

# INDIA - THE GROWTH STORY

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# Structure of this talk

- I. India's place in the world
- II. Current state of the economy
- III. The future

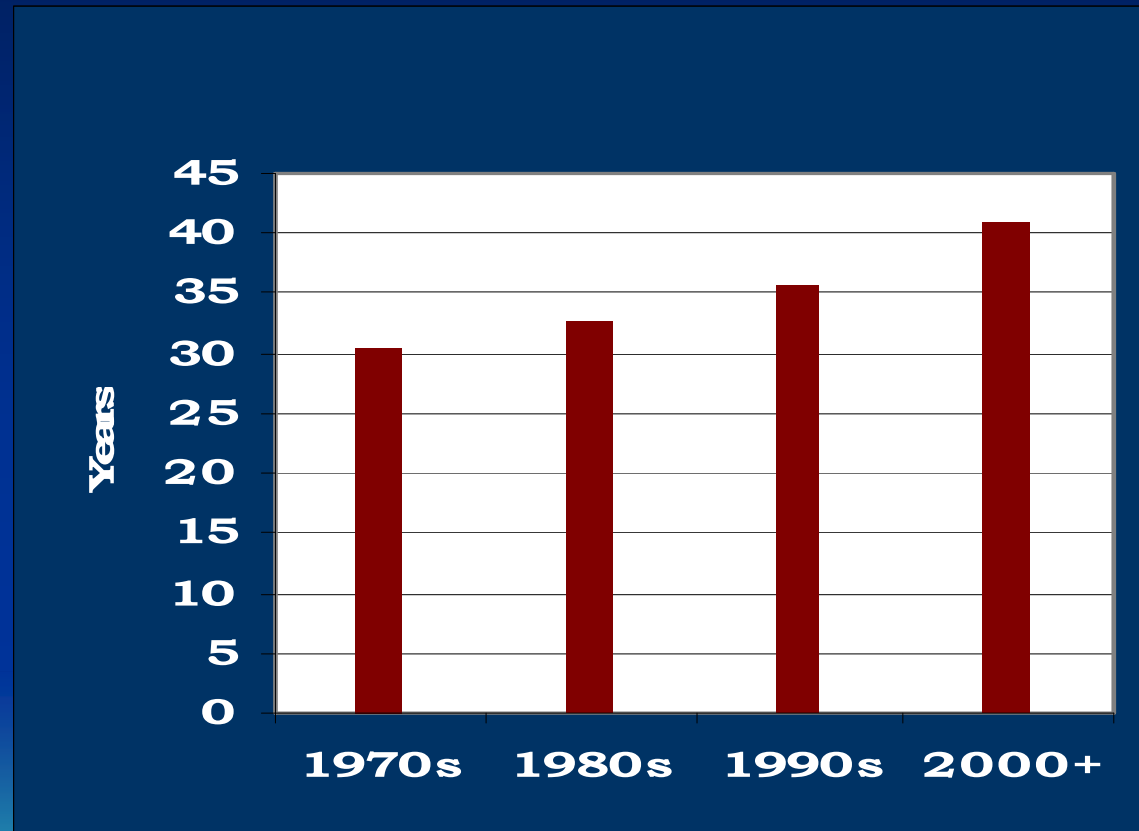


