

# INDIA - ECONOMY AND TRENDS

October 2011

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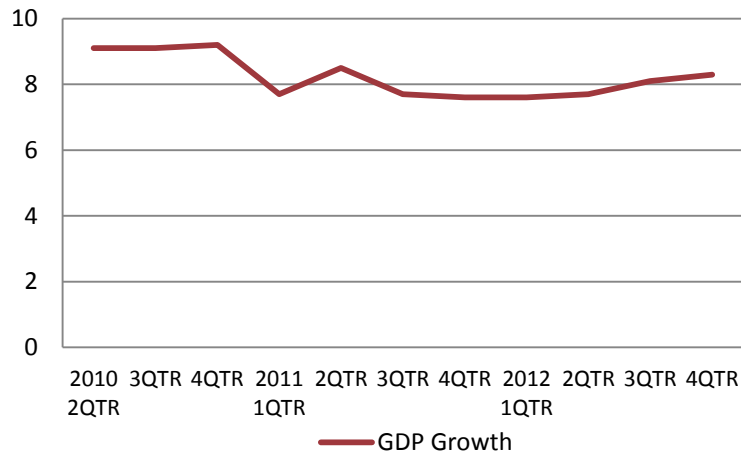
# Macroeconomic Snapshot ... (1/5)

## Gross Domestic Production

- Consistent GDP growth even in the light of impending Global economic slowdown.
- GDP to grow at 8.2 per cent in 2011-12.

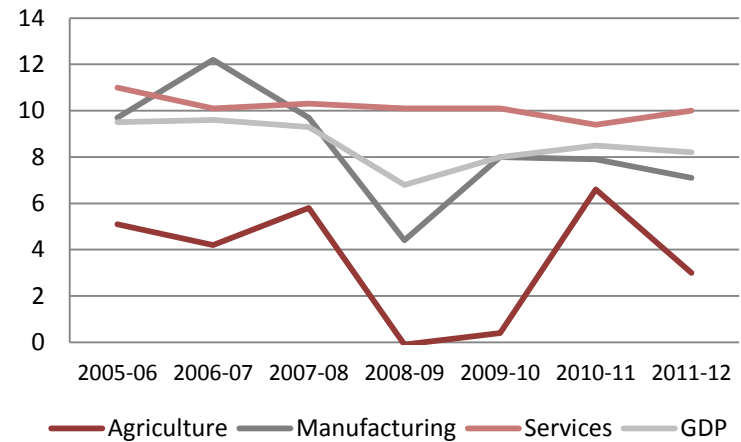
Source: Economic Advisory Council to the Prime Minister of India (PMEAC), Asian Development Bank (ADB), International Monetary Fund (IMF)

Quarterly GDP Growth Rate  
Per cent



Source: Economist Intelligence Unit

Annual Sector Growth Rate  
Per cent



Source: PMEAC

## Macroeconomic Snapshot ... (2/5)

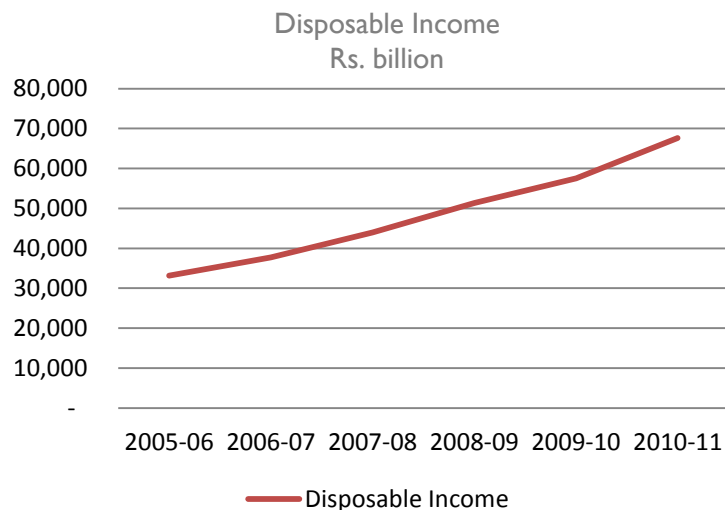
### Private Consumption

- Private consumption is expected to cross approximately US\$ 2,020 bn by 2016-17.

### Disposable Income

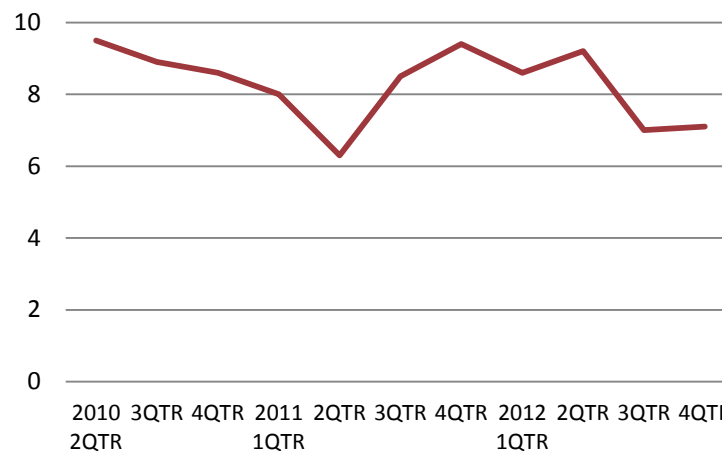
- Disposable income is showing consistent increase.

