shareholder value (most current enterprise models); making money is an outcome, not the reason for being (raison detre).

Replicating models of success

We are in the process of discussing a pilot with 200 displaced youth on the "War on Terror" in Colombia. It is providing the same three modules of skill sets using HHH's six-month MagicWand programme: English; Data Entry and Soft Skills of leadership, team work, confidence, etc.

Leveraging technology for education is a game-changer for all growth economies. Clearly define your "WHY" first and the "how" and "what" will follow.

Think Big from the beginning – social impact organisations do not imply a small-scale side activity. It is important to manage it as you would a regular organisation.

In a long-term game like this, the challenges are enormous but so are the rewards.

Mumbai-headquartered Mahindra Group is one of India's leading multinational conglomerates. The corporate social responsibility (CSR) chief of Mahindra & Mahindra Ltd shares the group's vision of contributing to the Swachh Bharat Abhiyan with 'India Investment Journal'.

A REVOLUTION AT THE HEART OF CLEAN INDIA

by Sushil Singh

In response to Prime Minister Narendra Modi's call to the nation exhorting all schools to have toilets exclusive for girls by 15th August 2015, the Mahindra Group pledged its support for the Clean India Campaign through the 'Swachh Bharat Swachh Vidyalaya' (SBSV) programme and earmarked Rs 23 crores [$3.5mn] for building toilets and Rs 6 crores [$1mn] for maintenance and awareness creation.

We constructed 4,597 toilets primarily for girls in government schools, across 11 states, 104 districts, 404 admin blocks & 1,171 locations. Not only that, but the Group has also committed to maintain the toilets for a period of one year.

Studies indicate that when water, sanitation and hygiene are missing, schools face fair amount of absenteeism by girls. Girls are particularly vulnerable to dropping out of school partly because many are reluctant to continue their education when toilets and washing facilities are not private, safe or simply unavailable. Gender norms and physiology make privacy more important for girls than boys and by virtue of biological realities girls need adequate sanitary facilities at school to manage menstruation. Hence, Mahindra Group focused on girls' school in its infrastructure and human dimension intervention model.

The girls' toilets were required in government, elementary and secondary schools in hard to reach areas such as those in districts facing problems of insurgency and left wing extremism, remote mountainous terrain, forests and jungles and in rented buildings. Because of these challenges, the schools had been neglected. However, under the SBSV initiative, we devised an inclusive solution to ensure that no child is excluded including differently abled and, through innovative processes, overcame all the challenges in providing children access to toilets.

Our SBSV initiative is an integrated programme that comprises intervention in the areas of physical infrastructure, hygiene awareness and capacity building, upkeep and maintenance. The programme has a direct impact on 294 lakh users per day. Of the 1,171 locations where the Group has constructed toilets, 80 per cent are in rural locations.

While selecting the locations, we came across disparities across the country and meticulously selected the locations, in consultation with MHRD [Ministry of Human Resource Development], state level nodal agency, school authorities considering the following:

- Multi criteria location selection analysis
- Predominantly girls' toilets
- Focus on BPL [below poverty line] and under privileged communities

- Low sanitation coverage/high open defecation rate
- Schools with poor attendance and dropouts
- Extensive rural coverage
- Wide geographical spread — North East to Rajasthan and Haryana to Karnataka

We also tried a different approach in its conceptualisation of the project by smartly combining its planning, engineering and human resource development components to construct user friendly toilet units for children and teachers. Adequate water supply to toilet units as well as waste disposal management systems were also incorporated. To ensure that the toilets were used correctly, we also conducted activities and awareness programmes in order to promote healthy and hygienic habits amongst users.

There were some unique problems that we encountered during the construction phase and the remedies that it offered were:

- Drop out because of lack of facilities – We provided facilities promoting good hygiene and privacy to girls so that they do not stop coming to school.
- Biological realities - menstrual hygiene management was lacking - special efforts like gender friendly infrastructure, access to sanitary products and their disposal mechanism, hygiene education were provided.
- Layout and design - common template - customized to fit children's physique and took into account site related challenges
- General design for "average child" and ultimately the facilities are not "used" — incorporated these requirements as it is prudent to incorporate these in the design during conceptualisation stage rather than making expensive changes post construction
- We wanted to drive a positive change across the community and hence needed to use alternative thinking by not accepting any limits so as to create a differentiator whilst undertaking this project.
- Our integrated maintenance model includes regular upkeep of toilets, supply of consumables and sanitary items, regular maintenance etc. Apart from this, our model includes extensive awareness creation for personal and social hygiene, along with training and capacity building for the upkeep of the toilets.
- Established sanitation infrastructure and enhanced conditions within the school and habits of children that help prevent water borne diseases
- The project is not viewed as "donation model or usual CSR funding model". The end users of SBSV are viewed as clients and a high level of compliance to end user requirement is adhered to
- Developed user-friendly model including those for differently abled, adolescent girls, small children and also those who are sick
- Made a product differentiator in terms of block configuration, addressing the needs of girl children and those who are differently abled
- Permanent disaster resistant toilets with a host of affordable facilities that can be managed by the school
- Extensive use of locally available materials and providing local employment opportunities
- To make model toilets which can be adopted on a large scale in other areas
- Not viewing this merely as an infrastructure intervention, but also giving substantial focus and resources on the human motivation and hygiene behavior change aspect and sustained operation and maintenance
- Not just building fully functional girls' toilets but truly fulfilling the mission of SBSV "Clean India: Clean Schools"

The envisaged period of maintenance is for one year and our endeavour shall be to empower school management to takeover maintenance and up-keep after the one year. During the training programme, a special review shall be conducted on the preparedness of the school towards this goal.

It is necessary to mention that in many of the schools, the children were not familiar with the toilet usage and the clean habits to be followed. These are being addressed in the capacity building exercise and the children will be educated in all the hygiene aspects which are essential at home and as well in public places including school premises.

This change in mind set will not only improve the self-esteem of the children but also build confidence in them. The major concern to be addressed will be to protect the privacy especially for the girl child which, in its own way, has many intangible benefits in the behaviour of the children.

Sushil Singh is vice-president, CSR, at Mahindra and Mahindra and primarily handles the implementation of the Employee Volunteering Programme (Esops) at the Mahindra Group.

A PEEK INTO THE CYBER SECURITY LANDSCAPE

by Trishneet Arora

An ethical hacker flags up opportunities in the field of cyber security for 'India Investment Journal' and explains why global companies should be looking towards India for this crucial sector.

As we all know, Brexit or the June 23 referendum whereby British citizens voted to exit the European Union, had far reaching implications across several fronts. Cyber security is just one of them. It churned global markets, impacting currencies, instigating the British pound to fall to its lowest level in years.

The UK has the maximum number of cyber security companies compared to the rest of Europe put together. Following Brexit, the UK now has lost the ability to assist other EU countries the same way as it used to do before. India now has the opportunity to help the Britain.

Indian companies such as TAC security have designed a special service to fight the UK Cyber War. Britain is setting up a new HQ in London to fight against the burgeoning number of cyber-attacks coming from countries including Russia and China, as well as terrorist and criminal organisations. TAC Security has partnered with Britain in the war against cyber-crime. TAC's new service, TAC-CERT (Cyber Emergency Response Team), launched in India this January by the industry and commerce minister of Punjab, Madan Mohan Mittal, is being launched in the UK now.

The British government have decided to invest a whopping £1.9 billion over the next five years into safeguarding Britain from cyber-attacks, in addition to developing the UK's sovereign capabilities in cyberspace. A Cyber Security Strategy is also drawn up wherein a national cyber security centre was set up, which will work closely with industry professionals, academics and international partners, including those hailing from India. Moreover, a £250,000 scheme run in partnership with Cyber London to support cybersecurity start-ups was announced earlier in the year, intended to drive forward innovation and help protect UK businesses from cyber-attacks.

Cyber security awareness

Globally, and in India, awareness levels around cyber threats and cyber security has grown manifold over the years. While Western countries already have cyber security policies in place, India is also drawing up and implementing its own policy framework in phases. Cyber Security today has evolved from being a technology risk into becoming a lethal business risk to be reckoned with.

There is another side to this. Most Indian organisations

feel that cyber security is synonymous with complexity and confusion, where huge volume of capital investment seems to create paperwork rather than real protection. MSMEs cannot afford such sums of money and they make do with solutions that are not sophisticated enough to deal with modern day sophisticated cyber crimes. Moreover, the solutions larger organisations receive in return of the capital spend ranges from antivirus to intrusion detection systems, various metrics and dashboards, endless penetration and vulnerability testing,

and a series of accreditations.
However, it should be kept in mind that no organisation can wholly protect themselves against cyber-attacks. Also, many do not want to do so because of the trade-offs such protection would require – in terms of functionality, availability and financial investment. The true fact is something that is fully protected cannot function. Hence, the best approach is to take measures to contain bigger risks and to stay prepared once a breach happens.