# I INDIA'S PLACE IN THE WORLD

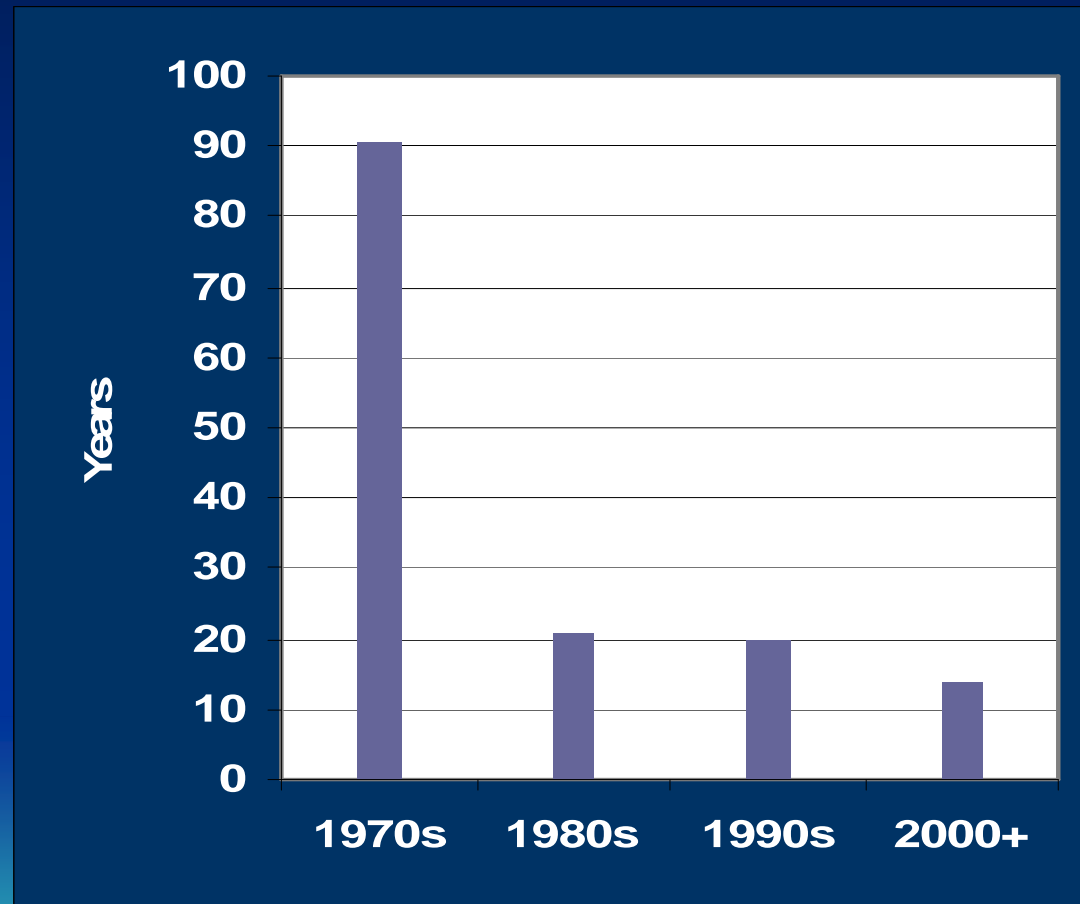
Low, but going up



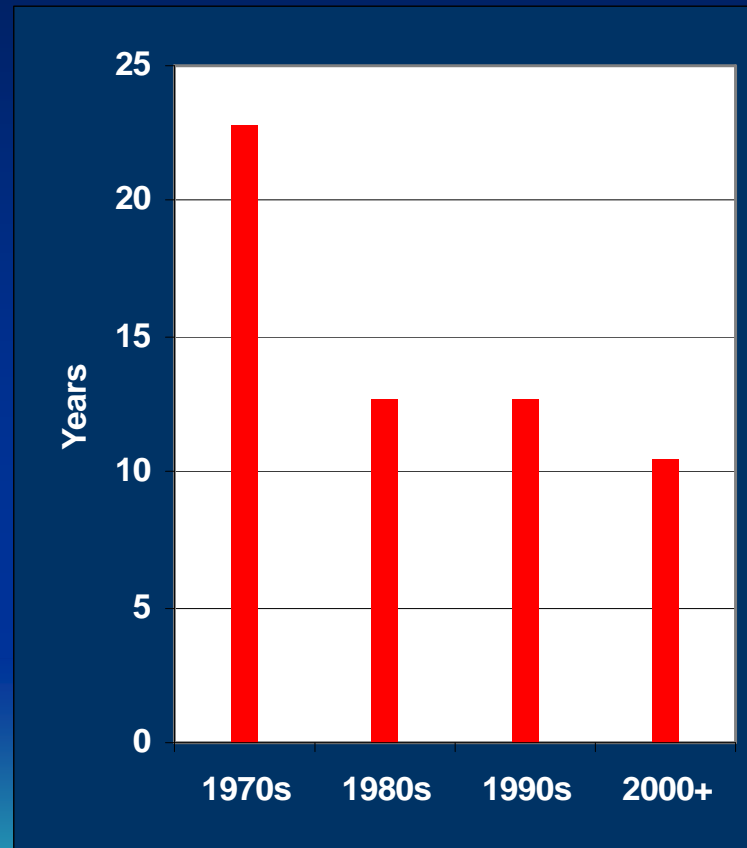
# Doubling time of population has gone up to 41 years



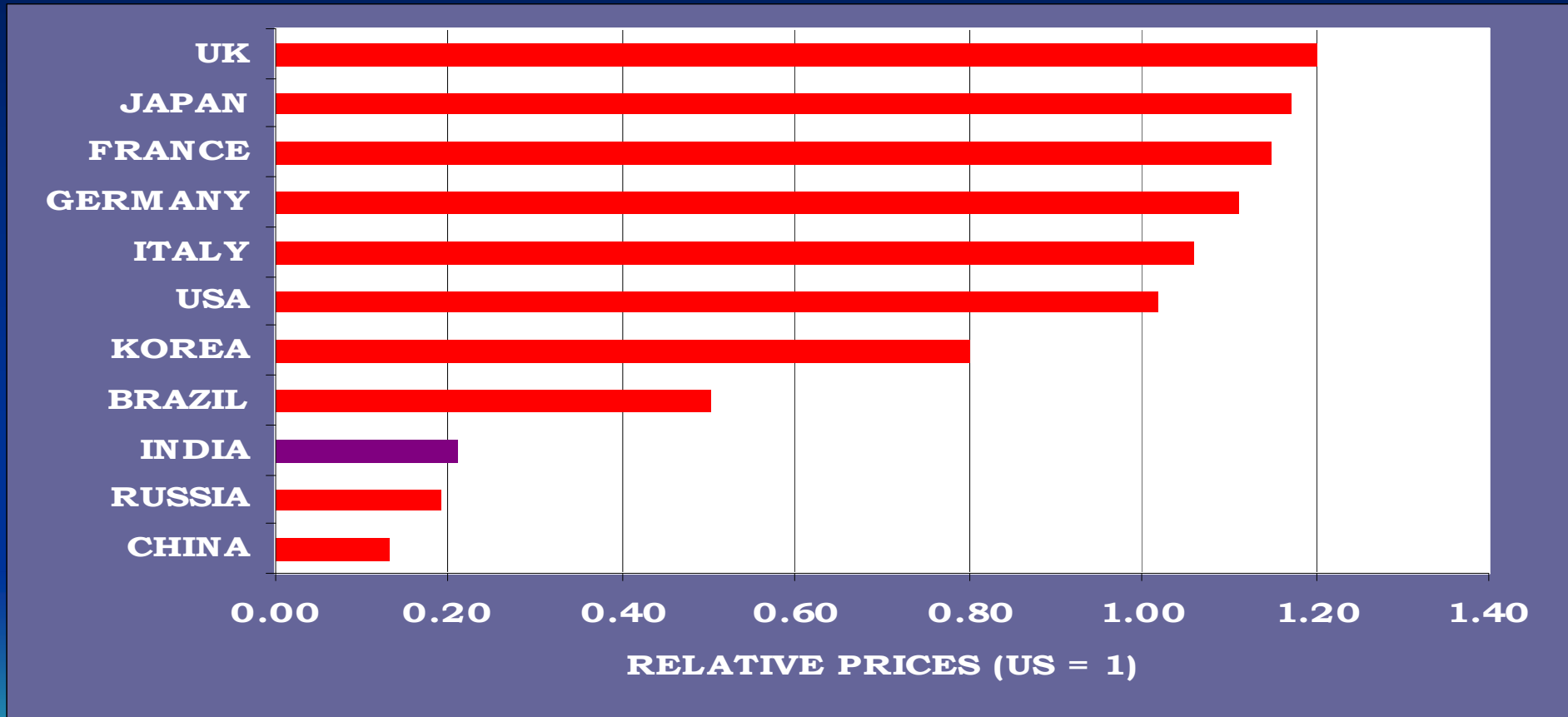
# Doubling time of GDP per head has gone down to 14 years