Source: CSO, Economist Intelligence Unit



Source: CSO

Private Consumption  
Per cent growth rate

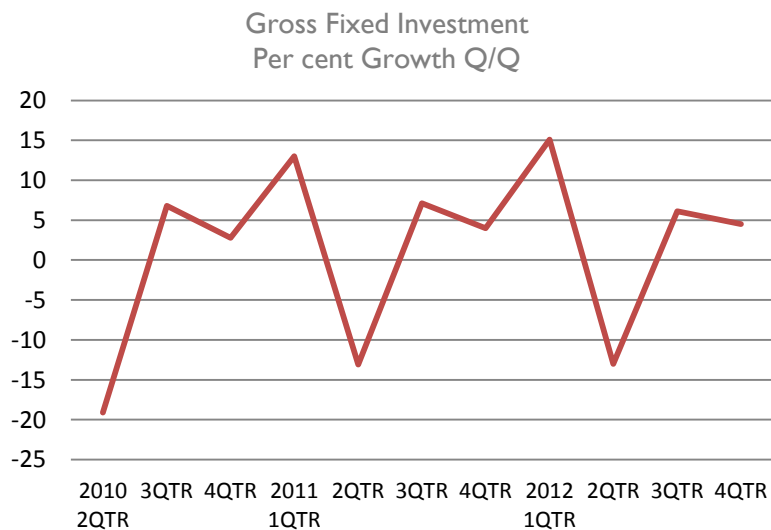


Source: Central Statistical Office (CSO), Economist Intelligence Unit

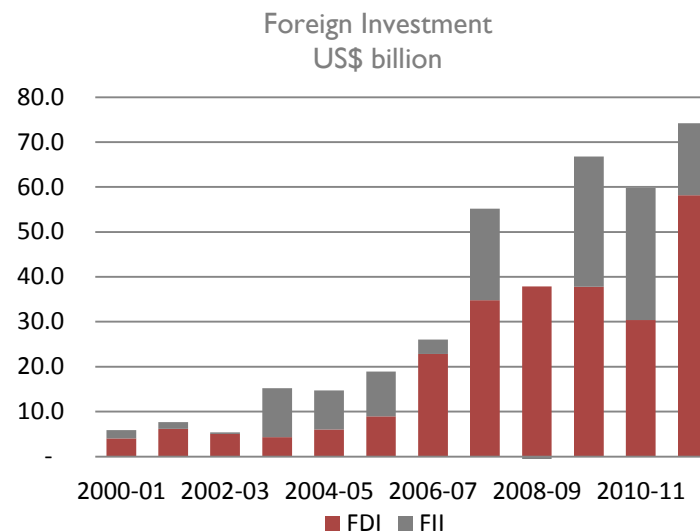
## Macroeconomic Snapshot ... (3/5)

### Investment

- Total foreign investment is expected to reach US\$ 74 bn in 2011-12.
- Gross fixed investment is expected to cross US\$ 616 bn in 2011-12.



Source: CSO, Economist Intelligence Unit

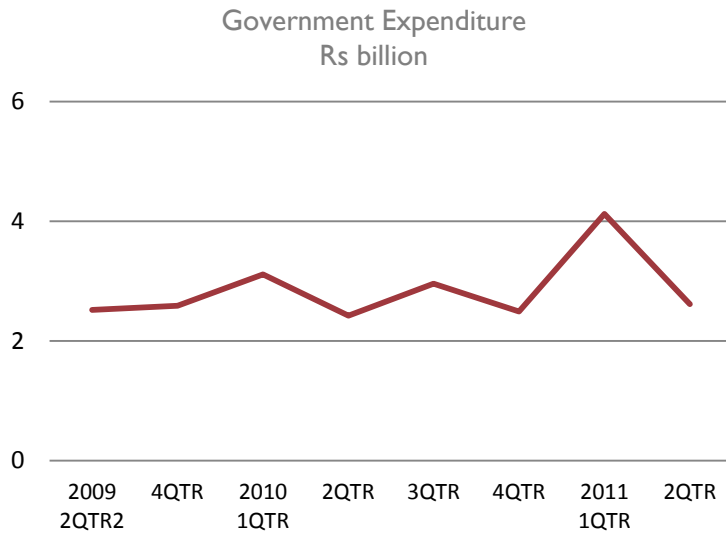


Source: DIPP. \*expected as per actual till July 2011

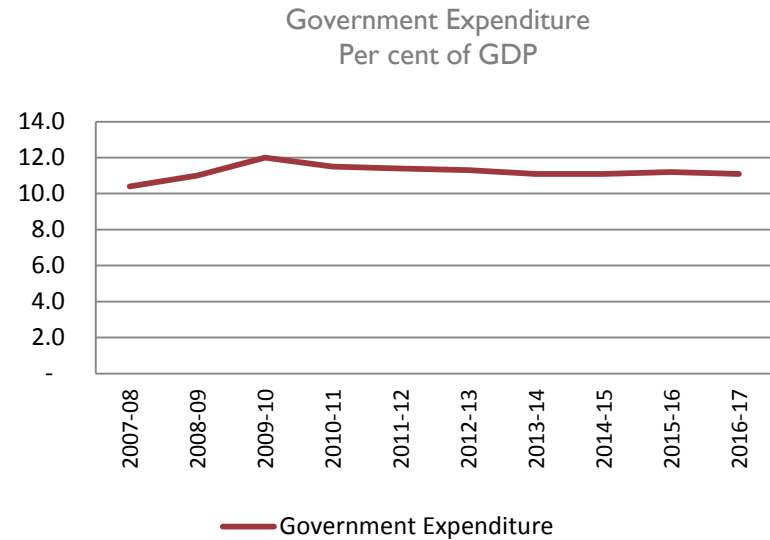
# Macroeconomic Snapshot ... (4/5)

## Government Expenditure

- While government expenditure is driving growth, it is expected to maintain its current level as a percentage of GDP.



