

The image is a composite background. On the left, the Taj Mahal is visible. In the center, there is a map of India with its states and union territories outlined. On the right, a modern airport terminal is shown. At the bottom, a port area with several large cranes is depicted. The overall color scheme is a mix of light blues, greens, and oranges.

# India

Investment Destination for the 21st Century

# Important Note & Disclaimer

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# Structure of the Presentation

- Why India ?
- India - A Snap Shot
  - National Income
  - Population
  - Agriculture
  - Industry
  - Infrastructure
  - Social Welfare
  - Trade
- FDI &Industrial Policy
- Taxation

# Why India ?

- **The largest democracy in the world, politically stable**
- **A resilient economy with a wide base of agriculture, mining, manufacturing & services**
- **Country on a high growth path & moving rapidly towards a free market economy – the liberalisation & reforms process has gathered momentum**
- **Diversity of cultures co-existing in harmony**

# Why India ?

- **2nd largest pool of English speaking scientists, technical & IT manpower after USA**
- **Reservoir of natural resources – oil, gas, coal, iron ore & other minerals**
- **Cost effective labour & low cost of living**
- **Well established financial system – capital & money markets, banking, mutual funds, leasing, general & personal insurance**
- **Time tested legal systems**

# India – A Snapshot

# NATIONAL INCOME

# Gross Domestic Product : 2005 - 07

|                                 |        | 2005-06 | 2006-07 |
|---------------------------------|--------|---------|---------|
| GDP (at current prices)         | USD Bn | 805.6   | 911.2   |
| GDP per capita (current prices) | USD    | 727.7   | 812.1   |

## Growth in Indian Economy : Total GDP at Constant Prices (% Change)

| 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---------|---------|---------|---------|---------|---------|
| 5.8     | 4.0     | 8.5     | 7.5     | 9.0     | 9.4     |

# The Indian Economy : Key Macro Data

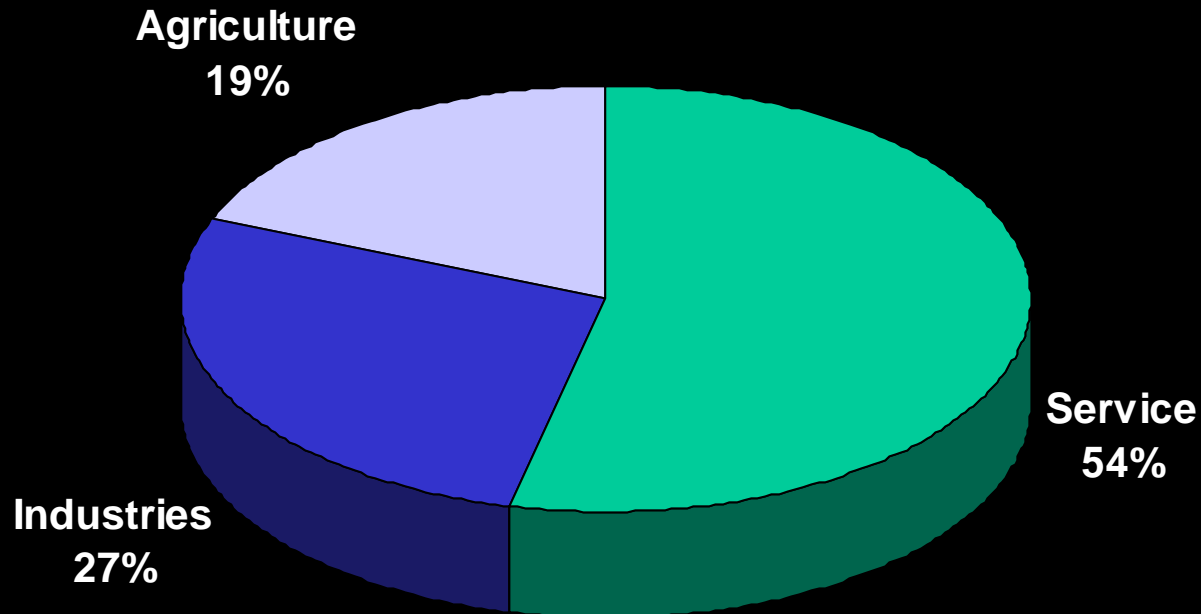
|  | <u>2005-06</u> | <u>2006-07</u> |
|--|----------------|----------------|
| <b>GDP at current market prices (USD. Bn.)</b> | <b>805.6</b>   | <b>911.2</b>   |
| <b>GDP per capita (current price) (USD.)</b>   | <b>727.7</b>   | <b>812.1</b>   |
| <b>Export (USD. Bn.)</b>                       | <b>103.1</b>   | <b>124.5</b>   |
| <b>Import (USD. Bn.)</b>                       | <b>143.4</b>   | <b>181.2</b>   |
| <b>Exchange Rate (INR : USD)</b>               | <b>44.28</b>   | <b>45.28</b>   |

# Growth Rates (%) : Key Economic Indicators

|                             | 2004-05 | 2005-06 | 2006-07 |
|-----------------------------|---------|---------|---------|
| Real GDP (at Const. prices) | 7.5     | 9.0     | 9.4     |
| Real GDP (per capita)       | 6.6     | 7.6     | 7.9     |
| Exports                     | 30.7    | 23.5    | 20.8    |
| Imports                     | 42.5    | 28.7    | 26.4    |
| Agricultural Production     | -       | 6.0     | 2.7     |
| Industrial Production       | 9.8     | 9.6     | 10.9    |
| Services                    | 9.6     | 9.8     | 11.0    |