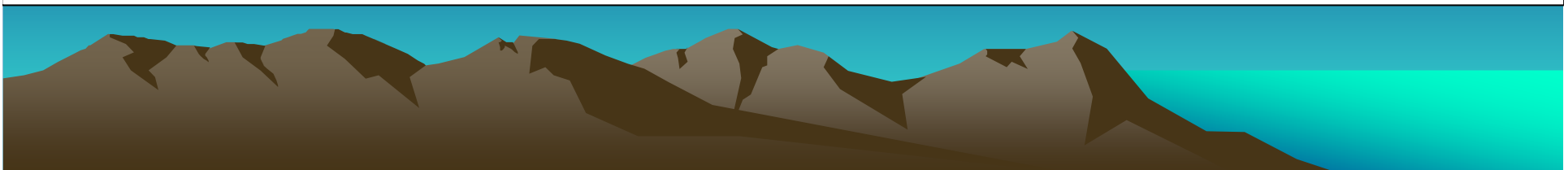
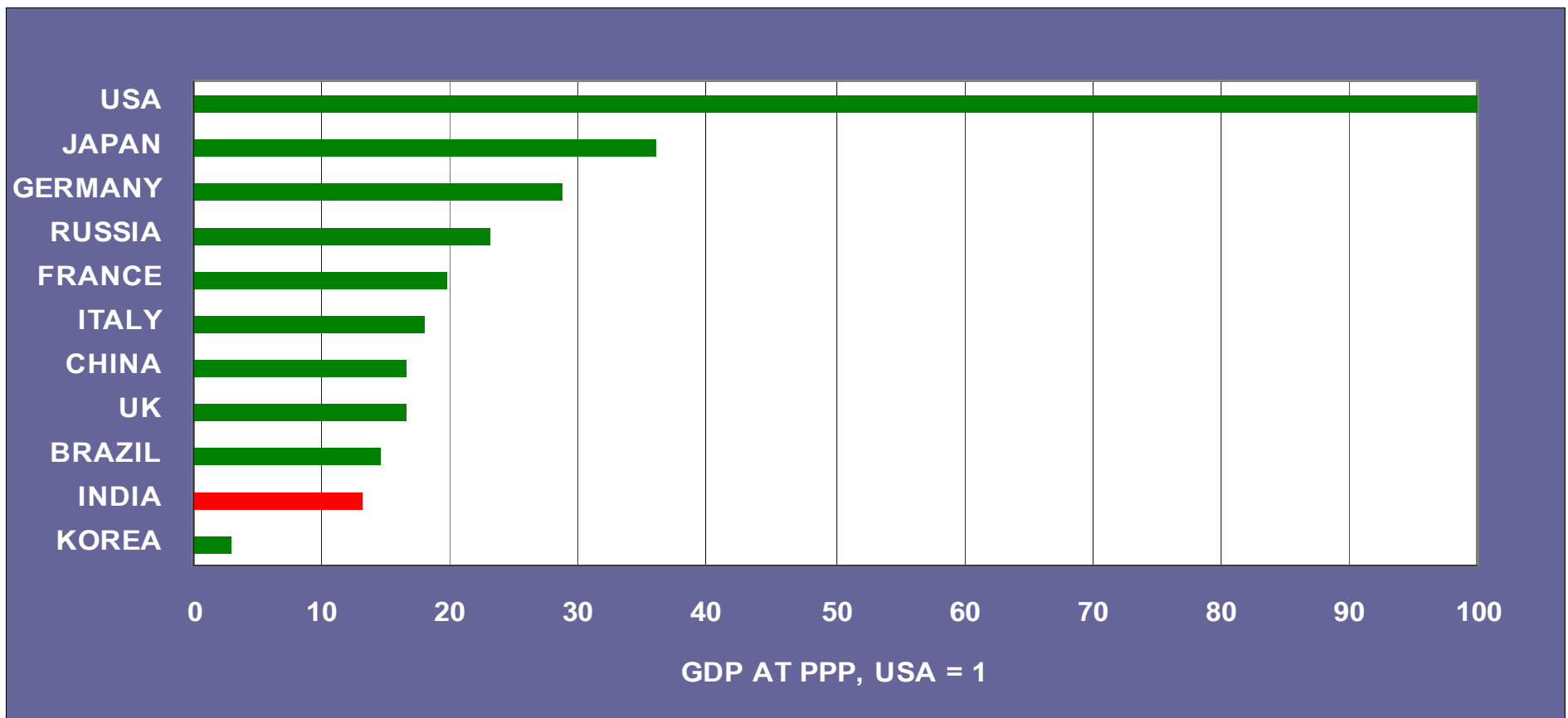
Doubling time of GDP has gone down to 10 years



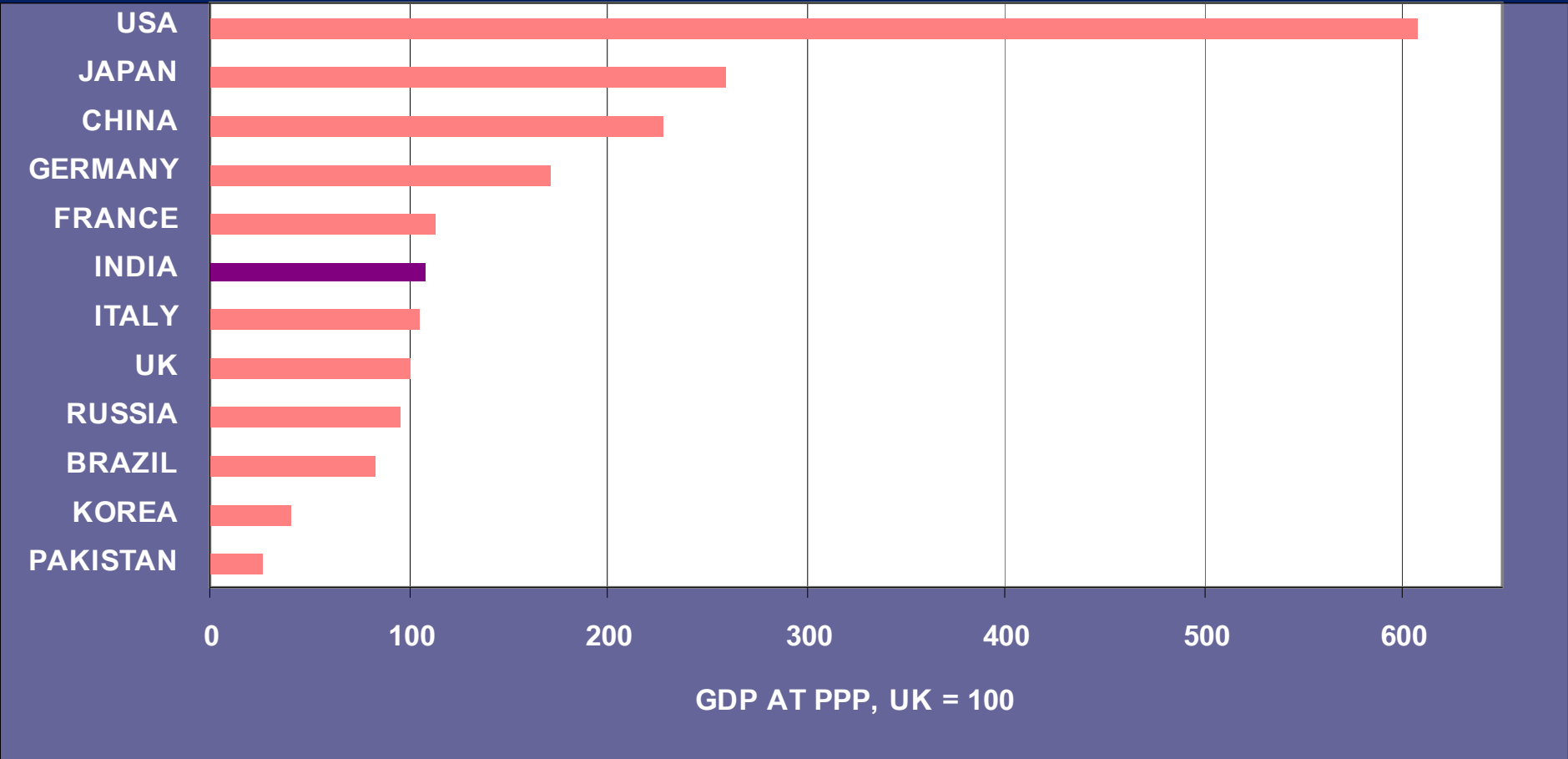
In 2005, prices in India were 1/5 of the prices in major economies