Source: CSO

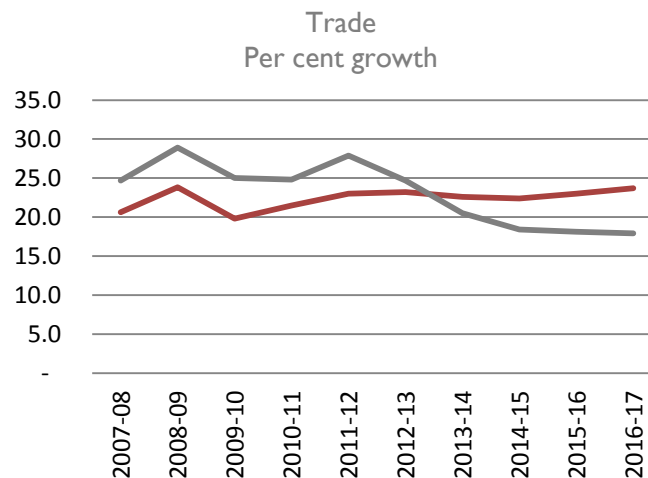


Source: CSO, Economist Intelligence Unit

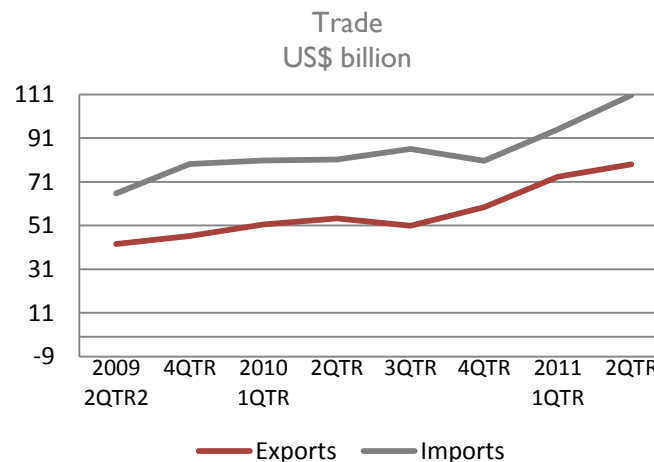
## Macroeconomic Snapshot ... (5/5)

### Trade

- Both exports and imports have been registering consistent growth.
- India's exports maintained their growth momentum in September 2011, rising by 36.3 per cent year-on-year to US\$ 24.8 billion.
- India's imports grew by 17.2 per cent year-on-year in September 2011 to US\$ 34.6 billion.
- Export of services continues to drive economic growth.



Source: CSO, Economist Intelligence Unit



Source: CSO

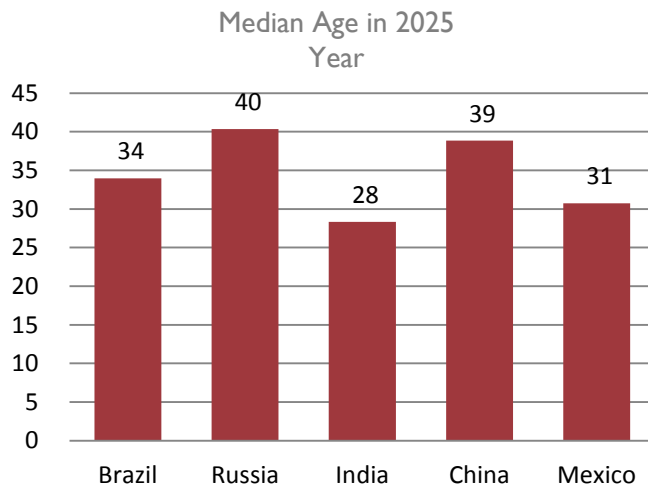
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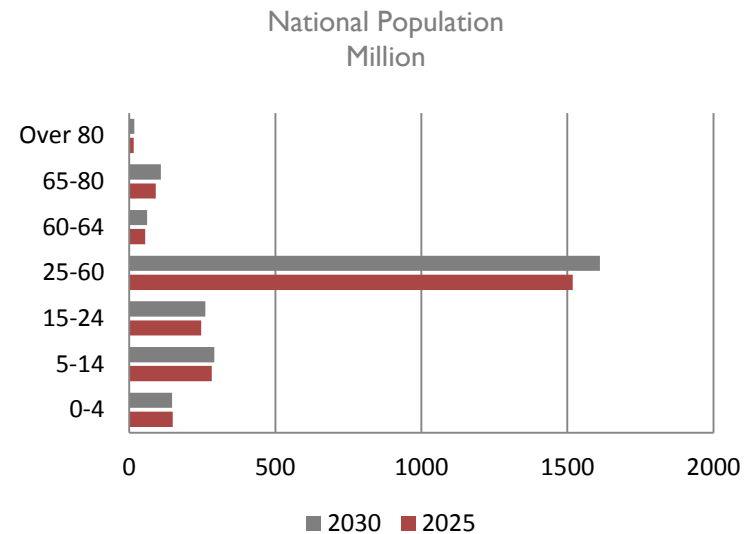
# Growth Enablers ... (1/7)

