India 2019 | 2020

Discovering Business

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UK INDIA BUSINESS COUNCIL

Department for International Trade

Allurentis is delighted to have been involved in association with the Department for International Trade on this, the second edition of India - Discovering Business, and would like to thank all sponsoring organisations for their kind contributions.

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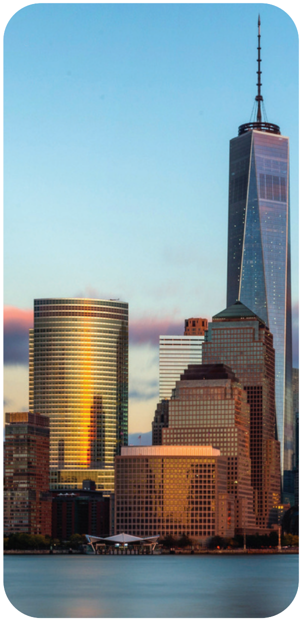
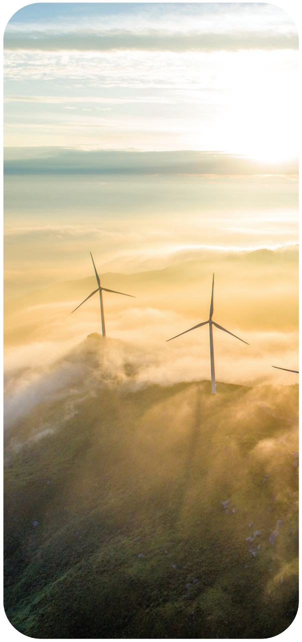




Towards a new India

India is changing fast. The world's largest democracy in 2019, staged national elections which saw a resounding win for a Government committed to reshaping the economy and enhancing the nation's place as a major presence on the world stage.

With a clear mandate from the electorate, the ruling Bharatiya Janata Party (BJP) of Prime Minister Narendra Modi, is now well positioned to continue in pushing through the sweeping programme of reforms launched during its last five year term.

In the aftermath of his party's election triumph, Modi promised the country further economic growth – GDP has climbed annually by at least 7% a year since 2014, outstripping many of its regional competitors – and to build "a strong and inclusive India."

Speaking after the introduction of the Government's 2019 budget, Modi said: "In the last five years, the country has left behind the atmosphere of depression. It has come out of that atmosphere. Today, it is filled with confidence."

Already Ministers can point to a flurry of ambitious initiatives that testify to its determination to unleash the nation's full potential and transform it into a 21st century economic powerhouse in the region.

On the list is the 2015 Smart Cities Initiative that seeks to remodel 100 cities across the country, using the latest technology to ensure that a rapidly urbanising population can live in sustainable, citizen-friendly communities.

At the same time, a far-reaching "Digital India" programme is underway, designed to allow all levels of society to share the benefits of the digital age, promising easy access to high speed broadband and IT training throughout the country.

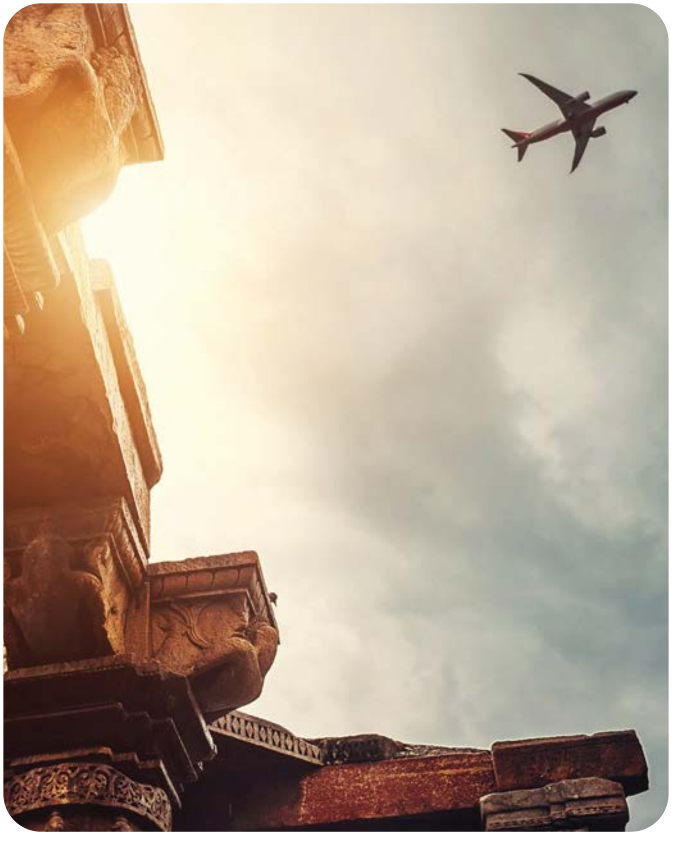
Vast new infrastructure projects across the country, including new road and rail links between Delhi and Mumbai, should clear many of the practical obstacles to doing business in India and help to transform its economic prospects.

Such schemes form part of a national vision which encompass bold plans to overhaul and update almost every sector of national life from education and finance to healthcare, sanitation and transport.

A steady rise in life expectancy – now at an average of 69 – and adult literacy, as well as a decline in infant and maternal mortality testify to long term efforts by governments of every political hue to raise living standards for all.

In particular, economic reforms which began in the 1990s, have progressively liberalised the economy, lifting millions of Indians out of poverty as the nation progressively opens up for foreign investment and builds its trade with the rest of the world. India also enjoys a strong reputation for the quality of its IT workforce and the entrepreneurial zeal of a new generation of Indian business leaders.

India today now has many of the hallmarks of a developed country. The world's sixth largest economy – it is predicted to overtake the UK by



mid-century – India is also a nuclear power with formidable armed services and its own space programme.

Crucially, a burgeoning Indian middle class with increasing disposable incomes, shares all the aspirations of wealthier consumers across the world, ensuring a healthy market for goods and services and allowing the economy to continue to grow.

India has a robust system of multi-party parliamentary democracy, underpinned by respect for the rule of law and a constitution, which has managed to hold together a hugely diverse country of 29 separate states and 22 major languages, defying the pessimism of many observers.

Yet progress with the latest reforms has often been slow and huge challenges remain with many still to feel the full benefits of economic regeneration. The gulf between rich and poor is deep, tensions exist between religious and ethnic groups, and gender inequality remains an issue.

Despite the unquestioned advances of recent decades, unemployment continues to be problematic, as the country attempts to create new jobs for a population that is estimated to rise from 1.3 billion to 1.5 billion within the next 30 years.

Nonetheless, the nation is buoyed by a spirit of optimism. A recent report by the professional services group Deloitte, found that almost 60% of young Indians are optimistic about their homeland's economic future, a far higher proportion than in many other countries.

"As against their global counterparts, Indian millennials and GenZs (the two groups aged below 36) are very optimistic about the economic and political or social outlook and are overall satisfied with their lives," the report concluded. For an aspiring nation, that must be good news.

Sir Dominic Asquith KCMG

British High Commissioner to India

Sir Dominic Asquith KCMG

I am delighted to introduce Discovering Business 2019|2020 for India, which provides UK businesses with the information needed to access this exciting and dynamic country. The UK-India partnership is vibrant, deep-rooted and diverse. From cricket and curry to the 1.5 million British citizens of Indian heritage living in the UK, the relationship is woven deeply into both of our national identities.

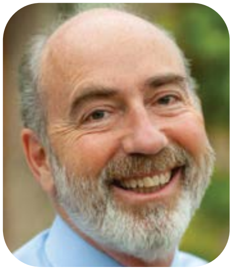
Regular Ministerial, business, academic and other delegations between our two countries demonstrate the importance which both sides attach to the relationship, to the people to people links and to our shared determination to build even stronger ties, not least through trade and investment. Indian student numbers have significantly increased over the last three years, reaching almost 22,000 in the year ending June 2019. This was a 42% increase on the previous year – and almost 100% higher than three years ago. To boost this further, the UK Government has recently announced a new two-year post-study work visa, expanding opportunities for talented international students to build successful careers in the UK.

India is home to 1.3 billion people and its economy continues to grow rapidly. Our bilateral trade and investment relationship is strong and getting stronger. The UK and India have been top five investors in each other's economies since 2010, and India invests more in the UK than the rest of the EU combined. And, despite concerns around Brexit, in the last four years the number of Indian companies investing in the UK has quadrupled. Last year alone, the number of Indian companies grew by another 50, taking the total number to 850. In addition, UK-India bilateral trade increased by 14% to £20.47 billion in the year 2018. While UK consumers are taking advantage of the quality textiles, automobile components and IT and telecommunications services in which India excels, Indian consumers expect value for money and prefer British goods and services in which UK expertise is known for. At the recent India-UK Joint Economic and Trade Committee (JETCO), India & UK Trade Ministers agreed to explore 'building blocks' that would allow for more ambitious trade arrangements in the future.

Our country remains a welcoming and popular place for Indian visitors – a record number of more than 500,000 visited last year. India's huge potential presents immense opportunities for Britain to partner, collaborate and share expertise. We here at the British High Commission and at our network of Deputy High Commissions' across India are committed to improving political, social, trade & investment ties between the two countries. We would be pleased to support you, and I invite those who haven't yet considered India to take a much closer look. I hope you will choose to be one of our future success stories.

Department for International Trade

Crispin Simon, Trade Commissioner for South Asia, DIT



Crispin Simon

The UK and India share a 'Living Bridge' of countless personal and professional ties and there are significant opportunities for investment, trade, prosperity and shared partnerships in innovation and research. As the UK leaves the EU, our relationship with South Asia becomes even more important to the UK's place in the world, and my aim is to ensure that two-way investment continues to grow and bilateral trade to India is boosted further from an already-strong base.

To achieve this, the Department for International Trade (DIT) is working in partnership with the Government of India on their Ease of Doing Business agenda; we are tackling non-tariff measures through our Joint Economic and Trade Committee (JETCO), which is chaired by our two Trade Ministers; and we have teams in multiple locations across India ready to help UK and Indian companies make the connections and build the relationships that enable our Living Bridge – of people, ideas and business deals – to flourish.

In the last two years, India has moved from 130 to 77 in the World Bank's Ease of Doing Business rankings; it is the fastest growing G20 economy; and all of the 10 cities that are forecasted to be the fastest growing to 2035 are in India. It has liberalised its Foreign Direct Investment policies to encourage international businesses to 'Make in India'. The UK and Indian Prime Ministers have agreed to strengthen collaboration to develop secure and sustainable sources of energy, which includes supporting India's priority to reduce its dependence on imports.

The UK and India have been top five investors in each other's economies since 2010, and India invests more in the UK than the rest of the EU combined. UK's exports to India grew nearly 20% to £7.96 billion in 2018. UK-India bilateral trade increased by 14% to £20.47 billion in 2018. But there is much more to be gained from greater collaboration. My DIT India team looks forward to working with you as you navigate this exciting and rapidly growing market – and I look forward to hearing the success stories of collaboration between the UK and India, as we further boost the bilateral commercial and economic partnership.

UK India Business Council

Richard Heald, OBE, CEO, UKIBC

Richard Heald, OBE

The UK remains one of India's most important economic partners. At the same time, India also remains an important contributor to the UK's economic activity. UK India Business Council's (UKIBC) experience points to this relationship continuing to grow.

India is projected to become the world's third largest economy by 2030. This provides enormous opportunity to UK business, aided by India's growing consumption, investment, and production and service markets. India has experienced recent growth in its financial sector, infrastructure, data and technology, and healthcare, among others. The UK can offer best practice and upstream capabilities in these sectors. Moreover, the UK can benefit of the learnings of those British companies working and expanding in India.

Many UK businesses of all sizes are already succeeding in India. UK ODI into India is responsible for more than 800,000 jobs in India – or 20% of all organised private sector jobs. This is a reciprocal relationship – over 800 Indian businesses are operating in the UK, employing over 100,000 people here.

The UK-India connection is built on mutual recognition that the UK and India can provide meaningful support to each other. Business, education and social relationships are strong and there is room for these to develop further.

It is becoming increasingly easier for UK businesses to enter and expand in the Indian market. India has climbed over 50 places in the World Bank's Ease of Doing Business rankings, from 130 in 2016 to 77 in 2019. This increase comes on the back of reforms that have made paying tax, accessing credit and trading across borders quicker and easier. Accordingly, the Indian market is more accessible for UK companies looking to enter and prosper, particularly for SMEs. While UKIBC's own surveys have found that most UK companies already doing business in India plan on deepening their activity.

Moreover, the recent reduction in Corporation Tax to an effective rate of 25.17% is a clear statement of intent that India is committed to continue improving its domestic operating environment.

There is also optimism surrounding the Higher Education sector and as a world leader in education, the UK is well placed to assist. The reinstatement of the post-study working visa for international students to two years is welcome evidence that the UK is looking to support Indian education.

In short, our recommendation is clear. India's burgeoning economy, population and development plans mean plans for that investment in India should be on the Board tables of all UK companies with international aspirations.

Confederation of British Industry

Shehla Hasan, Head - India & South Asia at CBI

Shehla Hasan

As the UK prepares to leave the European Union, part of the preparation has been to reset its ties with India. Although India does not figure in the first tranche of Free Trade Agreements that the UK is working on, a lot of spade work has already gone into fixing the nuts and bolts of business between the two countries through the Joint Economic Trade Committee (JETCO) process.

Since 2016, both countries have started engaging in dialogues which prioritise trade outside of a Free Trade Agreement. And one of the key initiatives is the establishment of a two-way fast track mechanism to help companies facing challenges in each other's markets. This demonstrates a recognition of the excellent investment relationship between the two countries.

With both countries having new Governments, this is a great opportunity to make a fresh start in cooperation and building on the ongoing trade negotiations between the two nations.

Recently, the CBI secured a seat on the new Strategic Trade Advisory Group (STAG) in the UK. We expect the STAG to play a pivotal role in guiding the overall UK Government's trade strategy, particularly prior to and during future trade negotiations and we are pleased that the CBI will be playing a major role in that. Dame Carolyn Fairbairn, Director General, CBI will be representing the voice of businesses at this flagship trade policy forum, and we are the only business organisation representing the views of the whole economy on trade.

The CBI believes that India will be an important partner in the UK's global future and hopes to be a key facilitator and catalyst in this partnership. According to the latest CBI's Sterling Assets India report, UK companies created over 400,000 direct jobs in India between April 2000 and June 2018. Almost an equal number of indirect jobs have been created by UK companies during this period.

Ever since setting up the full time India office seven years ago, we have published three editions of Sterling Assets India report, hosted three India Banquets and two legs of the CBI's Leadership Programme in India. Dame Carolyn Fairbairn has been part of the UK India CEO Forum for the last two years. The CBI's Cannon Place office hosted a visit of a foreign cabinet minister, Mr Arun Jaitley, India's former Finance Minister, when he presided over a roundtable meeting with select CEO level members in February 2018. Today, the CBI in partnership with EY in India, is involved in working with an Ease of Doing Business report, an important strand of work between the UK and India.

As we celebrate this great relationship, more needs to be done to widen the scope of mutual understanding. Some areas of collaboration which are expected to receive a fresh focus include energy and climate change and a new data protocol between the two countries. I am confident, given the current momentum, it will only be a matter of time when the UK and India will start sharing even closer bonds.

An Asian powerhouse in the making

India is open for business. That was the message behind the initiatives marking Prime Minister Modi's first term of office, and the business community is looking to the Government for more of the same market-friendly reforms, after his sweeping victory in the 2019 elections.

What the country badly needed, according to Modi and his business backers, was a radical shake-up that would open up the economy to the world, ensure the building of an infrastructure fit for the 21st century, re-skill the workforce, and put an end to the often stifling bureaucracy.

And the welcome given to Modi's success at the polls suggests that business approves not only his commitment to modernisation but also his first steps towards thorough-going reform: when the election result was announced, the Indian stock markets climbed to a record high.

One look at the measures so far explains their support. The list already includes: new accountancy standards, a revised bankruptcy code, and the introduction of the Goods and Services Tax (GST), a single nationwide indirect levy on goods and services intended to replace the slew of different state levies.

Some results are evident to all. Thanks to the GST, gone today are the old checkpoints that often stood at the frontiers of the country's 29 separate states, drastically slowing the free movement of goods as officials calculated the local tax payable on every consignment.

Furthermore, the Government has proved its determination to foster a new entrepreneurial culture and generate jobs through its flagship Start-Up India Programme, which offers tax breaks – including a three year tax holiday – and other incentives to fledgling private companies.

That is additional to a package of government announced measures in 2018, to promote 12 key services sectors of the economy, including IT, tourism and hospitality. Services, which now account for more than half the Indian economy, are seen as a key to modernisation.

Not that manufacturing is forgotten. One more initiative – Make in India – was launched by the Government in 2014, to encourage both Indian and international investors to make their products in India, with the aim of transforming the country into a global manufacturing hub.

For good measure, the Government is also behind Skill India, to widen the nation's skills base, a Digital India initiative to spread the benefits of the digital age, and a Smart Cities mission to designate 100 cities as model communities.

That may explain why there is no shortage of optimism in India's business community. A survey in 2019 by HSBC, found that almost nine out of ten Indian firms expect to grow over the next two years and that 77% were more optimistic than they were in 2018, compared to a global average of 53%.

Moreover, Indian businesses showed the greatest appetite for investment of any of the 14 global markets studied for the report. More than seven out of ten said they intended to invest in their businesses by more than 5%, with much of the extra spending focused on training and improved online services.

“The strength of the Indian economy and its demographic potential offer multiple opportunities for growth. We believe that innovation as well as effective utilisation of technology, will be critical in driving the next phase of growth for Indian businesses," said Rajat Verma, Head of Commercial Banking, HSBC India.

Stimulating business is clearly close to the heart of the Government's thinking. The 2019 budget saw a rise in import tariffs on nearly 75 items to boost internal production and the imposition of higher taxes on the rich to help pay for recapitalising banks and supporting small firms.

This could be just the start. A round of privatisations is expected to feature on the agenda for Modi's second term, as well as sweeping changes to the country's outdated labour laws and the creation of government sponsored land banks to aid industrial development.

Among the big beneficiaries of all such reforms will be the foreign visitors the Government have been trying to attract, so as to tap into their resources and the know-how they can provide, when it comes to reshaping the country's economy.

Already, under the reforms of recent years, many of the rules that once limited foreign investment have been relaxed so that, with few exceptions, government permission is no longer needed to take a 100% stake in Indian businesses.

