

INVEST *in* **INDIA**

INDIA — A PROMISING INVESTMENT DESTINATION

SECTORAL OPPORTUNITIES



Automobile

India's automotive industry

- ❑ **Largest three-wheeler market** in the world
- ❑ Between **2004-05** and **2009-10**, **domestic sales** registered an **annual average growth of 8.3%**
- ❑ **Exports** grew at an **annual average growth** of **20%** between **2004-05** and **2009-10**
- ❑ **2nd largest two-wheeler market in the world**
- ❑ Two-wheelers have the largest market share in India
- ❑ In 2009-10, **two-wheelers constituted 76.23% of the market**
- ❑ **Annual average growth** registered between **2004-05** and **2009-10- 10.3%**
- ❑ **Growth drivers** - increasing demand from **rural areas** – **Two wheeler penetration to increase from 22% to 26% over next 5 years**

Automobile

India's Automotive industry

- ❑ ***4th Largest passenger car market in Asia & 10th largest in the world***
- ❑ Passenger car sales in 2009-10 at 1.5 million units & exports at 4,41,710 units
- ❑ Passenger car segment constitute 80% of the Passenger Vehicle Industry
- ❑ Compact & Mini cars constitute 80% of the total volume
- ❑ ***India to become hub for small car exports***
- ❑ ***4th Largest Commercial Vehicle Market***
- ❑ **Annual average growth in market size over 2004-05 -2008-09 - 21%**

Automobile

Opportunities

- ❏ ***Manufacturing Auto components to meet domestic demand***
 - ❏ Investment possible in key segments of auto components like engine and engine parts, transmission and steering parts, electrical parts, suspension and breaking parts
 - ❏ Nissan has identified India among the five low cost countries to manufacture its new generation compact cars
- ❏ ***Research & Development***
 - ❏ Hyundai intends to make India a hub for small car development
- ❏ ***Development of new products that are environment friendly***

Electrical Machinery

- ❑ ***Growth of this sector is driven by***
 - ❑ ***Increasing demand for power and electrification*** - A capacity addition of 78,700 MW has been proposed for the Eleventh Five Year Plan (2007–2012), translating to a higher demand for electrical machinery
 - ❑ ***Rapidly growing Industrial sector***
 - ❑ ***Focus on investment in Infrastructure***
- ❑ The sector has been allowed ***100 per cent foreign direct investment (FDI) through the automatic route***
- ❑ India also has many ***Special Economic Zones (SEZs)*** in the engineering sector.

Electrical Machinery

Segments of Electrical Machinery

Generation Equipment

Boilers

- Production stood at USD 2.1 billion in 2008–09
- India is a net importer of boilers

Turbines & Generator Sets

- In 2008–09, production of turbines and generators was valued at USD 874 million and USD 370 million
- India is a net importer of turbines and a net exporter of generators

Transmission Equipment

Transformers

- Transformer production in 2008–09 stood at 72 million KVA, with India being a net importer of transformers

Distribution Equipment

Switch Gears & Control Gears

- Production of switchgears and control gears stood at 17.8 million units in 2008–09

Electrical Machinery

Nuclear Sector

- ❏ Huge *investment potential* in **Higher Capacity Thermal Units & Nuclear Reactors**
- ❏ The Government of India (GOI) proposes to add **3,380 MW of nuclear power capacity by 2012**
- ❏ With **signing of nuclear agreements** with different countries, India to become a major **hub for manufacturing nuclear reactors and associated components**

Consumer Durables

- ❑ The **size of the consumer durable and electronics sector** is around **USD 6.6 billion**
- ❑ The **consumer durables sector** grew by **26.2%** in **2009-10** and in **Q1 of 2010-11 recorded 29% growth**
- ❑ **Growth in Market Size between 2003-04 and 2007-08**

Refrigerators	- 81%
Washing Machines	- 68%
Air Conditioning Equipment	-217%

Market Potential can be visualized from the following Penetration Levels

- ❑ **Refrigerator** use is around **18%** of the population
- ❑ **Washing machine** **6%**
- ❑ **Air conditioner** less than **2%**
- ❑ **Microwave oven** around **1%**

Food Processing

India is the....