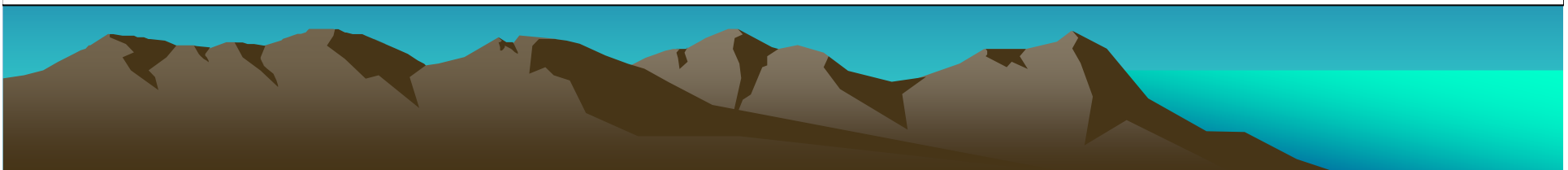
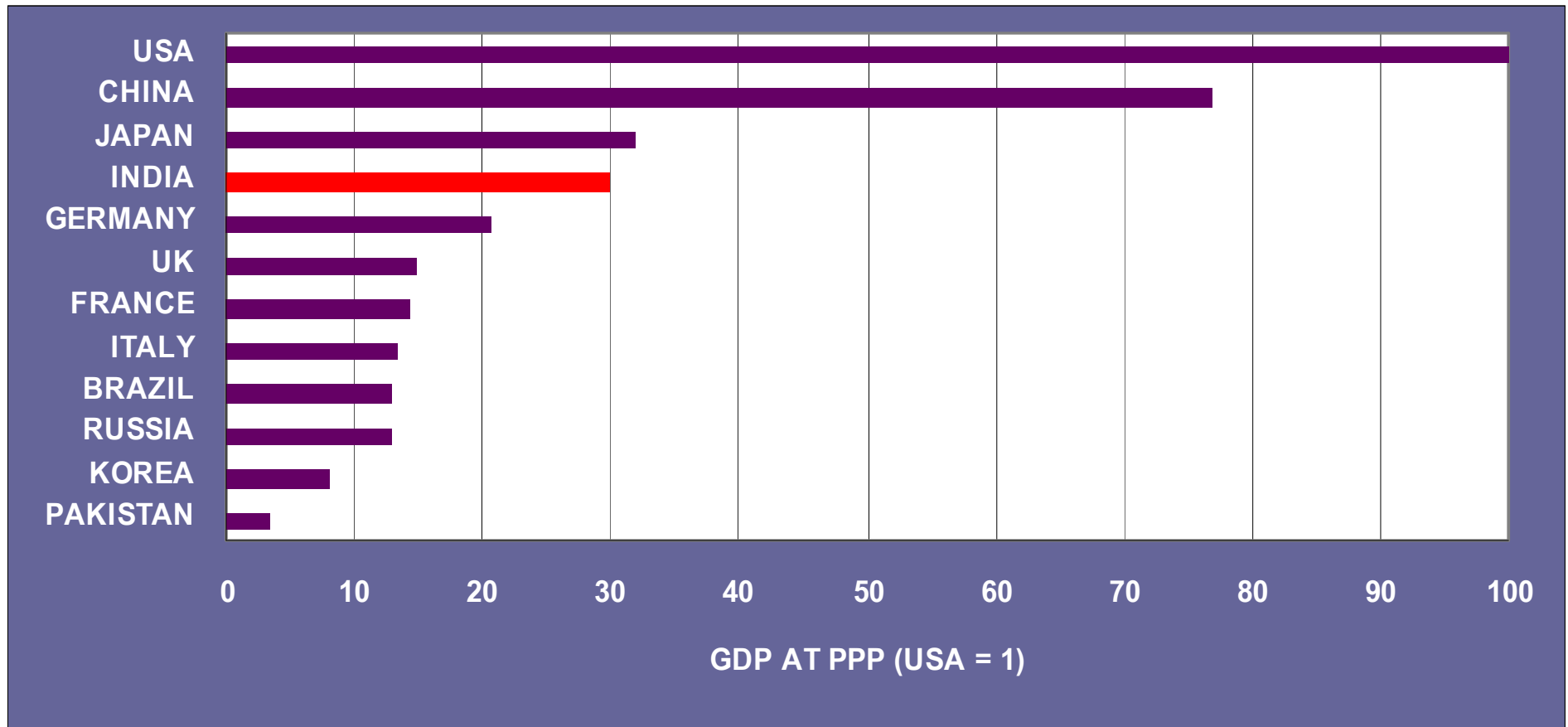
In 1980, India's GDP (at the same prices)  
was 1/7 of the US's