In some sectors, this has led to a dramatic rise in the inflow of external cash. FDI in the country's auto and auto component industry, for example, totalled US$8.7 billion between 2014 and 2018, a leap of 71% over the previous four years.

Enterprising UK companies could be among the major beneficiaries, not least because of long standing ties: the UK is home to 1.5 million

citizens of Indian heritage. Bilateral trade is worth some US$19.5 billion a year, with the UK as the second largest G20 investor in India after Japan.

UK firms have created more than 422,000 jobs in India since 2000, and investment supports around one in 20 jobs in the country's formal sector. At least 400 UK businesses are now represented in India's manufacturing sector alone.

For proof of a natural partnership, witness only the alliance between Rolls-Royce and Tata Consultancy Services on digital manufacturing, a collaboration between iconic brands that clearly demonstrates the enduring bonds between the two countries.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Navigating a large equity inflow in India

HSBC India

Today, businesses around the world are looking for simple and fast solutions – be it to carry out complex business transactions, reach and acquire wider a audience or to enhance existing customer experience. At HSBC, our global coverage and banking capabilities enable us to deliver insightful solutions based on flawless teamwork, quick decision making and timely execution.

Enabling business processes to run seamlessly, particularly in the area of international banking is of high importance. One such client was looking for a banking partner to address their cross-border transactions challenge whilst supporting their future growth.

And HSBC provided that answer.

The task

The client, one of the world's leading telecommunications groups from the UK, was looking to capitalise their Indian subsidiary by way of a rights issuance.

In a bid to carry out this transaction seamlessly, they were looking for an efficient way to hedge and execute the Foreign Exchange (FX) flow, a strong counterparty to deploy the INR balances in India.

The solution

HSBC India, HSBC Mauritius and HSBC UK teams across Global Markets Corporate Sales (GMCS), Global Banking (GB) and Global Liquidity and Cash Management (GLCM) engaged the client on this key mandate to facilitate the FX flow and associated regulatory filings.

- GMCS teams in both India and the UK helped the client to put in place FX hedges on the equity inflow
- GB and GLCM teams together handheld the client on documentation associated with the equity inflow
- HSBC Mauritius teams ensured that the fund flows across multiple geographies were managed within tight timelines.

Key takeaways

The transaction was successfully completed in August 2018. HSBC India was the sole FX provider and liquidity partner for the USD-INR FX and resultant INR balances.

The underlying transaction was announced in 2018 and the HSBC teams have been ideating with the client on hedging and execution strategies since then. HSBC's global coverage and experience in

delivering innovative and robust solutions helped us to secure the transaction. This momentum was delivered by:

- HSBC's engagement with the client over the life cycle of this investment
- Client's previous experience in having dealt with HSBC exclusively on a large trade
- Close coordination between HSBC India and HSBC UK across various teams to ensure we deliver a seamless experience.

Deal team

Global Banking (GB)

- James Mortimer, [Managing Director, Global Banking, HSBC UK]
- Vishal Iyer, [Director, Global Banking, HSBC India]
- Vineet Arya, [Head of Multinationals, Wholesale Banking, HSBC Mauritius].

Global Liquidity and Cash Management (GLCM) & Issuer Services (ISV)

- Suhail Majid Shaikh, [Senior Sales Manager, GLCM, HSBC India]
- Amal Govil, [SVP Sales, Corporate Trust & Loan Agency, HSBC India].

Payment services

- Denys L M Lamy, [Head of Payment Services, HSBC Mauritius]
- Vaibhav Datar, [VP Payment Services, HSBC India]

Global Markets Corporate Sales (GMCS)

- Aditya Lakhanpal, [Director, Corporate Sales, HSBC India]
- Gareth J Lloyd Williams, [Managing Director, Corporate Treasury Solution Origination, HSBC UK].

Bringing the benefits of banking to the masses

India's banking system is in the throes of a revolution. For the first time in history, it has found a mass customer base. In the space of just the last five years, the number of people holding accounts has soared by more than 50% to include four fifths of the adult population.

It is the Government that deserves much of the credit. Such rapid growth has been driven by the Prime Minister's flagship Jan Dhan – or "people's wealth" – programme, which has seen the opening of some 355 million accounts in India's State and private sector banks since its launch in 2014.

Together with the roll-out of the largest national bio-metric identity programme, Aadhaar, and ever higher mobile phone penetration rates, the Government now claims to have vastly extended financial inclusion – a key Modi objective – through what it calls the JAM, standing for Jan Dhan-Aadhaar-Mobile.

The benefits are huge. Tens of millions of poorer Indians, for example, can now receive social security payments which are paid directly into their accounts, thereby reducing the risk of fraud and corruption. The accounts also offer insurance and pension products, and allow access to easy credit through a modest overdraft facility.

At the same time, India's banking is fast entering the digital age, as customers move from cash to more convenient payment methods. Mobile wallets are proving highly popular and more than 900 million debit cards are now in circulation, prompting the widening use of point-of-sale (POS) terminals.

The domestic economy stands to profit too. People have turned in huge numbers to the Government's RUPay card, a low cost alternative to international credit and debit card platforms such as Visa or Mastercard.

The revolution is not confined to the nation's retail banking system and the emergence of new technologies. The changing investment and savings habits of a new middle class are helping to reshape India's entire financial services sector.

Investment banking is also on the rise, due in part to the demand for access to mutual funds and stocks, rather than depending on the traditional fixed interest accounts offered by the banks.

A fast growing Indian mutual fund industry today has more than US$320 million assets under management (AUM). Increasing wealth has also driven a boom in the insurance business, which is forecast to see significant growth over the next few years.

Plans to construct a new 900 acre centre, Gujarat International Finance Tech City (GIFT), will bring offshore business back and rival Singapore and Hong Kong as a haven for any international investors who want a local base in Asia's third largest economy.

Businesses establishing themselves in GIFT, are promised minimal taxes. The Tech City already has two new stock exchanges and will also have its own financial regulator, part of an effort to slash the bureaucracy.

Standard Chartered has announced that it intends to launch operations at GIFT. The Government used 2019's budget to enhance the city's attractions by doubling the length of the tax holiday period it offers to ten years.

With the economy outperforming most of its neighbours, there is already ample evidence of foreign interest in India's financial assets. In recent years, foreign institutional investors have become heavily involved in

> India's banking is fast entering the digital age, as customers move from cash to more convenient payment methods.

Indian equities, and stocks reached a record high in 2019, following the re-election of Modi's business friendly Government.

That said, India still has much to do before it has a financial services sector to match its status as an emerging economic powerhouse. No single Indian bank features in the world's top 20, most of the country's largest players are still state-controlled, and many suffer from a mixed reputation.

Recent years have been especially hard. Public sector institutions, which account for around 70% of all India's banking assets, are struggling under a mass of bad corporate loans after some ill-starred investments in major industrial and infrastructure projects.

India's private banks too have had their problems. Senior personnel of three of the largest – Axis Bank, Yes Bank, and ICICI – left their posts in 2018, amid concerns over, respectively, credit problems, governance issues and questionable loans.

Still more important, crisis has engulfed the country's 9,000 lightly regulated Non Banking Financial Companies (NBFCs) – or 'shadow banks' – which in the past have played a key role in maintaining economic growth by providing loans not easily available from the mainstream banks.

A series of defaults in 2018 by one leading NBFC, Infrastructure Leasing and Financial Services (IL&FS), threatened to destabilise the entire banking sector, forcing the Government to recapitalise debt-burdened state banks and give credit guarantees to support shadow banks in a bid to boost lending.

Still, there are grounds to hope that the worst may now be over. The Reserve Bank of India (RBI) has been tightening regulation and stepping up its oversight of the sector, and the 2019 budget saw a further injection of Government cash to support ailing banks.

A report from the international credit ratings agency Moody's concluded: "Our outlook for the Indian banking system is stable, underpinned by healthy economic growth, and weak but stabilising asset quality". A similar message came from the RBI's 2019 Financial Stability Report, which spoke of the "improving resilience of the banking sector."

Certainly there are encouraging exceptions. The giant US multinational Citi, who have a large presence in India, announced a 23% increase in profits for its operations in 2018, while HSBC managed a 95% rise.

Rules have been relaxed to allow foreign banks into the Indian market. By setting wholly owned subsidiaries, they can now operate without any of the previous restrictions on the size of branches or the raising of capital.

The country's largest private lender, the Mumbai based HDFC in 2018, had a profit increase of more than 20%, and at one point its share price was almost 300 times as high as its launch in 1995.

Standard explanations include heavy investment in technology – HDFC is highly rated for its internet and phone banking services – and a focus on modest retail loans rather than large corporate deals. But the wider message might be that competent banks can always prosper in a flourishing economy.

India - from the tax and regulatory corner

Paul Gallagher, Partner and Amit B Jain, International Tax and Transaction Services India Desk* Leader, Ernst & Young LLP

Paul Gallagher

Amit B Jain

Naturally, doing business in India is significantly influenced by its maze of tax laws and regulatory policies. Here Paul Gallagher and Amit Jain explore recent trends, current and potential developments.

How do you see the development of the India-UK business corridor and any notable trends that you are witnessing in India?

Amit – Over the last 12-18 months, the global trade landscape has been volatile to say the least. We only have to look at the changing US-China trade relations and uncertainty over Brexit deal negotiations, both of which offer risk and opportunities for businesses to diversify, and such developments have positioned India well to take advantage. There is growing interest from the UK in sectors such as FinTech, services, industrial and consumer products.

India caters well to these growing investments, with its strong demographic dividend providing a young workforce and business reforms by the governments to ease regulatory burdens including liberalisation of exchange control rules for foreign investments. We also continue to see healthy competition among states for investments. Together, this provides for a strong, positive investor environment. India's ranking in the 2019 World Bank Ease of Doing Business report[1] has rocketed upwards by 23 places, reaffirming positive reforms at both policy and grassroot level for businesses. India has also figured in the list of top 20 countries that have improved the most on the ease of doing business parameters.

The Indian Government has announced massive CIT rate cuts in September 2019 to incentivise new manufacturing investments and generally reduce the headline rate for other taxpayers. New manufacturing companies incorporated after 1 October 2019 could elect to be covered under a concessional effective tax rate of 17.16% and other taxpayers could elect an effective concessional tax rate of 25.17% subject to not claiming certain income-tax incentives and exemptions. Such companies would also not be subject to Minimum Alternate Tax (MAT), which is otherwise levied on book profits if the taxpayer does not have tax profits. This rate reduction aims to provide a significant boost to the Government's 'Make in India' initiative at a time when companies are looking for alternative manufacturing locations. Taxpayers currently availing income tax exemptions and incentives could continue to do so paying tax at full rate as applicable and can opt for the concessional tax regime post expiry of their tax exemption period. With this CIT rate cut, India is more competitive than China, Malaysia, Vietnam and Thailand for new manufacturing set ups.

Interestingly, the Government also liberalised foreign investment rules in sectors such as contract manufacturing, digital media and coal mining and relaxed conditions related to single brand retailing, which together with the tax cuts could provide a conducive environment to trigger investments and consumption within the economy.

In the Finance Act, 2019, the Government also announced to provide tax incentives for mega manufacturing investments in specific sectors and for investments in International Finance Services Centre (IFSC). Two key announcements which stood out were investments of more than US$1 trillion into the national infrastructure in the next five years and a roadmap for issuing sovereign bonds in overseas markets.

Paul – UK and India relations go a long way and we have seen the trade between the two countries grow from strength to strength. Interestingly, the UK Government has reported that investment from Indian investors into the UK is at an all-time high, rising by over 300% by the end of 2017. The fact that these investments are not only continuing, but increasing, restores confidence in trade relations between India and the UK.

There are several aspects that investors need to address when investing in India. In your opinion, what may be overlooked or missed by investors?

Amit – Any investment needs some level of due diligence, and India is no different. Careful planning needs to be in place for several aspects, including the form of legal presence, business funding, operating model and related tax issues, geographical considerations, registrations and compliance activities.

However, one aspect which is often overlooked by investors is having an incentives strategy. Central and state governments usually have a slew of incentive policies focused around location, employment generation, exports, reduced tax rates and subsidies. Such policies can sometimes be sector specific, for example a recent announcement for incentives for mega manufacturing units in industries such as semi-conductor fabrication, solar photovoltaic cells, lithium store batteries, computer servers and laptops. Proper consideration of these incentives could potentially recover the investment cost of the project in 7-10 years. Tax and trade policy have various incentives including weighted deductions, income tax exemptions on export revenues and indirect tax rebates on export value. We work extensively with investors to either avail this at the onset or to claim prospectively.

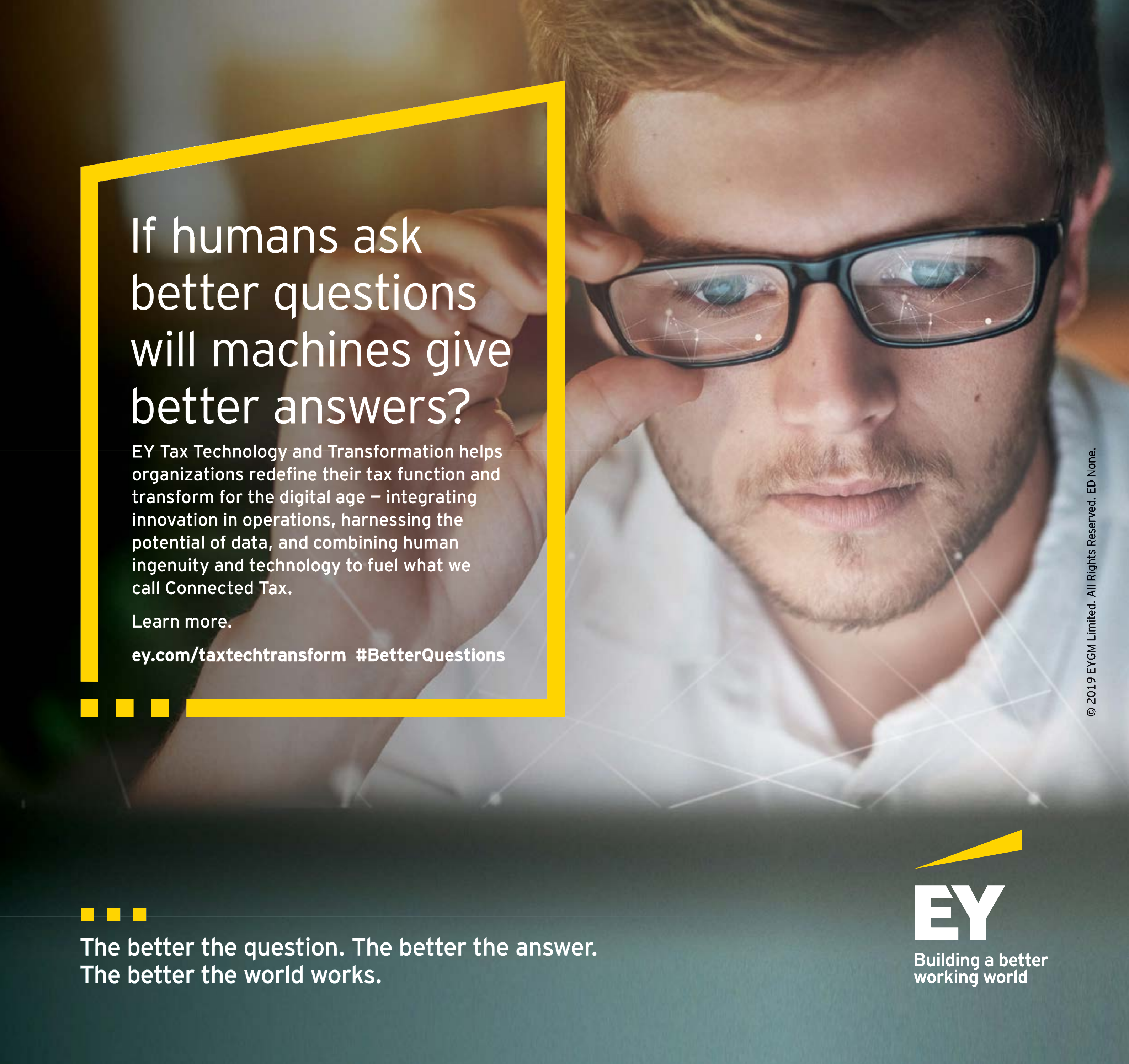
On the tax front, are we likely to see any other major developments after the implementation of Goods and Services Tax (GST)?

Paul – When we look at the Organisation for Economic Co-operation and Development (OECD) and taxation of the digital economy, we've seen countries look at introducing new tax laws to reflect changing ways of business. India was one of the first countries to implement an equalisation levy on certain categories of digital transactions. Even in the EU, the effective tax rate of digital businesses is lower than other businesses, so the approach to digital tax will continue to evolve in the coming years.

Amit – Continuing the tax revamp trend, the Government of India has constituted a task force to draft a new Direct Tax Code to replace the existing direct tax law, which is expected to focus on corporate tax rate reduction and simplifying the direct tax structure. E-governance initiatives are of equal importance and a good number of registrations and compliance filings have already moved to e-platforms, significantly reducing delays and unnecessary administrative issues. Moreover, to reduce the physical interface between taxpayers and tax authorities, tax audits are also being transitioned online under pilot projects. Recently it was also announced to move towards online process for non-resident withholding tax orders.

You spoke about the Indian Government working towards reducing tax controversy, and there is a perception that in India a lot of tax disputes end up being resolved in court. In this respect do you see an overall improvement in tax controversy or tax disputes?

Amit – The Government's Economic Survey (2018)[2] acknowledged that the success rate of tax authorities before appellate forums was only 30%, indicating taxpayers were getting too entangled with controversy.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To address this, several steps have been taken including the Central Government hiking the tax thresholds for revenue authorities to litigate an issue before appellate forums. This resulted in a significant number of ongoing cases being withdrawn by the revenue authorities.

Alternative dispute resolution avenues including advance pricing agreements (APA), mutual agreement procedure (MAP), advance rulings and settlements are now increasingly sought to resolve long pending issues or obtain certainty on tax positions. It is impressive that under the fairly new Indian APA programme, the Government has concluded more than 271 agreements since inception (with several bilateral APAs with the UK) and to expedite advance rulings, additional Benches (Courts) have been added. MAP resolution has also made vibrant strides: the OECD's report for 2017[3] released in late 2018, states that India has resolved 98 MAP applications on varied issues.