## Demographics

- India is among the world's youngest nations with a median age of 25 years as compared to 43 in Japan and 36 in the US.
- In 2025, more than 55 per cent of the population would be of working age
- With a large working population, India can continue to be competitive globally



Source: World Population Prospects, 2010, UN



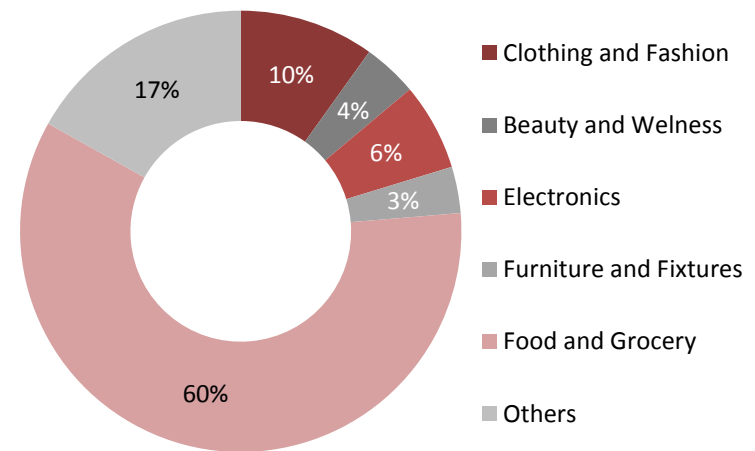
Source: World Population Prospects, 2010, UN

## Growth Enablers ... (2/7)

### Consumer Spending

- India has approximately 222 million households, with more than 30 per cent of the population living in 5,000 cities and towns.
- 13 million people enter India's urban work force each year.
- India's population grew at 1.5 per cent during 2005-10. It is estimated that by about 2025 India will have 25 per cent of the world's total workforce.