Therefore, the priority should be to protect against bigger potential threats by identifying those fast. It is also important to integrate information security within an organisation's disaster recovery, crisis management and business continuity plans. Once an attack takes place, teams should collaboratively work to contain the threat. Organisations are also investing heavily in emerging offerings, such as endpoint detection and remediation tools, threat intelligence and cloud security tools, such as encryption.

Experiences and growth trajectory

TAC Security is a friendly hacker which is designed to help corporate giants recognise its weaknesses and vulnerabilities before the fraudulent hackers can use them adversely. TAC provides network, application and web security solutions to corporate giants, governments and law enforcement agencies.

The company understands the fact that the Indian market is nascent as of now and it is therefore committed to tap the market and be a homegrown company providing actual end-to-end solutions rather than providing a single product.

The Future threat scenario

Life will be a major threat in the future rather than data breach and the capital and reputation loss arising out of it. The next world war will be won online. The global cyber security market is projected to grow from $122.45 billion in 2016 to $202.36 billion by 2021, at a Compound Annual Growth Rate (CAGR) of 10.6 per cent. The burgeoning IoT and BYOD trends and connected number of devices and applications mean Advanced Persistent Threats (APTs). Application security will score the highest CAGR in the global cyber security market over the period between 2016 and 2021.

In terms of IT prowess, India is well known and the country has played a crucial role in transforming the Indian economy and society over the past couple of decades. The IT industry in India has successfully moved up the value chain over the years in both in products as well as in the services domain. Today, India is a favorite destination for Ethical Hacking. Edward Snowden, the privacy activist, was trained in ethical hacking in India. Several African and Latin American students seek ethical hacking courses in India. Ethical hacking is one of the recent revolutions in IT industry and ethical hackers such as Ankit Fadia and Rahul Tyagi has led India to gain a new identity, dimension and demand in the country in terms of ethical hacking, with places such as Bangalore and Pune topping the list.

It must be kept in mind that cyber security is a rapidly growing industry and there are many key areas other companies are not focusing on. Technology is evolving continuously and with it, threats too are evolving. At TAC Security, we create our solutions keeping this aspect in mind. We are a security solutions provider with a mission to anticipate, resolve and mitigate customers' cyber security risks and challenges to make their data and information world safe, secure and seamless.

With the underlying motto of "Hack it Yourself, Before You get HACKED!", TAC provides complete 'Vulnerability Assessment' solution – the process of identifying, quantifying, and prioritising the vulnerabilities in network infrastructures.

Trishneet Arora is a cyber-security expert and ethical hacker. He is the Founder & CEO of TAC Security Solutions, a cyber-security solutions provider. It counts some of the leading Indian organisations among its clients including Reliance Industries Limited, Central Bureau of Investigation (CBI) and Amul.

INDIA ON TRACK FOR SUSTAINABLE GROWTH

by Rajiv Kumar

India increasingly attracts positive attention from foreign sources. This is evident when one meets with groups of foreign investors who see India as an attractive investment opportunity. This renewed investor interest in itself is not surprising given the rather uncertain and downbeat conditions in a large number of advanced and emerging economies.

However, in domestic circles, there is a persistent conversation, tinged with varying shades of doubt, about India's current economic performance and future prospects. These doubts would seem to be surprising given recent Indian macroeconomic data.

One reason for these doubts could be the lower growth of GDP (measured as Gross Value Addition, GVA in constant 2011-12 prices) to 7.1 per cent in the first quarter (April-June) of 2016-17 from 7.9 per cent in the previous quarter (January to March 2016) and also below 7.5 per cent annual growth registered during 2015-16. However, even at this lower late of economic growth India has retained its position as the fastest growing large economy in the world. This achievement is accompanied with a marked improvement in macroeconomic stability. Foreign exchange reserves have risen from $270 billion to $360 billion over the last three years; inflation brought down to less than 6 per cent from double digits; current account deficit reduced to a mere 1.3 per cent of the GDP; and public debt to GDP ratio held at less than 70 per cent.

Thus, India has decisively moved out of the group of the 'fragile five' in which it found itself in August 2014. Auto sales that were sagging during 2012 to 2014 led the recovery with 7.8 per cent growth in 2015-16 and about 9 per cent in the first quarter of 2016-17. Domestic aviation sector has registered a strong growth of more than 20 per cent in recent months. Economic recovery from the downturn during the last two years of UPA government has been further strengthened by normal monsoons in 2016 after two successive of sub-normal rains. This data reflects the economy's glass being more than half full, thereby affording significant bragging rights to the government.

Yet, doubts persist in the public domain. The pestering refrain, often in hushed tones, is that "it does not feel like 7 per cent growth". The fizz and energy of 2003-2008, when growth was at similar levels is missing. The fundamental reason seems to be the questions about the GDP data, which have emerged, perhaps for the first time in India's case. Some international investment banks have estimated that according to the old GDP series, the current rate of growth is nearer to 5 per cent and not 7 per cent. Even the RBI and the office of the chief economic advisor in the Ministry of Finance itself are known to have questioned the current GDP data, which is based on a new series of GDP numbers released in January 2015. Due to methodological changes, the new GDP numbers are not comparable with years prior to 2011-12. Inevitably, the discomfort persists.

The government, fully cognisant of these doubts about new GDP series, should have taken steps to clear this confusion and restore the credibility of India's GDP estimates. The CSO had promised to come up with comparable numbers for previous years by June 2016. This has not yet been done and needs urgent attention. It may be worth considering, given the persistent questioning about the new GDP series, setting up a high level expert group, including some international experts to conduct a review of the statistical system focusing on the methodology adopted for the new GDP series. Otherwise, the questioning will continue, investor confidence will not be restored and the much needed upturn in the investment cycle may not come about.

Rajiv Kumar is Founder-Director of Pahle India Foundation and Senior Fellow at Centre for Policy Research, Delhi.

But there are other lurking weaknesses. Skeptics point also to the persistent weakness in private corporate investment with fixed investment actually contracting by 3.1 per cent during April to June after declining by 1.9 per cent in the previous quarter. Thus, first six months of 2016 saw production capacities actually shrinking with deleterious consequences for much needed new jobs. With construction sector growth plummeting to 1.5 per cent from an already low average of about 4 per cent in 2015-16, jobs have truly scarce. Industrial sector growth at 6.8 per cent is supported by manufacturing growing at 9.6 per cent. The trouble is that this does not reconcile with Index

of Industrial Production (IIP) data that shows industry and manufacturing output growing at a measly 0.6 per cent and a negative (-) 0.7 per cent for the same period! IIP data is supported by evidence of anemic credit off take by corporates from commercial banks.

Exports have been on a declining trend since 2012-13 and in negative territory continuously for 18 months. In 2015-16, Indian exports were $262 billion compared to $306 billion in 2011-12. These have just perked up so that net exports (exports minus imports) have contributed positively to GDP growth during April to June 2016. This is, however, not good news because this has come about as a result of imports declining continuously over the past five quarters (20 months) by an average of about 4 per cent. This indicates ongoing overall weakness of economic activity.

The services sector, that constitutes two-thirds of the GDP, registered a growth of 9.6 per cent during April-June. A deeper look, however, reveals that this has come principally from a 12.3 per cent growth in public administration, defence and other public services, which are all directly dependent on government expenditure. This is reflected in a sharp deterioration in fiscal aggregates, with 75 per cent of government's fiscal deficit target being used up within the first four months of the financial year!

Given this mixed picture, should one be concerned or optimistic about India's economic prospects as we head into the festival season consumer spending, which is used as a barometer of economic health by private business It is certainly not a cause for unwarranted complacency. However, I do not support the Cassandras for two reasons. First, the 7 per cent (+) growth rates have come despite the crackdown on 'black money'. In the past, this accounted for a sizable 30-40 per cent of the total GDP. The cash/black economy has apparently turned turtle with serious negative impact on sectors such as real estate, construction and even manufacturing projects. A slightly lower rate of growth without the froth generated by the black economy is far superior as it lays down the foundation for a more sustainable recovery. More importantly perhaps, weaning the economy from the black or cash economy also ensures that the rising criminality that is associated with it is also reined back. This is huge blow at large scale corruption that had threatened to become systemic in the last years of UPA rule.

The second reason for my optimism is that there is substantial work in progress (WIP) across government ministries and sectors. The tone and tenor of the bureaucracy has changed over the last 27 months of Modi's term. Governance has inarguably improved and significant progress has been made in de-bottlenecking large infrastructure projects. My recent book 'Modi and his Challenges' comprehensively enumerates the structural reform initiatives and large number of schemes launched during the past two years.

WIP and other initiatives are monitored directly by the PMO, led by the workaholic prime minister. Flagship initiatives like Digital India, Skill India, Jan Dhan Program, railway investment, Udai Bonds, and of course the GST and Bankruptcy code among others are bound to accelerate the pace of economic growth during 2017 and 2018.