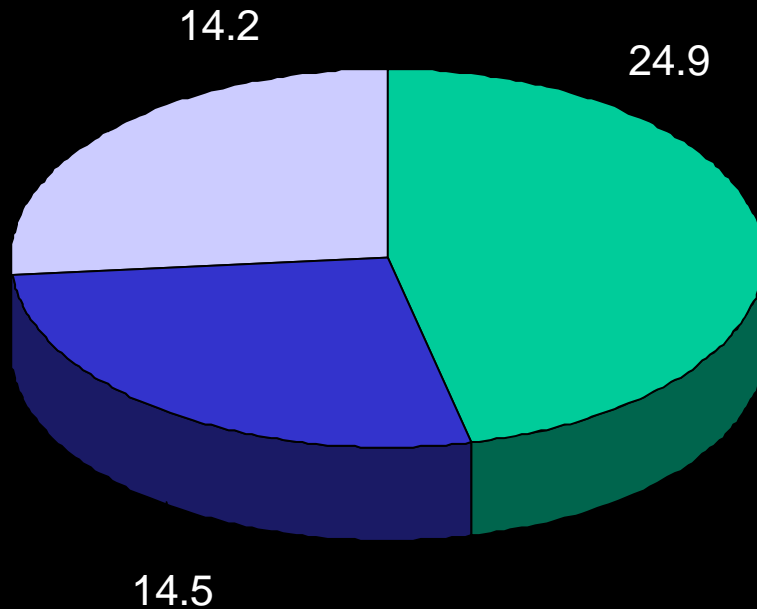
# GDP : Contribution by Key Sectors (%)

## 2005-06



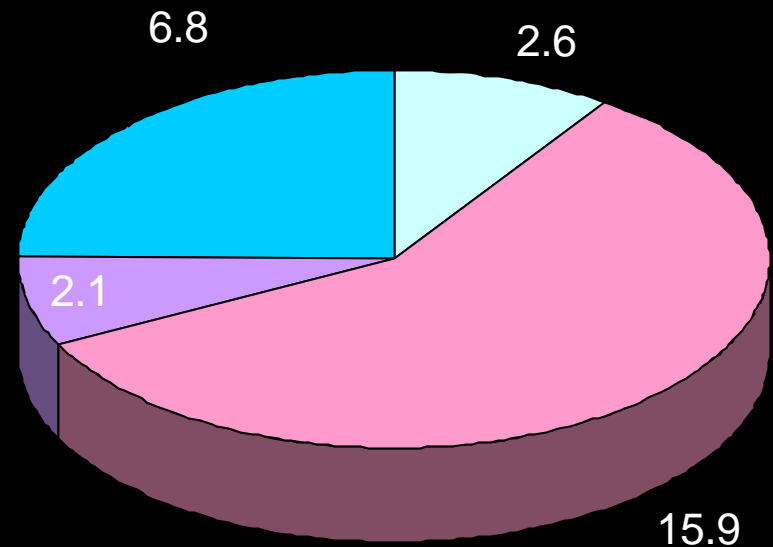
# Services & Industry Sector Breakdown 2005 - 06

GDP : Service Sector  
Breakdown (%)



