

10 Great Reasons to do Business with India

- **INDIA SHINING:** Today's India is a land of huge opportunities for **global investors**. The reforms process that the nation embraced a decade ago is now paying off.
- India's economy is sizzling and is one of the fastest growing in the world. It has also seen a surge in foreign investment lately.
- Here we summarise the key reasons why India is a great country to business with, how the nation has liberalised norms for foreign investors, and what is on offer for foreign companies



Indian Air Force MK-II aircraft of the Surya Kiran aerobatics team performing at an air show in New Delhi.

(1) IT HAS NEVER BEEN SO GOOD



The Taj Mahal, India's historic world heritage monument, in Agra.

- ✓ India is the 4th largest economy, in terms of purchasing power parity. Tenth most industrialised economy.
- ✓ Strong macro-economic performance.
- ✓ Political stability and broad consensus on reforms. Liberal and transparent foreign investment regime.
- ✓ Well developed banking system. Vibrant capital market. National Stock Exchange third largest, Bombay Stock Exchange fifth largest in terms of number of trades.
- ✓ Strong and independent judicial system.
- ✓ Among the highest rates of returns on investment. Profitability of US investments in India: 19.33% in 2000 (according to US Department of Commerce).

(2) INCREDIBLE SKILLS ON OFFER

- ✓ Strong pool of scientific and technical manpower. Prowess of IITs, IIMs well known.
- ✓ 255 Fortune 500 companies getting services.
- ✓ 2nd largest English-speaking population.
- ✓ Abundant, high-quality, cost-effective, competitive manpower. Over 100,000 IT professionals added each year.
- ✓ India rated as the most attractive destination for offshore business processing by global consultancy A T Kearney.
- ✓ IT Industry \$14 billion; growing at 50% p.a.
- ✓ Exports \$12 billion; 2008 exports target: \$60 billion, to be 35% of India's total exports.
- ✓ Job creation: a million direct & 2-3 million indirect.



Indian scientists work in the laboratory of the new facility of British pharmaceutical company AstraZeneca PLC in Bangalore.