JUST THE RIGHT TIME TO INVEST IN INDIA'S INFRASTRUCTURE

by Sunil Kanoria

The Indian infrastructure story is at an interesting crossroad. On one hand, being the world's fastest growing major economy, India needs to create fresh capacity in its infrastructure to maintain the growth momentum. On the other hand, the banks, which have been the main source of funds for infrastructure projects, are saddled with mounting levels of stressed assets which have almost choked their ability to lend.

And incidentally the infrastructure sector accounts for a major chunk of that stressed assets portfolio. Over-leveraged corporates are finding it difficult to service their debts. Many of the projects have got stuck – some due to procedural delays (be it in terms of providing necessary permits and approvals or in terms of clearing payments) and some due to over-optimistic promoters going wrong with their project calculations. Several of the projects are no longer viable due to time and cost overruns. The worst affected are the micro, small and medium enterprises (MSMEs) to whom big project developers usually subcontract their work. For undertaking such contracts, MSMEs usually take loans with whatever little capital they have. But when they do not receive their due payments in time, they cannot service their loans. In the process, they get penalised, but for no genuine fault of their own.

The government has also stepped up capital expenditure by investing in sectors like roads and railways. A lot of clarity on the indirect tax front is imminent with the roll out of the Goods & Services Tax (GST). Another landmark reform that the government has ushered in is the introduction of the Insolvency & Bankruptcy Code implemented. This Code was long overdue.

The government is doing its best to improve the situation. Commendable progress has been made on bringing down the time for getting necessary clearances. The government has also stepped up capital expenditure by investing in sectors like roads and railways. A lot of clarity on the indirect tax front is imminent with the roll out of the Goods & Services Tax (GST). Another landmark reform that the government has ushered in is the introduction of the Insolvency & Bankruptcy Code implemented. This Code was long overdue. This was one crucial piece of legislation that was missing from our financial

A leading Indian entrepreneur weighs up India's incredible infrastructure challenge and why it is the right time for it to attract the much-needed foreign direct investment (FDI).

architecture. India's insolvency law remained outdated, mired in confusion with existence of multiple agencies and nowhere in sync with global best practices. Now that the Code is here, its effective implementation will improve the chances of reviving stuck infrastructure projects through timely change in management. Continuity of projects, in turn, will benefit all stakeholders namely MSMEs, lenders, users and the economy as a whole.

Thus, all these initiatives greatly add up to improve the ease of doing business in India. Within the next two quarters, I feel the investment climate will vastly improve. India promises long-term growth prospects, a growing domestic market and most importantly stability, which any investor will value. The structural reforms that India has ushered in have caught the attention of the international investor community. The icing on the cake is the healthy competition that has started among the state governments in their bid to attract investments.

State government leaderships are now extra accommodative in terms of addressing any investor concern. Thus, growth and development are paramount on the agenda of both the central and state governments. Thus, the time to enter India cannot be any better.

For far too long, India has depended mostly on bank finance for infrastructure projects. Such dependence has always caused asset-liability mismatches. It is high time we start exploring other long-term funds, both foreign and domestic. There are numerous Pension Funds (PFs) in the developed nations which are on the lookout for attractive investment propositions. PFs, with large pool of long-term funds, will be the perfect fit for infrastructure projects. Domestically, we need to grow and deepen the corporate bond market and also review the investment norms of our PFs and Insurance Funds so that a part of such funds can fund infrastructure projects. A mechanism needs to be evolved such that pension and insurance funds can be used for refinancing infrastructure projects even when the initial funding is done by banks. Risks get considerably mitigated in the post-construction phase, and thus fund managers of PFs and insurance funds should have no valid reason for shunning infrastructure projects.

We urgently need to develop a market for Bid Bonds in India. In several advanced economies,

A Bid Bond is a must-have requirement in the construction industry, i.e. the project owner needs the contractor to submit Bid Bonds while submitting their bids. A Bid Bond or a Surety is essentially a three-party agreement that guarantees the completion of a construction project as per the terms of the contract. If the contractor fails to complete the project satisfactorily, the owner of the project may call on the bonding company to step into the shoes of the contractor and complete the project. The biggest advantage for this in the Indian context is that Bid Bond curbs the tendency to present unrealistically low bids to win contracts. An instrument like this is an imperative for a nation like ours where there will be large-scale construction activities in infrastructure and real estate sectors in the coming years. Foreign institutional lenders should ideally assist India in building a market for this instrument.

In addition, our policy makers need to revive leasing. Leasing has proved to be the most cost-effective tool for capital creation both in developed and developing nations. However, in India, with leasing being subject to both Sales Tax and Service Tax, this instrument has got virtually killed. Hopefully, once the Goods & Services Tax (GST) comes into force, leasing will once again emerge as a vital tool in infrastructure creation. Indian MSMEs, who are mostly cost conscious players, will benefit the most from leasing.

In parallel, the creation of an Indian sovereign fund – namely the National Investment & Infrastructure Fund (NIIF) – introduction of Masala Bonds and fine-tuning the policy framework for investment vehicles like Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs) are several other measures which the government has taken towards mobilising more private investments into infrastructure. Hopefully, these vehicles will also be successful in channelising funds from multiple foreign investors.

To sum up, the pace of infrastructure creation may have slowed down temporarily. But make no mistake, this government is serious about reforms, and it is taking the right steps forward, in active consultation with industry and other stakeholders. India is poised for a multi-decade growth phases and thus exciting times are ahead for India's infrastructure.

Sunil Kanoria is president of the Associated Chambers of Commerce of India [ASSOCHAM] and vice-chairman of Srei Infrastructure Finance Limited.

MADHYA PRADESH HAS SET NEW TRENDS IN DEVELOPMENT

Shivraj Singh Chouhan is the chief minister of Madhya Pradesh, a state described as the heartland of India. 'India Investment Journal' caught up with him during a recent visit to London to lure UK investors and tourists to his state. Here we present a first person account from the dynamic leader's UK tour.

UK Secretary of State for Department for International Development Priti Patel with Chief Minister of Madhya Pradesh Shivraj Singh Chouhan in London.

There are lots of similarities between India and the UK. Both are great democracies and I found one other interesting similarity – the traffic of London in very similar to Delhi and Mumbai.

Today India is enthusiastically moving on the path of development and within that is the state of Madhya Pradesh – the heartland of India. There was a time when it was counted among the backward states of the country as there was a lack very basic amenities.

Today I am proud to say, continuously for eight years now the state has registered double digit growth rates. The agricultural growth rate is in fact even more unbelievable – at 20 per cent plus for four years, which is among the world's fastest in the sector.

We have had to work at a fast pace because we knew that if we want MP to break out of its backward tag, three aspects were crucial – roads, electricity and water.

From a state suffering from power shortage at just 29,000MW, today we are at 80,000MW and counted among the surplus power states. We have worked on all forms of power – hydro, solar, wind and biomass.

My message to foreign investors is to come and see for yourself that we have no shortage of power. Neither will they find any shortage of water as a result of our river linking programme. The state is at the forefront of implementing any new innovation.

We are attracting investments because we need revenue for the development of the state and create jobs.

All big Indian companies have a presence in MP, from the field of healthcare and cement production to automotives, IT and food processing.

My message to foreign investors is to come and see for yourself that we have no shortage of power. Neither will they find any shortage of water as a result of our river linking programme. The state is at the forefront of implementing any new innovation.

And why would you choose MP? The answer is simple: because of our investor friendly policies. We have a ready land bank – 26,000 hectares is ready to be allocated and it can be done with great ease online.

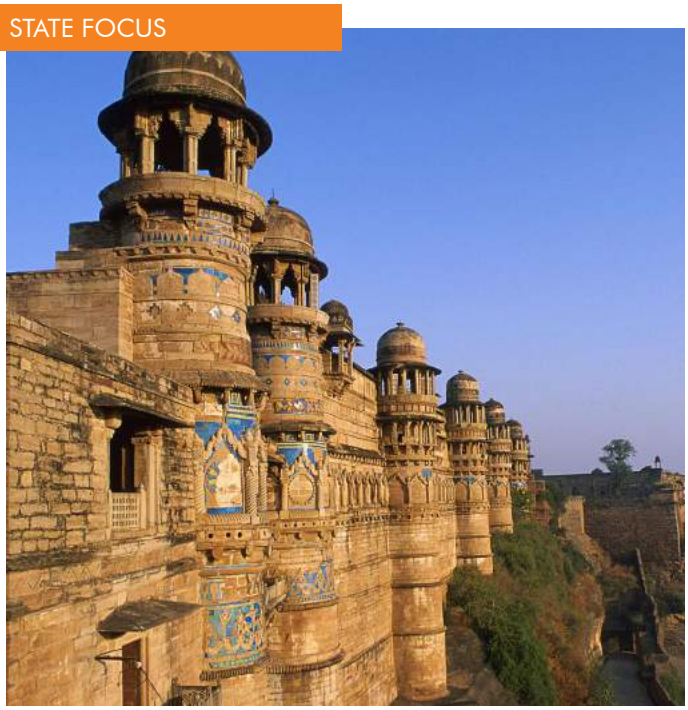
The state offers a single window clearance policy and I have taken that a step further with a single table concept. Every Monday I sit down with investors across the table with my ministers and any issues or problems are solved right way.