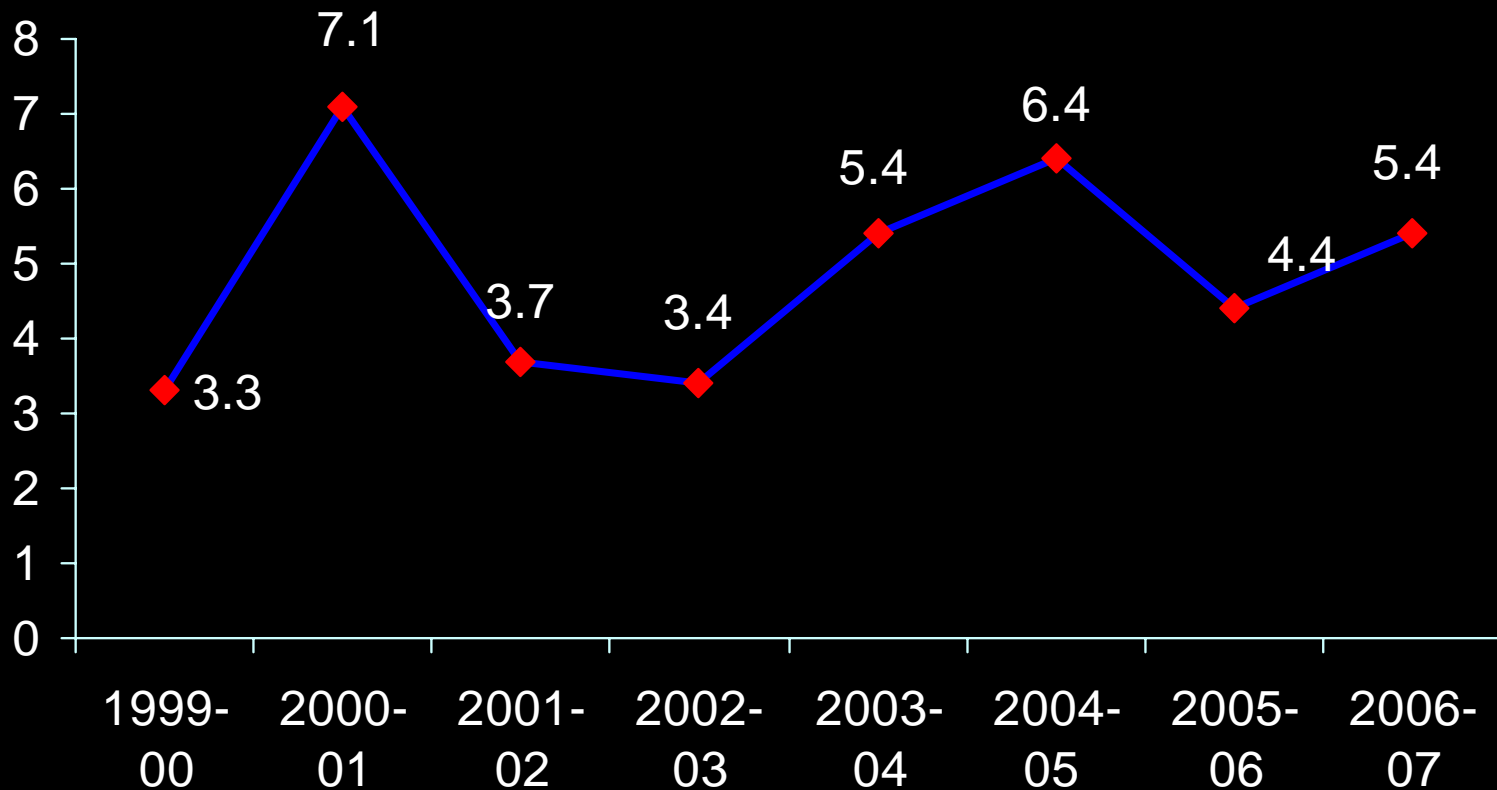
Trade Finance C & P Services

GDP : Industry Sector  
Breakdown (%)



Mining Manufacturing  
Electricity Construction

# Inflation Rate : Based on Whole Sale Price Index 1999 - 2007

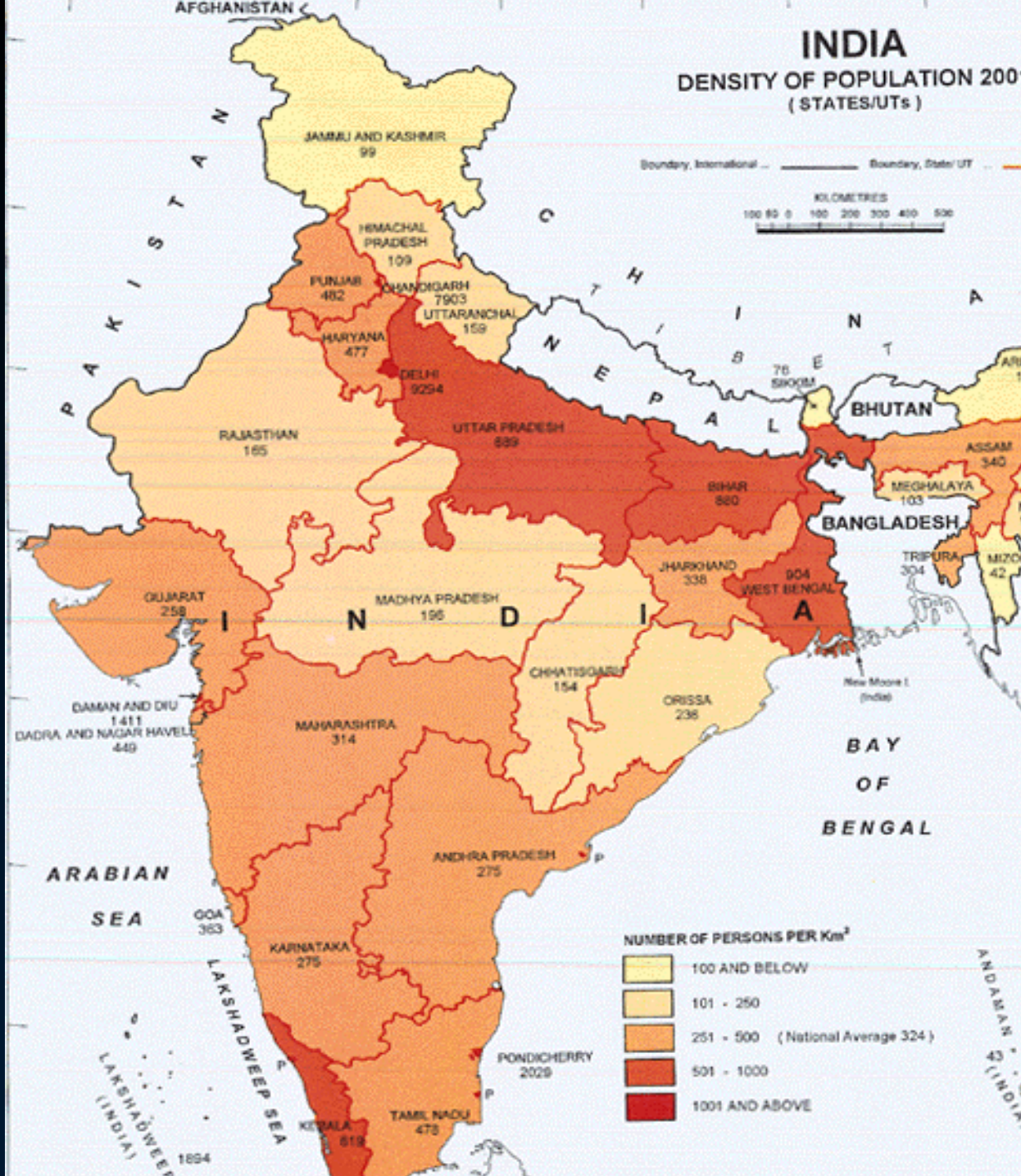
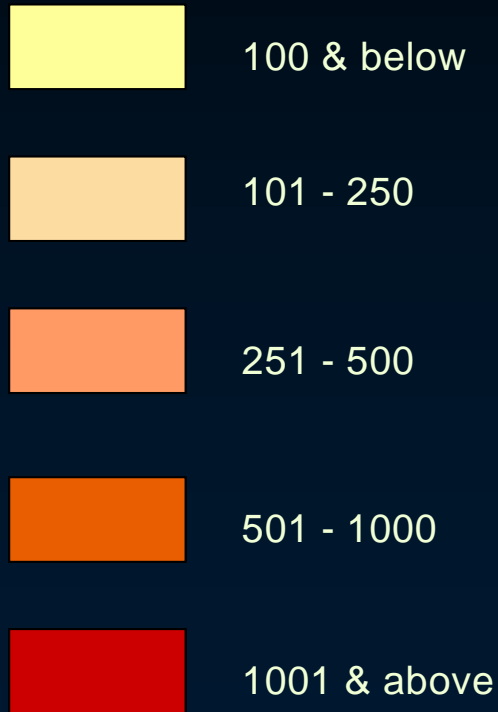