# By 1992, India's GDP had risen to 1/6 of the US



By 2005, India's GDP had risen to 30% of the US's

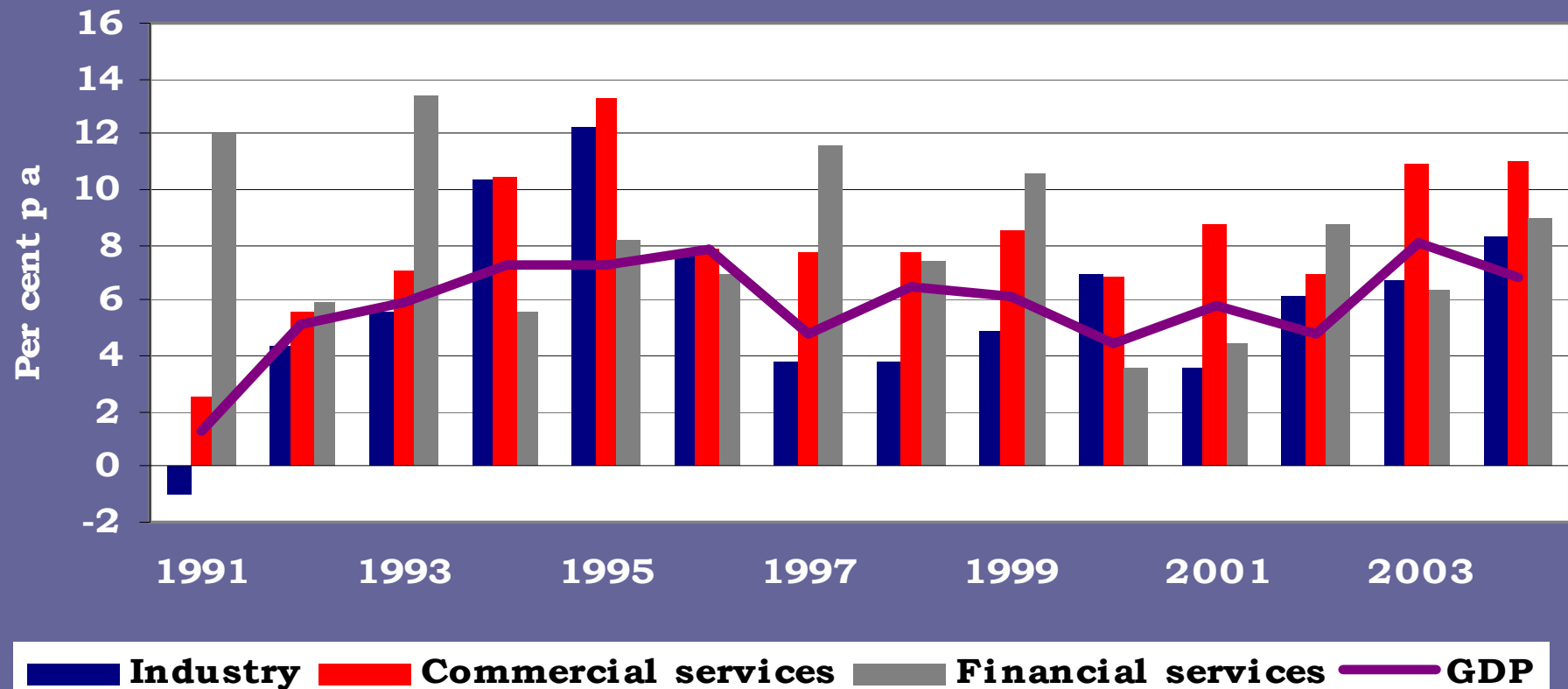


# II The current state of the economy

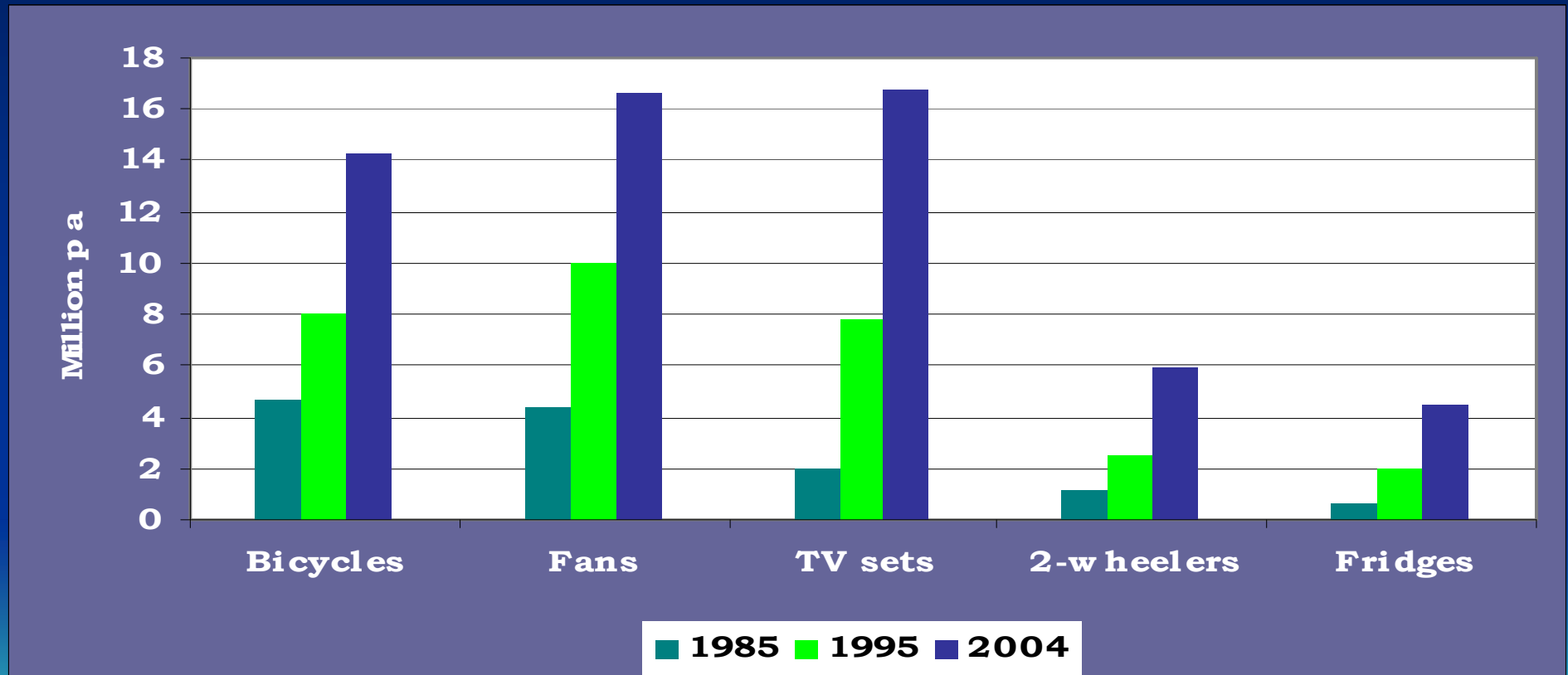
In the middle of a boom