- 1 Largest producer of pulses, milk, cashew nuts, coconuts and tea in the world***
- 2 Second largest producer of rice, wheat, sugar, ground nut and inland fish***
- 3 Second largest producer of fresh vegetables and accounts for 15% of world production***
- 4 Accounts for 10% of world fruit production, producing 41% of world mangoes and 23% bananas***

However about 30-40% of the farm produce is wasted in the country

Food Processing

India is the....

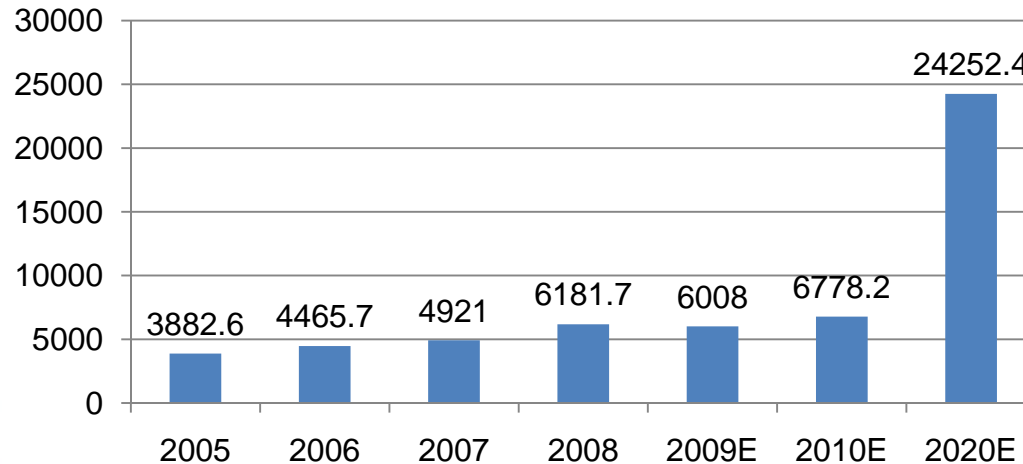
- ❑ Food is the ***biggest consumption category in India*** with 31% of consumer's wallet expenditure
- ❑ Processed food market in India is at nascent stage of development
- ❑ Food processing level for fruits and vegetables in India is just 2.2% compared to 65% in US and 23% in China
- ❑ ***Industry is poised to reach USD 318 billion by 2020***

Opportunities in

- ❑ Warehousing and cold development storage
- ❑ Packaging machinery technology
- ❑ Lab infrastructure
- ❑ Dairy processing
- ❑ Food processing units for domestic sales/ exports




Tourism

Travel & Tourism Demand (INR billion)



Over the next decade, demand for travel and tourism is expected to achieve an annualized growth of 9.2%




Travel & Tourism contributed

-  8.6% to GDP in 2010, likely to increase to 9% by 2020
-  10% to employment in 2010
-  Government to increase investments in the sector to 9% of GDP


Tourism

Opportunities

Hotel Infrastructure

-  In November 2009, there were about 1,25, 000 rooms available
-  55,000 new rooms expected to be added by 2013-14
-  Huge opportunities for investments budget hotels in Tier I & II cities which are buzzing with business activity


Wellness Tourism

-  India's Wellness services market worth USD 2.9 billion & expected to grow at 30% per annum for the next 4-5 years


Tourism

Opportunities


Rejuvenation Segment

-  Rejuvenation segment (spas, alternate therapies, ayurvedic treatments etc) to grow to INR 194.5 billion by 2014 from INR 43.7 billion in 2009