We are state with no history of labour disputes and abundant skilled manpower.

As I have often said, I am not the chief minister of Madhya Pradesh but the CEO of Madhya Pradesh – no investor will be disappointed on choosing MP.

Under Prime Minister Narendra Modi, every state of India is trying to promote itself towards the larger goal of India's development. It gives me great pleasure when I see our states develop.

We are working as a team with Prime Minister Modi.



MADHYA PRADESH ROLLS OUT THE RED CARPET

by India Inc. staff

From a backward state not so long ago, the so-called heartland of India has made some firm strides to be counted among the frontrunner states in India.

Madhya Pradesh Chief Minister Shivraj Singh Chauhan can justifiably feel proud of the numbers. His state, which was part of the pejoratively named BIMARU provinces till not so long ago, has decisively shed that tag and now competes with the frontrunners in rolling out the red carpet for investors and attracting investment dollars.

"People asked: Where is Madhya Pradesh? No one had heard of Madhya Pradesh, not to mention its investment credentials. Barely 300 people participated in 2007. We have turned it around since then. This year, we had to stop registration for GIS when we had received 8,000 confirmations," Chouhan said at this year's Global Investors' Summit (GIS), which his government organises to attract investments from India and abroad.

> "The GIS has not been a ritual or an event for us. We have stopped the practice of signing up of MoUs because they are pieces of paper. The GIS for us is a demonstration of Madhya Pradesh as India's most complete investment destination."
>
> *Shivraj Singh Chouhan,*
> *Chief Minister, Madhya Pradesh*

Investments on the ground

The numbers are impressive by any yardstick. Between GIS 2014 and this year's event, the state attracted investment proposals worth Rs 2.75 lakh crore. Proposal worth Rs 5.50 lakh crore were received at this year's summit alone. Answering critics who carp that most such proposals don't translate into actual money spent on the ground, the Chief Minister informed the gathering at GIS 2016 that almost a fifth of this amount, Rs 50,000 crore, has already led to the setting up of 110 factories around the state that have started manufacturing. Besides, the state has set up 175 food processing units and 92 renewable energy plants since GIS 2014.

The turnaround

In 2003, when the BJP government came to power, Madhya Pradesh was still considered a poor backward state with terrible infrastructure, potholed roads and a huge power deficit. The state's economy was still primarily dependent on agriculture and few industrialists were interested in investing.

Thrust on agriculture and agri-processing

Over the last seven years, things have turned around. Agriculture, which still accounts for a large part of the state domestic product, has been growing at 20 per cent over the last four year. This has given rise to a thriving agri-processing industry, which has reduced wastage, increased farm incomes and generated huge employment. The numbers are telling – land under irrigation has jumped more than five-fold from750,000 hectares to four million hectares in 2016. This was one of the key reasons why MP was able to avert any major economic dislocation despite facing two back-to-back droughts last year and the year before that. It has been estimated that up to 50 per cent of India's food and vegetable produce is wasted every year due to the lack of modern warehousing and supply chain facilities linking the farm to the market. To overcome this, the state has established nine million tonnes of warehousing capacity since 2013, thus, doubling such infrastructure. About one-third of this has been added through private investment and another third via the public-private partnership route.

According to the Madhya Pradesh government website, it has the following advantages:

- MP recorded the highest agricultural growth (averaging 20%) in the country, for the last three years
- Has been receiving 'Krishi Karman' award for spectacular performance in agricultural production, for the past four years
- It is the leading domestic producer of agricultural resources like gram (#1), soyabean (#1), pulses (#1), wheat (#2), onion (#2) and green peas (#2)
- MP is the third largest producer of milk in the country
- With presence of six government-owned modern food parks and two private food parks, Madhya Pradesh provides plug and play facility for food processing companies
- Key food processing players operating in the state include Coca-Cola, Pepsico, Parle Agro, LT Foods, Cadbury, Ruchi Group, Britannia Industries and Balaji Wafers

Powering ahead

The power sector, which is critical for the development of industry and a key enabler of rapid growth, is also on the fast track. Generation in the state has zoomed six times from 2,900 MW to 18,000 MW over the last decade and a bit. "Between 2014 and 2016, we have added 5,400 MW of installed capacity and our total power generation capacity of 18,000 MW includes 3,175 MW from renewables," Madhya Pradesh Chief Secretary Anthony Disa told the gathering at this year's investment summit.

A set of well-considered policy measures eschewing populism and based on pragmatic consideration has led to this surge. These include, according to the state government website:

- No electricity duty for first 10 Years
- Permission for third party/captive sale
- Sale outside the state permitted (Solar)
- 100% banking permitted
- Wheeling charges reduced to 2 per cent
- No VAT and entry tax
- Benefits of industry status
- Reduction in contract demand
- 100 per cent CDM benefit to developer
- Bankable document for revenue land (on right to use basis)
- Only application is required in conversion to NA land usage status
- 50 per cent stamp duty exemption on private land purchase

The gains over the last few years have been well documented by independent sources. They have led to Madhya Pradesh being home to Asia's largest solar power plant (135 MW at Neemuch). The world's largest solar power plant (750 MW at Rewa) is expected to begin operations soon.

Then, "the state has a very progressive policy framework for renewable energy, which has resulted in a jump in capacity over the last five years from 332 MW to 2,567 MW. Additionally, about 9,000 MW of projects are under construction in the state, in the sector."

The state offers investment opportunities in all the three fields of generation, transmission and related equipment and machinery.

Madhya Pradesh is also attracting investments in defence manufacturing and the automobile sector under the Make in India programme. Companies such as Volvo, John Deere, Mahindra & Mahindra, Eicher and Force Motors have operations in the state. Besides, MP is also considered a major destination for investments in the textiles, tourism and urban development sectors.

The key attractions

The availability of land has emerged as a key roadblock to large industrial investments in India. This situation got exacerbated after the Narendra Modi government's efforts to ease the land acquisition act got embroiled in political controversies and was stalled by the Opposition in the Rajya Sabha where the ruling NDA government lacks a majority.

The Madhya Pradesh government has overcome this obstacle by proactively creating a 25,000-hectare land bank for potential large investors. Moreover, the government has also developed 231 notified industrial areas, complete with access to facilities like roads, power and water, over about 15,000 hectares for the medium and small scale sector.

Last year, Madhya Pradesh came in at the fifth spot among all states in the domestic Ease of Doing Business rankings by the Department of Industrial Policy and Promotion and the World Bank. Then, investors also finds its its single window proposal submission and clearance platform, easy tax payment facilities and its image as a peaceful state with no history of labour strife as attractive. The state also has highly developed road infrastructure. Over the last two years alone, 4,200 km of highways and 10,000 km of rural roads have been built.

The problem areas

The state has made great strides in industrialisation over the last decade but many problems, chief among them being unemployment, still persist. The state economic survey recently pointed out that Madhya Pradesh had 1.6 million educated unemployed people. "We want to increase our per capita income and bring more and more employment opportunities to Madhya Pradesh, Chauhan said. "The GIS has not been a ritual or an event for us. We have stopped the practice of signing up of MoUs because they are pieces of paper. The GIS for us is a demonstration of Madhya Pradesh as India's most complete investment destination," Chouhan told the summit this year.

Finding takers

Chauhan's efforts received a boost when the Ambassador of South Korea, Cho Hyun, said his country's electronic manufacturing companies – he didn't name them – were considering setting up facilities at in the state.

"We have such industrial clusters in Chennai, Pune and Noida and similar cluster may be set up in Pithampur," he told reporters on the sidelines of the meeting.