\* Est.

# DEMOGRAPHICS

# India : States & Population

No. of persons per sq km.



# India : Key Data

|                              |                    |             |
|------------------------------|--------------------|-------------|
| <b>Geographic Area</b>       | <b>000 sq. km.</b> | <b>3288</b> |
| <b>Population (Oct 2006)</b> | <b>Million</b>     | <b>1172</b> |
| <b>Urban Population</b>      | <b>Million</b>     | <b>308</b>  |
| <b>Literacy</b>              | <b>%</b>           | <b>66</b>   |
| <b>Households</b>            | <b>Million</b>     | <b>220</b>  |

# Population

- **India accounts for 2.4 % of the world surface area & supports 17 % of the world population**
- **The population of India : 1,172 million**
- **The decadal growth of population has declined from 2.14 % per annum from the previous decade to 1.93 % per annum**
- **The % decadal growth of population (end of 2001)**
  - **rural areas : 18 %**
  - **urban areas : 31 %**
- **The sex ratio : 934 females per 1000 males**

**AGRICULTURE**

# Agriculture Sector in India

- **The cultivable land in India is 51 % (167 million hectares) of the total geographical area 329 million hectares**
- **Of this, the net sown area is 141 million hectares**
- **Agriculture & allied activities together, contribute 19 % to the gross domestic product of India**
- **Indian agriculture employs 52 % of the total work force**
- **India attained self sufficiency in food during 1980s & since 1990s the country is one of the key global players in food grain export**

# Food Grains : Production During 2004- 06 Mn. T

|                   | <u>2005-06</u> | <u>2006-07</u> |
|-------------------|----------------|----------------|
| <b>Foodgrains</b> | <b>209</b>     | <b>212</b>     |
| <b>of which :</b> |                |                |
| <b>Rice</b>       | <b>88</b>      | <b>91</b>      |
| <b>Wheat</b>      | <b>73</b>      | <b>74</b>      |

# Production of Select Food Items : 2005-06

## 000 T

| <u>Item</u> | <u>2005-06</u> |
|-------------|----------------|
| Biscuits    | 1,142.6        |
| Tea         | 892.7          |
| Coffee      | 262.2          |
| Sugar       | 17,832.0       |
| Cardamom    | 13.0           |
| Pepper      | 70.0           |

**INDUSTRY**

# India's Natural Resources - Proven Reserves -

| <u>Item</u> | <u>Unit</u>   | <u>2005- 06</u> |
|-------------|---------------|-----------------|
| Coal        | Bn. T         | 253.3*          |
| Iron Ore    | Bn. T         | 23.0**          |
| Lignite     | Mn. T         | 38.3**          |
| Natural Gas | Tr. Cu. Metre | 1.1***          |

\* as on 1.1.2006,

\*\* 2006-07, \*\*\* 2005-06

# Production of Select Items : Basic Goods 2004 - 06

| <u>Item</u> | <u>Units</u> | <u>2004-05</u> | <u>2005-06</u> |
|-------------|--------------|----------------|----------------|
| Steel       | Mn. T        | 40.1           | 44.5           |
| Aluminium   | 000 T        | 845.0          | 880.4          |
| Cement      | Mn. T        | 127.6          | 147.8          |
| HDPE        | 000 T        | 999.0          | 489.0*         |
| LDPE        | 000 T        | 204.2          | 101.0*         |
| PVC         | 000 T        | 949.0          | 1,015.0        |
| Paper       | Mn. T        | 5.8            | 5.9            |