Fitness segment

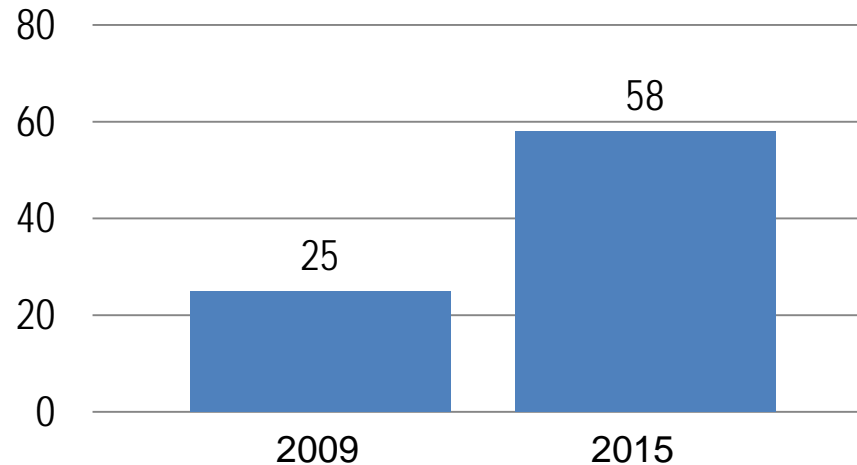
-  Fitness segment (comprising gyms and slimming centers) to grow very fast, weight management category growing at CAGR of 13%

On-ground infrastructure

-  Huge opportunities for investment in building on-ground infrastructure like roads, rail connections, hotels, restaurants and other wayside amenities

Gems & Jewellery

Gems & Jewellery Exports (USD billion)



The exports are expected to grow at CAGR of 15%, amounting to USD 58 billion by 2015 from current size of USD 25 billion

Source: *Unlocking the potential of India's Gems & Jewellery Sector, FICCI Technopak report*