India Spends on

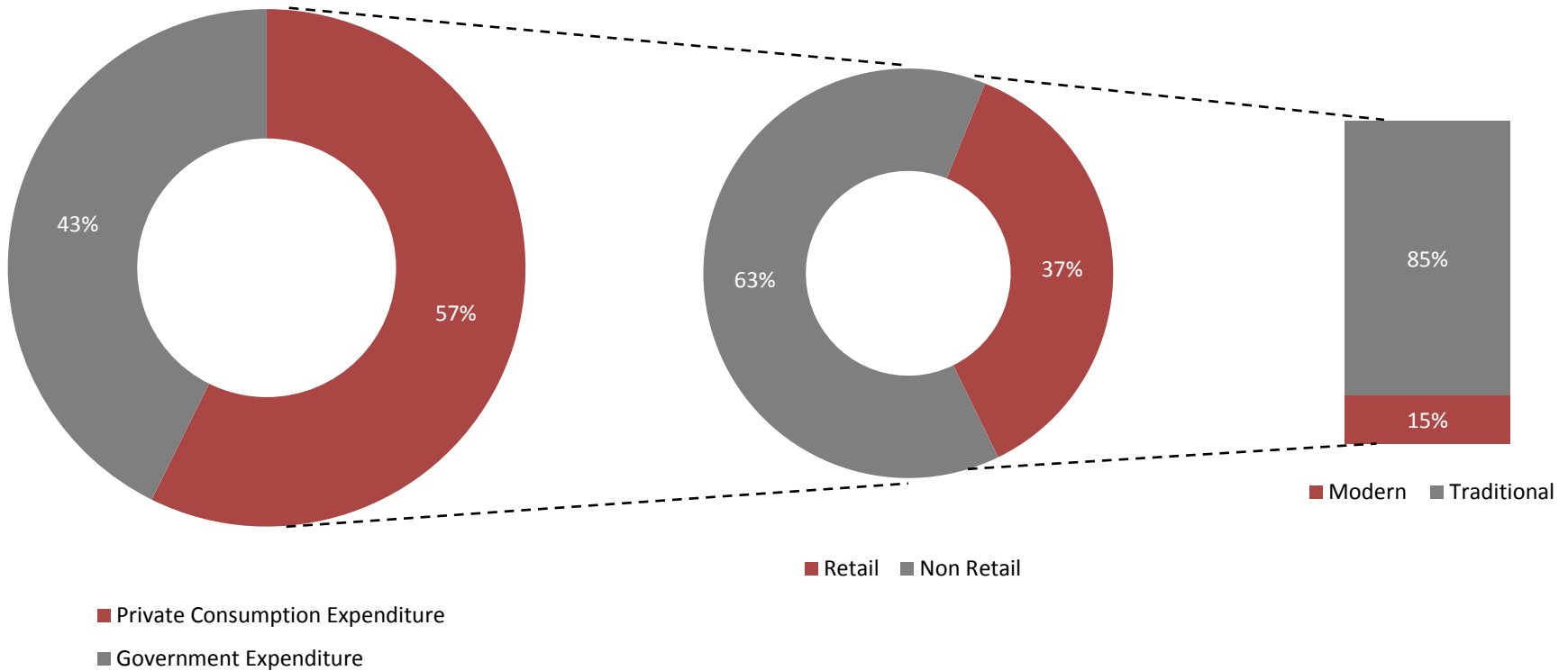


Source: India Retail market, August 2010, Deloitte

# Growth Enablers ... (3/7)

## Consumer Spending

Expenditure, 2009-10



Source: India Retail market, August 2010, Deloitte

## Growth Enablers ... (4/7)

### Inclusive growth and large rural market

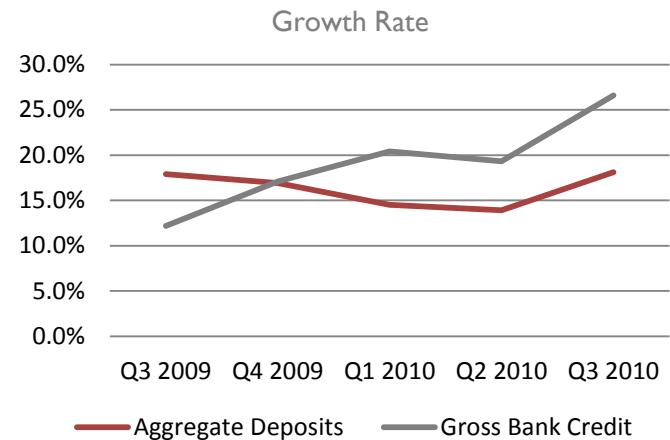
- 69 per cent of the Indian population is rural. Companies are catering to rural demand - tapping the “bottom of the pyramid” - for inclusive growth.
- The rural consumer market, which grew 25 per cent in 2008, is expected to reach US\$ 425 billion in 2010-11 with 720-790 million customers. This will be double the 2004-05 market size of US\$ 220 billion.
- Rural Indian households are spending more on consumer goods like durables, beverages and services as compared to their expenses on these five years back.
- The Monthly Per Capita Expenditure (MPCE) in rural India was US\$ 20.69 in 2009-10, an increase of 64.6 per cent from 2004-05.
- Services such as healthcare, education, entertainment, banking and finance are expected to enable growth.

*Source:* India Retail market, August 2010, Deloitte, Household consumer expenditure survey for 2009-10, released by the National Sample Survey Office (NSSO), 66th round of the National Sample Survey

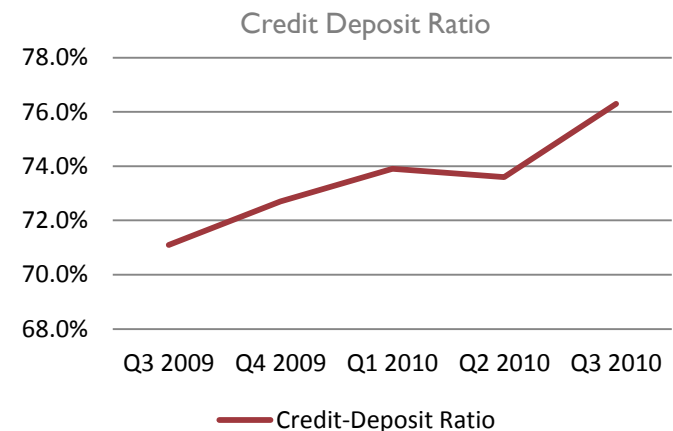
## Growth Enablers ... (5/7)

### Robust financial institutions

- India's financial markets are robust and backed by strong fundamentals.
- The Securities Exchange Board of India (SEBI), the strong and independent capital markets regulator is committed to develop and regulate markets in a systematic way.
- The Bombay Stock Exchange (BSE) is the world's largest stock exchange in terms of number of listed companies and the National Stock Exchange (NSE) is the world's third-largest stock exchange in terms of number of transactions.
- The Multi-Commodity Exchange of India (MCX) is among the top three 'bullion' exchanges and top four 'energy' exchanges of the world.
- National Securities Depository Ltd (NSDL), the first and largest depository for equity market in India manages more than 10 million demat accounts.