On the indirect tax front, it is proposed to introduce an amnesty scheme for quick closure of past service tax and excise controversy.

On the digital tax front, how do you see the culmination of the digital tax agenda? What is EY doing in this space?

Paul – EY teams are already working with technologically advanced tools and methodologies to identify risk areas and opportunities. We are also using artificial intelligence to analyse large volume data and machine learning techniques to help clients manage their tax risks, compliance and reporting obligations.

On the other hand, the tax authorities are also using advanced digital platforms to enable almost real-time collection and analysis of detailed taxpayer data. Lack of visibility and oversight across multiple data transmissions to multiple jurisdictions can leave companies open to tax risks.

Amit – Echoing Paul's thoughts, there is an increased focus on digitalising and simplifying routine tax compliances and tax functions equally from the Government (GST being the biggest example) and industry. Consequently, we are witnessing a transition period which will transform the traditional tax function as we know it. The Government also announced moving towards pre-filled tax returns for individuals which demonstrates the ability to collect data digitally from various channels.

In the tax technology space, EY has already rolled out several technology tools in India focused on litigation and compliance management, transfer pricing documentation and reporting, GST compliance and reporting, withholding tax reconciliations etc. All of these have saved precious man hours in the tax function.

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*The India Tax Desk helps companies in the UK and across Europe explore business opportunities with India, by offering practical advice and connecting to the relevant experienced professionals.

Doing Business in India: sector-specific challenges and takeaways

Devina Deshpande, Senior Associate, BTG Legal

Devina Deshpande

Investing and operating in an exciting and developing market such as India makes it advisable to future proof your business against some unique market risks. To aid your decision-making process, we have distilled a few takeaways in some key sectors where India is seeing increased foreign investment.

Our assessment is intended to act as a broad legal guide, and should not be construed as specific legal advice.

1|Industrials and engineering

(i) Entry: Commencing operations does not always necessitate incorporating an Indian company. It can also be achieved through a project office, branch office, liaison office or joint venture (JV) with an Indian partner, based on the scope of operations.

Tip: Each entity is subject to different laws (particularly tax). Project, branch and liaison offices have limited operational capability, and capitalised entry modes are generally preferred.

(ii) Regulatory approvals: In the absence of a single window approval process, clearances are needed from multiple authorities to set up operations (especially an industrial unit). The more local approvals require granular analysis and planning as the potential impact (of getting them wrong) can be high.

Tip: Meticulous planning and dedicated (in-house/third party) resources are needed to obtain regulatory approvals. The time required for these should be factored into the project planning.

(iii) Land acquisition: Manufacturing units require significant land which may involve procuring agricultural land that needs to be converted for non agricultural use. This can be a complicated and costly process. Land holdings in India are often fragmented, leading to multiple ownership claims even after acquisition.

Tip: Long term leases from industrial development corporations can be procured, and land aggregators can help gain access to land banks. However, these relationships must be carefully structured.

(iv) Financing: Setting up a manufacturing unit can be capital intensive, requiring financing at different stages. The procedure for an overseas parent company to fund an Indian entity is restricted and needs to be carefully analysed. Outward remittances of profits, fees or royalty payments by the Indian company to the foreign parent also depend on the manner in which the initial funds were deployed into the Indian company.

Tip: Examine regulations relating to foreign equity financing and repatriation routes before finalising the mode or channels of investment.

(v) Internet of Things (IoT): IoT is poised to fundamentally alter the way traditional industries approach business. Manufacturers will need to account for an expansion of the regulatory regime applicable to their processes and products. Additional compliances could stem from the threat of cyber intrusions, IP ownership issues, success of IoT devices being linked to net neutrality and the application of privacy and data protection laws where personal information is collected by IoT devices.

(vi) Labour management: Labour in manufacturing entities is usually unionised and needs careful management. Labour managers who know the various undercurrents in the local area are invaluable.

Tip: Prepare labour policies keeping in mind local undercurrents and ensure that they are up to date with the latest judicial precedents on the various applicable labour laws.

2 | Digital business and technology

(i) Barriers to entry: Not all digital business ventures can be set up by foreign owners. Some products and services are prohibited (eg., Cryptocurrency), some are heavily regulated (eg., e-commerce) and some require licenses (eg., operating payment systems). Given the interconnected nature of digital business, your product or service may impinge on one or more regulated sector.

Tip: Review your offering to make sure it (or any part thereof) is not prohibited, requires a license, or is subject to operational restrictions.

(ii) Data protection and privacy: Indian privacy laws are undergoing a major overhaul. The Personal Data Protection Bill, 2018, is similar to the EU GDPR, and envisages *inter alia* a data protection authority and also specifies provisions for data collection and storage, mandating data localisation.

Tip: Be prepared to amend your privacy policies, contract terms, procedures and terms of use if necessary to comply with changes to the law.

(iii) IoT-focused M&A: As IoT becomes an increasingly critical product function and integral to the manufacturing supply chain, it will become necessary for manufacturers to bring this capability in-house, particularly given the constant innovation in the IoT space. To this end, traditional manufacturers will find value in the acquisition of IoT-focused tech companies, or collaboration with them.

Tip: Given India's IT and tech start-up ecosystem, Indian IT and tech companies are likely to be the focus of such investment and acquisition going forward. If you are considering this route, be aware of the intricacies of acquiring technology companies in India.

(iv) FinTech regulation - progressive but restrictive: A number of regulatory changes impacting FinTech and payments have been in the pipeline for some time. The Reserve Bank of India's (RBI) focus is on 'deepening' digital payments, and may see regulations allowing more interoperability, faster cross-border payments, a regulatory sandbox, and other innovative features. At the same time, the RBI keeps a tight rein on licenses, etc., in furtherance of its aim of consumer safety and benefit.

Tip: Regulations, when issued, are usually very restrictive, mandating substantial prudential, governance and reporting requirements. Relaxations are rarely granted, and usually only given for good consumer-benefit reasons.

(v) Unsolicited communications: Commercial communications sent using telecom resources (via phone calls and SMS) for the purposes of information, solicitation or promotion of commercial transactions are subject to a number of restrictions including prior consent of the recipient and anti-spamming regulations.

Tip: These restrictions do not currently apply to emails or internet-based (ie. OTT) messaging services.

(vi) Access to encrypted content: The Government's concern over inaccessibility of encrypted data may result in service providers being approached to provide access to encrypted content over their networks.

Tip: Be prepared with an internal access policy to deal with any such decryption/access requests.

(vii) Net neutrality: Telecom Regulatory Authority of India (TRAI) issued the Prohibition of Discriminatory Tariffs for Data Services Regulations, 2016, which bar service providers from offering discriminatory tariffs for data services on the basis of content (but do not prohibit other forms of tariff differentiation that are entirely independent of content).

Tip: Businesses seeking to set up internet related services in India should keep these restrictions in mind. However, no overarching policy or regulation has been formulated by TRAI as yet.

3|Defence and Aerospace

(i) Anti-bribery and corruption (ABC): Corruption under Indian laws is benchmarked against the concept of "undue influence", which is interpreted widely and includes monetary and non-monetary bribes/influence (and even mere planning such "undue influence"). Corruption investigations are intrusive and protracted processes, involving multiple enforcement authorities for different offences. Companies and senior management are at risk of prosecution. Your domestic ABC regulations may also be triggered by an infraction in India.

Tip: Adopt a proactive approach to mitigating potential corruption risks in defence dealings by *inter alia* formulating specific whistleblower programmes and employee training for India-specific projects, auditing high risk transactions and developing an incident response protocol to deal with any investigations.

(ii) Agency compliance: Foreign suppliers can only hire Indian agents who are registered with the Ministry of Defence (MoD), and details of engagement (including commissions/fees) must be disclosed. Integrity pacts in procurement contracts typically contain conditions, and outline the scope of involvement of agents. These conditions are non-negotiable and contraventions include contract termination and backlisting. The nature of functions undertaken dictates the legality of their role:

Back end support

- Assisting the bidder in understanding the process
- Internal support in answering queries
- Internal support in approaching the right departments for clarifications etc.

Legal

Agency functions

- Front-ending bid submissions
- Participating in contract negotiations etc.

Legal, subject to certain conditions and compliances

Influence peddling

- Influencing the procurement process in any manner

Illegal

Tip: Use your agents as consultants and advisors so they can offer valuable background assistance to you in responding to SQRs, internally clarifying MoD communication, internally formulating responses to tender documentation etc. If they are performing agency functions, disclose all payments to the MoD, and ensure payments are compliant with defence procurement, tax and foreign exchange laws. Periodically audit agents to ensure such compliance.

(iii) Technology transfer: While offsets and foreign investment rules encourage JVs and licensed production, finding a local partner with the necessary technical capability is a challenge. Licensed production may make the Indian manufacturer (and the end customer) overly dependent on the licensor for updates and upgrades. Control of the JV and of the technology/production quality are inter-connected, but need to be structured to meet both parties' interests.

Tip: Dispute resolution in case of any conflict between the partners can be a long drawn out process, thereby diluting the value of the JV and affecting production. Protection of the technology itself and its IP is key in any tech transfer scenario, including JVs. Formulate robust agreements and IP policies to prevent dilution in the IP value.

4 | Renewable Energy

(i) Regulatory framework and tariffs: Each state in India has its own solar policy. This leads to a lack of uniformity in the Power Purchase Agreements (PPAs) issued by various distribution companies (DISCOMS). Standard PPAs mostly have no provisions for developers to renegotiate tariffs in case of delays. They also do not provide for security against payment defaults. Hence, negotiations can become a long drawn out process, involving the state electricity regulatory commission.

Tip: Note that some states have better structured PPAs. Seek clarifications for deviations during the bidding process.

(ii) Asset management: Turnkey asset management is still at a very nascent stage with disclosures and governance based models still few and far between. Exercise close oversight and control over the asset manager.

Tip: Having a robust asset management agreement is not sufficient. Close oversight is preferable and board control over the asset SPV is crucial.

(iii) EPC contracts: EPC contracts need to clearly communicate obligations, responsibilities and risks. The EPC cost might vary based on tax efficiency, so contracts need to be structured well.

Tip: Forget about the Silver Book (or any other standard) when you carry out EPC contracting in India.

(iv) Financing: Contrary to the global trend of limited recourse/non recourse financing, lenders in India demand promoter support during the project tenure. For foreign promoters, this is exceptionally tough due to stringent investment and borrowing regulations.

Tip: Be ready for tough negotiations and documentation if you want to borrow in India.

(v) Dispute resolution: The PPAs generally provide for the state electricity regulatory commission as a forum for adjudicating disputes and not an independent forum such as SIAC/LCIA.

Tip: Segregation of tariff disputes to the commission and non-tariff related disputes to an independent forum (arbitration) has better chance of succeeding during negotiations with a DISCOM.

(vi) Sale of projects: Approvals for stake sale are needed from multiple agencies like DISCOMs, lenders, nodal agencies etc. The buyer will have to re-apply for a permit (as these are mostly not transferable), leading to a tedious, inefficient process.

Tip: Plan and communicate well. Stay in constant touch with the lender.

Queries? The Indian regulatory environment is constantly evolving, and we recommend that you contact us at practicemanager@btg-legal.com for specific advice on investments/expansion.

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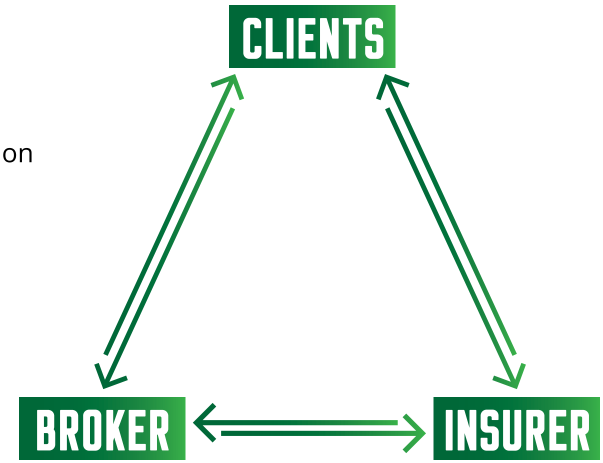

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Technology offers the key to an untapped market

For an insight into the fast-changing nature of Indian society and the spending habits of the latest generation of young consumers, consider the record of its booming insurance market.

In barely a decade, an outdated industry once dominated by a handful of state-owned players, has been transformed by technological advances, the development of easier distribution channels, and a slew of Government initiatives.

Analysts speak of huge growth potential as ever more Indians, with rising disposable incomes and an increasing level of assets to protect, turn to the digital marketplace to buy their insurance cover.

Furthermore, the widening range of insurance products has found a ready market, not only among India's burgeoning middle class but also among the rural citizens who are now acquiring easy access to the online world through smartphones.

Sales figures tell the story. In recent years gross direct premiums in India have been rising at an annual average rate of 7.2% and the industry's total value is expected to hit US$280 billion by 2020, according to the India Brand Equity Foundation.

Particularly striking is the performance of India's non-life general insurers, who saw business grow by 12.5% in 2018 alone. Growth is also predicted to increase by up to 15% annually over the next three to five years in the life sector.

The weakness of India's healthcare system is also persuading an ever larger number of Indians to seek private insurance. At present, 70% of all medical expenses in India are still met out-of-pocket rather than through insurance, pointing to huge future demand.

For good measure, major insurance companies are also expected to play a significant role in implementing the Government's Ayushman Bharat scheme, described as the world's largest healthcare project, which was introduced in 2018 to provide cover for some 500 million of the country's poorest citizens.

In a clear sign of investor confidence, a consortium led by WestBridge Capital and Rakesh Jhunjunwala announced in 2018, that it would acquire India's largest health insurer, Star Health and Allied Insurance in a deal estimated at around US$976 million.

Some credit for the boom must belong to the progressive loosening of regulations sanctioned by the Insurance Regulatory and Development Authority of India (IRDAI), the Government Agency which has supervised the industry since its creation 20 years ago.

Competition had once been strictly limited. Before the market was progressively liberalised and partly privatised in the 1990s, India's entire insurance business was shared by just two public sector companies, the Life Insurance Corporation (LIC) and the General Insurance Company of India (GIC).

> Liberalisation means Indian customers can now choose between 63 insurance companies, 24 in the life sector and 39 in non-life.

By contrast, liberalisation means Indian customers can now choose between 63 insurance companies, 24 in the life sector and 39 in non-life. The overwhelming majority are now from the private sector, which is rapidly increasing its share of the insurance market.

In the life sector only the giant LIC is still in state hands, and the Government has been considering moves to merge some of the seven companies it still owns in the non-life sector as part of a wider rationalisation.

At the same time, many of the industry's biggest names have recently chosen to list on the stock market, in a drive to boost their capital and raise extra cash for investment in technologies needed to provide a modern service.

One more reason for the industry's rapid growth has been the progressive relaxation of old limits on foreign investment: foreign players can now hold a stake of up to 49% in Indian insurance enterprises.

And many have taken the opportunity, bringing a further useful tranche of capital for expansion. A glance at the list of India's biggest insurers shows that many incorporate such familiar global names as AXA, Aegon and Allianz.

The market's healthy prospects have tempted businesses from outside the industry to use their own expertise to offer customised services. In 2018 for example, Indian e-commerce major Flipkart – part owned by America's Walmart – teamed up with Bajaj Allianz to offer insurance for mobile phones.

Also crucial is the Federal Government's eagerness to spread the benefits of insurance and other financial products to a wider public, particularly in rural areas, through targeted schemes that boost "financial inclusion".

With backing from some of the insurance industry's leading players, the Ministry of Agriculture today provides some 47 million farmers with cover for crops damaged by natural disasters, pests or disease.

But the insurance industry's transformation may be only just beginning. The Insurtech Revolution is gathering pace and India's insurers are busily exploring the potential of Artificial Intelligence, Advanced Analytics and Big Data and other game-changing technologies.

How CDC is investing in India's exciting future

Srini Nagarajan, Managing Director and Head of Asia, CDC Group plc

Srini Nagarajan

One major British investor in India is CDC Group plc (CDC), the UK government's Development Finance Institution (DFI). Founded over 70 years ago, it is the world's first DFI. Today it invests only in Africa and parts of Asia with the aim of supporting economic development by investing in the private sector. We have been in South Asia for over 30 years with a strong history of creating institutions in countries like India, Pakistan and Bangladesh.

Srini Nagarajan joined CDC in 2013 to lead the Asia team, he is Managing Director and Head of Asia. Here, he explains more about CDC and its activities in the sub-continent.

What is CDC and how is it funded?

CDC is the UK's development finance institution. Our mission is to invest in the private sector in Africa and Asia with the aim of creating jobs and accelerating economic prosperity. With net assets of US$7.4 billion and over 1,200 businesses in our portfolio, we focus on being entrepreneurial and leveraging our experience and networks to help our investees create value and impact. Being UK Government backed means we have a distinctively broad network which includes local and UK based government contacts, regulators, businesses, intermediaries and advisers.

What are CDC's objectives?

Simply put, it is to support the growth of businesses that will create impact as they grow, through the jobs, products and services they provide. We do this by investing in sectors that we know can make the biggest difference to an economy or a country; construction, financial institutions, food and agriculture, health & education, infrastructure and manufacturing. We currently invest only in Africa and Asia. Our focus is on investing in countries where the private enterprise is nascent, jobs are scarce, and the investment climate is difficult. We know that while India attracts a lot of investment, only a very small proportion of that capital reaches the most- underserved states.

Overall in 2018 our investments made a positive difference to at least 16 million people; we directly employed more than 850,000 workers, sourced from 1.25 million farmers, taught nearly 360,000 students and treated 9.5 million patients. I'm particularly proud of our investments in power infrastructure which generated 49TWh of electricity - enough to power Portugal for an entire year! It is these investments that show CDC's commitment to the UK-India partnership of shared values to tackle climate change and promote the use of sustainable energy.

How large is CDC's presence in India?

We have a US$1.7 billion portfolio with offices in Mumbai and Bangalore, led by an advisory team of 25. The portfolio consists of more than 300 investments in India through both direct investments and via funds. These businesses make a powerful contribution to the India economy with US$1 billion annually paid in taxes to the Indian Government, directly employing around 400,000 people as well as many more in their supply chains.

What is CDC's investment strategy in India?

We are committed to partnering with businesses in India. In 2018, we announced our aim to invest a further US$1.7 billion in India and neighbouring countries over three years, to really make a difference to people's lives.