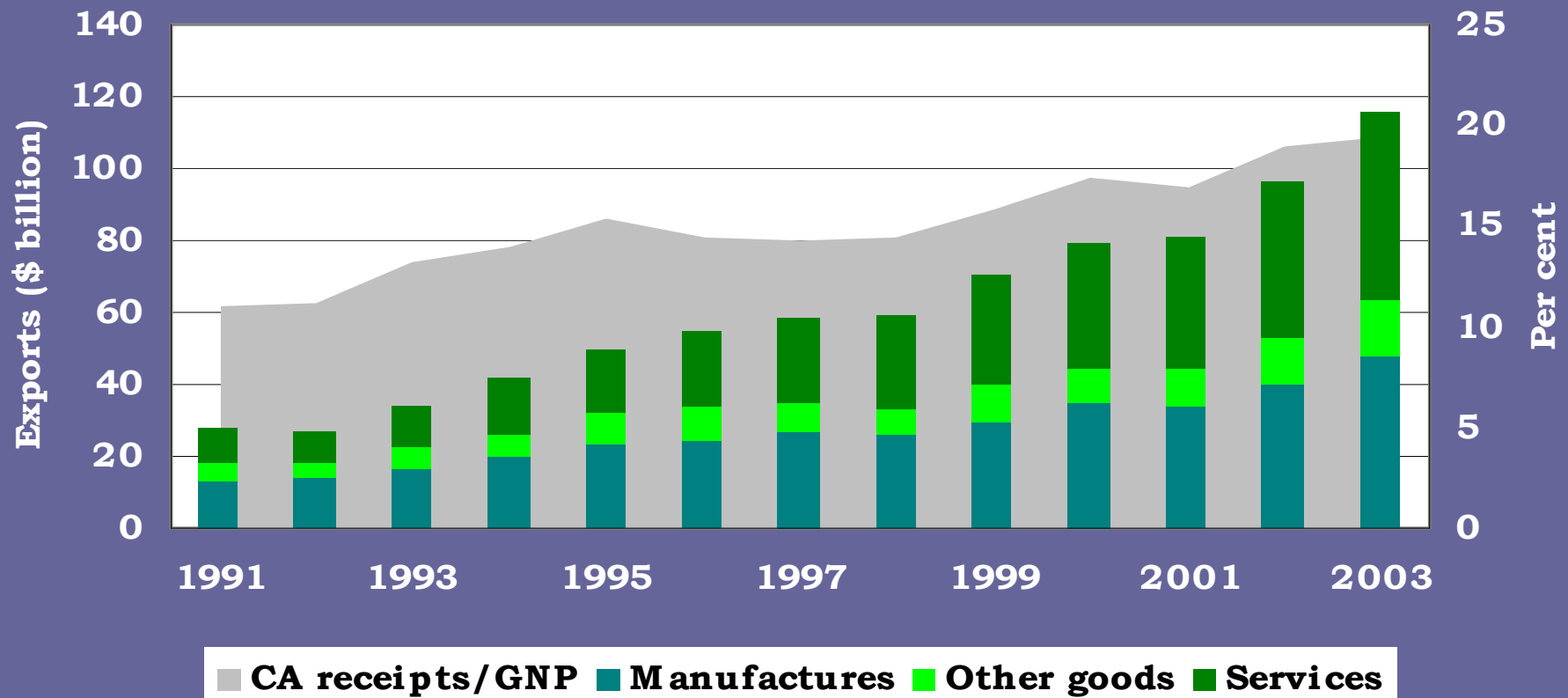
The boom of the early 1990s led to a long slowdown, which has just ended



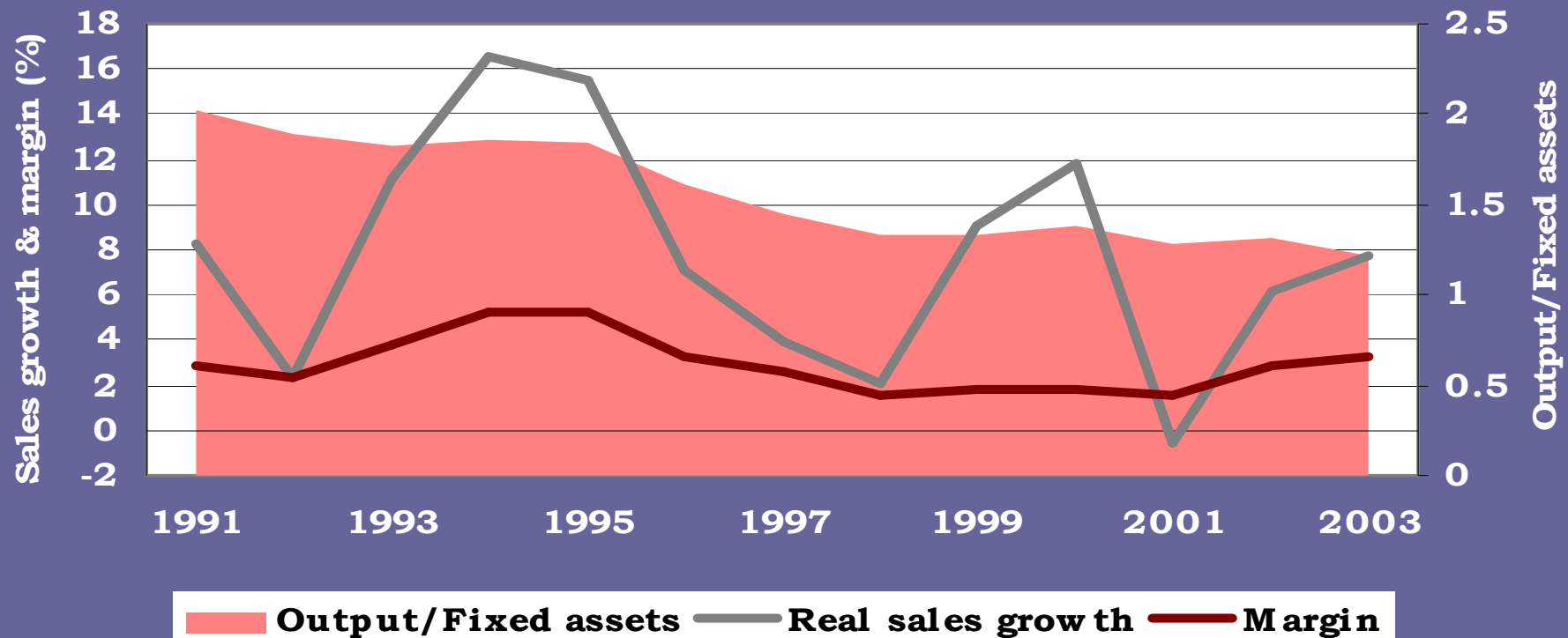
At India's low income level, demand for consumer durables can continue to grow for decades