\* for April-September 2005

## Production of Select Items : 2004 - 06

| <u>Item</u>      | <u>Units</u> | <u>2004 - 05</u> | <u>2005-06</u> |
|------------------|--------------|------------------|----------------|
| Refrigerators    | Mn. No.      | 3.9              | 3.9            |
| Air Conditioners | Mn. No.      | 1.2              | 1.5            |
| TV Sets          | Mn. No.      | 11.8             | 11.1*          |
| Washing Machines | Mn. No.      | 1.6              | 1.7            |
| PCs              | Mn. No.      | 3.8              | 5.0            |
| Detergents       | 000 T        | 909.1            | 917.5          |
| Toilet Soaps     | 000 T        | 496.9            | 500.6          |

\* CTV

# Production of Select Items : Automobiles 2005 - 07 (000 nos.)

| <u>Item</u>         | <u>2005 - 06</u> | <u>2006 - 07</u> |
|---------------------|------------------|------------------|
| Passenger cars      | 1,046.0          | 1,238.0          |
| MUVs                | 263.0            | 307.0            |
| Commercial Vehicles | 391.1            | 520.0            |
| Two Wheelers        | 761.0            | 844.5            |
| Three Wheelers      | 434.4            | 556.1            |

**INFRASTRUCTURE**

# Indian Infrastructure : Key Data 2006 - 07

|                                    |                |              |
|------------------------------------|----------------|--------------|
| <b>Power Gen. Capacity</b>         | <b>000 Mw</b>  | <b>128*</b>  |
| <b>Energy generated</b>            | <b>B K.W.H</b> | <b>662.5</b> |
| <b>Hospitals</b>                   | <b>000 No.</b> | <b>27.8</b>  |
| <b>Bank Branches</b>               | <b>000 No.</b> | <b>70</b>    |
| <b>Fixed Line Tel. Subscribers</b> | <b>Mn. No.</b> | <b>40.3</b>  |
| <b>Cellular Subscribers</b>        | <b>Mn. No.</b> | <b>149.6</b> |
| <b>Internet subscribers</b>        | <b>Mn. No.</b> | <b>9.3</b>   |
| <b>Road Length</b>                 | <b>000 km</b>  | <b>3300</b>  |
| <b>Surfaced Roads</b>              | <b>000 km</b>  | <b>1500</b>  |

\* As on January 2007

# Indian Infrastructure : Key Data 2006 – 07 (contd..)

|                                    |                  |                |
|------------------------------------|------------------|----------------|
| <b>Major Ports – Cargo handled</b> | <b>Mn. tonne</b> | <b>463.8</b>   |
| <b>Rail Tracks</b>                 | <b>000 km</b>    | <b>63.5</b>    |
| <b>Railways – Freight</b>          | <b>Mn. T</b>     | <b>728.4</b>   |
| <b>Railways – Passengers</b>       | <b>Mn. No.</b>   | <b>6,400.0</b> |
| <b>Aviation – Passengers</b>       | <b>Mn. No.</b>   | <b>96.3</b>    |

# Telephone Connections : March 2005 - 06 (Mn. No. Subscribers)

| <b>March 2005</b> | <b>Public</b> | <b>Private</b> | <b>Total</b> |
|-------------------|---------------|----------------|--------------|
| <b>Mobile</b>     | <b>12.0</b>   | <b>41.5</b>    | <b>53.5</b>  |
| <b>Fixed</b>      | <b>40.0</b>   | <b>5.0</b>     | <b>45.0</b>  |
| <b>Overall</b>    | <b>52.0</b>   | <b>46.5</b>    | <b>98.5</b>  |
| <b>March 2006</b> |               |                |              |
| <b>Mobile</b>     | <b>22.0</b>   | <b>70.5</b>    | <b>92.5</b>  |
| <b>Fixed</b>      | <b>39.0</b>   | <b>9.0</b>     | <b>48.0</b>  |
| <b>Overall</b>    | <b>61.0</b>   | <b>79.5</b>    | <b>140.5</b> |

# Indian Roadways

- Indian roadways is one of the largest in the world, with over 3 million km of road network
- Indian roads carry 80% of the passenger traffic and 65% of freight traffic
- National Highways cover around 66,590 km distance & cater to about 45 % of the total road transport demand

## Road Transport & Related Data : (2005 - 06)

|                                      |                 |                |
|--------------------------------------|-----------------|----------------|
| <b>Total road length</b>             | <b>Mn. Kms</b>  | <b>3.34</b>    |
| <b>Length of National Highways</b>   | <b>Kms</b>      | <b>66,590</b>  |
| <b>Length of State Highways</b>      | <b>Kms</b>      | <b>131,899</b> |
| <b>Number of Registered Vehicles</b> | <b>Mn. No.s</b> | <b>72.7</b>    |

(2003-04)

# Indian Railways : 2004-05

- The Indian Railways is one of the largest railway systems in the world
- Indian Railways has an extensive network, spread over 63,465 Route Kilometre, comprising of :

|                     |          |                   |
|---------------------|----------|-------------------|
| <b>Broad Gauge</b>  | <b>:</b> | <b>47,749 RKm</b> |
| <b>Metre Gauge</b>  | <b>:</b> | <b>12,262 RKm</b> |
| <b>Narrow Gauge</b> | <b>:</b> | <b>3,054 RKm</b>  |

- Around 25 % of the network is electrified
- Railways' freight traffic has increased from 667 million tonnes in 2005-06 to 728 million tonnes in 2006-07