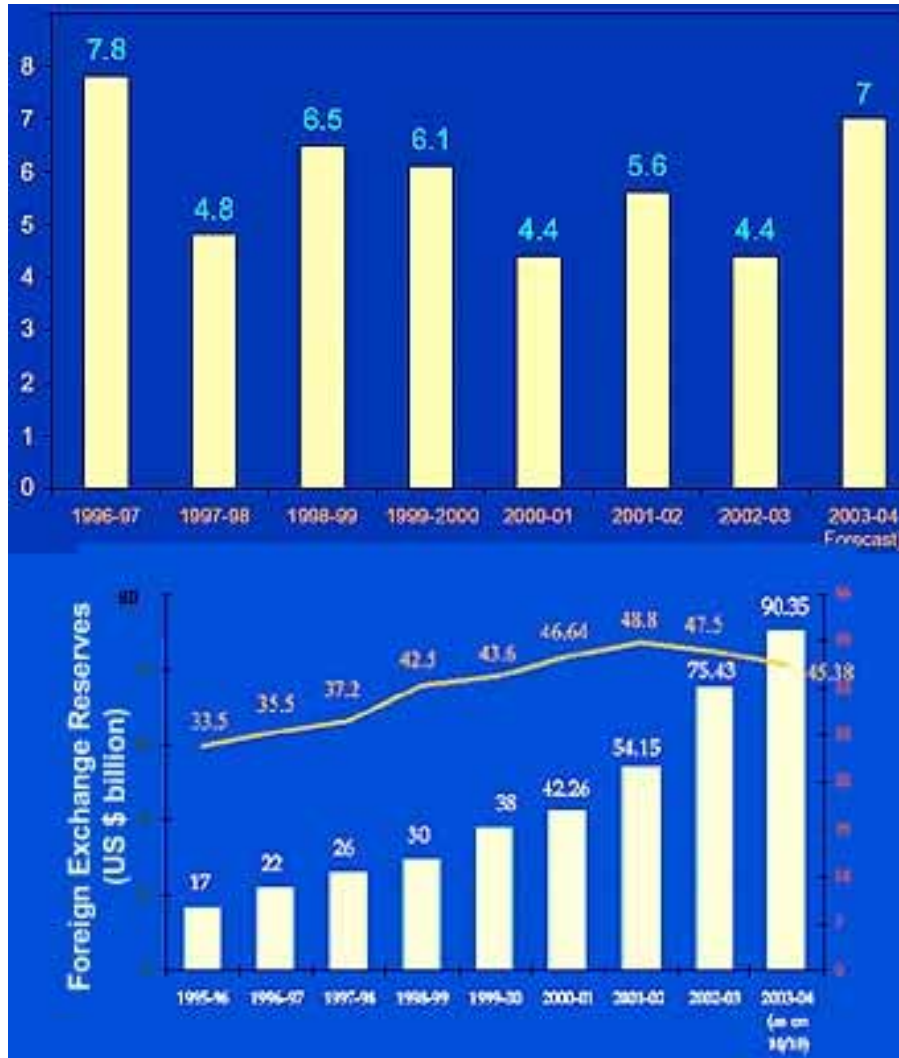
(3) HIGHLY COMPETITIVE ENTREPRENEURSHIP

- Prevalence of foreign technology licensing - Rank 1 in the world.
- Availability of scientist and engineers - Rank 2.
- Quality of management schools - Rank 9.
- Firm level innovation - Rank 12.
- Firm level technology absorption - Rank 16.
- Company spending on R&D - Rank 32. (Source: Global Competitiveness Report, 2003)
- India amongst the leading entrepreneurial hotbeds globally. (Red Herring clubs India with Israel)



Infosys CEO Nandan Nilekani announcing the company's quarter results in Bangalore.

(4) GREAT MACRO-ECONOMIC SHOW



- India among world's fastest growing economies.
(Graph on top left shows Indian GDP growth since 1996-97).
- Average GDP (gross domestic product) growth of 5.4% during the 9th Five-Year Plan (1997-2002).
- Exports registered growth of over 19% in 2002-03.
- Foreign exchange reserves at an all-time high of over \$90 billion.
- Increase in forex during the fiscal year in 2002-03: \$20 billion.
- India's economic growth is sustained.
- The nation's GDP is expected to grow by over 7.0 % this year

(5) EASY INDUSTRIAL LICENSING POLICY

- Under the Industries (Development & Regulation) Act, 1951, industrial license is needed only for items:
- Falling under the list of compulsory licensing. Reserved for small-scale sector. If location attracts restriction.
- All industries exempt from industrial licensing required to file an Industrial Entrepreneur Memorandum.
- No approval is required; Only notification need.
- Industries retained under compulsory licensing under the Industrial (D&R) Act, 1951:
- Distillation and brewing of alcoholic drinks.
- Cigars and cigarettes of tobacco and manufactured tobacco substitutes.
- Electronic aerospace and defence equipment.
- Industrial explosives; Hazardous chemicals.



A Hyundai Motor India employee checks tyres of a car before it is shipped at the city port in Chennai.

(6) MAJOR FINANCIAL SECTOR REFORMS



Bollywood actress and Member of Parliament Hema Malini performs 'Laxmi Puja' at the Bombay Stock Exchange during the Diwali festival

- Setting up of the Competition Commission; Amendments to Companies Act, Fiscal Responsibilities, and Securitisation Act for creditors' security.
- Board for Industrial & Financial Reconstruction to be repealed. Computerisation of Customs interface.
- Stable tax regime. Only 3 rates of indirect tax. Trade facilitation measures introduced.
- Foreign Exchange Management Act, 1999 provides a liberal regime; forex procedures eased.
- Stocks can be sold on the without prior approval.
- Profits, dividends and capital investment can be repatriated.
- Royalties can be paid by wholly owned arms to parent companies.