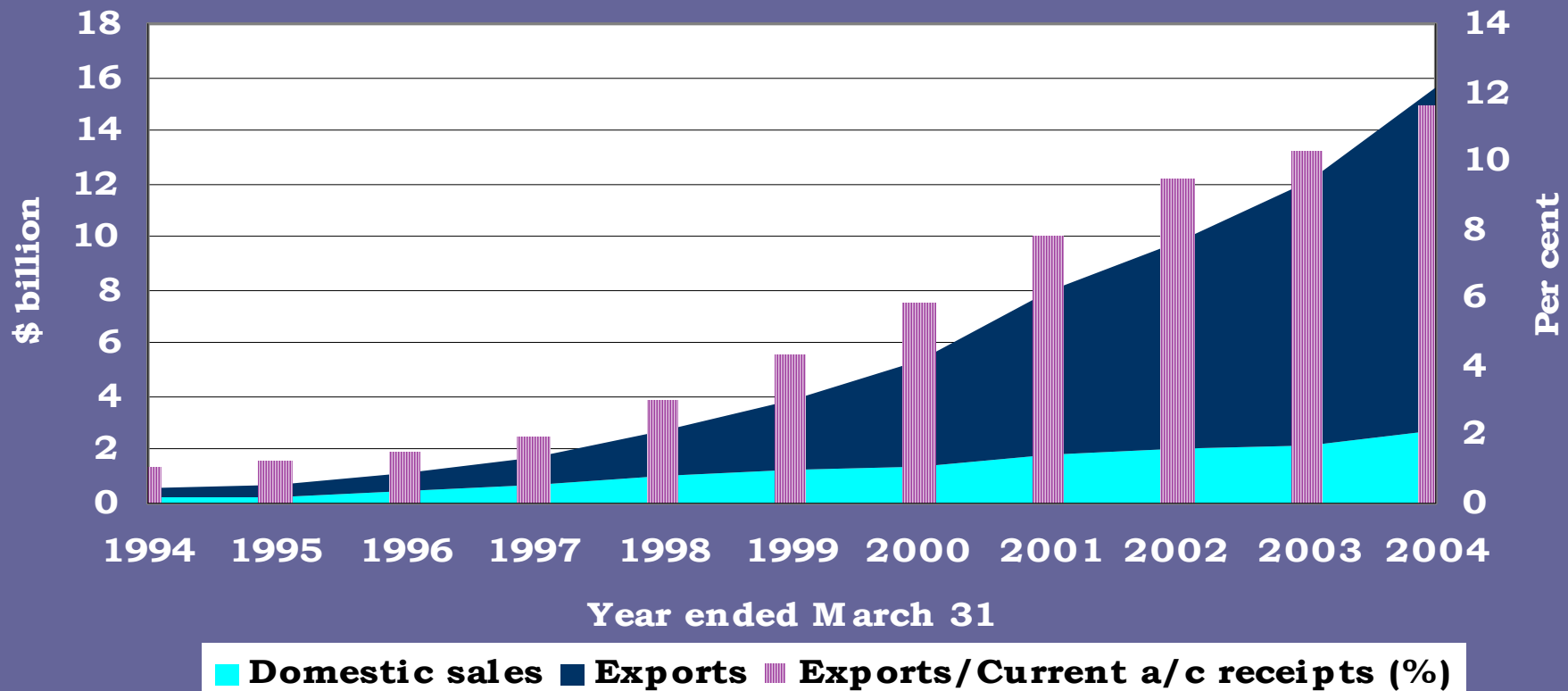
Historically very closed, the economy is opening up rapidly



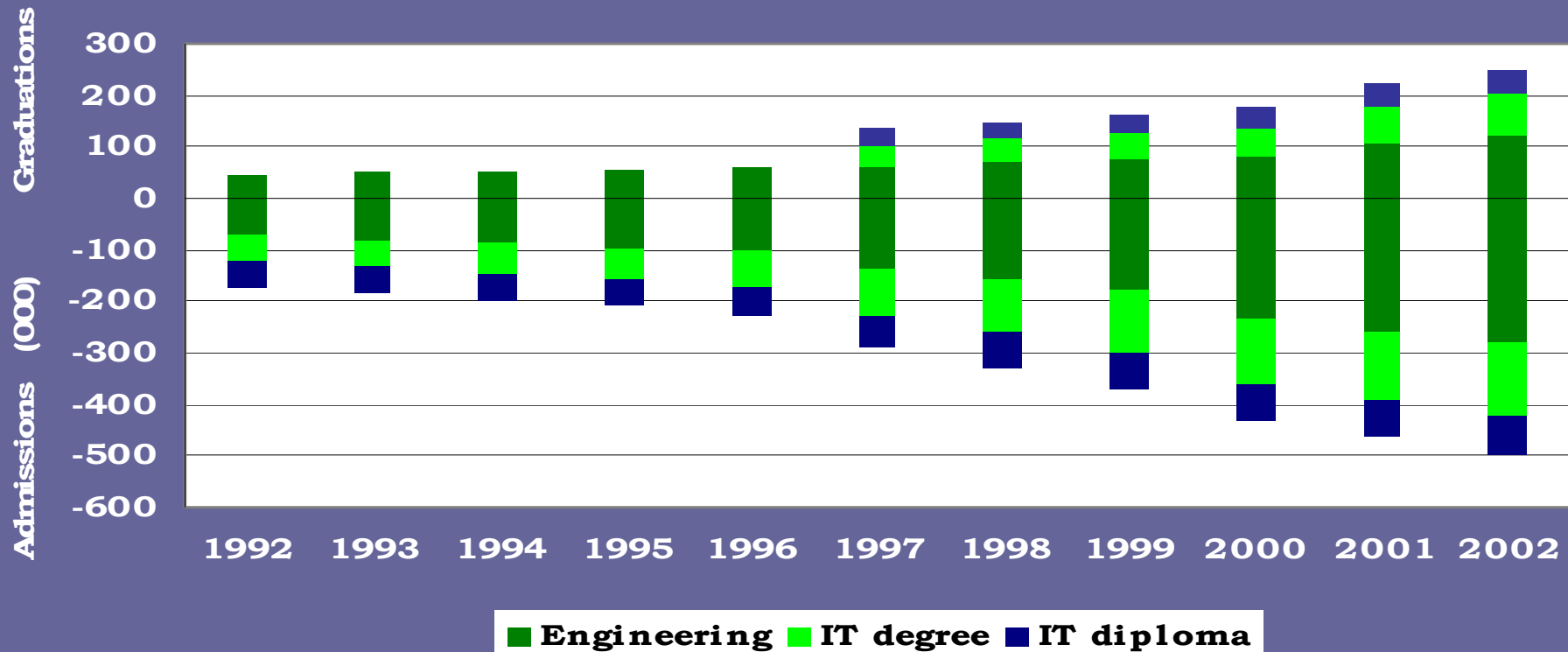
Manufacturing companies are growing,  
their margins are widening, their assets are  
being turned over faster