Our primary focus for investment is in challenged states where there is low access to capital and professional services. But we look at businesses that can make goods and services more affordable and accessible for people and where we can, we encourage strong and ambitious entrepreneurs from the developed states to establish and expand into low income states.

Our sector efforts in the country are aligned with that of CDC globally, which will contribute to the Sustainable Development Goals and priorities of each country.

How does CDC go about selecting a company to invest in?

It is important for us to invest in a business that is impact led and commercially rigorous with long term growth prospects. In addition, we aim for these businesses to create jobs and generate value for the company, its market and for CDC. We have a dual mandate of investing in companies and funds which can generate both development and financial returns, these returns are reinvested into more businesses. The key to this is partnering with strong management teams with whom our values are aligned, such as generating both impact and commercial returns.

Could you explain CDC's investment philosophy?

We look to maximise the impact of companies on the people and communities they serve. This approach is complemented by executing strategies that tackle persistent market-wide challenges. Where applicable we try and resolve these by establishing new platforms for products and services.

We believe the best way to achieve development impact and meet an individual business's needs is by taking a flexible, long term approach to investing. For us, long term is all about the relationship. A good example has been the investments we make through funds and our capital partnerships. Lok Capital, a fund manager we've supported right from the beginning is now one of India's leading impact investors. Over the past three decades we've helped build India's private equity industry; we've committed around US$2 billion to more than 50 Indian funds which have supported over 600 underlying companies.

What types of investment does CDC make and on what scale?

We provide patient capital in a wide variety of forms. Essentially, we invest in three ways; one is the funds & capital partnership business, second is direct equity and third is debt. The typical ticket size varies across products from anywhere between US$10 million and US$200 million. More specifically, on the direct investing and debt side, our sweet spot is around US$25 million. Through our funds, our size of investment depends on the overall size of the fund and our commitment.

Could you summarise CDC's activities in India since 1987?

Over the last three decades, CDC has helped build some of India's most successful businesses across a wide range of sectors. These have included Apollo Tyres, Punjab Tractors, UTI (now Axis) Bank, IDFC and Glenmark Pharmaceuticals.

We also helped build India's private equity industry and we remain one of the largest Limited Partners in the country. Along the way, we've helped companies IPO, change their strategy and we led the country's first private equity backed privatisation, Punjab Tractors, helping the company become an Indian success story.

What's unique about CDC is that we're willing to manage risks that other investors might not. This means we have been an early supporter of many emerging and crucial sectors of the Indian economy, such as outsourcing, technology and the industrial sector.

At every step we've remained focused on impact and partnership, aiming to ensure that the success of a company is shared.

What are the characteristics of CDC's investee businesses in India?
While our investees might be in different sectors or different parts of the country, they all provide jobs, access to affordable and quality goods and services, whilst making a tangible difference to people's lives. These businesses have helped India and its people to enjoy significant growth over the last three decades and contribute to the UN's Sustainable Development Goals of the country.

How does CDC support it's investee companies?
Investees see respect in our partnership. In most of the companies we invest in, we are an active and supportive investor with a CDC nominee on the Board. Either they are part of the CDC team or an external director who can bring something different to the business. We also have monthly management reviews discussing key business priorities, business development and its financial position.

In addition, we may help in strengthening talent and organisation effectiveness; enhancing corporate governance & board teams, building compliance and risk management as well as environmental and social (E&S) strategies.

CDC's specialist E&S and Development Impact teams also work closely with our portfolio companies and identify key value drivers that are aligned with the business to help strengthen its core offering and expand sustainable strategies.

Could you give an example of an investment success in India?
In January 2015, we invested US$24 million to significantly expand Pristine Logistics (Pristine), an Indian inland container terminal and third-party logistics provider.

Logistics is a key driver of economic growth. Strengthening it can lower the cost of trade and manufacturing and increase productivity. Our investment in Pristine enabled the development and operation of last mile infrastructure for handling and transporting railway freight in some of India's least connected and underdeveloped regions. Beyond capital, we supported Pristine to achieve internationally recognised standards across its operations. These improvements in areas such as health and safety, not only made a social impact, but also an economic one. They enabled local exporters to supply large international companies such as Marks & Spencer, that require supply chains to be aligned with international good practice. During our involvement, the company handled 430% more cargo, and increased profits by 900%.

Pristine has established itself as a unique platform also focusing on domestic rail transportation in India.

In 2018, the company embarked on a fundraise, a renowned private equity fund invested for a majority stake in the company. The fund acquired our share in Pristine and generated a healthy return on our investment, which we have been able to reinvest.

Could you explain CDC's involvement in the financial sector?

We believe the lack of financial access is the primary constraint for job creation in SMEs. Access to growth finance is a key enabler to strengthening local communities and economies, and that is why it makes up a quarter of our overall portfolio, around US$1.5 billion.

We are different from other Indian investors as we provide various forms of capital including Debt, Equity and Mezzanine funding and work alongside a company as they shape their strategy. A good example is the significant role we have played in the transformation of the Indian microfinance industry.

In 2015, we invested US$26 million for an equity stake in Ujjivan, an Indian microfinance institution with a pan-Indian footprint and a proven business model for group lending. Following our investment, we supported the company in its Small Finance Bank (SFB) licence application to the Reserve Bank of India (RBI) and assisted in the accompanying transformation process.

After it received its in-principle SFB licence, Ujjivan carried out an IPO process in May 2016, to dilute its foreign shareholding in line with RBI terms. We committed to support the company through the entire licence process, so we chose not to sell any of our stake at this stage. Ujjivan's debut saw very high investor interest from domestic as well as foreign institutions, and the issue was over-subscribed 40 times. Once the process was complete, we gradually sold down our stake through the public market. Our smooth exit was a strong testament to the broad investor acceptance of an impact and mission driven business that we had supported financially and operationally. During the course of our investment, Ujjivan had doubled its loan portfolio to over US$1 billion, reaching 3.7 million customers across 24 Indian states and employing close to 11,000 staff.

Other portfolio highlights include RBL Bank, Equitas SFB, Utkarsh SFB, Janalakshmi, IIFL Finance, Veritas Finance, Aavas HFC and many more.

Overall, the financial institutions we support through our direct debt and equity investments in India provide US$17 billion of loans and advances to 20 million customers, and they employ over 62,000 people.

CDC have also been active in the energy sector

Energy is a building block and an important enabler of economic development. To mitigate adverse climate change risks, to reduce dependence on oil imports and to meet the increasing energy needs of a developing economy. India is now relying more and more on renewable energy generation and consumption.

Given our own Climate Change Action policy and the Government of India's objective to promote and expand renewable energy, we took the opportunity of new transparency reforms in India's solar sector and committed US$166 million into a greenfield renewable energy fund platform, Ayana. With 100% ownership, our goal was to develop solar and wind generation sites in underserved states across India. The company launched in January 2018 and is in the process of building 800MW of new capacity. I'm particularly proud that we have gone on to attract third party capital into Ayana. The National Investment and Infrastructure Fund, India's sovereign wealth fund, and the Green Growth Equity Fund invested US$170 million of additional equity capital. One of our goals is to demonstrate that building a successful platform with the highest business integrity standards in underdeveloped regions is possible. These early successes are good indications that we will be able to do just that.

Explore, Enter and Expand

Edward Dixon, Group COO and Managing Director, Sannam S4

Edward Dixon

1|What is the background and history of Sannam S4?

Sannam S4 was set-up by our CEO Adrian Mutton, using his expertise of working internationally as the catalyst to help others. As a Sales Director with experience in opening up 17 markets, Adrian recognised that too much of his time was spent understanding how to operate locally, with too little time focused on directly selling. Having been part of the team that successfully IPO'd and exited that business, he took some time out and found himself in India; a country he has a long history with. Here Adrian was contacted by individuals needing help and following a meeting with Kapil Dua, who had spent many years supporting foreign organisations working in India from a financial, tax and regulatory perspective, Sannam S4 was conceived. It began operating in 2008 as a business designed to simplify and support organisations looking to work in India and has grown into an award winning consultancy[1].

2|How many people do you employ, and where do you have offices?

Sannam S4 has 225 employees. The bulk are in India where we have four offices (Delhi, Mumbai, Bengaluru and Chennai). Our European HQ is in London and our North American HQ is in Washington DC. We also work with partners to support clients in an additional 20 markets.

3|How would you characterise the nature of your business?

Our business exists to support internationally ambitious organisations as they look to explore, enter and expand in dynamic markets around the world supporting mostly sales, sourcing and manufacturing activity.

4|What are the firm's major areas of expertise?

- Market feasibility/research and opportunity assessment
- Partner search and sales channel development
- Local representation
- Financial (finance & accounting, payroll etc.), tax, compliance & regulatory matters
- Staff recruitment
- HR support (HR infrastructure build, ongoing HR support, cultural training)
- Flexible office solutions.

We cover many sectors and have a particularly strong track record in areas such as education, not-for-profit, technology, food and agribusiness.

What stands Sannam S4 apart is that clients are taking advice from a team who know what it takes to build a successful business themselves. All our partners around

[1]Consultancy Firm of the Year, UK-India Awards 2018 and 2019

the world follow that same philosophy. This mindset is frequently cited by clients as a differentiator, working through issues pragmatically.

5 | Could you explain your three-stage approach to market entry?

We capture the areas of support we provide into three headings; Explore, Enter and Expand. This means we support both pre and post market entry, flexing the support we provide clients to reflect their particular needs and positioning ourselves as a long term support partner (that said, clients also engage us for discrete areas of support).

Taking an example, for our people related services, these three stages break down as follows:

Explore phase

- How much will I have to pay for people, what will their compensation structures be? Will this vary by city? Where should I start?
- Where will I find staff?
- What things am I going to have to put in place to ensure I meet the local labour norms?
- Can I implement the standard organisational structure in India as I have in other countries? If not, what do I need to change?

Enter phase

- Establish a robust employee documentation and policy framework
- Finalising compensation and benefits approach
- Finding talent
- Providing onboarding support
- Initiating the operational HR processes

Expand phase

- Ensuring robust career path planning framework
- Overseeing the performance management process
- Implementing learning and development framework
- Completing regular employee relations interventions

- Managing attrition
- Support in handling grievances, escalations
- Implementing new labour law requirements linked to the size of the organisation (eg. various requirements apply when you employ 10 and 20 people).

6 | What is the nature of your work with the Department for International Trade (DIT)?

We work alongside the DIT (organising events, trade missions etc.) and we also pick up where the government role ends. We focus particularly on the nuts and bolts of implementation work on-the-ground, actually setting up and managing businesses, hiring and managing people etc. Sannam S4 is also an Exporting is GREAT partner and in the summer of

> Our business exists to support internationally ambitious organisations as they look to explore, enter and expand in dynamic markets around the world.

2019, partnered with the DIT on the UK wide roadshow as part of the UK-India Summer of Collaboration. Our relationship with the DIT is very symbiotic in nature and we ultimately have the same end objectives, which is to see organisations succeed overseas.

7|Are you typically retained by clients, or working for them on a project basis?

Over time, most clients end up with some level of ongoing support. They are not always structured as a retainer but many are. Working in India carries a level of complexity and clients do draw comfort in having someone on the journey for the long term; someone who really understands the detail, is looking out for their interests, can act as a sounding board and is keeping up to date on market changes.

8|How does your market representation platform work?

This is a helpful solution for organisations wishing to gain access to on-the-ground expertise but who may not be ready to set-up a business (closing a business in India is not a trivial matter, so being sure on this before starting is advisable). Here we deploy a consultant who works to support the client's agenda as they establish relationships, complete market assessments and start to build their market position. This often involves identifying potential partners and leads and brand building activity. Once a client is happy to proceed with the set-up of their business, we can affect a smooth transition and provide continuity of support. It works effectively for those wanting to take things one step at a time, as the teams are completely supported by Sannam S4 and clients don't need to worry about some of the things which typically consume time when setting up a legal entity.

9|What help do British companies need most when seeking to do business in India?

The challenges facing companies (and, more widely, organisations) when seeking to do business in India are many and varied. Ultimately the help required is driven by a few factors:

– International experience – clients that have international experience aren't as easily deterred. But they will still need technical support in many instances.

– Ways of working - India has its own way of working and finding the balance between where an organisation must follow best practice, such as standards and policies and understanding/adapting to the local ways of working is vital.

– Understand the detail and set your expectations accordingly – seek technical support to minimise the chance of any unwanted surprises.

– Focusing on relationships – as with a good number of markets internationally, relationships are key in India. Finding the right partner and then establishing a cadence of engagement which builds trust while ensuring both parties are meeting their requirements takes time. Organisations that fail are often discovered to have rushed into relationships, not spending enough time on the detail, in an unbalanced/controlled relationship for example. It is easy to underestimate the importance of this – it takes time (and therefore money).

10 | Can you explain how you work with national governments in developing their trade with emerging markets such as India?

The level of engagement varies:

- Market research eg. focused on a particular sector to better understand the market opportunity
- Delegation support – managing travelling delegations
- Speaking – briefing delegations/stakeholder groups on market opportunities and challenges
- Advocacy support – convening events/market participants for advocacy related activities.

Taking one example, Sannam S4 has helped one government review market opportunities in a particular sector and has then gone on to implement that strategy over a number of years; organising trade fairs, leveraging PR and supporting promotional activity. This has delivered substantial Return on Investment and an impressive year on year performance.

11 | What distinguishes your market research team from other research organisations?

Sannam S4's market research team are hugely experienced and ultimately produce complete research that informs the market strategy for a client. This requires commercial awareness, a strong appreciation of the reality of operating conditions and the ability to make tangible recommendations. Sannam S4 positions itself as a long term partner to a client. If the starting point of an engagement is in looking at market feasibility, it is important that we are making recommendations that will stand up in 3-5 years' time and reaching this point requires the recommendations to be highly practical in nature. Clients tell us that this combination stands us apart from the more traditional market research agencies.

12 | Could you outline the range of your work in higher education?

Since 2008, Sannam S4 has supported over 75 universities, many of which are globally known for their research capabilities and include top 'Ivy League' institutions, eight of the top 20 universities in the world, approximately 25 UK institutions and others from the US, Ireland, Canada, New Zealand and Australia. Sannam S4 also work closely with a number of governments around the world supporting their engagement in this area. Our services to these institutions/organisations are customised based on the institution's needs and objectives but are broadly focused on helping build and implement country specific strategies. Services include market planning/strategy development, partner matching/identification, business/legal structuring, market expansion and representation, entity set-up and back-office management, financial, tax, regulatory and HR advisory. For those looking to try and recruit students, we also operate a series of services to support this activity.

Sannam S4 works closely with the local ecosystem players in the markets we operate in – central and state governments, associations, institutions– to surface opportunities, stay close to and, where possible, inform changes in legislation and help create connections that will support the various parties in achieving their goals.

In India, we have over 100 consultants with a deep understanding of the Indian higher education system. This is complemented by senior teams in the UK and US to support clients. Our global education division is led by Executive Director, Lakshmi Iyer, who regularly features on speaking platforms around the world and is frequently quoted on a variety of matters relating to international education.

13 | How active is Sannam S4 in the not-for-profit sector and what is the nature of this work?

This is a particular area of strength for Sannam S4. There are obvious parallels between the motivations and mindset of our education clients with those more traditionally viewed as a not-for-profit. For India, this is a tightly regulated space and a number of high-profile organisations have fallen foul of the requirements, resulting in them leaving the market. Our work here tends to focus more on structuring, entity set-up and back-office management, financial, tax, regulatory and the provision of HR support to their teams, which often includes expatriate support.

INDIA - THE POST-B₹EXIT

CURRENTLY THE 7TH LARGEST ECONOMY IN THE WORLD[1]. PREDICTED TO BE THE 2ND LARGEST BY 2030[2]

7TH

2ND

INDIA

IS THE SECOND-FASTEST GROWING MAJOR ECONOMY IN THE WORLD[4]

FORECAST
GDP GROWTH

FY 2020:
6.9%[3]

46%

UK COMPANIES SAID THEY WERE PLANNING TO EXPAND THEIR INDIAN OPERATIONS IN THE NEXT 12 MONTHS

THE
MAJORITY
OF UK BUSINESSES THINK THE EASE OF DOING BUSINESS IN INDIA IS IMPROVING[5]

7/10

UK BUSINESSES GAVE THE MODI GOVERNMENT A SCORE OF 7/10 ON OVERALL PERFORMANCE

[1] The World Bank [2] www.news.com.au [3] RBI [4] www.bbc.com [5] UKIBC [6] Office for National Statistics

UK INDIA
BUSINESS COUNCIL

EXPORTING OPPORTUNITY

THE UK INDIA BUSINESS COUNCIL REVEALS WHY BRITISH BUSINESSES NEED TO GRAB THE INDIAN OPPORTUNITY NOW

The UK-India partnership already rests on strong foundations. The UK is the biggest G20 investor in India, while India is the third largest investor in the UK, spending more in the UK than the rest of the EU combined. As a result, the UK's decision to leave the EU presents a huge opportunity in terms of trade and investment between these two nations. This is an opportunity for the UK and India to build an even closer relationship.

HERE'S WHY...

As per PwC & UKIBC report, UK businesses employ 491,110 people in India. The International Labour Organisation has predicted that by 2020 India will have 116 million workers in the work-starting age bracket of 20 to 24 years old, 22 million more than China. This is driving the expansion of a middle-class consumer market, which is projected to become the biggest in the world by 2030, according to *The Economist* These consumers may be value conscious, but also brand conscious and drawn to British products and services.

EXPORT OPPORTUNITIES

Despite the strong UK-India bilateral investment partnership, trade between the two countries is not as significant as it should be.

Although UK-India total trade in goods and services grew by 8% on an annual basis from 2000-2018, the UK is still only India's 17th top trading partner[6]. Two-way bilateral trade between India and the the UK also grew by 6.8% on an annual basis from £86.2 billion in 2014 to £112 billion in 2018. In 2018, the total bilateral between the UK and India amounts to £20.5 billion. Currently, the UK's share of exports to India does not adequately reflect either the warmth, or indeed, the potential, of the relationship.

As a result, the opportunity which presents itself post-Brexit is clear: it's time for British businesses to boost their exports to India.

Beside being an attractive destination in itself, there is another benefit for UK companies that establish successful links with India – the knowledge and experience to have similiar success in other high growth markets in Asia. There is strong evidence to suggest companies which export tend to grow faster, employ more people, and become more efficient and profitable than their non-exporting counterparts. By exporting to India, UK businesses will develop expertise that will enable success elsewhere.