Long haul ahead

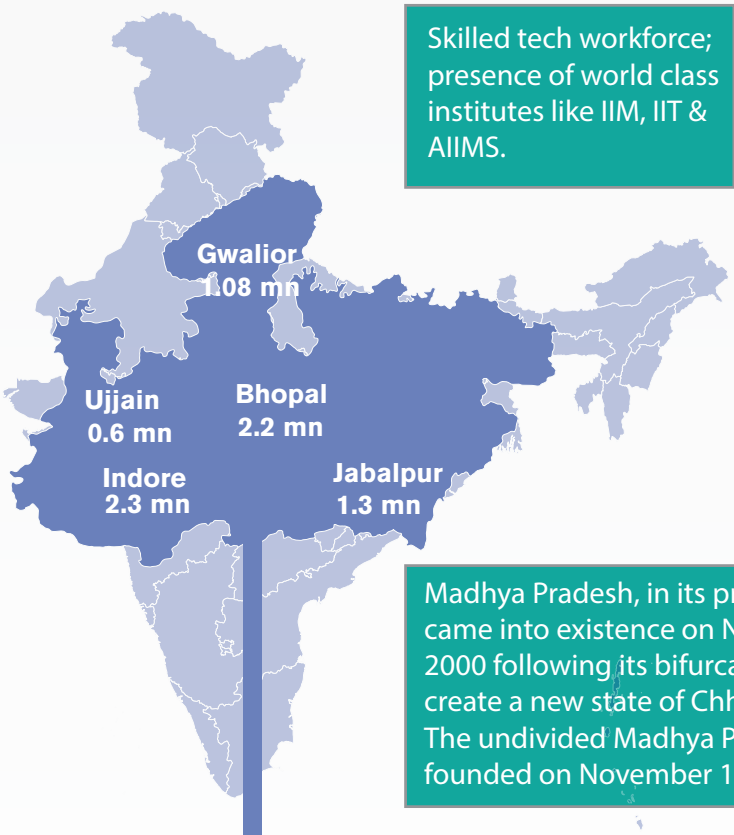
While there can be little argument that Madhya Pradesh has taken great strides forward and has decisively moved out of the pejorative "Bimaru" bracket, it will take some time before it can be counted among the front ranks of industrialised states such as Gujarat, Maharashtra and Tamil Nadu.

But going by the indicators available – growth rates, rank in Ease of Doing Business survey, investment inflows, etc. – it can realistically expect to get there if it can sustain its reforms agenda over the long term.

MADHYA PRADESH: FACT FILE

Nicknamed the "Heart of India" due to its geographical location in India, Madhya Pradesh is the second-largest state in the country by area.

Skilled tech workforce; presence of world class institutes like IIM, IIT & AIIMS.



With over 72.6 mn (2011 census) inhabitants, it is the sixth-largest state in India by population.

Madhya Pradesh means Central Province. Its capital is Bhopal and the largest city is Indore.

Madhya Pradesh, in its present form, came into existence on November 1, 2000 following its bifurcation to create a new state of Chhattisgarh. The undivided Madhya Pradesh was founded on November 1, 1956.

Madhya Pradesh: The heart of incredible India

Second largest state in India

GSDP: US$83 billion

Population: 77 million/ 7.0% of Indian Population

Location advantage - well connected

Key flights from Bhopal and Indore

Bhopal	Delhi: 6 Mumbai: 4
Indore	Delhi: 9 Mumbai:10

5 Commercial airports; Well connected to major metro Airports of Delhi and Mumbai

425 trains transit through Madhya Pradesh daily

5 Inland Container Depots

- Malanpur (Gwalior)
- Ratlam
- Mandideep (Bhopal)
- Pithampur (Indore)
- Pawarkheda (Itarsi)

Financial Strength

- Consistently revenue surplus since 2004-05
- 17% average growth rate in Tax Revenues during FY09-FY15
- Outstanding debt*: 22% of GSDP in 2015 (Limit under FRBM Act: 34%)
- 10% CAGR in GSDP over last 3 years
- TAX: Reduction in debt servicing burden from 22% in 2004 to 8% in 2015, of the revenue receipts

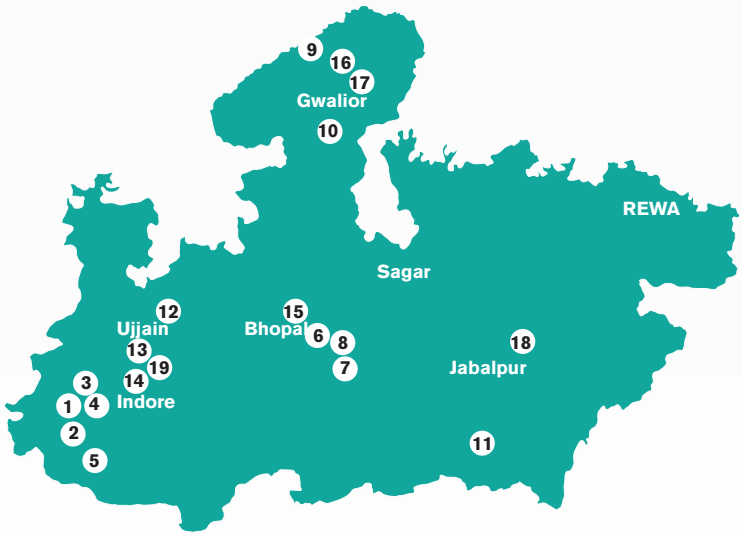
Note: *(as % of GSDP)

"Madhya Pradesh has enetered into a phase of accelerated socio economic growth over the last decade. Our transparent policy, technological advancement, good government & progressive institutions have played a key role to make our growth inclusive and sustainable. Our sincere efforts have made Madhya Pradesh as one of the top five states of India in terms of Information Technology and e-Governance."

Shivraj Singh Chouhan, Chief Minister of Madhya Pradesh

Extensive Industrial Infrastructure

1. Japanese Industrial Township and South East and Far East Asian Nations' (SEFEAN) Industrial Township, Pithampur
2. Special Economic Zone, Pithampur
3. Gems & Jewellery SEZ, Indore
4. Smart City, Pithampur
5. Indus Mega Food Park, Khargone
6. Plastic Park, Tamot
7. Industrial Area, Kiratpur Bhopal
8. Industrial Area, Mohasa-Babai
9. Industrial Area, Sitapur
10. Logistic Park, Shivpuri
11. Industrial Area, Bhurkalkhapa Seoni
12. Vikram Udyopuri, Ujjain
13. Information Technology Park, Sinhasa Indore
14. Software Technology Park, Pardeshipura Indore
15. Information Technology Park, Badwai Bhopal
16. Information Technology Park, Gwalior
17. Special Area Development Authority, Gwalior
18. Information Technology Park, Porwa Jabalpur
19. Crystal IT Park, Indore



Vision

- To achieve inclusive growth
- Bring economic prosperity
- Sustainable industrialisation
- Employment generation
- Skill set enhancement

Process Reforms

- Online filing and tracking of 'Intention to invest'
- 74 Government processes made online
- VAT/CST refund payment directly to investor accounts
- Online allotment of land, water & power connectivity
- Online building permission in industrial areas
- Single sign on for disbursement of incentives
- Investor Relationship Managers hand hold investors
- Reformed Labour laws

HIGHLIGHTS FROM KEY SECTORS

Food Processing Sector

Strong Agro Resources

- MP Sharbati Wheat is a premium flour brand in India & abroad
- Leading producer of Basmati Rice in India; exports to USA & Canada

Agricultural Production reached
456.5 lakh
MT in 2014-15

Food Processing
3rd largest producer of Milk in India

7x Increase in Horticulture Production: Key produce include Oranges, Bananas, Grapes and Pomegranate

- State ranks second in Floriculture production in India
- 200 Ha. of land is available specifically for food processing industry, across various food parks in Madhya Pradesh

Private Food Parks

- Indus Mega Food Park, Nimrani, Khargone
- Avantee Mega Food Park, Dewas

The exceptional growth of food production in MP has led to easing out of food prices in the state – food prices in MP are ~10%-15% lower as compared to other major agricultural regions in India

IT/ITES & EHM

IT/ITES & EHM Sector is One of the Focus Sectors for GoMP

EODB
Single Window Clearance System with dedicated Relationship Manager

IT Policy
75% rebate on cost of land in IT Parks
Interest Subsidy – 5% for 7 years
Capital Subsidy – 25%
Refund of VAT & CST for 10 years
100% Exemption – Stamp Duty & Registration fees
100% Exemption – Entry tax for 5 Years

BPO Policy
Subsidy on telecom infrastructure
Reimbursement of rent

Analog fab Policy
Up to 75 acres of land free of cost
Reimbursement of cost incurred in building shell
Power assured 24x7 at a fixed rate for 10 years
Water at fixed price for 10 years
All other incentives of the IT policy

Key Infrastructure

Indore

Crystal IT Park

Pardesipura IT Park

Simhasa IT Park

Bhopal

IT Park, Badwai

STPI, Bhopal

EMC, Bhopal

Jabalpur

IT Park, Jabalpur

EMC Jabalpur

Gwalior

IT Park, Gwalior

PCB Cluster

Key companies already there:

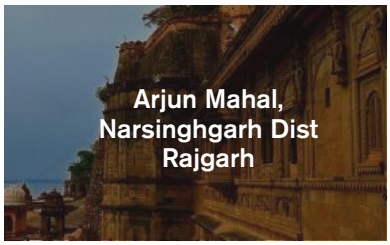
Infosys | AEGIS | TATA CONSULTANCY SERVICES | Paytm | !dea | vodafone

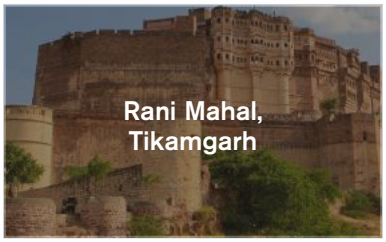
Tourism Sector

25 Sanctuaries | **10** National Parks | **6** Project Tiger Reserves | **3** UNESCO World Heritage Sites | **2** Jyotirlingas

MP ranks 6th in domestic tourist arrivals and 13th in foreign tourist arrivals in India

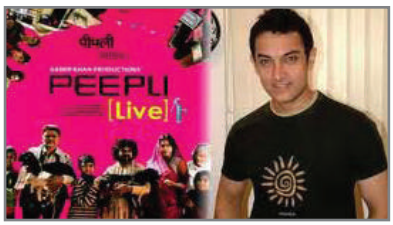
Fort and Palaces to be converted in to Heritage Hotels





Film Tourism

- Film producers have shown keen interest for location shooting in Madhya Pradesh.
- MPSTDC shall coordinate with various Departments for their permissions and clearances on a best-effort basis.