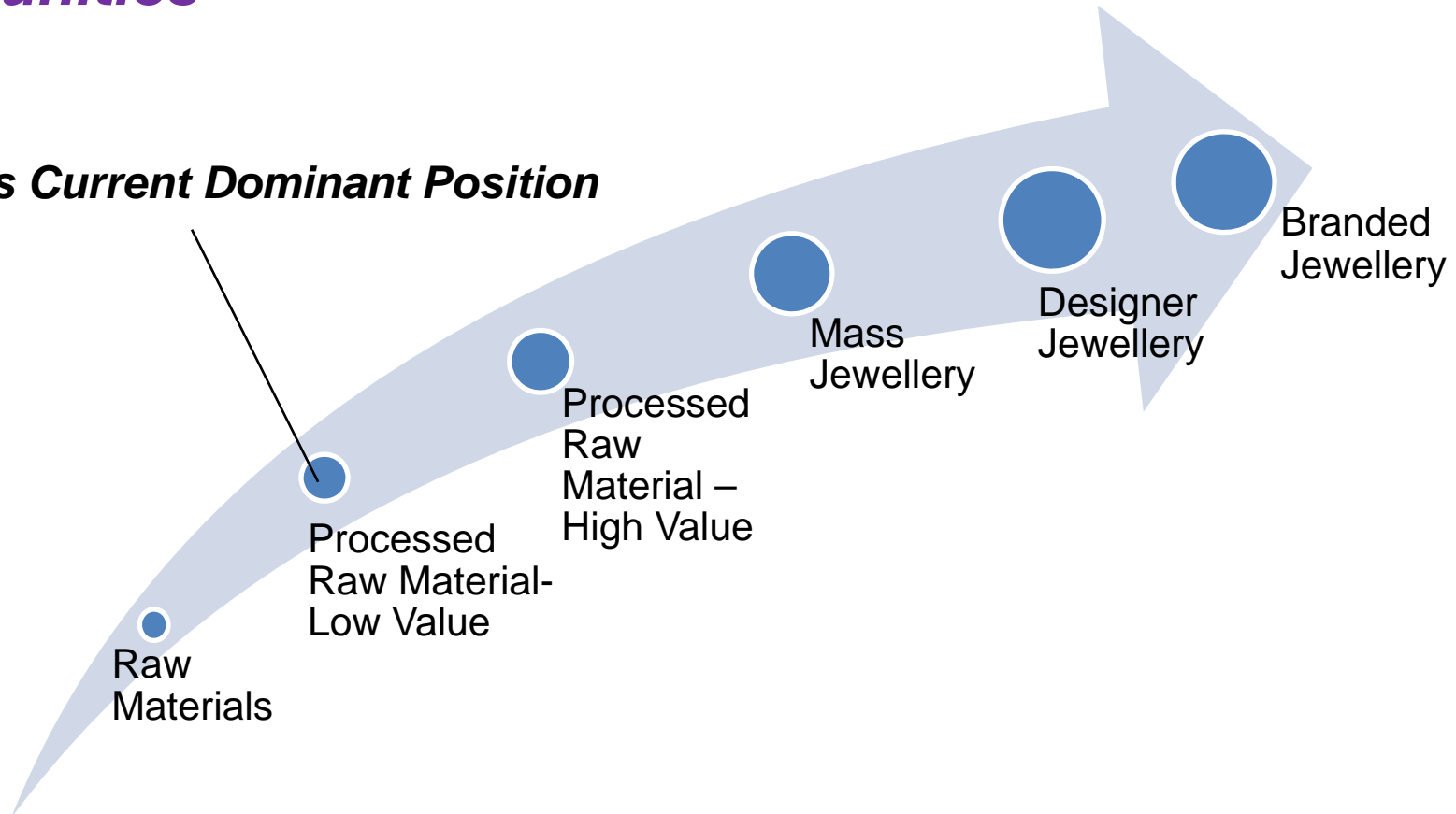
India's Current Advantage

- Ability to deliver good quality at low costs
- Cost of cutting diamonds in India is 7% of that in Belgium and 60% of that in China

Gems & Jewellery

Opportunities

India's Current Dominant Position



Gems & Jewellery Value Addition Ladder

Chemicals

- ❑ Chemical Sector including pharmaceuticals and petrochemical has an annual turnover of approximately USD 83 billion, which is equivalent to 5% of India's GDP. It is the 12th largest in the world in terms of volume and third largest in Asia.
- ❑ Major raw material component sources available in the country
- ❑ Base chemicals is the largest segment accounting for ~53% of the total industry followed by pharmaceuticals with ~24%
- ❑ Indian pharmaceutical industry is ranked 3rd in the world in terms of production volume and 14th in terms of domestic consumption value.
- ❑ The Indian pharmaceutical industry was estimated at USD 19.4 Bn in FY09. Formulations account for ~65% and bulk drugs for the balance 35% in value terms.

Chemicals

- ❑ India is the fourth largest producer of agrochemicals globally, after US, Japan and China.
- ❑ Petrochemicals sector expected to grow 12.5 MMT by 2011-12
- ❑ Investment potential about \$ 17 billion
- ❑ Petroleum, Chemicals and Petrochemicals Investment Regions (PCPIR) are coming up in a number of Indian states. PCPIRs are specifically delineated investment regions with an area of around 250 sq km and planned investments greater than USD 15-20 Bn. Investments of over USD 280 Bn have been planned across the three approved PCPIRs –Bharuch, Visakapatnam and Haldia and three planned PCPIRs – Mangalore, Cuddalore and Paradeep.

Chemicals

- ❏ Indian Biotechnology industry crossed the USD 3 billion mark in FY10 (including bio-services and bio-informatics), registering a year-on-year growth of 17%
- ❏ The year-on-year growth of the biotech market is expected to accelerate driven by high demand for vaccines, biopesticides, biofertilizers, biodiesel and biotherapeutics in India as well as at the global level.
- ❏ BioPharma segment grew at a CAGR of 11.9 % in 2009-10. It contributed \$1.9 bn, accounting for 62 percent market share.

Construction

- ***The sector is among***
 - fastest growing sectors
 - top 5 recipients of FDI
 - 100% FDI permitted
 - Largest employers (including construction and facilities management)

The market value of real estate under construction projects crossed USD 100 billion in 2010 from USD 69.4 billion in end of 2006


Construction

Opportunities


Residential Housing

-  Housing shortage to increase from more than 24 million units in 2007 to 26 million units by 2012.