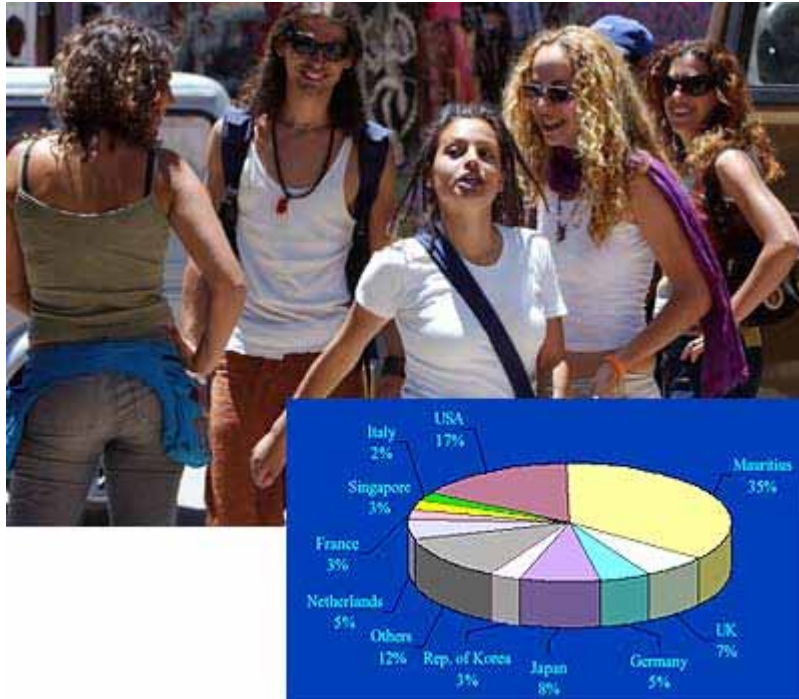
(7) TRADE POLICY RATIONALISATION

- Trade policy liberalised. Most items on Open General License.
- Policies fully compatible with WTO.
- Functioning of the Director General Foreign Trade (DGFT) computerized:
 - All 33 locations are Web-enabled.
 - 70% of the total transactions of exporters/importers are Web-enabled.
 - Transaction time has reduced to just 6 hours.
 - On-line banking fully integrated.



Intel President Paul Otellini says India can emerge as the leader in global IT economy.

(8) A PROACTIVE FDI POLICY



- FDI under 'Automatic Route,' except in areas:
- Attracting compulsory licensing; or for acquisition of shares in an existing company.
- Sectors not open to FDI. (Gambling, lottery, et cetera.)
- Investor can bring automatic route cases for Foreign Investment Promotion Board approval.
- Foreign technology collaborations freely allowed under automatic and government approval routes.
- **India FDI Outlook**
- India rated best destination for outsourcing and 6th most attractive destination for FDI, according to AT Kearney.
- Global competitive report ranks India at first place in terms of prevalence of foreign technology licensing.
- Among top 10 tourist destinations. Major destination for foreign venture capital funds.
Pie chart, shows country-wise FDI inflows.

(9) GREAT INFRASTRUCTURE, AND A HELPING HAND

- \$12 billion Highways Development Programme. Over 13,000 Kms of Highways being developed.
- The Electricity Act, 2003 in place to facilitate reforms in power sector. Permits trading in electricity, captive generation freed from prior approval.
- Upgradation of airports at New Delhi and Mumbai.
- 'Sagar Mala,' a major programme aimed at developing ports and shipping sector at an estimated investment of \$22 billion.
- Major advances in telecommunications sector. Bandwidths of terabit available. Sharp decline in telecommunications costs.
- Foreign Investment Implementation Authority helps solve foreign investors' problems. It meets periodically with investors to sort out operational difficulties and facilitates implementation.
- An Empowered Sub-Committee of the National Development Council set up on creating an investor friendly climate and removing regulatory barriers to investments.
- Modernisation of legislations on intellectual property. All IPR Laws are TRIPS compliant. Intellectual Property Appellate Tribunal functional.
- Simplification and re-engineering of work procedures.



The Mumbai skyline sparkles during Diwali, the festival of lights.

(10) BOOMING SECTORS & OPPORTUNITIES GALORE



An Air-India jet carrying Indian Prime Minister Atal Vajpayee lands in Beijing on June 22, 2003.

- **Roads:** Capacity enhancement of highways. 7000 kms of National Highways being offered during the current year. Many more opportunities in the States. Opportunities for equipment manufacturers. technical support.
- **Urban Infrastructure:** Development of townships for the rapidly growing, increasingly affluent urban middle class. City level infrastructure. roads, bridges, IT Parks, sanitation and water supply, etc. Consultancy in urban planning.
- **Ports:** Government of India's initiative of developing ports – 'Sagar Mala' with an investment of \$22 billion. Development of Ports. Shipping. Upgradation and operation of cruise terminal. Operation of Dry Port at Mumbai.
- **Power:** Addition of 100,000 MW required over the next 10 years. Installed capacity 106,000 MW. Hydro-electric initiative to develop 50,000 MW. Detailed project reports to be prepared to facilitate private investment.
- **Telecommunications:** Cellular phones increasing @ 1.5 million every month. To increase by 20 million this year. Figure to rise to 100 million in the next 3-4 years. Telephone connections to rise to 75 million by 2005 and 175 million by 2010.
- Investment Opportunities. Setting up manufacturing base. Value-added services.