# **SOCIAL WELFARE**

# Select Indicators of Human Development 2005

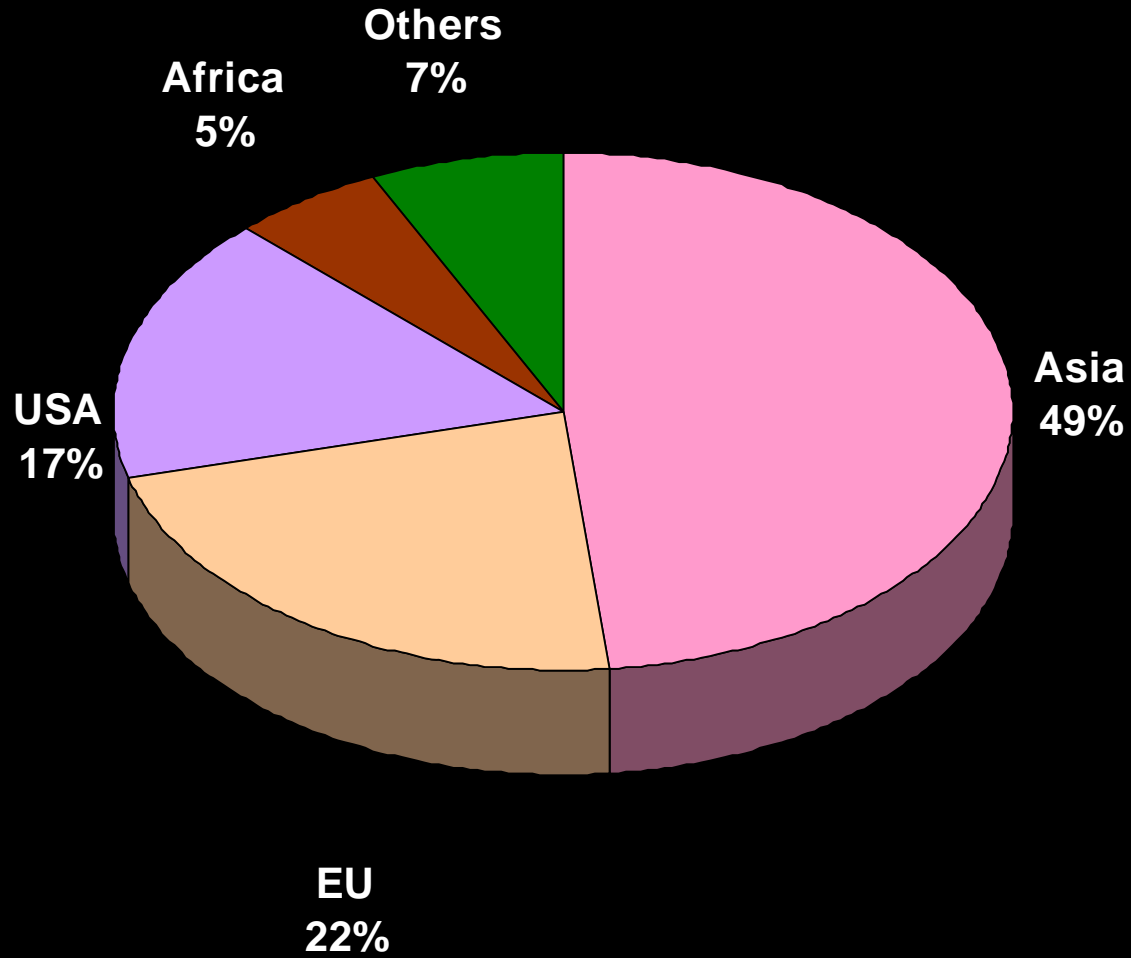
|  |          |           |
|--|----------|-----------|
| <b>Life Expectancy at birth (in years)</b>           | <b>:</b> | <b>63</b> |
| <b>Literacy Rate (Male) %</b>                        | <b>:</b> | <b>76</b> |
| <b>Literacy Rate (Female) %</b>                      | <b>:</b> | <b>54</b> |
| <b>Infant Mortality Rate (per 1000 live births):</b> |          | <b>58</b> |
| <b>Death Rate (per 1000 population)</b>              | <b>:</b> | <b>8</b>  |
| <b>Birth Rate (per 1000 population)</b>              | <b>:</b> | <b>24</b> |