Commercial

-  The demand for office space is expected to total 180 million sq feet by 2013

Retail

-  Cumulative Retail demand is expected to reach 43 million square feet by 2013. Around 46% of the estimated demand will be focused on tier I cities between 2009 and 2013

Infrastructure

Roads and Highways

- India has **one of the largest road networks in the world**, with a total length of 3.3 million km
- During the **XI th Plan** around **USD 65.4 billion** is likely to be invested in the roads sector, of which 34% will be contributed by the private sector, which translates to 35,000 km over the next five years
- The Government of India (GoI) has permitted **100% FDI in the road sector**
- Ministry of Road Transport and Highways has set a target of completion of **20 km of national highways per day**

Infrastructure

Telecom

- ❑ **One of the fastest growing sectors** with over **15 million new subscribers** being added to the network every month
- ❑ **Second largest wireless network in the world**
- ❑ India has emerge as the country which offers the **lowest mobile tariffs across the globe.**
- ❑ While the mobile services space have seen exponential growth in urban areas, these have not yet reached the vast majority in rural areas with **rural teledensity of approximately 27.8 percent, indicating huge untapped potential for the sector.**
- ❑ The rural market is expected to drive the next round of growth for the voice-based services, while data services will create the much needed churn within the maturing urban markets.

Infrastructure

Telecom

- ❏ Allotment of 3G spectrum and BWA licenses have been complete.... This will open multiple dimensions for wireless broadband, 3G services
- ❏ **Broadband** is yet to reach a critical mass despite rapid growth; the numbers have risen from **6.98 million in August 2009 to 10.52 million by 31st October 2010**, registering a **growth of 55 percent** on an annual basis. **With subscriber penetration under 2 %**, the sector has potential for aggressive growth in the future.
- ❏ India to evolve as a **hub for telecom equipment manufacturing**
– Several new home grown players are rapidly expanding their market presence

Infrastructure

Power

- ❏ A study by McKinsey called "Powering India: Road to 2017" estimates **India's power demand to increase to 315-335 GW by 2017**
- ❏ At present, **India's total installed capacity is 1,62,367 MW**
- ❏ Government of India projects an **investment of USD 4.3 billion for renovation and modernization of various old power plants** during 11th and 12th Five-Year Plans
- ❏ Additionally, an **investment of USD 213.7 billion** is proposed for **capacity addition of 78,700 MW in the 11th Plan (2007-12)** and **USD 235.1 billion to add over 94,431 MW in the 12th Plan**
- ❏ Immense **opportunities** exist for private sector participation in **generation, transmission, distribution equipment**

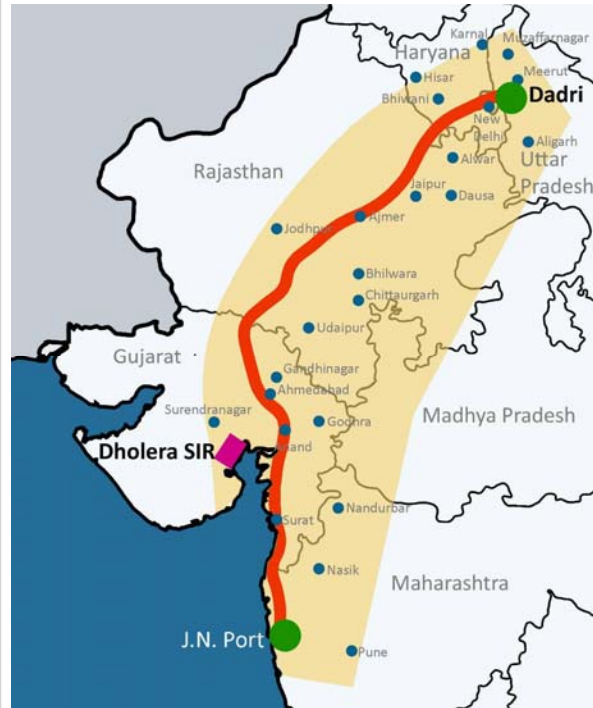
Infrastructure

Railways

- ❑ Railways are the **lifeline of Indian economy** and will have a larger role in future as the country grows
- ❑ It is **third largest network in the world**
- ❑ Government undertaking modernization and augmentation of railway infrastructure, improvement in passenger facilities and security PPP projects being initiated & identified
- ❑ The sector expected to generate **private investments worth USD 4.3 billion during Eleventh Five Year Plan**

Delhi Mumbai Industrial Corridor (DMIC)

Vision : To develop DMIC as “global manufacturing and trading hub” supported by world class infrastructure and enabling policy framework.