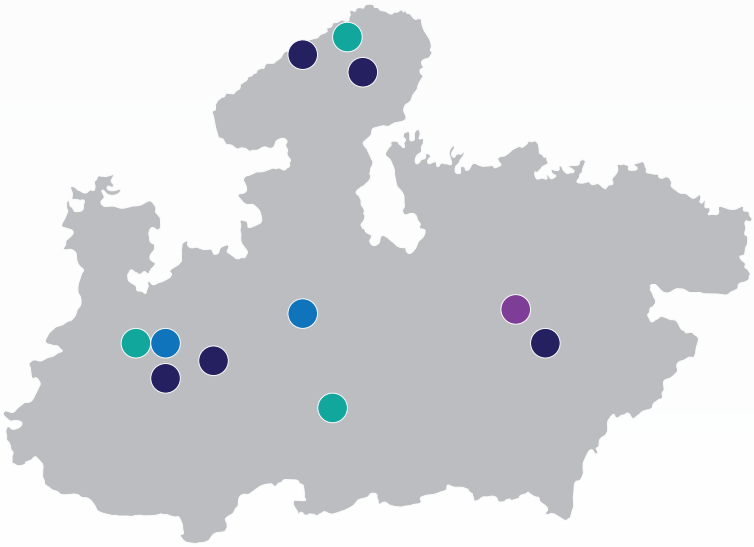
Renewable Energy Scenario in Madhya Pradesh

7x increase in renewable energy installed capacity in the last five years

Source	Installed Capacity		Projects Under Execution	
	2010-11 MW	2015-16 MW	Capacity MW	Investment (Rs crore)
	0	761	2,032	15,600
	214	2,079	6,607	42,060
	32	93	37	209
	86	86	254	1,885
Total	**332**	**3,019**	**8,930**	**59,754**

Automobile & Engineering

Madhya Pradesh plays an important role in sustaining the automotive industry growth



- Tyre Manufacturing
- Auto Components
- OEMs
- Defence Vehicles

Investment Opportunity

- **Auto Component**
- **Auto Assembly**
- **Centres of Excellence and R&D Center**

- Strategic locational advantages, close proximity to major Indian automotive markets
- Pithampur Auto Cluster, Indore spread across 2000 hectares with an annual automotive production of USD 500 million
- Strong presence in OEM's and auto components and is the largest producer of radial tyres in India
- Availability of skilled manpower, robust infrastructure and policy framework provides a strong impetus to the automotive sector

EICHER

JOHN DEERE

Mahindra

FORCE MOTORS

BRIDGESTONE

London's Deputy Mayor for Business takes a nostalgic trip back to his home state of Madhya Pradesh.

LONDON HAS MUCH TO OFFER TO SMARTEN UP INDORE

Rajesh Agrawal was born in Indore, Madhya Pradesh, and came to London over 15 years ago with only a few hundred pounds in his pocket but a big dream to succeed. He went on to set up multi-million-pound businesses and was recently appointed London's Deputy Mayor for Business. He tells 'India Investment Journal' why London will remain the epicentre of business for India and why he is excited that the UK will collaborate on turning his hometown in MP into a Smart City.

How does it feel returning to MP after your new mayoral appointment?

Besides speaking at that UK-India tech summit in New Delhi, which is a major showcase of the strengths of two countries, I am hugely excited about visiting Indore, my hometown. It is among the 100 cities selected by India under Prime Minister Narendra Modi's Smart City initiative and it is one of the three cities being supported by the UK.

I would like to explore how London can collaborate on this initiative because we have some fantastic expertise in the field of smart cities.

Why is India important to the UK?

India is one of the most important countries for the UK and, of course, for London. Indian businesses are extremely important to London's economy. Between 2005 and 2015 investment from India increased by 116 per cent. This accounts for 11 per cent of all investment in London, making it the second largest source of foreign investment to the city.

Indian businesses employ over 50,000 people in London alone. London's status as the world's financial centre means HDFC chose London to issue their first rupee-denominated Masala Bond. That will continue and also there are huge opportunities across sectors.

India is the fastest growing economy in the world. It is a country that certainly cannot be ignored.

The British Indian community in London, which is a very vibrant and successful community and I believe a role model community, has contributed enormously by being great ambassadors of UK-India relations.

I want to reassure India that London remains the best place to do business, even post-Brexit.

What are some of the focus sectors for collaborations?

India is the second largest tech investor in London: as such, the tech sector is a key focus for collaboration, accounting for 62 per cent of all Indian investment projects into London from 2005 to 2015. We are capitalising on this through initiatives like India Emerging 20 (IE20), which was launched by the Mayor's official promotional company, London &

Like the Mayor of London, Sadiq Khan, I was very disappointed when the UK voted to leave the European Union. But we are saying very clearly to the rest of the world: London is open for business, open for investment, open to innovative and exciting ideas.

Partners. It offers 20 of India's most dynamic businesses, established in 2000, a unique opportunity to win recognition on the international stage in London and develop their global potential.

Does Brexit threaten India's view of the UK/London as a gateway to Europe?

Like the Mayor of London, Sadiq Khan, I was very disappointed when the UK voted to leave the European Union. But we are saying very clearly to the rest of the world: London is open for business, open for investment, open to innovative and exciting ideas. Indeed, the signs coming from Indian businesses are extremely encouraging. Shortly after the referendum, India's second-largest industry body, the Federation of Indian Chambers of Commerce and Industry (FICCI), surveyed its members and reported almost half (48 per cent) of respondents said that their business linkage with the UK is largely for access to the UK market, whereas only 14 per cent said that it's mainly for access to the EU markets, with the rest expressing a balanced interest in both. Half of the respondents also reported that they didn't intend to set up separate operations in any other EU country in the short-term.

What are the priorities for London in the Brexit negotiations?

London contributes about one-third of all the taxes in the UK. It contributes to about one-quarter of all the GDP and its population is more than Scotland and Wales put together. It is very important that London has a strong voice in any kind of negotiations because it will impact the city hugely. If it impacts London, it will impact the whole country because London is the economic engine of the UK.

I have spent the last four months in my role as Deputy Mayor for Business speaking to businesses of all sizes and the conclusion I have come to revolves around three main priorities:

- Continued access to the single market, which is absolutely crucial.
- Continued passporting rights, or equivalent, for the financial sector to be able to do business across Europe
- Continued openness to talent from around the world. London is successful because it is open to talent and it is important that remains the case.

London is a great city and we must make sure that Brexit does not change that. The vote has caused uncertainty for a lot of businesses and businesses don't like uncertainty. My number one priority is to make sure London remains a great place for business.

We need to make sure that we are open to talent and also nurture home-grown talent. So that our youth have the right skills.

As the driving force of the UK's economy, London must have a seat at the decision-making table for the process of negotiation with the EU. Within that discussion, first and foremost, we will seek a form of access to the single market. So far, I'm encouraged that Prime Minister Theresa May and her team are willing to engage with me and understand why it's so important that London has a voice in the upcoming talks.

What are some top tips for UK companies looking to invest in India?

The Mayor's promotional company, London & Partners offers free bespoke advice for international companies looking to invest and grow in London. They have a dedicated India team in London as well as a representative office in Mumbai, and are well-placed to explain the many fantastic opportunities that exist for Indian businesses to invest in London.

What are some goals you have set for yourself as Deputy Mayor?

I have been in my new role of Deputy Mayor for Business for just about four months and it is really exciting. I have now been in London for 15 years and I felt I knew a fair bit about the city but now I know much more about London and I am even more impressed with how great a city this is.

London is a fantastic city. It is boggling how one city can be so good at so many different things. My role touches upon business, tourism, higher education, skills and infrastructure.