# Recognized Educational Institutions 2003 - 04

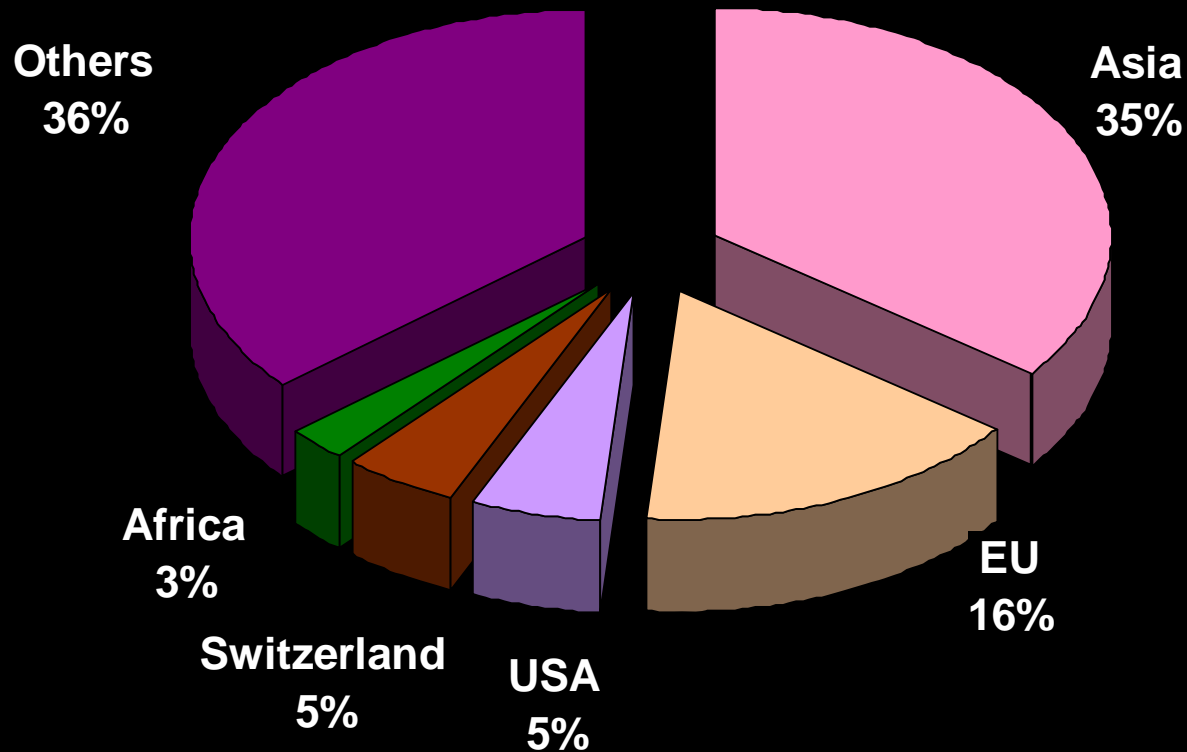
| <b>Level</b>  | <b>No.</b>    |
|---|---------------|
| <b>Primary/Junior/Basic School ('000s)</b>  | <b>716</b>    |
| <b>Middle/Senior Basic Schools ('000s)</b>  | <b>275</b>    |
| <b>High School / Higher Sec. / Intermediate /<br/>Pre- Degree / JR.College (000s)</b> | <b>152</b>    |
| <b>Colleges for General Education (Nos.)</b>  | <b>10,377</b> |
| <b>Professional Education</b>   | <b>3,201</b>  |
| <b>Universities/Deemed University &amp; Institutes<br/>of National Importance</b>     | <b>500</b>    |

# External Sector

# Direction of India's Trade : Exports (2005 - 06)



# Direction of India's Trade : Imports (2005 - 06)



# Export : Select Products

## USD Mn.

| <u>Exports</u>         | <u>2004 - 05</u> | <u>2005- 06</u> |
|------------------------|------------------|-----------------|
| Agri & allied Products | 8,473.1          | 10,197.4        |
| Rice                   | 1,507.0          | 1,620.3         |
| Wheat                  | 324.8            | 125.8           |
| Nuts & seeds           | 859.5            | 991.4           |
| Fruits & vegetables    | 383.9            | 454.4           |
| Meat & preparations    | 424.0            | 597.9           |
| Ores & minerals        | 5,077.6          | 6,188.2         |
| Iron and steel         | 3,276.7          | 3,860.3         |
| Machinery              | 3,718.7          | 4,795.3         |
| Electronic goods       | 1,831.5          | 2,168.8         |

# Import : Select Products

## USD Mn.

| <u>Imports</u>                     | <u>2004-05</u> | <u>2005-06</u> |
|------------------------------------|----------------|----------------|
| Cereals preparations               | 25.0           | 28.4           |
| Fertilizers                        | 959.4          | 1,640.3        |
| Edible oils                        | 2468.8         | 1,968.5        |
| Newsprint                          | 392.9          | 432.6          |
| Non-ferrous metals                 | 951.3          | 1,255.6        |
| Iron & steel                       | 2,490.6        | 4,249.6        |
| Machinery<br>other than electrical | 6,816.5        | 9,892.9        |
| Electronic goods                   | 9,991.3        | 13,190.1       |
| Organic & inorganic<br>chemicals   | 5,698.8        | 6,888.2        |
| Pulses                             | 395.5          | 530.0          |

# **Forex Reserves, Foreign Capital & Stock Markets**

# Foreign Exchange Reserves (currency)

| <b>Month / Year</b> | <b>Total Foreign Exchange reserves<br/>(USD Bn.)</b> |
|---------------------|--|
| <b>March 2000</b>   | <b>35.0</b>  |
| <b>March 2001</b>   | <b>39.0</b>  |
| <b>March 2002</b>   | <b>51.0</b>  |
| <b>March 2003</b>   | <b>71.0</b>  |
| <b>March 2004</b>   | <b>107.4</b>   |
| <b>March 2005</b>   | <b>135.0</b>   |
| <b>March 2006</b>   | <b>145.0</b>   |
| <b>March 2007</b>   | <b>192.0</b>   |