There are, therefore, multiple reasons why British businesses must grab this opportunity now.

TOP EXPORTING TIPS

Practical advice to consider when exporting to India...

1. It is helpful to approach an in-country market research team for a product feasibility assessment. This can help you decide whether your product is right for India.

2. You typically need to complete 11 documents to export to India. Hiring a consultant in the initial stages can offer a significant boost to your business.

3. Certain goods require the receiver to hold a Special Import Permission, although the majority do not require any licence.

4. Political consensus around a 'One Nation, One Tax' has recently led to the amendment of the constitution to bring in the Goods and Service Tax (GST). The goal of the GST is to turn India into a single market. This will help create a more efficient and hassle-free business environment. Previously, taxes differed from state to state.

5. Most products being exported are expected to follow standards set by the International Organization for Standardization, though there are 109 products which have to comply with the Indian quality standards.

6. Given India's climate and seasonal extremes, it is advisable that the packaging of the product takes into account conditions specific to India.

Visit www.ukibc.com for India information. For support on your India plans contact www.ukibc.com/about/meet-the-team

Confederation of British Industry (CBI)

Across the UK, the CBI speaks on behalf of 190,000 businesses of all sizes and sectors which together employ nearly seven million people, about one third of the private sector-employed workforce. With offices in the UK as well as representation in Brussels, Washington, Beijing and Delhi, the CBI communicates the British business voice around the world.

The CBI India office is based in New Delhi.

Here is a brief background about CBI India:
The CBI set up its full time office in India in July 2012 and has over 150 member companies, mostly British employers doing business in India. It is a body which deals with members across sectors and size.

The CBI in India offers its members the following services:

Information & advice

- The CBI's New Delhi based office provides members with independent, on-the-ground, economic, business and political analysis of the key issues, mainly in the policy space facing companies in India
- Members receive the CBI's monthly newsletter India Update
- Company specific advice is provided through email, in-market and on visits to the UK.

Policy/regulatory issues

- Provides a voice to members in India on business matters, in meetings with Indian government officials and by feeding into UK and EU lobbying activities.

Events & networking

- Quarterly briefing of CBI members by the British High Commissioner to India
- Company specific workshops, business breakfasts and ministerial roundtable meetings with UK and Indian ministers in India and the UK
- Joint activity and events in partnership with the Foreign and Commonwealth Office, Department for International Trade, UK India Business Council, FICCI, British Business Group, World Bank, CII and Department of Industrial Promotion and Policy, Government of India
- Special forums to help members with specific in-market needs.

India-related projects in CBI:

- CBI Director General, Carolyn Fairbairn, is part of the UK India CEO Forum
- Sterling Assets India flagship publication - UK FDI creating Indian jobs
- India is part of the international itinerary for the CBI’s Leadership Programme
- The India signature event, India Banquet has been held in London for three years in a row
- Mini-India events in UK regions
- Running the UK India Women’s Leadership network
- CBI-EY Ease of Doing Business initiative.

Industry: making it happen in India

India has a new and ambitious goal. By 2025 the country should become a US$5 trillion economy, up from US$2.7 trillion in 2018, according to a target set by Prime Minister Modi.

This will be far from easy but the Government has planned a package of reforms designed to initiate foreign and domestic investment through heavy spending on job creation, rebuilding the nation's infrastructure and creating a digital economy.

One crucial element in its success will be the Prime Minister's cherished scheme, launched under his previous administration, to put manufacturing back at the centre of the economy, transforming the country into a manufacturing hub and a regional industrial superpower.

With support from a new wave of domestic and foreign investors, the Government's 'Make in India' campaign, aims to boost the industry's share of the economy to 25% by 2025, creating 100 million new jobs.

Under its now familiar logo – a lion made up of gear wheels – the project seeks to promote 25 separate sectors seen as especially promising, from car-making, defence equipment, aviation to renewable energy, IT and electronics.

The campaign's task: to stimulate investment, foster innovation, provide employment, upskill the workforce and protect intellectual property rights. On offer to the right investors: a package of incentives that includes tax breaks, improved facilities and simplified bureaucracy.

In 2019's Federal Budget, Finance Minister Nirmala Sitharaman spoke of new measures to attract global companies in the "sunrise industries" and areas of advanced technology to set up "mega manufacturing plants".

Tax exemptions and other indirect benefits, she said, would be offered to corporations working in such sectors as semi-conductor fabrication (FAB), solar photovoltaic cells, lithium storage batteries, solar electric charging infrastructure, computer servers and laptops.

Moreover, a range of domestic industries can now look forward to greater protection from their global competitors after the budget increased import tariffs on some 70 wide ranging items.

It helps too that affluence has been spreading fast, creating a new brand of Indian consumer with cash to spare for expensive manufactured products. By 2020, for example, India is set to become the world's third largest automobile market, as a new middle class takes to the road in increasing numbers. India is already the world's largest tractor manufacturer and it is the second largest manufacturer of buses.

Another attraction for investors is what Prime Minister Modi has called the Three 'Ds', Democracy, Demography, and Demand'. In other words, a politically stable India with a fast rising population represents a market and manufacturing base that few other countries can match.

The ready availability of skilled labour in India could prove all the more important as industrial wages continue to rise in China, tempting manufacturers to start to look elsewhere for a base in the region.

Indeed, China is now the fastest growing source of FDI in India. The giant heavy equipment company Sany, for example, recently announced a US$140 million expansion of its factory in Pune, and the metals company Tsinghan is investing US$1 billion in a stainless steel plant.

Ministers can point to a solid record of achievement in certain sectors. Between 2006 and 2016, for example, the once-hidebound automobile industry created 25 million new jobs, encouraging hopes that its success could spur further industrialisation, just as it has done other major economies.

In the past, Prime Minister Modi has spoken of raising the sector's contribution to GDP from 7% to 12% by 2026 and, despite recent setbacks, the country ranks as the world's fourth largest car manufacturer, as well as being the second largest manufacturer of buses and the largest tractor manufacturer.

The Indian textile industry, among the oldest in the national economy, is second only in size to China's, and ranges from small workshops producing exquisite hand-woven goods to hugely sophisticated capital-intensive mills.

Foreign markets are an important target. The value of India's textiles exports stood at almost US$40 billion in 2018 and is expected to rise to US$82 billion by 2021. Thanks in part to Government incentives, the export of ready-made garments rose by 9.25% in the year to May 2019.

One more bright spot has been a steady increase in the export of locally manufactured electronic goods especially. Leading the field are mobile phones with an eightfold rise in the value of locally manufactured or assembled units over the last four years.

Central to India's attractions are the Special Economic Zones (SEZs), which are deemed 'foreign territory' by the tax authorities, allowing manufacturers to enjoy lower rates of Corporation Income Tax (CIT), the duty free import of essential goods and a short term exemption from tax on export sales.

> On offer to the right investors: a package of incentives that includes tax breaks, improved facilities and simplified bureaucracy.

Launched in 2000, the SEZs were modelled on similar zones in China which proved to be a key factor in developing their manufacturing. By 2018, there were more than 370 in place, employing some two million people.

Furthermore, the authorities have promoted country-specific zones for investors from particular nations. At least ten Japanese companies including Honda and Toyota, for example, operate out of the Japanese zone at Neemrana, near Delhi.

The Government is planning for an industrial corridor between Delhi, the country's political capital and Mumbai, the commercial capital, to serve as an attraction for manufacturing and investment.

Running through six different states, the Delhi-Mumbai Industrial Corridor (DMIC) will have a dedicated 1,500km rail freight link as its central axis, transporting goods with a speed and ease unprecedented in India, and freeing up the major highways.

Planners foresee a time when the DMIC, backed by heavy Japanese Government loans, will link no fewer than eight 'smart cities' along its route as well as two airports and 24 distinct industrial regions. At a cost of US$1 billion, it has been announced as the world's largest infrastructure project.

The new corridor will not be alone. Four other corridors are envisaged around the country, linking Bengaluru and Mumbai, Amritsar and Kolkata, Chennai and Bengaluru, and major sites along the East Coast.

Can the Government succeed in realising its vision of a re-industrialised India? Despite recent improvements, India's poor transport system, restrictive labour laws and burdensome bureaucracy mean many manufacturers may still hesitate to invest.

While India ranks as a world leader in the training of engineers there are question marks over the quality of some college courses. At a lower level, the country also lags behind its competitors when it comes to offering apprenticeships and skills training.

Still there are grounds for optimism. A 'Skill India' programme is underway to re-equip the nation's workforce with the necessary skills for a 21st Century workplace, and India made significant gains in the 2019 World Bank survey on the Ease of Doing Business, climbing 23 places to rank 77th among the 190 countries surveyed.

Almost every area of industry has now been opened up to foreign ownership. In particular, restrictions have been lifted on companies looking to invest in India's vast defence sector, once the exclusive preserve of state enterprises. Arms production is now increasing and so are its exports.

Biotech is also attracting investment and India's electronics industry is expected to be worth US$1 trillion by 2025. In a statement of confidence in 2019, Hewlett Packard announced plans to start manufacturing in the country by 2020 and invest up to US$500 million over the next five years.

Indo-UK Business: partners in progress

India offers the infrastructure and growth mindset to achieve the next level of global business leadership

Kishore Jayaraman, President, Rolls-Royce – India & South Asia

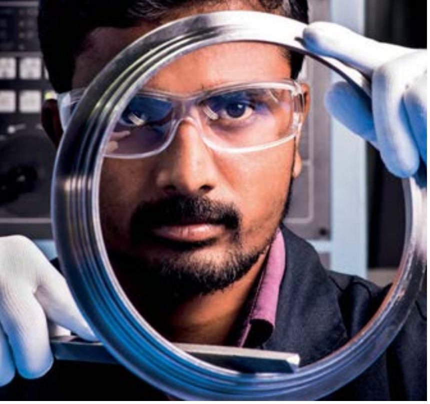
Kishore Jayaraman

India has long held the attention of the international community, and now more than ever as the Prime Minister announced the country's goal to become a US$5 trillion economy by 2025. Industry estimates have projected this growth for a long time, with India fast becoming a preferred market on the back of growing affluence, hugely improved physical infrastructure and the foundations of a strong digital superstructure. This essential vitality of the Indian economy is further enhanced by an underpinning of sustainability and an eco-friendly ethos. It is manifesting itself in initiatives such as electric mobility and the growth of alternate power sources. Consequently for India, sustainability will prove to be a game changer, giving the country an unbeatable global advantage.

The 'India promise' strongly rests on the sharp positive trajectory that burgeoning consumerism has ignited, and this is also reflected in the expansion of its aerospace industry. With a rising income set and a robust traveller base, India is an attractive investment destination for the civilian aerospace industry. By one estimate, just the total value of travel bookings for 2019 is expected to exceed US$34 billion and even cross the weighty mark of US$44 billion in the following three years. In the defence sector, an estimated US$130 billion will be spent on military modernisation over the next five years with a sizeable proportion expected to go to defence aerospace alone. Add to that the opportunity in collaborating for developments in the naval marine sector, which is expected to gain focus in the coming years.

Our long-standing association of over 85 years with India has helped us develop a deep understanding of the country's infrastructure sectors and its inherent strengths. We truly believe in the country's potential to be a centre for innovation and competitive manufacturing.

At Rolls-Royce, we believe that co-developing and co-creating solutions, especially in the defence sector, will be the building blocks for the future. A strong incentive for global participation also stems from India's active focus on building a thriving local defence industry, with exciting opportunities for innovation in the aerospace



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sector. The growth of India's aerospace industry indicates that the country is rapidly building capabilities to emerge as a preferred destination to support the global aerospace and defence supply chain. With a fast growing skilled workforce, India offers unrivalled value arbitrage options with the expertise to collaborate and co-create customised solutions which will yield significant benefits to investors and partners.

Rolls-Royce engines with leading fuel efficiency and reliability, enable military aircraft to stay on mission for longer. Our MissionCare® delivers reduction in operating costs while consistently delivering the required engines available to meet mission requirements. At the same time, we are a leading provider of mission-critical solutions for the commercial, offshore and naval marine markets, with our MT30 gas turbine being the engine of choice for naval customers worldwide.

Rolls-Royce has several long standing partnerships to 'Make in India', including the International Aerospace Manufacturing Pvt. Ltd. (IAMPL), our joint-venture with Hindustan Aeronautics Limited for manufacturing of aero engine components. In addition, we have a long history of successful partnerships with Indian suppliers, wherein we have helped in building capabilities to create an ecosystem of suppliers that match global quality and delivery standards.

Continuing our commitment to leverage India's industrial competencies to support the growth of the economy across industries,

Adour-powered Jaguar at the HAL facility

our Power Systems business recently formed a joint venture with Force Motors, called Force MTU Power Systems, which will produce engines for power generation and rail under-floor applications, including the Series 1600 generator sets for Indian and global markets.

Our Power Systems business and Garden Reach Shipbuilders & Engineers Ltd. also enjoy a strong partnership spanning three decades that began with the assembly of MTU Series 538 and 396 engines at the Diesel Engine Plant in Ranchi. The partnership now includes the assembly of MTU Series 4000 engines for a wide range of naval vessels.


Engineer working on aerospace component in Bangalore

To pioneer the power that matters to India, Rolls-Royce is also exploring new developments in technology. The company is harnessing the convergence of mechanical and electrical, as well as physical and digital. What this means is a fundamental transformation of our business, reinventing ourselves with digital capabilities and building up a broad, balanced portfolio of power solutions. We are keen to leverage the digital talent landscape in India to accelerate our digital transformation initiatives.

We capture vast amount of data in everything we do, whether it is engineering components or systems, manufacturing parts, assembling equipment and testing or monitoring health of equipment in service. Using this data innovatively gives us opportunities to improve productivity, efficiency and ultimately provide better services for our customers. It's why we've collaborated with sector leaders such as Microsoft and Tata Consultancy Services to accelerate data innovation and related solutions.

Additionally, we have set up R2 Data Labs as a 'data innovation cell' designed to deliver untapped value from data, and act as a development hub for new services that improve the way we and our customers operate.

As India continues to grow and develop, it is looking for smart and sustainable technology solutions to meet its growing energy demands while minimising environmental impact. With a view to achieve sustainable and universal electrification, distributed generation technology models like microgrids, can be designed to optimise local energy generation sources along with grid and battery backup. Our Power Systems business, with generator sets from MTU Onsite Energy, is well positioned to provide microgrid solutions and help India achieve its sustainable power vision.

Collaborations for technology transfer and capability building will help leverage the strengths of the two nations to drive future growth. Innovating for India and partnering the 'Make in India' vision will remain key to Rolls-Royce.

Building a sounder basis for success

As a symbol of India's soaring ambition, the 1,320km Delhi-Mumbai Expressway will be hard to beat. The foundation stone was laid in 2019 on what will be the country's longest motorway, linking the country's political and commercial centres.

When completed in 2022, the eight lane highway will reduce journey time between the two cities to 13 hours from the current 24 hours, ease congestion and lift the economy of communities along the route.

Crucially the bridge across the Chenab River, designed by consultants from Finnish based WSP Group and German based Leonhardt Andra, will improve connections in the states of Jammu and Kashmir and speed up economic development in the region.

In attempting to overhaul the nation's outdated infrastructure, India has huge plans. For all its recent achievements, the Government knows it cannot hope to maintain the pace of growth, or satisfy both the public and business community without radical improvements.

At the very least, it must act to upgrade its transport network to ensure the continuing success of the country's buoyant logistics sector, which has been growing at the rate of almost 8% over the last five years as the economy expands.

In the words of India's Finance Minister Nirmala Sitharaman, delivering her maiden budget speech to Parliament in 2019: "Connectivity is the lifeblood of an economy" and better transport can play a key role in "bridging the rural-urban divide."

In meeting a central pledge in the manifesto of the Bharatiya Janata Party (BJP), which returned to power after 2019's national elections, she promised to spend a massive US$109 billion on infrastructure over the next five years.

Across the country a series of projects are already underway, not only to improve transport systems but also to provide energy, homes, workplaces and public health projects for its rapidly growing population, expected to reach 1.5 billion by mid-century.

The challenge is immense. The infrastructure promise ties in with estimates reflected in the 2017-18 Economic Survey written by former adviser and economist Arvind Subramanian, who estimated the need for investment at US$4.4 trillion until 2040.

Apart from meeting an obvious need, such huge spending should also help employment in a country where finding work for the next generation is a vital concern.

Much has already been achieved and often on a grand scale. As an example, the building of the world's largest airport on a greenfield site, the Navi International Airport outside Mumbai is scheduled to open in 2020, or one of the world's largest solar plants, spread over almost 10.4km^2, at Pavagada in Tamil Nadu, which went into operation in 2018.

There is no faulting the scale of the Government's plans for the future. They include a Delhi-Mumbai Industrial Corridor (DMIC) intended as a single industrial zone to be linked by its own rail freight line, stretching 1,500km and spanning six states.

Rebuilding the nation's infrastructure is hugely expensive and despite the Government's promise of lavish state funding, it is also prepared to draw on the resources of the private sector, whether Indian or foreign, to build and also to operate new facilities.

The giant Adani Ports Group, for example, is constructing India's first transhipment port at Vizhinjam in Kerala as part of a PPP arrangement.

Notably, India's giant engineering company, Larsen & Toubro, seen as the pioneer of PPP projects, has engaged itself in a range of projects that embraces road-building, bridges, ports, airports, hydroelectricity plants, metro railways and water supplies.

But foreign involvement is no less welcome. The relaxation of many of India's old restrictions on FDI has led to the inflow of US$191 billion over the last five years, and Ministers hope that foreign corporations will now respond positively to fund the latest phase of the infrastructural overhaul.

In a timely show of confidence in 2019, two of the world's largest retirement funds announced plans to invest at least US$500 million in the nation's infrastructure, possibly raising the figure to US$2 billion in the future.

Australia's largest pension fund, Australian Super, and the Ontario Teachers Pension Plan from Canada will initially contribute US$250 million each to the National Investment and Infrastructure Fund (NIIF), India's own sovereign wealth fund, which focuses on infrastructure.

Created in 2015, the NIIF exists to pull in foreign investment to help with the rebuilding of the nation's infrastructure and reboot the economy through the building of new roads, faster railways and improved ports.