Source: RBI

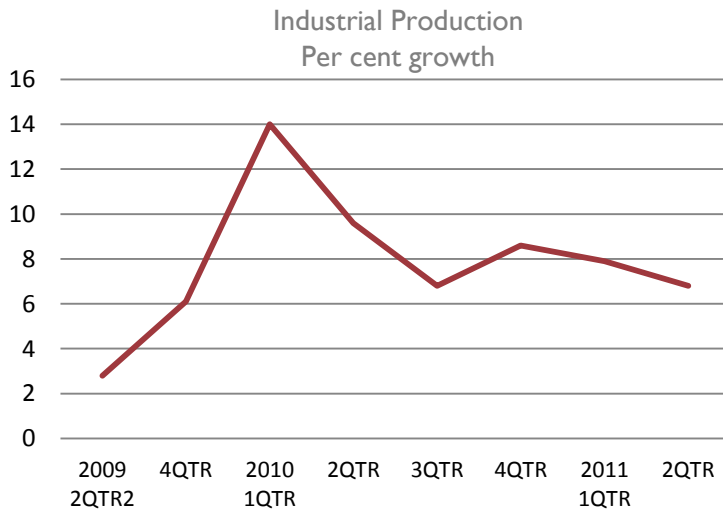


Source: RBI

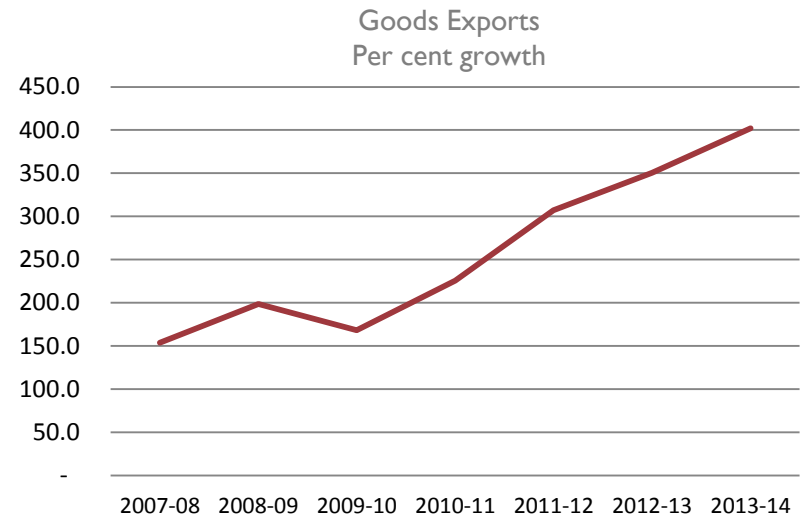
# Growth Enablers ... (6/7)

## Booming Manufacturing Sector

- Strong manufacturing sector with consistent growth
- Adding impetus to the economy along with the services sector
- Increasing share of Indian goods in the global market



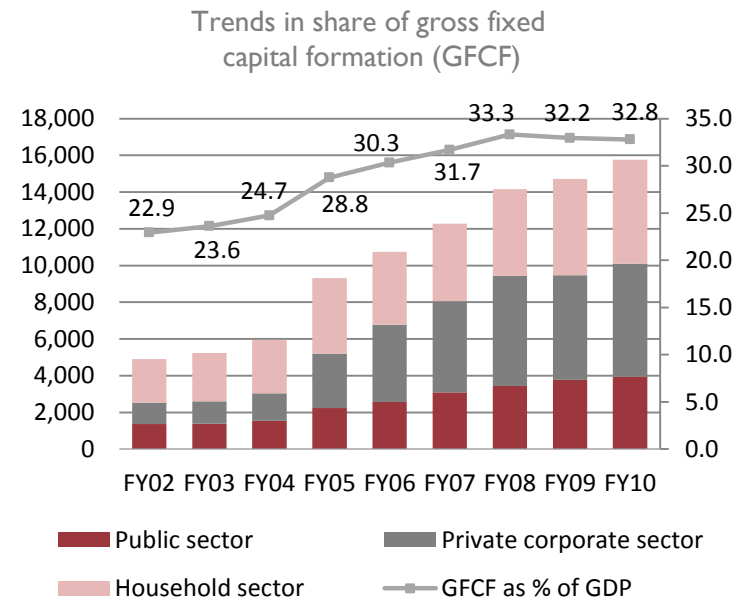
Source: CSO, Economist Intelligence Unit



## Growth Enablers ... (7/7)

### Investment Climate

- Presence of large sector backward integration and competitors presents ideal scenario for businesses to grow with a large target market.
- India's industrial sector is expected to witness capital expenditure worth INR 22 trillion (US\$ 483.5 billion) during 2010–13.
- Electricity sector is expected to witness the highest capacity addition worth INR 4.4 trillion (US\$ 96.6 billion) during 2010–13.
- Other sectors that are expected to witness significant investments during 2010–13 include:
  - Steel (INR 2,370 billion/US\$ 52.1 billion).
  - Roadways (INR 1,606 billion/US\$ 35.3 billion).
  - Telecommunications (INR 1,546 billion/US\$ 34 billion).
  - Petroleum products (INR 1,411 billion/US\$ 31 billion).



Source: CMIE, Economic Survey 2010-11

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## Automotive ... (1/2)



Ford broke ground for a new manufacturing facility in Gujarat entailing investment of approximately US\$ 1 bn.



Toyota's Indian subsidiary plans to invest US\$ 60.6 mn to increase annual production capacity in the first half of 2012.



Force Motors plans to invest US\$ 222.72 mn over the next two years.



Maruti Suzuki expects India's annual vehicle sales to double by 2015-16.



Ashok Leyland is considering investment of US\$ 485 mn over the next three years.



Nissan eyes three-fold growth in 2011 sales.

Source: Deloitte Research, information as available during last 3 months

## Automotive ... (2/2)

The Government will set up a National Automotive Board as a nodal agency for policy and certification related issues of the industry.

New passenger-car sales are forecast to expand at an average rate of 12.6 per cent a year between 2011-12 and 2015-16.

**Key Initiatives  
and  
The Road Ahead**

Size of the domestic passenger vehicles market is likely to touch 5.6 mn units by 2017, up from sales of 2.2 mn units per annum at present.

The Government plans to set up two automotive manufacturing hubs of 10,000 acres each in central and eastern India.

Source: Society of Indian Automobile Manufacturers, Economic Intelligence Unit, Deloitte Research

## Healthcare and Pharmaceuticals ... (1/2)

Fortis Healthcare	Spero Hospitals Group	Cipla
<p>Plans to invest US\$ 1 bn in the next three years for expansion - to set up 25 low-cost hospitals in India.</p> 	<p>Plans to set up 50 hospitals over a period of 10 years at an estimated investment of US\$ 306 mn in Tier-2 and 3 cities.</p> 	<p>Expects revenues to grow over six times to US\$ 4.33 bn by 2020.</p> 
Bausch & Lomb	Sanofi Aventis Group	Aurobindo Pharma
<p>Entered into a deal with Micro Labs for contract manufacturing of medicines to treat eye diseases</p> 	<p>Setting up its largest vaccine making facility in Hyderabad.</p> 	<p>Announced the establishment of a joint venture (JV) with OJSC DIOD in Russia</p> 

Source: Deloitte Research, information as available during last 3 months

## Healthcare and Pharmaceuticals ... (2/2)

9.8 per cent YoY revenue growth expected in 2QFY12, led by 10.8 per cent growth in domestic branded formulations and rising exports.