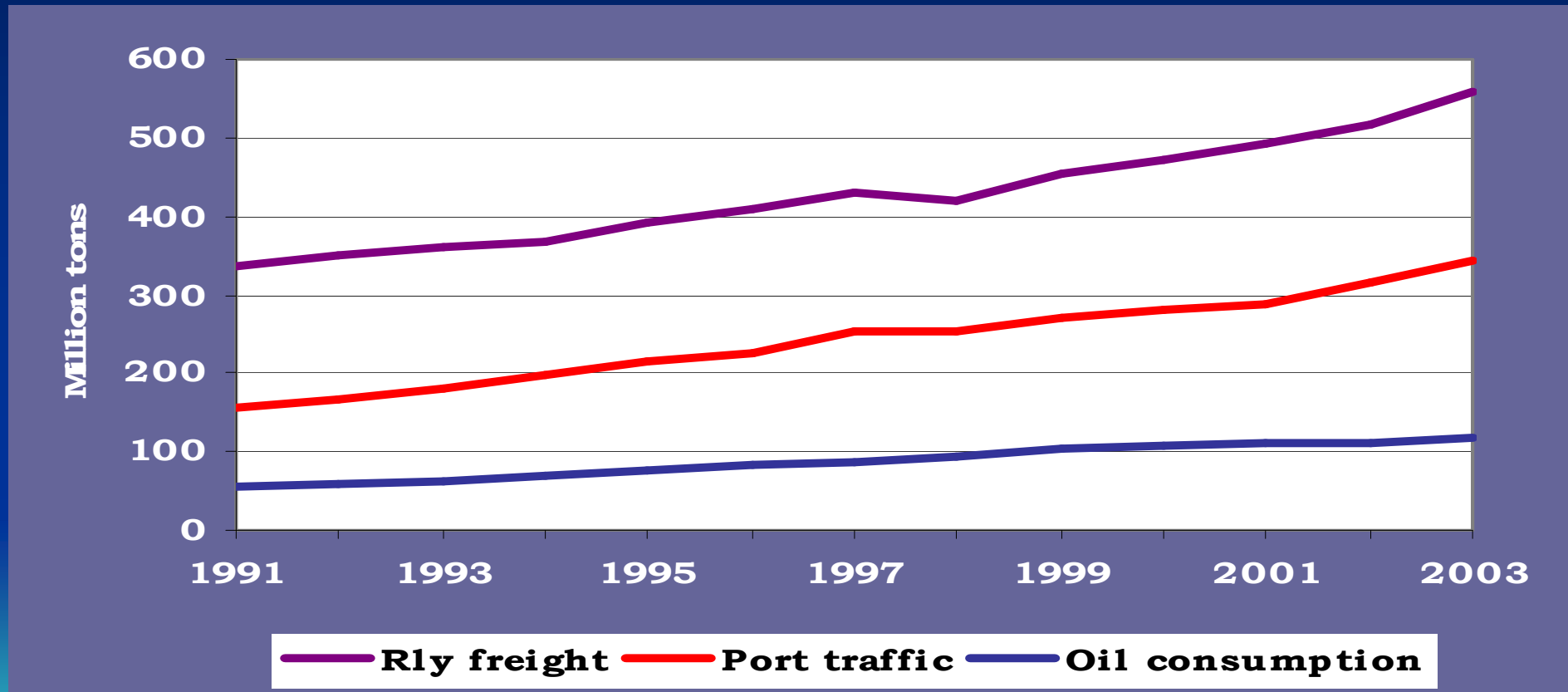
After three years of a slowdown, the software industry is again growing at 50% a year



Engineering and IT graduates exceed  $\frac{1}{4}$  million, and going towards  $\frac{1}{2}$  million a year



# Six cross-country highways are being widened, ports privatized, trains speeded up



# The leading companies have been nurtured on the domestic market

**For instance:**

**RELIANCE** (world's biggest oil refinery) has dominated textiles, then petrochemicals, now oil, and next telecommunications.

**TATA MOTORS** (world's 6<sup>th</sup> largest truck maker) has three million trucks on the roads, and has turned to cars.

**BAJAJ AUTO** (world's 3<sup>rd</sup> biggest 2-wheeler maker) has twenty million scooters and motor cycles on the road.

**GUJARAT AMBUJA** (world's lowest-cost cement maker) makes 12.5 million tons of cement, sends it around India in ships.



# But the new generation is going multinational

**ESSEL PROPACK** is world leader in laminated tubes with a 30% market share, has 17 plants in 11 countries.

**RANBAXY**, generic drug maker, has 76% of sales abroad, manufactures in 7 countries, is present in 34.

**ASIAN PAINTS** manufactures in 24 markets, is the largest in ten.

**MOSER BAER** sells CDs and drives to all major OEMs round the world.



# III The Future

Will be different



# In the next five years

The energy economy will turn to gas, produced offshore east coast as well as imported.

New plants will produce 25 million tons of steel on the east coast.

India will figure in the R&D strategies of global companies.

More services – healthcare, fashion, distance education – will be located in India.

More Indian companies will go multinational, and they will specialize more.

Companies will combine manufacturing and service.



# Some industries will do well

- **TEXTILES**, especially garments: multifibre agreement went on January 1.
- **PETROCHEMICALS**: gas will be available out of the tap all over the south.
- **PHARMACEUTICALS**: companies' R&D will take in biotech.
- **MACHINERY**: industry nearly died after liberalization, but is coming back with lower costs and better technology.
- **TOURISM**: Indians have begun to travel; hotels and amenities have begun to be upgraded.
- **IT, BPO & OUTSOURCING**: There is considerable growth left in these.



# Some caveats

- Be careful about investing in less known, small Indian companies. Indian stock market for small companies is quite illiquid. Investment in them cannot be easily recovered.
- Read Indian laws. Devise structures and solutions that avoid litigation. The Indian legal system finally delivers, but does so very slowly.



THANK YOU

Come and meet us in India