- Mega infra-structure project worth USD 90 billion covering an overall length of 1483 KMs between Delhi and Mumbai
- First phase of the project is expected to come up by 2018
- Total of **24 nodes (11 Investment Regions & 13 Industrial Areas)** identified in consultation with 6 state governments.
 - 11 Investment Regions ~ 200 Sq km area (min)
 - 13 Industrial Areas ~100 Sq km area
- Huge opportunities for various players across the value chain - power, transportation, equipment providers and internal infrastructure



LEVERAGING NEW TECHNOLOGY SECTORS

Innovating for next billion customers.....

Innovating in India for India/Emerging Markets

- From product modification to product innovation...MNCs embracing the new **“Made in India...value for money”** paradigm to have mass appeal
- Microsoft India** has taken initiatives like **language interface packs in 12 Indian languages**. And Windows Live, includes e-mail, instant messenger, online storage, photo gallery and social networking in seven Indian languages
- LG** has launched **low priced TV range “Cineplus” and “Sampoorna”** for rural markets
- GE** developed an **ECG machine, MAC 400**, to serve the rural market. This is portable and costs about US\$1,000
- Following Tata Nano, **global automakers giants** such as **GM, Nissan** etc. have **announced entry into the small car segment**





Homeland Security

- ❑ **Growing focus on Homeland security** in India in the backdrop of robust economic growth and an increasing threat of disruptive activities
- ❑ India to become one of the **major civil security markets in the world with expected cumulative spending of over USD 10 billion by 2017**
- ❑ **By 2020 about 6 per cent of global procurement in the field of homeland security is expected to be emanated from India**
- ❑ Segments to witness growth: **electronic security market & system integration, consultancy and training**
- ❑ **Major opportunities** exist in **security related equipment** such as Intrusion detection systems, vehicle scanners, entry barriers, detection devices, access control, surveillance, Supervisory control and data acquisition systems (SCADA)

Green Technology

- ❑ **India is committed** towards ensuring an **Eco friendly growth** -
The country targets to meet 15% of its energy requirement through renewable sources by 2020
- ❑ **Challenge for India** harnessing renewable energy sources in terms of cost effectiveness & bring greater efficiency
- ❑ **Opportunities in**
 - ❑ photovoltaic solar panels
 - ❑ highly efficient water heaters & batteries
 - ❑ next generation cars like hybrids and electrical cars

Animation & VFX

-  Size of India's Animation & VFX industry USD 40.9 m in 2009
Estimated to reach USD 96.4 m by 2014
-  While Indian studios are adept at 2D, 3D & flash animation, ***Stop motion capabilities are still in early stages of development***
-  With 8 children channels focusing on broadcasting animated series, ***India is one of the largest animation consuming markets for television***
-  In comparison to other countries providing high quality animation services, India offers significant cost arbitrage

Estimated costs for 30 minutes of animated content	India	Korea, Philippines	North America
2D Hand drawn	USD 45,000–50,000	USD 60,750 – 67,500	USD 180,000 – 200,000
3D	USD 90,000	USD 121,500	USD 360,000
Backend production	USD 200,000	USD 270,000	USD 800,000
Flash Animation	USD 20,000	USD 27,000	USD 80,000

Gaming

- ❏ Gaming estimated to be the fastest growing sector in the Media and Entertainment Industry in the next 5 years
- ❏ **Growth Drivers**
 - ❏ **Mobile Gaming** - Increasing telecom subscribers; Rollout of 3G & Increasing usage of mobile VAS
 - ❏ **Console Gaming** - Young population; Rising disposable income & Move towards service oriented models
 - ❏ **Online Gaming** - Increasing broadband subscribers; Higher PC penetration & Strong marketing through social networks etc

Gaming Industry (USD million)	2009	2014	CAGR (2009 – 2014)
Mobile	3.7	29.6	51.6 %
Console	10.1	24	18.9 %
Online & PC	2.5	12.6	38.2 %
Total Industry Size	16.3	66.2	32.4 %