The pharmaceutical exports are poised to grow at 30-35 per cent next year, twice the present rate of close to 17 per cent.

Pharmaceuticals  
Exports - The Road  
Ahead

The Commerce Ministry is planning to launch an aggressive programme to highlight the Brand India image in respect of pharmaceutical industry abroad.

Source: Indian Drug Manufacturers' Association, Deloitte Research

## Oil and Gas ... (1/2)

Reliance Industries	Oil India	Bharat Petroleum
<p>The government and Reliance Industries are formulating a strategy to ramp up output from the KG-D6 block by 30-35 mmscmd.</p> 	<p>Oil India plans to spend up to US\$ 800 mn in buying oil and gas assets abroad.</p> 	<p>Bharat Petroleum Corporation (BPCL) is raising US\$ 400 mn to fund this fiscal's capital expenditure.</p> 
British Petroleum	ONGC	GAIL
<p>Oil major BP is bullish on India and will set up its gas marketing JV with Reliance Industries and build an LNG terminal.</p> 	<p>ONGC has started pumping oil from a deep-sea field in KG Basin, marking its entry in the promising high-tech area.</p> 	<p>Gail India has acquired 20 per cent stake in Houston-based Carrizo's Eagle Ford shale acreage for US\$ 95 mn.</p> 

Source: Deloitte Research, information as available during last 3 months  
 mmscmd: million metric standard cubic metres a day

## Oil and Gas ... (2/2)

### Production

- The oil and gas production is expected to be about 9.8 mn tonnes of oil equivalent by year 2014-15.

### Consumption

- The oil consumption in India is projected to enhance by 4-5 per cent per annum to 2015, indicating a demand of 4.01 mn b/d by 2015.
- The gas consumption is expected to increase from an estimated 55 bn cubic metres (BCM) in 2010 to 76 BCM in 2015.

Source: Ministry of Petroleum and Natural Gas, Government of India, BMI Research

## Retail and Consumer Goods ... (1/2)


**LAWSON**

Convenience store chain operator Lawson Inc. is set to become the first major Japanese retailer to foray into India through a proposed JV with top Indian retailer Future Group.


**Pantaloon**  
 Retail (India) Limited  
 a future group venture

Pantaloon Retail India Ltd has earmarked US\$195.59 mn expenditure over the next three years for expansion.


**HAVELLS**

Havells India has announced its entry into the domestic appliances market with an aim to garner sales of US\$ 112 mn in the next four years.