But it couldn't have come at a more critical time. The EU referendum has posed its own challenges and we must make sure that London continues to remain the best place to do business, which I am sure it will.

AN EXPAT'S GUIDE TO BHOPAL

TOP ATTRACTIONS – IN AND AROUND BHOPAL

Buddhist Monuments at Sanchi

This UNESCO heritage site comprises a group of Buddhist monuments (monolithic pillars, palaces, temples and monasteries), all in different states of conservation dating back to the 2nd and 1st centuries BC. It is the oldest Buddhist sanctuary in existence and was a major Buddhist centre in India until the 12th century AD.

Rock Shelters of Bhimbetka

The Bhimbetka rock shelters are an archaeological site of the Paleolithic era, exhibiting the earliest traces of human life on the Indian subcontinent and thus the beginning of the South Asian Stone Age. Some of the Stone Age rock paintings found among the Bhimbetka rock shelters are approximately 30,000 years old. They were declared a World Heritage Site in 2003.

Upper Lake

A beautiful water body of the 11th century, Upper Lake is the oldest man-made lake in India. Locally called as Bada Talab, it is a massive earthen bund constructed across the Kolans River.

Museum of Mankind (Tribal Habitat)

Spread over a vast area of 200 acres of land, the Rashtriya Manav Sangrahalaya (National Museum of Mankind) is located on the Shamla Hills. It is the only museum in the world to have a vivid collection of pre-historic painted rock shelters.

Taj-ul-Masjid

The name 'Taj-ul-Masjid' means 'The Crown of Mosques' and is one of the biggest mosques in Asia and the largest in India. Built by Nawab Shahjehan Begum, Taj-ul-Masjid has an attractive and imposing structure.

ACCESSIBILITY

1. **741 km** from Delhi
   789 km from Mumbai
   200 km from Indore

2. Connected by regular Alliance Air flights to **Mumbai, Indore, Delhi and Gwalior.**

3. Airport is **15 km** from the city centre.

4. **Bhopal** is on one of the two main Delhi to Mumbai railway lines and on the main line to the southern state capitals of **Chennai, Hyderabad, Bangalore and Thiruvananthapuram.**

5. There are **direct trains** to Amritsar and Jammu Tawi and to major towns in Madhya Pradesh.

6. Extensive bus services **(private and state)** to cities within the region and interstate.

Bhopal, the capital of Madhya Pradesh, is known as the City of Lakes for its various natural as well as artificial lakes. It also claims to be one of the greenest cities in India. Havelis, famous cave paintings, grand mosques and museums co-exist alongside modern flyovers, bridges and tall buildings. While the 1984 Union Carbide gas disaster made headlines of the wrong kind, the city has come a long way over the years to take its rightful place among India's leading state capitals.

TOP HOTELS

Courtyard Bhopal
Phone: +91-755-309-6444
Address: DB City Hall, Arera Hills, Bhopal, Madhya Pradesh - 462011, India
Website: www.marriott.com/hotels/travel/bhocy-courtyard-bhopal/

Hotel Amer Greens
Phone: +91-755-4012770-71
Address: Ratanpur, Near Gyan Ganga Academy, Hoshangabad Road, Misrod, Bhopal, Madhya Pradesh - 462046, India
Website: http://www.amer-greens.com/

Jehan Numa Palace Hotel
Phone: +91-755-2661100, 4235100
Address: 157, Shamla Hills, Bhopal, Madhya Pradesh - 462013, India
Website: www.jehannuma.com

WelcomHeritage Noor-Us-Sabah Palace
Phone: + 91-755-4223333, 2548800
Address: V.I.P. Road, Koh-E-Fiza, Bhopal, Madhya Pradesh - 462 001, India
Website: www.noorussabahpalace.com

Hotel Lake View Ashok
Phone: 07552660090-95
Address: Shamla Hills, Bhopal, Madhya Pradesh - 462013, India
Website: www.lakeviewashok.com

POPULAR FESTIVALS

Khajuraho Festival of Dance

Madai

Mahashivratri

Diwali

Tansen Music Festival, Gwalior

Chethiyagiri Vihara Festival, Sanchi

Dussehra/Vijay Dashmi

Bahgoriya

DIRECT FLIGHTS FROM MAJOR METROS

Mumbai To Bhopal

Air India

Jet Airways

New Delhi to Bhopal

Air India

Jet Airways

POPULAR LOCAL DISHES

Achar Gosht

Keema

Keema Pulav

Biryani Pilaf

Roghan Josh

Bafla

Bhopali Paan

Seekh Kebab

POPULAR RESTAURANTS

Manohar Dairy & Restaurant

Under the Mango Tree

MoMo Cafe

Sagar Gaire Fast Food Corner

Bapu Ki Kutia

SHORT TAKES

US companies eye Madhya Pradesh

After a recent visit to the United Sates, Madhya Pradesh chief minister Shivraj Singh Chouhan said several companies from various sectors had expressed an interest in investing in the state, which could lead to around 11,000 jobs.

He said: "Now, Madhya Pradesh has become a favourite destination for the investors worldwide and this time the US visit was more successful as several investors had shown keen interest to invest in the state due to adequate infrastructural facilities."

The highlight of the visit was a potential investment of Rs 1,000 crore [$150mn] in the information and technology (IT) sector.

The chief minister held talks with 25 companies while 100 firms participated in the state's recently held Investment Summit in New York.

US IT firm plans MP investment

US-headquartered IT company UST Global plans to invest around Rs 400 crore [$60 million] in Madhya Pradesh.

The plans include setting up a campus in the state and the firm signed a memorandum of understanding (MoU) with the Madhya Pradesh government at an investors roadshow in New York on September 30.

UST Global chief administrative officer Alexander Varghese said: "We are committing to invest Rs 400 crore in Madhya Pradesh. We will be building our own campus that will be spread over an area 10 acres.

"We are working with governments across the world in such projects and we are proud to work with the MP government as India has a significant number of our employees spread across nine cities."

Under a recent project, UST Global had helped the Madhya Pradesh government conduct the largest ever online exam at a state-level in India that covered approximately 1,000,000 candidates across 14 cities and 90 colleges.

MP plans South East Asian enclave

Madhya Pradesh is evaluating a proposal to create a separate industrial enclave for potential investors from South East Asian countries following the recent Global Investors Summit held in Indore.

After a series of business trips to China, Japan, South Korea, Singapore and Hong Kong state chief minister Shivraj Singh Chouhan received investment interests from various investors and planned a separate industrial township for South East and Far East Asian Nations (SEFEAN). Of them Japan, South Korea, and Singapore were partner countries of the state in Global Investors Summit-2016.

To be developed on an area of 206 hectares near the auto testing track in Pithampur (Dhar) district, the separate enclave will have rail and road connectivity, dedicated contained stacking and handling area, warehousing facility, custom bonded and exim (export-Import) cell, cargo handling up to 65,000 units and round-the-clock power supply. Rajendra Shukla, the state's industry minister told local Indian media: "Besides, the industrial enclave for South Asian countries, we have also planned a separate industrial area, in view of the upcoming auto testing track, with an investment of Rs 350 crore [$52mn].

"Work will start on the new industrial area soon as we do not have more land for industries near Pithampur. This new industrial area will be carved out from additional land, which we have obtained back from auto testing ground. This would a smart industrial park near Pithampur. While the separate industrial township will provide a base for companies from the South East Asian countries like Japan, Singapore, South Korea, Hong Kong, etc., to manufacture and exports. Also domestic industries will get land in these areas."

EVOLUTION PAINS

by Deepak Varghese

India Inc. property expert reviews the recent trends in the Indian realty sector to highlight that it would be wise to go along with the current phase of transformation rather than resist change.

There was a drought in property sales that was carried forward from 2015 into the early half of the year. When sales just started picking up, came the liquidity squeeze which was a corollary to the government scheme that offered amnesty to tax dodgers. If that was not enough, the Real Estate Regulation Act gave teeth to the helpless buyers who had a track record of suffering at the hands of developers for delays way beyond committed deadlines.

While the Act is yet to be implemented, it became the basis of harrowed buyers coming together as groups and dragging developers, many large ones too like Unitech, Supertech, Paravsnath, to the courts. Given the background of the Act, the courts have all ruled in favour of the home buyers. Not just ruled, but pre-fixed and suffixed scathing words on developers and their morals. This is despite developers pleading helplessness and lack of funds to repay booking amounts or penal costs.

One thing that this has done is triggered the launch of new projects at lower prices, with an eye on quick sales and therefore cashflow. That said, developers are unfortunately still stuck with the establishment that has no sense of responsibility to timelines. Plan sanctions are coming at their own pace and in Bengaluru almost all developers are affected due to either the revised National Green Tribunal rules affecting lakes, Transferable Development Right (TDR) rules or open spaces rules. The squeeze continues on the developers.