The fresh injection of cash is especially useful after Infrastructure Leasing & Financial Services, a leading Indian finance company, or shadow bank, in 2018 defaulted on debt, triggering concern across the financial sector and limiting the inflow of new funds.

NIIF now manages more than US$3 billion in capital commitments across three separate funds each with its own distinct approach to investment. Other investors have included ADIA, the sovereign wealth fund of Abu Dhabi, which pledged US$1 billion in 2017 and the Singapore state investment firm, Temasek, which committed US$400 million in 2018.

With the fresh commitments, the NIIF Master Fund has become the largest infrastructure fund in India, with assets under management of more than US$1.8 billion and a co-investment pool of US$2.5 billion.

Among others tempted by India's potential in the past, are some of the commercial world's biggest players including the China Harbour Engineering Company Ltd (CHEC) and the Mizuho Financial Group of Japan, a country that has already contributed much to India's

> The relaxation of many of India's old restrictions on FDI has led to the inflow of US$191 billion over the last five years.

infrastructure. It was Japanese money that built much of Delhi's metro rail network.

One sector in urgent need of investment is the railway network, long a source of national pride. Much progress has been made in recent years, with the spread of electricifation and free wifi at many stations but much more modernisation is still required.

The 2019 budget notes that US$54.5 billion will need to be spent on the network by 2030 and proposes the wider use of PPPs to "unleash faster development", including the completion of new track and the manufacture of more rolling stock.

At the same time, at least ten cities are working on new metro railway projects to relieve the overcrowding in urban life in much of India. Especially innovative was the launch in 2019 of the first monorail system, operating on 18km of track in Mumbai, and similar schemes are underway in cities from Chennai to Dehradun.

With help from the Government too, scores of new airports – largely regional – have opened in recent years, but the Ministry of Aviation believes that another 100 will be commissioned over the next 15 years to accommodate fast rising demand: India is now the world's largest domestic aviation market.

The giant Bharatamala scheme proposes to recreate much of the country's entire road network, adding 34,800km of new roads and creating vast new "Economic Corridors" to ease the movement of freight and stimulate growth.

Remote rural communities have not been forgotten. Under a Government backed scheme, every village in India with a population of more than 250 people should be connected by a dependable, all-weather road by the end of 2019.

One more target for government cash is India's inland waterways, seen as an underused but a promising alternative for shifting huge volumes of cargo in order to free up space on the country's congested road and railway systems.

The Ganges, in particular, offers serious potential. A multi-modal terminal opened on the river at Varanasi in 2018, along with two new terminals and work starting on a new lock are due for completion by 2020. The result according to government estimates: a fourfold increase in the volume of cargo traffic on the river over the next four years.

Private investment is also revitalising India's ports. The Government's Sagarmala modernisation programme envisages a massive outlay to upgrade 12 of the country's major ports, setting up as many as 142 new cargo terminals and harnessing the development potential of India's entire 7,000km coastline.

What citizens need most is housing and, once again, the Government has set itself bold targets. To fulfil the vision set out in its Housing for All initiative, hundreds of entirely new cities will be required before the end of the next decade, making India one of the world's largest construction markets.

From wind power to solar: India goes green

India is the world's third largest source of greenhouse gas emissions after China and the US and has been making good on its promises to shift its coal-dependent economy towards more eco-friendly forms of power.

Under the 2016 Paris Agreement on climate change, the country committed itself to slashing its greenhouse gas emissions and raising the contribution of non-fossil fuel sources to 40% of the country's total power capacity by 2030.

Experts agree that it could be well on the way to meeting – or even exceeding – its principal targets, due in part to the falling price of green technologies and the active support of a government determined to stimulate a switch to renewables.

The pace is quickening too. By the end of the decade, non-fossil fuel sources led by wind and solar, will account for 48% of India's power generation, more than double the figure reached at the end of 2018, according to forecasts in 2019 from the Central Electricity Authority (CEA).

Nearly 8.53GW of renewable energy capacity was added in 2018, according to the Ministry of New and Renewable Energy, taking total installed capacity to 78.31GW.

Solar, in particular, has seen spectacular growth. Capacity increased eightfold between 2014 and 2018 to 22GW and India now produces the world's cheapest solar power, according to an International Renewable Energy survey.

Indeed, the scale of India's solar ambition is breath-taking. Half of the world's ten largest solar parks under construction are located there, and it is also home to one of the largest facility in the world, at Kamuthi in Tamil Nadu, which covers more than 10.4km^2.

The wind power industry can also claim a creditable record, raising capacity from 21GW to 34GW over the same four year span. At the same time, India is also busy developing the potential of biomass and hydropower to boost its output.

Investment has substantially increased to finance a Greener future. The country's largest producer of renewables, ReNew Power, which has more than 100 wind and solar plants, attracted more than US$1 billion in funds in 2018 alone.

It is a record that impresses international observers. "India energy watchers in the US were sceptical of the feasibility of these targets when they were originally announced, but now India is making excellent progress on delivering these targets," Andrew Light of the

World Resource Institute told a Congressional Committee in the US in 2018.

In short, to its admirers India provides an example of a large developing country seeking to industrialise sustainably and to do so rapidly. The latest goal is to establish a total renewable energy capacity of 175GW by 2022, with solar contributing 100GW and wind 60GW.

Yet the Government knows there is no ground for complacency. A fast growing economy, and the energy-intensive habits of a fast expanding middle class – car ownership and flying, for example have risen dramatically – are constantly pushing up energy consumption.

Throw in the fact of rapid population growth and it is easy to see why BP concluded in its energy outlook report for 2019 that India's share of total global primary energy demand is set to roughly double by 2040.

Pushing up demand still further, more and more of the country's poorer families are now being linked to the electricity grid. In 2018, the Government announced that every village in the country was now connected but some 30 million individual households, largely in rural areas are still waiting for their own supply.

Furthermore, some private companies have been deterred from entering the market by the ceilings imposed on some tariffs in order to keep electricity supplies affordable for the poorest, and land for new projects is not always easily available.

But the shift to renewables is irreversible if only because the need for cleaner energy has become strikingly apparent as air pollution worsens. In 2017 alone, the problem was held responsible for some 1.24 million deaths, and the country now has seven of the world's ten most smog-bound cities, according to Greenpeace.

In such circumstances, it is no surprise that the Government is eager to encourage the foreign investment needed to create still more Green Energy: despite the recent boom in renewables, the CEA believes that India will still need coal to provide half of its electricity in 2030.

All limits on FDI in the energy sector have now been reduced, and the country has attracted more than US$7 billion since 2000, with more than US$3 billion arriving in the three years to 2018.

India pioneers an online future

For the new generation of entrepreneurs building India's digital economy, these are exciting times. A rare combination of Government support, favourable demographic and technological trends, and fast-changing consumer habits has transformed the marketplace for their services.

Look no further than the booming FinTech sector. India saw the launch of more than 2,000 FinTech start-ups between 2015 and 2018, a number only exceeded by the US, and far ahead of rivals such as the UK, Germany and Singapore.

In the first quarter of 2019, India was ahead of China to become the leading FinTech start-up hub in Asia, attracting US$286 million in investments, says CB Insights, and experts believe the entire Indian FinTech market will grow at average rate of 22% for the next five years.

Within less than a decade, a galaxy of new names has become universally familiar to the Indian consumer, with Paytm, Mobikwik, Policy Bazaar, PhonePe, PayU, Shubh Loans and Lending Kart among the best known.

The growth figures are dramatic. Paytm which was founded in 2009 with an initial investment of just US$2 million, now has more than 370 million users for its digital wallet, and had a turnover of US$480 million in 2018.

The digital payments platform, PhonePe has collected over 150 million users since its launch in 2015, while BHIM, who are a mobile payment app run by a government-led bank co-operative has 146 million on its books after only three years.

It is little surprise that foreign investors have been buying into the new market. The list so far includes Amazon, Walmart and Google, while Barclays and SwissRe are among those to have established incubators and accelerators to stimulate still further growth.

Behind such success lies the dramatic growth in the tech-savvy population, as the Indian middle class continues to expand. By the end of 2019, some 627 billion people are expected to be regular internet users, up from 481 million in 2017.

The client base for online services are no longer confined to the nation's more affluent city-dwellers. The fastest growth now comes from rural areas where increasing availability of bandwidth and cheap data plans are rapidly driving up internet usage.

In particular, a new generation from these areas are adopting the smartphone. At the end of 2017, users numbered around 290 million, according to the US marketing research firm, eMarketer, but by 2022 it predicts that figure could rise to over 490 million.

Almost half of the new FinTech companies are in the digital payment and trade processing sector, according to the Federation of Indian

Chambers of Commerce, reflecting the rapid progress towards a cashless economy.

The value of digital transactions has increased more than 50 fold in the last two years alone, as the population increasingly turn to online payment methods for everything from groceries and travel to insurance and pensions.

The real impetus for change, came with the introduction in 2016 of a Unified Payment Interface (UPI), backed indirectly by the Reserve Bank of India, which has created an easy system for transferring money between banks.

Much credit also belongs to the Government that sees the internet as a vital tool for financial inclusion, allowing all citizens, especially women, to share the benefits of the digital economy and easy access to the banking system.

Its most obvious expression is the wide-ranging Digital India initiative, launched by Prime Minister Modi, which aims to encourage digital literacy in the entire population, provide high speed internet connectivity to all citizens and offer ever more government services online.

Other Government backed programmes include Start-up India, aimed at fostering a new entrepreneurial culture, and the Jan Dhan Yojana (‘People’s Wealth’) scheme, which has driven the creation of more than 300,000 bank accounts.

What also appeals to would-be investors is the ready availability of labour. India has one of the world’s largest talent pools of Science, Technology, Engineering and Mathematics (STEM) graduates, with a total pool of more than 2.6 million.

That is partly down to Government education policy, but the private sector too is keen to find and develop the best technology students. The Mumbai stock exchange, for example, now offers its own FinTech MA course.

Individual States have played their part. The Maharashtra Government, for example, has been a powerful backer of the Mumbai FinTech Hub, and local firms have good reason to be grateful to the Andhra Pradesh Government for its sponsorship of the FinTech Visag Valley.

EQUINITI
INDIA

A local employer with global reach

EQ

THE STORY SO FAR

Sam Halford - (Managing Director)

Email: Sam.halford@equiniti.com

Website: www.equiniti-india.com

2014. Outsourced IT services were moved in-house to Equiniti India

2015. BPO/Operation & AX team was launched to support people product in Equiniti India

2016. Increased existing scope by introducing Innovation, FSS, HR, People services & Marketing sales support activities

2017. Investment services contact Centre activity introduced. HR & payroll services scope increased in Equiniti India

2018. Additional office space identified in Bengaluru

2019. The Growth Story Continues...

Operations
Customer Processing
Investment Services
Employee Benefit
Central Reconciliation
HR Payroll
KYC Operations
Customer Experience Center (Voice)

Innovation
End User Computing
Robotic Process Automation
& Technical Communication

Information Technology
Application Development
Support & Testing
Configuration & Release Management
IT Services Desk
IT Infrastructure Management
24/7 Monitoring
Group Information Security

Other Services
Finance Shared Services
Group Project Management Office
Marketing and Sales Support
People Services

Equiniti India Private Ltd
DLF IT Park, Block 10, 8th floor,
1/124 Shivaji Gardens, Chennai- 600089
Contact: 91 044 42883800

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L&D and Innovation is fuelling growth for Equiniti India

Equiniti India

Equiniti India is an ISO27001:2013 (Information Security Management System), and part of Equiniti Group Plc (Equiniti) company, engaging in offshore business. Over the past five years, EQ India has grown significantly, providing additional support to Equiniti, the multinational technology payments specialist, by creating a sophisticated and robust presence in India.

EQ India employs highly competent professionals delivering complex and large transactions. The EQ India services include application support/development, software quality assurance, IT Infrastructure support services, Project Management Office (PMO), finance shared service, Business Process Outsourcing (BPO) process such as employee benefit solutions, shareholder services, investment services, pension solutions, central reconciliation, customer experience centre (voice process), HR & payroll and marketing & sales support. Today EQ India has grown from circa 100 employees to over 1,000 across two locations Bengaluru and Chennai.

The key attributes to the successful progression of EQ India has been an award winning Learning & Development (L&D) model, delivering an excellent digital and classroom based learning and an in-house R&D facility called the Innovation Team which leverages transformation & automation to deliver contemporary solutions.

EQ India Learning & Development

The L&D Team was created in late 2016, with a vision to provide a unique role based and digital learning platform to all staff. Following the successful adoption of this strategy in 2017, an online learning platform called the Digital Academy, is offered to everyone as a resource for all learning needs with powerful features and over 50,000 courses sourced from a leading content provider.

The Digital Academy launched in 2018, has over 95% engagement. This is combined with robust classroom training programmes, one-on-one coaching and various blended learning solutions to assist staff on their technical skills. The Special Business Communication Enablement Programme which cover a wide range of programmes, for example, ComEx, Lingo Bistro and customised coaching sessions for the development of the English language has been adopted to nurture the talents of employees.

The L&D Team, with a clear vision set by Managing Director, Sam Halford, has worked on creating a unique centre for knowledge. Some of the notable accomplishments are:

- An induction programme spread over four weeks ending with a friendly discussion called "Coffee with Sam"
- A series of monthly video based learning sessions called KTV Knowledge Through Videos
- A two year Graduate Trainee programme developed to create a career path for new graduates
- An initiative called Communities of Interests (COI) to encourage a social learning culture
- Empowerment of leadership teams through external workshops and executive coaching
- Budding Leaders Meet is another workshop, meeting offsite twice a year, involving all at team leader levels and above
- Quarterly L&D awards to incentivise staff performance.

EQ India aim to have more than 70% of its employees increase their skillsets in additional areas to their primary one. This is one of the key objectives for 2019.

The enthusiasm and energy of the team, combined with an excellent communication strategy, collaboration and engagement with all learners and stakeholders has reaped rewards. The EQ India L&D has won awards and recognition from the industry, these include: Best Corporate Film for Communicating Organisation's Culture and Programme of the Year award at India Innovation Awards 2018 by Skillsoft.

EQ India innovation

Since its launch in 2016, EQ India Innovation has helped create highly successful Robotic Process Automation (RPA) and End User Computing (EUC) that has increased operational productivity, efficiency and reliability thus enabling financial saving for the business.

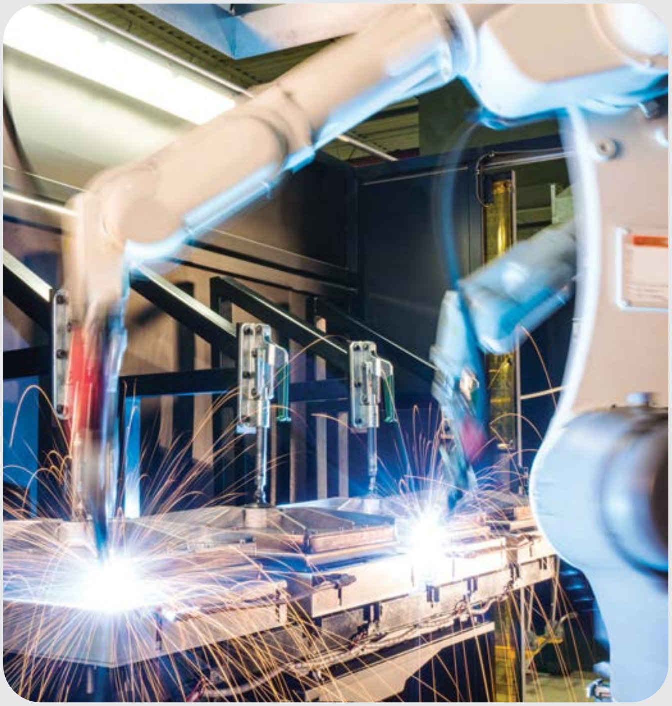
The EUC project took a detailed look into the business unit and identified the following:

- Risk of single point of failure
- Unprotected macros
- Human error resulting in operational and financial loss
- Possible SLA breach.

The team worked towards consolidating applications, database and point of delivery to develop 13 new EUC solutions, whilst reviewing and standardising 34 existing ones. This saved 3,908 hours annually and two FTE.

The RPA worked on manually complex transactions and identified the following:

- Large usage of spreadsheet analysis
- Three applications to process transactions
- Time taken for each transaction
- Human error and operational loss.



The RPA governed by structured inputs and business logic helped automate business processes. This facilitated in creating an interaction with multiple applications in a "non-invasive" environment, reduced human error, fraud, time of process, increased operational competence with a high volume of transactions, leading to better resource capacity planning.

EQ India's growth story has been lauded by senior officials and industry experts both in India and the UK. This has been achieved through endlessly intensifying skills and harnessing local talent to provide key support to Equiniti's growing US business called EQ by Equiniti, as well as further developing the Groups' proprietary technology platforms, which sit at the heart of the UK's financial and capital markets.

Partnering with our communities and society

Diageo India

We are India's leading beverage alcohol company with an outstanding portfolio of premium brands. We are a high-performing business that is sensitive to consumer, community and societal needs. We are proud of being a responsible producer and marketer of beverage alcohol, and we champion responsible consumption as part of a balanced lifestyle.

Our ambition is to be among the best performing, most trusted and respected consumer products companies in India. Our business and brands connect us to millions of people, and to the resources we share and depend on. Playing a positive role in society is at the heart of this.

As an industry frontrunner, our sustainability efforts are a boardroom conversation and not just a peripheral activity. We focus on issues most material to our stakeholders, and to us as a business. Some of our strongest advocacy work involves tackling alcohol misuse and promoting responsible drinking. We are also passionate advocates for women's empowerment, water stewardship and reducing environmental impact.

Creating a positive role for alcohol in society

While alcohol plays an important part in social occasions and celebrations for those who choose to drink, the company recognises that the harmful use of alcohol can cause serious problems for individuals, communities and society.

We are proud to produce and market some of the world's best brands – and we want them to be enjoyed responsibly. Our goal is for people to drink better, not more – which is why we are committed to promoting moderation and tackling misuse.

Diageo is one of the signatories to the Global Beer, Wine and Spirits Producers Commitment to reduce harmful drinking, as part of WHO's goal to reduce the harmful use of alcohol. We have committed to actions and initiatives to:

1 | Reduce underage drinking
2 | Strengthen marketing codes of practice
3 | Provide consumer information and responsible product innovation
4 | Reduce drink driving
5 | Enlist the support of retailers

Through our collaborations with government, civil society, individuals, families and industry we aim to reduce drinking and driving as well as harmful drinking, by raising awareness and promoting rigorous industry standards for responsible consumption.