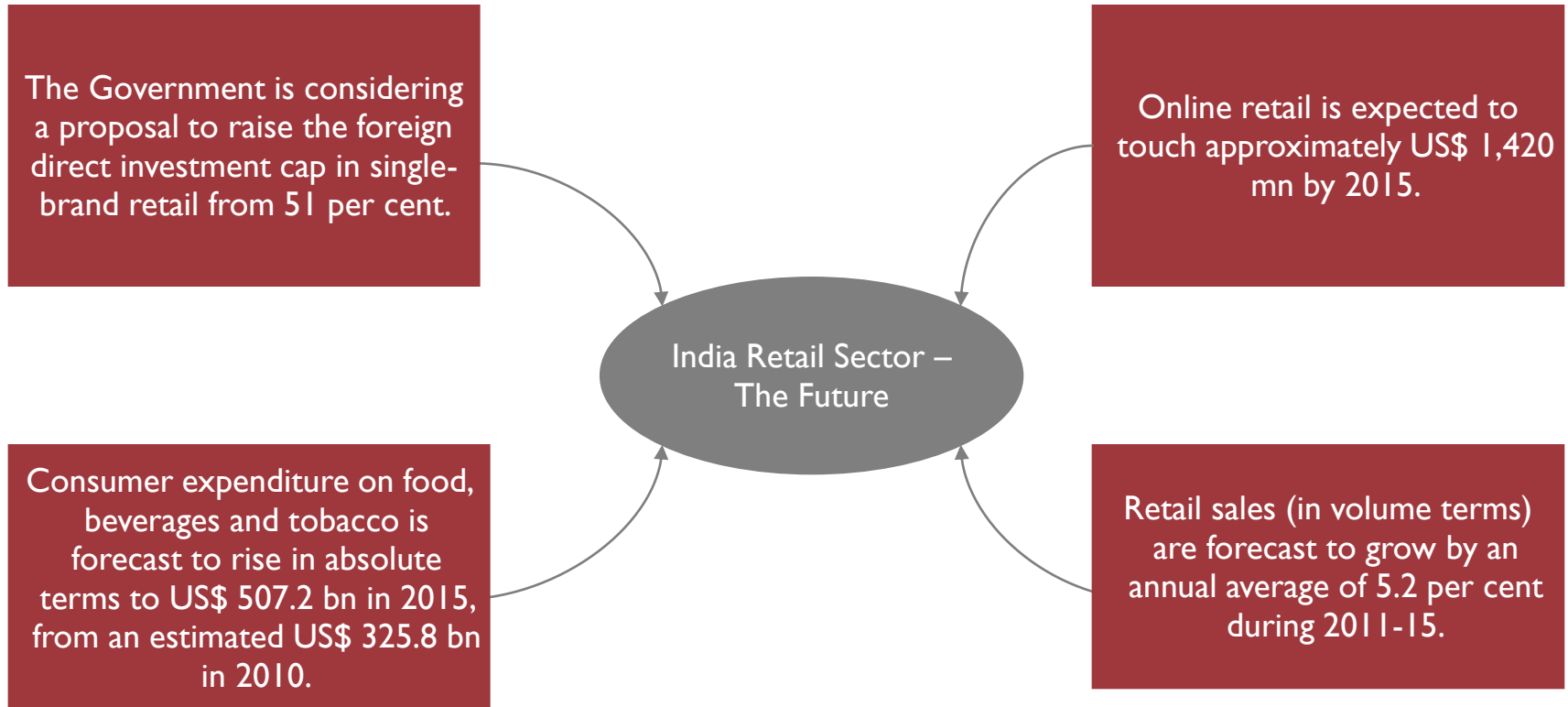

**SAHARA**  
 INDIA PARIWAR

Sahara India has announced an expansion plan to launch a range of food and non-food items at over 10,000 retail outlets across 285 cities.


**Yum!**

Yum! Brands Inc, the US owner of the KFC and Pizza Hut restaurants, expects its Indian operations to be around US\$ 1 bn by 2015.

## Retail and Consumer Goods ... (2/2)



Source: Deloitte Research, Economic Intelligence Unit

## Infrastructure ... (1/2)

### Roads and Highways

Approximately US\$ 10,000 private investment envisaged this fiscal year.  
Contracts for building 7,300 km of roads planned.

### Ports

Envisaged investment of more than approximately US\$ 4,400 for setting up nine new major ports over the next five years.

### Airports

Plan to complete modernisation of Chennai and Kolkata airports by the end of the fiscal year.

Source: Deloitte Research

## Infrastructure ... (2/2)

### Railways

Draft legislation being finalised for a project that envisages high-speed trains on selected routes across the country.

### Tourism

Destination-oriented tourism parks being planned across the country to be developed on PPP basis.

Tourism Ministry seeking about US\$ 4,500 allocation for developing 50 tourist destinations.

### Industrial Zones

Government likely to come out with a National Manufacturing Policy soon, aims to create mega industrial zones across the country.

Source: Deloitte Research

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- ❖ **Road ahead**

## The Road Ahead ... (1/4)

### Future Outlook

- India's strong growth fundamentals, investment rates, rapid growth in working population and a rapidly expanding middle class are expected to ensure a steady economic performance.
- The economic growth is expected to be led by private investment and private consumption in the coming years.
- The concept of inclusive growth remains central to India's development policy, as does the stabilisation of the public finances.
- Dominant themes of the government's spending plan include: support for the farm sector, increased funding for infrastructure, increased focus on manufacturing sector and measures intended to damp down inflationary pressures.
- Inflationary pressures are expected to ease towards the later part of 2011-12. Stabilisation of energy prices and moderating domestic demand are expected to facilitate this process.

Source: RBI, CMIE, Economic Intelligence Unit

## The Road Ahead ... (2/4)

### Competition and Foreign Investment Policy

- The government is expected to maintain its focus on stimulus measures. Disinvesting stakes (up to a maximum of 49 per cent) in state-owned firms and moving forward with modest reforms in order to increase competition is likely to be continued.
- The government is expected to encourage private and foreign participation in areas such as education, healthcare and infrastructure to further its aim of inclusive economic growth.
- Further reforms are expected to open up previously closed sectors and raising limits on foreign ownership in others.
- Rapid real GDP growth, overall liberalisation of the economy and a growing need for investment—particularly in infrastructure and industry- are expected to lead to a more investor-friendly climate.
- Foreign investment is expected to be encouraged in the infrastructure sector and in underserved but high-potential areas, such as healthcare.

Source: RBI, CMIE, Economic Intelligence Unit

## The Road Ahead ... (3/4)

### Trade and Exchange Controls

- The free-trade agreement (FTA) with the Association of South-East Asian Nations (ASEAN) that came into effect in January 2010 is expected to lead to the start of a significant reduction in tariffs. India is expected to push for more bilateral FTAs.
- Restrictions on outward direct and portfolio investment by companies and individuals, and on foreign borrowing, are expected to be relaxed further.

### Finance and Taxes

- The government plans to introduce a Goods and Services Tax in 2012. It plans to implement a new Direct Tax Code at the same time, which would reduce exemptions and also reform corporate tax and income tax laws and rates.
- Significant government control is expected to persist in the banking sector.
- Competition from private-sector banks is expected to increase. New rules are expected to make banking mergers and acquisitions easier and allow greater foreign investment in private domestic banks.

Source: RBI, CMIE, Economic Intelligence Unit

## The Road Ahead ... (4/4)

### Infrastructure

- Infrastructure is expected to improve most rapidly in sectors such as roads, telecom and ports.
- Government is expected to push development in core areas including water, sanitation and urban infrastructure.
- The level of investment in infrastructure is expected to rise and new models of Public-Private Partnership may evolve.

*Source:* RBI, CMIE, Economic Intelligence Unit

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