Given the circumstances, sales have picked up across cities, with Hyderabad leading the rate of growth and NCR [National Capital Region] bringing up the rear. The buyers being end-users, are selecting projects with plan sanctions and targeting developers who have a track record of being execution oriented. The scores of smaller developers who offer discounts of up to 20 per cent compared to larger developers are quietly being bypassed. The difference is now the price for compliance that the end-user is willing to pay and automatically creating an entry barrier for new/younger/non-compliant entrants.

While even big developers like Lodha, DLF, Hiranandani are keeping a low profile in these testing times, Bengaluru-based Embassy Developers has been on an acquisition spree launching a 300 acre smart city project in north Bengaluru, picking up an iconic hotel opposite the golf course for $100 million. This marked a hostile takeover of a manufacturing entity that has a prime parcel of land and contracted to sell to another developer besides picking up other properties of significant value. Backed by Blackstone, we are possibly looking at the emergence of one of the nation's largest developer from the fastest growing city. And as of last week, Karnataka was the first state to release RERA guidelines for implementation in the state. These guidelines are on consultation with various groups before implementation.

Given the state of flux, investors over the year have cleared preferred investing through Alternate Investment Funds (AIFs) with quite a few funds being on fundraise mode last quarter. HDFC having raised over a billion dollars of 14 year money from offshore investors for equity investments in real estate and the others typically raising $100 million each towards debt. IIFL, Motilal Oswal, Reliance AMC, Indiabulls AMC having almost completed or fully completed their current requirement. Essel and Aditya Birla are continuing with the fundraising activity.

All signs point towards consolidation/ reorganisation of debt or project takeover by financially stronger developers from developers who have run into liquidity issues. The exit of Essar from some completed commercial projects and some under development residential projects and Adarsh Developers, Bengaluru, exit from an incomplete hotel project seems to be the sign of more to come across all segments of developers.

Bankers and investors must be prepared to go with the transformation rather than resist change. The developers anyway have no choice but to let go when the time comes.

Deepak Sam Varghese is founder-director of Moonbeam Advisory

SCOTCH WHISKY SALES ON A HIGH IN INDIA

The Scotch Whisky Association (SWA) revealed in its recent analysis that the amount of Scotch whisky sold overseas increased for the first time since 2013, largely thanks to India registering a massive jump in shipment value. It is a confirmation that will come as less of surprise to whisky lovers in India.

According to the latest 2016 statistics, India has established itself as the third-biggest export market for Scotch at 41 million bottles, marking a 41 per cent increase in sales volumes, after France and the US.

"The growth of exports to India stood out, with value up 28 per cent to 43 million pounds," the SWA said.

The industry body also called on urgent action from the UK government to help realise the full potential of the Indian market.

"The full potential of the Indian market would only be delivered through liberalisation of the exorbitant 150 per cent basic customs duty. We urge the UK government to prioritise discussions with India as it develops its post-Brexit priorities," it adds.

Diageo, a leading UK-headquartered distilling company, recently took over Indian liquor baron Vijay Mallya's United Spirits distribution network in India, which is being linked to the sale of 12 million more bottles than last year. Most of that was in bulk, for bottling in India, or blending with Indian whiskies.

However, India also registered a marked rise, by more than half, in the amount of single malt whisky shipped to India, adding up to more than 700,000 bottles.

Scotch, a patent of the Scotland, overall had the equivalent of 533 million bottles shipped from the UK in the first six months of 2016, marking a 3.1 per cent increase. SWA attributes this to an "industry-wide emphasis on craftsmanship and provenance, backed by investment". However, Scotch makers are concerned about the impact Britain's vote to leave the European Union (EU) could have on the whisky.

"The first half of 2016 was marked by an improving Scotch whisky export performance, suggesting a strengthening in global consumer demand compared to the last couple of years… It is clear, however, that the uncertainties of the Brexit vote will create challenges for exporters and we continue to encourage early clarity on the likely shape of the UK's future trading relationship with the EU and other countries," said David Frost, chief executive of SWA.

He adds@ "Brexit poses challenges and uncertainty but also brings opportunities if the UK can secure favourable bilateral trade deals with key export markets… EU talks with India have proved challenging for a decade now and we hope the UK will now take a fresh approach to securing an ambitious trade agreement.

"The UK should be a voice for open markets globally. The more open the market, the more Scotch Whisky exports will grow to the benefit of the wider economy."

Scotch is a specific term used for whisky made from malted barley through a legally defined process, originating in Scotland. Any bottlers outside Scotland who want to use

Scotch whisky as a constituent in a local spirit must first apply for the verification process.

Earlier this year, India had ruled against the use of the term "Scotch" and "Scotland" by Indian spirits firms.

The trade body, with a base in Edinburgh and London and set up to advance the global interests of Scotch whisky, had filed court proceedings against Oasis Distilleries Ltd, Adie Broswon Distillers & Bottlers Pvt Ltd and Malbros International Pvt Ltd in India last December.

India's Commercial Court granted three permanent injunctions against each company prohibiting them from referencing Scotch or Scotland on any of their products. The products in question were Royal Arms, Blue Patrol and Malbros.

In a statement, SWA's Kenneth Gray said: "The industry is toasting a number of legal breakthroughs following recent court success in India to protect Scotland's national drink.

"This court decision represents a number of legal 'firsts' that we have welcomed. This was the first action we raised using the Spirit Drinks Verification Scheme. It was also the first action we took under new Commercial Court rules in India."

India is one of the world's largest spirits market but an extremely high 150 per cent import tariff means Scotch still only comprises less than 1 per cent of the country's total spirits consumption. The Spirit Drinks Verification Scheme came into effect in January 2014 to give Scotch whisky consumers around the world assurance of authenticity.

Gray added: "None of the three companies described as the bottlers of these brands were listed under the Verification Scheme. We argued that this indicated that since at least 10 January 2015 the defendants could not have been supplied with bulk Scotch whisky for blending and bottling.

"But by September 2015 all three products were still advertised on an Oasis Group website with marketing, labelling and packaging referring to Scotch Whisky."

The SWA had argued that the lack of verification suggested there was no Scotch in any of the products and so the companies were in breach of Scotch Whisky's geographical indication (GI) in India. The association had also claimed that such labelling, packaging and advertising was "misleading" and "infringed" the registered Scotch Whisky GI.

Scotch whisky has "additional protection" under the Indian GI Act, which means even products that do contain some Scotch cannot reference the spirit on labels or in adverts for a whisky made in India.

Scotch is a specific term used for whisky made from malted barley through a legally defined process, originating in Scotland. Any bottlers outside Scotland who want to use Scotch whisky as a constituent in a local spirit must first apply for the verification process.

"Such decisions can only be good for Scotch in India and for consumers. Let's raise a dram to that," Gray concluded.

A MONETARY MOVE TO STRIKE AT PAIN POINTS TO INVESTMENT

It is, arguably, the most daring, and far reaching, economic reform ever. The demonetisation of Rs 1,000 and Rs 500 notes by the Narendra Modi government hits at the roots of several problems ailing the Indian economy and addresses 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. But petty corruption by the lower bureaucracy still remains a big hurdle to the ease of doing business. Now, customs inspectors and 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.

Then, the expected extinguishing of over $70 billion in high value notes, about 30 per cent of all currency in circulation, will ease the Government of India's fiscal burden, ease the cost of money and provide the Reserve Bank of India space to cut interest rates by up to 100 basis points (bps;100bps=1 percentage point).

This, and the expected buoyancy in the government's revenues as a result of a greater percentage of transactions coming within the tax net, will give Finance Minister Arun Jaitley sufficient headroom to reduce the corporate tax rate to 25 per cent as he has promised. This will address a long standing demand of industry and bring Indian tax rates closer to its peers abroad and act as another magnet for foreign investors.

Critics and some Opposition parties have highlighted the problems being faced by the ordinary people and small traders – the BJP's core constituency – in accessing cash to demand a rollback of the demonetisation initiative. They have also, prematurely, started celebrating what they think is the beginning of the end of the Modi phenomenon that has driven them to the periphery of India's mainstream political discourse.

Such celebrations may well be a case of counting chickens before they hatch. Modi is an instinctive political gambler. Recall his tough stance as Gujarat chief minister when he overruled the advice of his core team and decided to fine over 100,000 farmers caught stealing electricity to run their pumps. State party satraps were wary of antagonising the powerful farm lobby that had made and unmade many governments in the past. But Modi stuck with his instincts and it paid off. He went on to win two more terms with thumping majorities before moving to Delhi as Prime Minister.

This latest gambit, he has promised, is only the first move in a long and protracted battle against black money. There is no evidence yet that ordinary people are 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 take India zooming up the ranks of the World Bank's Ease of Doing Business Index, in which it currently languishes at the 130th position.

Both Indian and foreign investors will be closely watching these developments.