Creating a national movement around road safety

Our signature Diageo Road-To-Safety programme, now in its fifth year, puts a spotlight on the broader cause of road safety in India while addressing the social issue of drinking and driving.

‘Diageo Road to Safety’ campaign

This campaign provides capacity building training aimed at promoting road safety awareness among enforcement and other officials through our partner Institute of Road Traffic Education (IRTE). To date, we have conducted programmes across 63 cities in 20 states, trained 6,234 personnel from the traffic police, navy, as well as transport and engineers from the public works department and educated 6,000 commercial vehicle drivers on road safety.

‘Diageo Road to Safety’ media campaign

Every year a five-month high-visibility Road to Safety campaign together with media reaches out 360-degrees to consumers, across various touch-points - radio, television, digital and on ground. Youth icon and ace cricketer, Virat Kohli together with leading celebrities, have supported the cause of ‘Never Drinking and Driving’.

The campaign reached out to over 13.6 million viewers on air and approximately 20 million viewers through the digital medium via the media’s national and regional channels. In 2019, over 750,000 people also pledged to ‘Never Drink and Drive’.

‘Diageo Road To Safety - Towards Responsible Youth’ programme

Together with the Ministry of Road Transport and Highways (MoRTH) and the IRTE, we launched the country’s first ever integrated formal training to university students seeking to apply for their learner’s licence. The programme was launched by the Minister of State for MoRTH, Shri. Mansukh Mandaviya.

State-industry partnership

We have embarked on an industry led outdoor consumer campaign aimed at curbing irresponsible consumption and road safety in the state of Uttar Pradesh. Similarly, together with the Government of Odisha and Puducherry, we are undertaking road audits and capacity building training for local traffic officials. The audit will help mitigate the high occurrence of road crashes, thereby improving the efficiency of road traffic movement.

Building thriving communities

We want to enhance the value we create and help our local communities thrive. Our community programmes are focused on empowering women through Security, Health & Education, providing access to clean water, sanitation, hygiene and employable skills.

Access to clean drinking water

We support the community by providing water purification plants and water ATMs, operated and maintained by womens Self Help Groups (SHG) of each village. Water is provided to households at INR5 for 20 litres. To date, we have installed 25 water ATMs in Maharashtra that provide access to clean drinking water to over 100,000 people.

Improving sanitation

Through our grassroots Project 'S.H.E.' programme, we worked at improving the health, sanitation and livelihood of women in villages around our bottling plants in Alwar (Rajasthan) and Gopalpur (Odisha). We trained and supported womens SHGs to set-up micro enterprises that produces low cost sanitary napkins. Today, this intervention has helped create awareness for menstrual hygiene as well as increasing the SHG's members' average monthly income by INR3,000.

Reducing our environmental impact

Any business that relies on agricultural raw materials and water, has both the responsibility to the environment around it and an exposure to environmental risks. Our programmes reduce carbon emissions and water use throughout our value chain. They also address waste in packaging including plastic, and the use of more sustainable packaging materials. The linked phenomena of climate change and water stress are material to our business and to the communities around us.

Our sustainability principles are aligned to the UN Global Compact goals, where we are long term partners. Our efforts focus on recycling water, solid waste management, greenbelt development with treated wastewater, biogas power generation and solar power installation at select units.

We have a responsibility to think about the future – and we are determined to build a business that continues to make a positive impact on the issues that matter most to our stakeholders and wider society.

The retail boom - an offer for India's new consumers

One of the most populous nations is fast acquiring the tastes and buying habits of the developed world to the delight of major retailers, both domestic and foreign, who see huge potential in the largely untapped Indian market.

Just a few years ago, Indian consumers still shopped almost exclusively at small neighbourhood stores selling locally produced goods. Only the country's major cities could offer the supermarkets and malls familiar to western shoppers.

The pattern is changing as quickly as prosperity spreads. A new middle class is growing rapidly and a new generation of younger consumers with rising disposable incomes want access to the same range of goods as their counterparts elsewhere.

Consider the booming spirits market which is forecast to expand by 25% by 2022, according to a 2018 report from Euromonitor International, not least because of a developing taste for high end brands of vodka, whiskey and rum.

Moreover, India's great commercial centres are now home to a new class of the super wealthy, with money available to spend on all manner of luxury items. A report in 2018 from Credit Suisse found that India added 7,300 new dollar millionaires in the 12 months to mid-2018, bringing the total to 343,000.

Indeed, sales of luxury goods, already worth US$18.4 billion a year look set to soar. The industry lobby group, the Associated Chambers of Commerce and Industry of India (ASSOCHAM), predicted a fivefold increase in this figure by 2021.

Aside from the nation's greater wealth there are multiple factors at work. Urbanisation has also speeded the expansion of the retail market; so too has the growing number of women in the labour market, and new forms of electronic payments.

Crucially, it is the sheer size of the market that makes India so attractive to retailers. The population is predicted to climb from 1.3 billion to 1.5 billion by mid-century, and as yet most of its consumers have yet to be exposed to the allure of 21st century mass retailing.

For their part, retailers have profited from the replacement of the many complex local sales levies by a single General Sales Tax (GST), vastly lightening the bureaucratic burden previously borne by traders of all kinds.

Small wonder then that analysts predict that retailing, already the country's largest industry after agriculture, accounting for 10% of India's GDP and 8% of all employment, can look forward to further years of healthy growth.

By 2020, the entire Indian retail market will have risen in value to US$1.1 trillion, according to the India Brand Equity Foundation.

A booming retail sector, in turn, has put pressure on India's fast-growing logistics industry, vital to the efficient movement and delivery of goods to retailers and their customers. This pressure does coincide with heavy Government infrastructure spending.

The ambitious Bharatmala project, for example, holds the promise of strengthening the countrywide road network and improving links with the interior, while the Sagarmala initiative should be a key step in unlocking the potential of the country's waterways and ports.

For evidence of the new consumerism, look at the number of new shopping malls, increasingly a favoured destination for Indian family outings at the weekend, which continues to spread across the country.

A report in 2018 from the real estate and property consulting firm Anarock, predicted that 85 new malls would be built over the next five years, more than 30 of them in the eight largest metro areas where demand continues to soar.

Some are built on a grand scale with the help of foreign investment. The summer of 2019 saw Singapore's Sovereign Wealth Fund and GIC announce that they are to partner Indian property developer DLF, to construct India's largest mall, covering 7.4 million m^2, in the city of Gurugram.

Indian shoppers are fast following international trends and moving towards online competitors, as internet penetration rises across the country and smartphones have become commonplace.

In a report in early 2019, the Consultancy firm Deloitte India, along with the Retailers Association of India (RAI) predicted that India's e-commerce marketplace is poised to grow to US$1.2 trillion by 2021, from its current level of US$200 billion, helped too by the wider use of mobile wallets.

Among the principal beneficiaries of the market's transformation have been some of the country's largest corporates such as Reliance, Tata and Aditya Birla which have diversified into retailing to seek opportunities in the market. Once best known as a textiles company, Reliance is now India's largest retailer.

It is inevitable that foreign corporate retailers have been seeking opportunities in India. As an example, the US giant Walmart completed the purchase of a majority stake in the leading Indian e-retailer Flipkart in 2018 and also announced plans to spend US$400 million opening 47 new stores in the country.

Franchise deals have also introduced Indian consumers to foreign fast food chains such as McDonalds and Domino's, and much more international interest is expected as India prepares to relax still further its restrictions on foreign investment.

In 2019's budget, Finance Minister Nirmala Sitharaman, announced plans to ease the present rules that require foreign companies seeking a stake of more than 51% in an Indian business to source 30% of their products locally.

Aside from retailing, one key target could be India's US$371 billion food and drinks industry, still largely in the hands of the nation's small storekeepers, which is likely to rise in value to US$608 billion by 2020, according to a report published by India's Yes Bank and Santander UK in 2019.

Food companies wanting to manufacture locally could be supported by the Indian Government, which offers generous incentives, and the report highlights opportunities to export the equipment and know-how needed to build a robust food processing industry.

A passage from India

John Gordon, Managing Director & Shareholder, AMP Rose (P) Ltd.

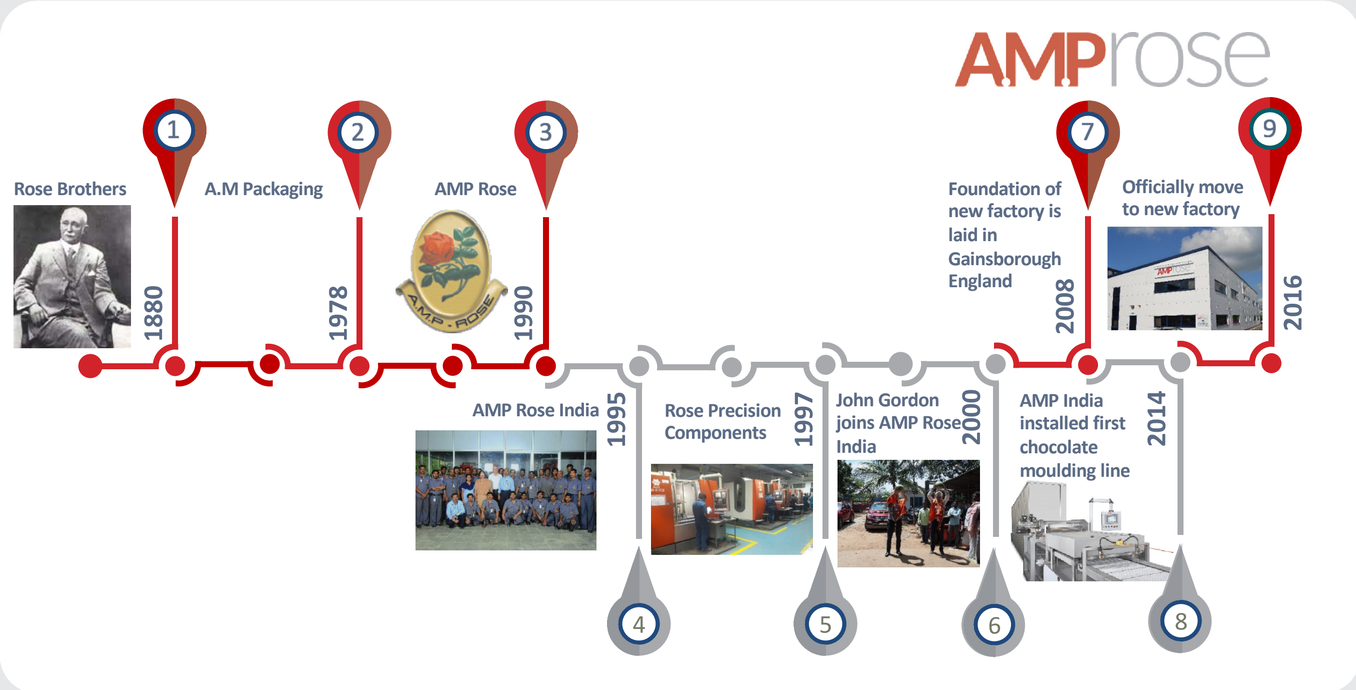
John Gordon

AMP ROSE is a long established UK company serving the confectionery industry worldwide. It is actually composed of two companies – Alan Mann Packaging (AM Packaging Ltd.) and Rose Brothers (Later to become Rose Forgrove). Rose Brothers was established in Gainsborough in 1880 and was said to be the first manufacturer of automatic packaging machines in the world. Alan Mann the present Chairman of AMP Rose purchased the confectionery division of Rose Forgrove in 1990 and, as he was reluctant to allow the Rose Brothers name to disappear, AMP Rose was born.

As a major player in the industry, AMP Rose is one of half a dozen respected manufacturers of confectionery process and packaging machinery, with an international reputation for quality and service. Their customers therefore tend to be the larger blue-chip confectionery manufacturers, many of whom are household names around the world these include Hershey, Mars, Mondelez, Nestlé, Perfetti Van Melle amongst many others.

In 1995 Alan Mann sent his son Andrew and young family to what was then a rather sleepy Indian city perched high on the Deccan Plateau. Andrew's remit was to start a manufacturing plant for confectionery machinery. The City was Bangalore, then known as the Garden City of South India, and in those days it was very different to the burgeoning metropolis it has become today. At that time Indian infrastructure meant a six month wait for electricity connections if you were lucky, and materials would inevitably arrive late by bullock cart! It took Andrew and his six UK Engineers two years to create a functioning manufacturing unit that could actually produce machines fit for sale. This was at a time when the small group of Expats in the city knew each other and met for Sunday lunch, to share the weekly stories of disasters and delays that formed such a big part of their lives in those days.

Thankfully, the Rose Engineers persevered, and the project investment continued to arrive from the UK parent company. Finally, with the help of a core team of local



engineers, many of whom are still with us, we began to manufacture machines that met the rigorous quality standards expected from European confectionery companies. With the project objectives achieved, albeit with the inevitable budget overruns of time and costs, the UK Engineers returned home from their Indian adventure confident that their creation would survive and prosper.

It was at this time I joined the Rose family as a shareholder in a new venture, supplying precision engineering parts from India to customers in the UK, Europe and the US. Having previously bought parts from Rose for the UK Company I ran at the time, which was Manesty Machines Ltd., who manufactured tablet compression machines for the pharmaceutical industry from their factory in Liverpool, I was well aware of the exceptional quality that Indian manufacturing could achieve and the phenomenal cost savings that could be generated. It was clear to me that given the right criteria of high precision, high value, high labour content, low volume components, the benefits would attract other customers from other industries, keen to remain competitive in their markets.

Rose Precision Components was born and surprisingly fitted extremely well into the capital equipment environment of the confectionery business. Far from being a distraction, the synergy the parts side of the business brought to the Rose operation was remarkable. The traditional cash flow problems of high value, long lead time contracts disappeared, due to the regular monthly income generated from the parts business.

In the meantime, our customer base increased, as did our turnover, with cash flow problems a thing of the past. This regular income from the

parts business smoothed out the inevitable peaks and troughs of capital equipment manufacturing. We created a business that was far easier to manage, more secure and less subject to the consumer driven demands of the confectionery industry. It really was a win win marriage for two totally different enterprises, working together, with the common thread of good solid engineering practice which, fortunately is abundant throughout South India and Bangalore in particular.

We eventually merged the parts business into a single entity under the banner of AMP Rose India Private Ltd., which we trade under today. Our confectionery business has expanded in the Indian domestic market, supplying all the major manufacturers Mondelez, Parle, ITC, Wrigley, Campco, Nestlé and many more. Our competitive pricing has also opened new markets in South East Asia and East Africa, previously closed to European manufacturers. We have also recently entered the high end sector of chocolate processing, manufacturing large chocolate moulding lines in our Bangalore factory.

The parts business has also continued to thrive. The customer base has grown as more and more companies see the obvious benefits of offshore manufacturing to keep them competitive. This in turn allows them to concentrate on the key business areas of sales, marketing and design.

I am happy to say that after 25 years we still supply the Manesty products we started with even though Manesty has changed ownership on four occasions and is currently trading as part of the Bosch Packaging Group, yet we remain one of their biggest suppliers.

We have come a long way from those early days of creating an Indian business on a greenfield site in Bangalore, with all the effort and commitment that required. We have succeeded in building a lasting relationship that benefits both companies, both workforces, both communities and both countries.

The best medicine: extending health insurance

It's been hailed as a breakthrough in India's underfunded healthcare system, a nationwide, state backed insurance scheme to serve as a safety net for the country's poorest citizens who currently struggle to pay for even basic medical treatment.

Dubbed Modicare by supporters of Prime Minister Narendra Modi, the Ayushman Bharat (Long Live India) scheme is intended to provide every family on or below the poverty line with cover worth US$7,825 annually to meet the cost of treating health issues.

In the words of former Finance Minister Arun Jaitley, who introduced the flagship project in his 2018 budget, it is "the world's largest government-funded healthcare scheme", a comprehensive attempt to put hospital treatment within reach of all.

Furthermore, the scheme also embraces the upgrading of local services on which most Indians depend, a major weakness in the nation's healthcare provision. In time, the Government wants to see the creation of 150,000 Health and Wellness Centres, offering everything from dentistry to pregnancy care.

Such ambitions, of course, come at a heavy price. The new insurance scheme is likely to cost the State and Federal Governments approximately US$1.4 billion a year, while the budget for new Health and Wellness Centres is almost as high.

It is beyond doubt that there is need for radical reform. India's spending on healthcare has been low by international standards as a share of GDP, and the country's health system suffers from a shortage of resources, particularly in rural areas.

The exact position varies widely from state to state, but Indians with even modest incomes will at times risk financial ruin in opting for treatment by the private system, which now accounts for more than half of all hospitals and employs at least 80% of all doctors.

To compound matters, demand for healthcare is set to soar. India's population is likely to increase from 1.3 billion today to 1.5 billion in 2050, and as incomes rise many more are now succumbing to alternative lifestyle diseases such as obesity, normally associated with greater affluence.

However, there is no doubting the authorities' serious intentions. The 2019-20 budget tripled the annual budget for Ayushman Bharat, and Rajasthan is proposing to introduce a right-to-healthcare bill that would guarantee free diagnosis, treatment and medicines.

As a fraction of government spending, healthcare is expected to rise from 1.4% in 2018 to 2.25% by 2025. Even today, the healthcare sector ranks as the country's fourth largest employer with more than 300,000 people on its books. (*Indian Brand Equity Foundation*)

Private providers have not been slow in identifying healthcare opportunities. The total value of the Indian healthcare market, including both private and public hospitals, pharmaceuticals, medical equipment and supplies, and insurance, is predicted to reach US$362 billion by 2022, three times the 2017 figure.

Hospitals are witnessing a particular surge in investment, attracting cash both from inside India and abroad: since 2000 the Government has relaxed almost all restrictions on foreign investment in the sector, allowing foreign companies to take a 100% stake in local companies.

Between 2007 and 2017, private equity investors spent US$3.4 billion in the industry in India, and more cash is certainly needed before India can match other countries for hospital care. It has just seven hospitals beds for 10,000 people, among the lowest figures in the world.

Meanwhile, private providers are flourishing. Profits at India's five largest hospital chains climbed by 80% in the five years to 2017. Growing at a rate of up to 17% a year, the value of the hospital industry is forecast to hit US$127 billion by 2022.