# Inflow Of Foreign Capital (USD Mn.)

|  |      |      |      |       |       |
|--|------|------|------|-------|-------|
| A. Direct Investments                      | 4029 | 6131 | 5035 | 4673  | 5535  |
| 1. Equity                                  | 2400 | 4095 | 2764 | 2387  | 3362  |
| Govt. (SIA / FIPB)                         | 1456 | 2221 | 919  | 928   | 1062  |
| RBI  | 454  | 767  | 739  | 534   | 1259  |
| NRI  | 67   | 35   |      |       |       |
| Acquisition of Shares                      | 362  | 881  | 916  | 735   | 930   |
| 2. Equity Capital of unincorporated bodies | 61   | 191  | 190  | 190   | 111   |
| 3. Re-invested Earnings                    | 1350 | 1646 | 1833 | 1798  | 1816  |
| 4. Other Capital                           | 279  | 390  | 438  | 488   | 357   |
| B. Portfolio Investment                    | 2760 | 2021 | 979  | 11377 | 8909  |
| GDRs / ADRs                                | 831  | 477  | 600  | 459   | 613   |
| FIIs                                       | 1847 | 1505 | 377  | 10918 | 8280  |
| Off-shore Funds & Others                   | 82   | 39   | 2    |       | 16    |
| Total Foreign Investment Flows(A+B)        | 6789 | 8152 | 6014 | 16050 | 14444 |

# Capital Issues (Rs. Bn.)

|                       | 2001-02      | 2002-03      | 2003-04      | 2004-05      | 2005-06      |
|-----------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Capital Issues</b> | <b>480.0</b> | <b>417.7</b> | <b>526.6</b> | <b>606.8</b> | <b>778.3</b> |
| <b>Public Sector</b>  | <b>305.8</b> | <b>292.2</b> | <b>395.9</b> | <b>310.9</b> | <b>466.1</b> |
| <b>Private sector</b> | <b>174.2</b> | <b>125.5</b> | <b>130.7</b> | <b>295.9</b> | <b>312.2</b> |

# Indian Stock Market (Rs. Billion)

|                                  | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
|----------------------------------|---------|---------|---------|---------|---------|
| No. of Companies Listed          | 5,771   | 5,661   | 5,562   | 4,844   | 4,912   |
| Mkt Cap. of all listed Companies | 7,426   | 7,246   | 13,771  | 18,785  | 32,113  |
| Trading Volumes on BSE           | 3,049   | 3,136   | 5,033   | 5,185   | -       |
| Trading Volumes on NSE           | 5,132   | 6,180   | 10,995  | 11,401  | -       |

# **Foreign Direct Investment, Foreign Technology Collaborations, Industrial Policy & Other Regulations**

# Foreign Direct Investment (FDI) - Automatic Route

- FDI proposals that satisfy certain criteria may be brought in through the 'Automatic Route'
- Under the 'Automatic Route' no prior approval of the government or Reserve Bank of India for bringing in the investment is required. Only certain documents & information are required to be filed with RBI
- All investments in manufacturing/ service activities *other than* the following qualify for the 'Automatic Route':
  - Investment in activities that require an Industrial License
  - Cases where the foreign collaborator has 3% or more, but less than 97% investment in an existing JV in the same field
  - Cases falling outside notified sectoral policy/ caps & in sectors in which FDI is not permitted
  - Cases of acquisition of existing shares in an Indian company by a non resident, where certain condition laid down by RBI are not satisfied

# FDI - FIPB Route

- **FDI proposals that fall outside the automatic route criteria will need prior approval of The Foreign Investment Promotion Board (FIPB), Ministry of Finance, Government of India**
- **Even in cases where 'Automatic Route' is applicable, investors may chose to follow the FIPB Route**

# Policy on Industrial Licences

- **Entrepreneurs are free to set up industries without an industrial license except in following cases:**
  - **the industry is reserved for the public sector (I.e.government sector)**
  - **it is an industry where industrial licensing is compulsory**
  - **the items of manufactures are reserved for small scale industry & a non small scale industry proposes to enter the field**
  - **it is to be located within 25 km of city limits of cities with a population of over a million as per 1991 census. (This condition does not apply to electronic, computer software & printing & any other non polluting industries as may be notified by the Government in future)**

# Industries Reserved for Public Sector

- Atomic energy
- Railway Transport

# Industries where Industrial Licence is Compulsory

- **Distillation & brewing of alcoholic drinks**
- **Cigars & cigarettes of tobacco & manufactured tobacco substitutes**
- **Electronic aerospace & defense equipment : all types**
- **Industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose & matches**
- **Hazardous chemicals**
- **Certain type of Drugs**

# FDI - Sectoral Policy & Caps

- In certain sectors i.e. Agriculture (including plantation other than tea plantations), Retail Trading and Postal services in distribution of letters, lotteries, gambling and betting businesses, FDI is not allowed
- For certain sectors, the automatic route is not available. These include sectors such as :
  - Domestic airlines
  - Petroleum, including petroleum refining in public sector
  - Investing Companies in infrastructure & service sectors
  - Atomic energy & related projects
  - Defence & strategic industries
  - Housing & Real Estate other than townships, housing, built up infrastructure and construction development projects satisfying certain criteria.
  - Courier services
  - Establishment and operation of satellites
- Where automatic route not available, FIPB approval is required

# FDI : Sectoral Policy & Caps

- In certain sectors, caps for FDI have been laid down. These include sectors such as :
  - **Banking and Non Banking Finance Companies**
  - **Insurance**
  - **Domestic airlines (foreign airlines participation not permitted)**
  - **Airports**
  - **Telecommunication**
  - **Petroleum**
  - **Coal & Lignite**
  - **Venture Capital Fund & Venture Capital Company**

# FDI : Sectoral Policy & Caps (contd..)

- Trading (wholesale)
- Investing companies in infrastructure & service sector
- Atomic energy
- Print media
- Defence & strategic industries
- Broadcasting
- Mining
- Establishment and operation of satellite