The Government is looking to the private sector to share its burdens. Despite mixed results from private investment in the past, the 2017 National Health Plan looks to PPPs as an economical means of expanding public services, including the running of healthcare services and the building of hospitals and clinics.

Medical tourism provides one more welcome source of revenue. For many major procedures, the cost of treatment is only a small fraction of prices in Europe or the US and some five million visitors a year now travel to India to take advantage.

The Government says India's medical tourism business could be worth US$9 billion by 2020, three times the figure for 2015. At Fortis, the country's second largest hospital chain, foreigners already account for 20% of business.

But the country's attractions are more than a matter of simple expense. India's doctors enjoy an international reputation, English is widely spoken, and the Government has eased visa arrangements to stimulate business.

Biotech points a path to growth

India has been called the "Pharmacy of the Developing World". When it comes to producing the low-cost, generic drugs badly needed by poorer nations, it is a global leader.

Generic drugs are just part of a broader life sciences and pharmaceuticals sector that makes everything from simple headache pills to sophisticated antibiotics, complex cardiac compounds and the bulk of the retroviral drugs, used around the world to treat AIDS.

A nation that was dependent on imports for the bulk of its pharmaceuticals as late as the 1970s now looks to its own industry for a major annual contribution towards its balance of payments.

Moreover, further growth looks possible as the domestic market continues to expand. Among the factors driving demand for drugs are a greater penetration of rural markets, a rising population, the spread of health insurance and the increase in lifestyle diseases such as heart disease and strokes.

Indeed, the industry meets many of the conditions for long term success. Both foreign and domestic investors benefit from the low production costs, the plentiful skilled labour and the Government's commitment to the principles of a free market economy and globalisation.

In addition are the many opportunities which should be available to enterprising manufacturers of generic drugs over the next few years, as the patents expire on some of the world's leading branded products.

The biotech industry can point to particularly impressive figures indicating its dramatic growth. By the end of 2016, there were more than 1,000 biotech start-ups in India, and more than half of these had been established within the previous five years.

The industry is broad based, encompassing bio-services, bio-agriculture and bio-informatics, but bio-pharma is the largest single component, comprising vaccines, therapeutics and diagnostics.

It is no surprise then that the Government has identified pharmaceuticals as one of the 25 key sectors for its bold 'Make in India' initiative, which aims to maximise the country's potential and transform it into a world-class host for manufacturers.

Under plans outlined in its Pharma Vision 2020 programme, the Government hopes to see India become a global leader in end-to-end drug production, helped by subsidies and input from foreign investors, who in many circumstances now have the automatic right to take a 100% stake in local businesses.

Keen to exploit the biotech boom, it is also offering a special package of incentives for start-ups and smaller enterprises. The talk in official circles is now of fostering new bio-incubators and bio-clusters, where entrepreneurs can feed on each other's know-how.

It is building on success. In 1986, India became one of the first countries to have a government department dedicated solely to biotech, which has since established 17 Centres of Excellence in Biotechnology at institutes and universities around the country.

In addition, the Department of Biotechnology has supported the creation of eight biotechnology parks, or incubators, in cities such as Lucknow, Bangalore, Hyderabad, Chennai and Kerala, to provide facilities for scientists and SMEs.

Particularly important has been the role of the Biotechnology Industry Research Assistance Council (BIRAC), a not-for-profit enterprise set up specially to help provide funding and expertise to deserving SMEs with the aim of building "a US$100 billion Indian bio-economy."

India's attractions have been powerful enough to pull in some of the industry's big international names. Major foreign investors since 2014 have included Abbott Healthcare, Mylan Laboratories, Pfizer and GlaxoSmithKline.

For its own part, India can boast a clutch of its own multinationals. By international standards, the sector remains hugely fragmented with some 3,000 drug companies, some with an aptitude for creating cheaper legitimate copies of patented drugs has led to the emergence of global players.

The largest of which is Mumbai based Sun Pharmaceuticals with a turnover approaching US$5 billion. Launched in 1983 with just a handful of psychiatric drugs on its list, it now produces a wide range of products in India and elsewhere, and ranks as the world's fourth largest producer of generic drugs.

The biggest question now must be whether the Indian life sciences sector can continue to show the same enterprise, adaptability and imagination that it took to conquer the generic drug industry a decade ago.

Wising up: India invests in the next generation

Education is India's great challenge. The country can show an improving record in spreading literacy and enrolling ever more children in school. But it must now equip one of the world's youngest and fastest growing populations with the skills needed for the 21st century.

Even for a fully developed nation, the task of meeting the educational aspirations of the next generation would be daunting. India is now home to some 500 million people aged between five and 24, the largest figure for any nation.

Every year up to 12 million new job seekers enter the Indian employment market, and the Government knows that a university education or proper skills training is vital if a modern India is to be successful in competing internationally.

Recent years have seen progress. Since 2010 the Constitution has promised compulsory and free education for all children as a fundamental right. At the same time, the Government has launched a raft of initiatives to raise standards.

New universities and colleges have proliferated, with more than 36 million students undertaking some form of higher education. To meet massive demand the number of universities has risen from 467 in 2010 to more than 850 currently, many of which are private.

Pledges in the 2019 Manifesto of Prime Minister Narendra Modi's Bharatiya Janata Party (BJP), include new four year training courses for teachers, more online courses to widen access to education, and a 50% hike in the number of places for law, management and engineering students.

His previous Government had already promised to reskill 400 million Indians by 2022 under its Skill India scheme, and the programme's mission may now be widened to cover emerging areas such as Artificial Intelligence (AI) and the Internet of Things (IoT).

The new Government's first budget, presented by Finance Minister Nirmala Sitharaman in 2019, clearly testifies to a high-level determination to modernise the education system in general, starting with a 13% increase in spending.

Funding for research and innovation was doubled and the Government is proposing to create a new National Research Foundation that will fund, co-ordinate and promote research projects across the country.

In a bid to compete with the world's top universities, the Government is also offering help to transform 20 Indian establishments into "Institutions of Eminence", staffed by leading academics from India and elsewhere, and offering a teacher student ratio as low as 1:10.

At present, Indian students in search of a high quality university education and a degree that will impress potential employers will often head overseas, particularly to the US, which takes the largest single share, the UK, Australia, New Zealand, Germany and China.

Not that the trend is only in one direction. The Government is now seeking to attract foreign students to Indian universities, pointing out that the best can offer a world-class education at a small fraction of the cost of rival institutions elsewhere.

Under the Study in India programme, launched in 2017 and awarded extra funds in the 2019 Federal budget, students from around the world can choose between courses ranging from commerce and engineering to athletics and Ayurveda, offered at 150 select universities, both public and private.

Inevitably, the sheer size of the Indian market has attracted the attention of international players. More than 160 foreign universities are now collaborating with Indian institutions helping to improve the world's third largest higher education system after the US and China.

In particular, demand from foreign institutions and universities are the skill-based and technical educational qualifications that will help Indian students in the jobs market.

Also popular today are twinning arrangements with overseas colleges. Typically, Indian students will spend part of their courses overseas at the partner university, and there may also be arrangements to spread expertise with exchange faculty members.

On an individual level, the past shortcomings of India's state school system have created huge opportunities for private tutoring: an estimated 95% of secondary school children in urban areas now have some form of private teaching to supplement their regular classes.

For many young Indians, the future will not be face-to-face teaching. Some 1.6 million are now making use of online education courses, and the country is fast emerging as a world leader in the provision of distance learning programmes and e-tutoring.

This is a market that must surely grow. Internet usage has been rising at the rate of 18% a year with some 566 million people now regularly online. Where conventional methods have been slow to improve education, the new online approach should show success.

Allies and arms: India's military looks abroad

As a regional superpower with a distinguished military history, India has always taken pride in its armed forces, and their sheer size commands respect. India now has the second largest military in the world with more than 1.3 million serving personnel.

But maintaining a powerful military, a policy dictated in large measure by India's simmering disputes and testy relations with its neighbours in China and Pakistan, is massively expensive, with India's defence budget the fifth largest in the world.

The cost continues to rise. Between 2000 and 2010 India's defence allocation almost trebled, and in his previous term in office, Prime Minister Modi launched a US$243.4 billion programme to ensure that the military can face the challenges of the 21st century properly equipped.

The latest Federal budget foresees a 6.85% rise in defence spending and there is pressure for further and larger increases. India's military budget may be vast, but it currently accounts for only 2.4% of GDP, a far smaller proportion than other nations with comparable ambitions.

Military analysts point out that many of the nation's submarines and armoured vehicles are approaching the end of their operational lives, and that China has been rapidly stepping up its military expenditure.

The new procurement strategy represents a radical break with the past. Under its flagship Make in India programme, the Government is eager to reduce the nation's long standing dependence on foreign arms suppliers and to build its own technologically advanced defence industry.

It isn't that India is without its own capabilities. The country has more than 40 of its own ordnance factories, manufacturing everything from trucks to uniforms; and the Defence Research and Development Organisation (DRDO), a Government agency, has some 50 laboratories.

Other state-backed companies, such as Hindustan Aeronautics, Bharat Electronics and Goa Shipyards also remain important contractors for the military, even after the Government opened up the market to private competition.

Yet India still looks abroad for the vast majority of its buying, ranking as the world's second largest arms importer between 2014 and 2018.

Foreign investment in Indian defence companies is eagerly sought. Since 2016, the Government has allowed investment bids to proceed through the "automatic route" – in effect without government approval – if the investment was equal to 49% or below of a company's equity.

So far, results have been slow but the Government has been progressively easing the administrative burden on foreign investors, relaxing the rules, for example, on the opening of offices in India by foreign defence companies.

> The Indian navy is also looking for strategic partners for the construction of six new submarines at a cost of US$6.3 billion.

In a bid to free itself from reliance on imports, India is now actively encouraging companies from the private sector, both domestic and foreign, to play a far wider role in procurement, also providing the military with access to the latest technological know-how at competitive rates.

In practice, this means that the giants of the global defence industry are now invited to bid for contracts, so long as they agree to establish partnerships with Indian companies, selected by the state, and to manufacture in India.

In a sign of strengthening ties with the US, the American arms giant Lockheed Martin, for example in 2018, announced an agreement to produce wings for its F-16 fighter jets in India for export under the Make in India scheme, working alongside India's Tata Advanced Systems (TASL).

At the same time, the Indian navy is also looking for strategic partners for the construction of six new submarines at a cost of US$6.3 billion. The chosen company will work alongside a foreign Original Equipment Manufacturer (OEM) to build the vessels in India.

In the words of the Indian Defence Ministry, such a deal represents a "major boost to the indigenous design and construction capability of submarines in India, in addition to bringing in the latest submarine design and technologies as part of the project."

However, India knows it still needs imports if it is to meet its modernisation targets and in a significant move in the 2019 budget, imports of defence equipment not manufactured in India were exempted from basic customs duty. Introducing the change, Finance Minister Nirmala Sitharaman, described modernisation of the armed forces as a "national priority".

In time, the Government also hopes that the country's own arms manufacturers will themselves emerge as major global exporters. Once again it has been looking to the private sector to help fulfil its ambitions.

Progress so far has been rapid. In the three years to 2018, the value of India's arms exports has trebled according to Defence Production Secretary Ajay Kumar, who attributed success to the easier access to the market now enjoyed by private companies.

India sets out to woo a wider world

India can reveal a new world-beating attraction. Rising above the landscape of the western state of Gujarat is the world's tallest statue, a 183m tribute to independence leader and founding father of the Republic, Sardar Vallabhbai Patel, unveiled in 2018 by Prime Minister Narendra Modi.

But the outsize figure is intended as more than a monument to a revered Statesman. In the words of Modi at the inaugural ceremony, the statue should also become "a worldwide tourist attraction."

India, of course, is not short of crowd-pulling attractions. The country has 30 World Heritage Sites, and its mix of natural and cultural treasures, from the Taj Mahal and Delhi's Red Fort to the Himalayas and the beaches of Goa, comprise a unique attraction for travellers of all tastes.

For the politicians responsible for directing the nation's economy this translates into a vital asset of growing potential at a time when global tourism is rising faster than ever, an increase of 6% in 2018 alone, according to the UN's World Tourism Organisation.

India is already a leading beneficiary. Tourism and hospitality provides more than 40 million jobs, accounts for 9% of the economy, and provides the country with its third largest source of Foreign Exchange Earnings (FEEs).

Furthermore, tourist numbers have been growing steadily. Foreign Tourist Arrivals (FTAs) are up more than threefold since 2000, climbing by 5% in 2018 to 10.5 million. International hotel chains are showing ever more interest, and more than ten million extra jobs are expected across the sector by 2025.

Nor is it only the frontline tourist service providers who benefit. A report from the World Travel and Tourism Council (WTTC) found that for every US$1 million spent by visitors, it added US$1.3 million to the country's GDP.

Due to affordable prices for many treatments and a deep pool of local expertise, medical tourism, in particular, has seen spectacular growth with the number of incoming patients now rising at a rate of 18% per annum.

But the authorities know too that India still has much untapped potential. In-country tourism still accounts for the overwhelming proportion of revenues and when it comes to attracting western holiday makers, India still trails regional rivals such as Thailand.

India ranked 40th out of 136 countries in the 2017 Travel and Tourism Competitiveness Index published by the World Economic Forum, an impressive 12 places above its previous position. Yet it is still far behind China which took 13th place out of the countries surveyed.

As yet, India is struggling to make inroads into the fast-expanding and hugely valuable global Meetings, Incentives, Conferences and Exhibitions (MICE), industry although analysts foresee a healthy future as extra capacity becomes available over the next few years.

The Government has also embarked on a range of initiatives to improve and diversify what India can offer. Among them are an international

marketing drive building on the strength of the long-running 'Incredible India' international marketing campaign but focusing more on social media, an 'Adopt a Heritage' project that invites public and private companies to help improve amenities at heritage sites, and a 'Clean India' campaign launched by the Prime Minister himself.

In her budget speech in 2019, Finance Minister Nirmala Sitharaman also spoke of improving facilities at 17 of India's "iconic sites", such as the Taj Mahal in Agra, the Red Fort in Delhi, Amer Fort in Rajasthan and Colva Beach in Goa to bring them up to the standard of world-class destinations.

Consultants have been enlisted to help with the upgrades and masterplans are being drawn up involving a range of ministries covering road transport, civil aviation, shipping and railways. More foreign language signage is proposed as well as improved training for guides.

Already, a series of theme-based tourism circuits is being developed to cater for specialist interests, from deserts to wildlife, and a separate project specifically promotes pilgrimage tourism under the Pilgrimage Rejuvenation and Spiritual Augmentation Drive (PRASAD).

In her budget speech in 2019, Nirmala Sitharaman also spoke of transforming 17 "iconic sites" into world-class destinations. Already, a series of theme-based tourism circuits is being developed to cater for specialist interests, from deserts to wildlife, and a separate project promotes pilgrimage tourism.

In further attempts to widen the country's tourist appeal, 2018 was declared Year of Adventure Tourism with a series of events laid on for international tour operators. Also, a free round-the-clock multilingual telephone information service has been launched for tourists.

Meanwhile, the once exacting business of obtaining a visa has also been simplified and rationalised, particularly through the introduction of popular new e-visas, available online. A new more liberal visa regime also provides for longer stays and a greater number of visits without needing to renew paperwork.

Nor has the Ministry of Tourism overlooked the visitor's more everyday physical needs. In 2018 it sponsored the creation of the country's first ever Indian Culinary Institute Tirupati in Andrha Pradesh, with a mission to preserve and promote India's gastronomic traditions.

On the ball: turning prowess into profit

When India beat old rivals Pakistan in the 2019 Cricket World Cup in Manchester, the team's victory brought joy to a massive audience back home, with more than 229 million viewers in front of their screens for one of the sport's most watched games.

In cities and towns, tens of thousands of flag-waving fans took to the streets to celebrate the occasion in fitting style for the world's largest cricket-playing country, where the sport's top stars enjoy national hero status.

Never doubt India's continuing enthusiasm for cricket. The Indian Premier League (IPL) cricket season, ending in May 2019, broke all previous records totalling 462 million viewers.

Today the sport ranks not only as a near universal passion but also as a huge generator of revenues. One recent report estimated that the 2019 IPL season will bring in advertising receipts of more than US$281 million for broadcaster Star India which holds the licensing rights.

The list of sponsors either for the game's television broadcasts or for the Hotstar internet platform where they are also shown, include many of the biggest names in the corporate world, among them; Amazon Pay, Maruti Suzuki, Coca-Cola and the Indian e-commerce giant Flipkart.

Yet cricket is not the only sport to command India's affections, or to see a healthy growth. Hockey is a firm favourite and so too is Kabbadi, a fast-moving contact sport with deep roots in Indian history which now has its own National League with sponsorship from Tata Motors.

The simple truth is that India's fast expanding middle class, with greater disposable income than ever before, is taking an increasing interest in sport, whether as participants or viewers, and technology is providing ever widening access to their favourite events.

One result has been a rapid increase in India's sportswear market, which rose in size by more than 50% between 2014 and 2016, according to a Euromonitor report in 2019, which forecast continuing double-digit growth up to 2021.

Much of the business still belongs to big international brands such as Reebok, Adidas and Puma, but recent years have also seen the emergence of local players with Bollywood stars and other celebrities cashing in sport's new-found popularity to launch their own brands.

Reflecting on the surge in support, Sanjay Gupta, Managing Director of Star India, noted in a speech in 2018 that the value of India's sport industry had climbed from US$1.2 billion to US$2.6 billion in the previous five years and estimated that it could be worth US$9.8 billion by 2025.

"Over the last few years, the kind of activity around the business of sports has been tremendous. There are now over 15 domestic leagues in the country – across kabaddi, football, wrestling, boxing, badminton – from just two, five years back."

"And in my mind, this journey has only begun," he told business leaders. "Sport is still at 0.1% share of our GDP, while globally the industry is sized at around 0.5% of GDP share".

Certainly there's no doubt among the big media players about the value of investing in Indian sport. In the first ever live e-auction for sports media rights, in 2018 Star India paid the Board of Control for Cricket in India (BCCI) US$921 million for a five year deal covering both TV and digital rights.

The virtual world too offers investment opportunities. In 2018 the Chinese internet conglomerate Tencent bought a majority holding in the Mumbai based start-up Dream11, which allows players to run their own teams of real-life players for fantasy games of cricket, tennis, football and basketball.

The addition of new infrastructure provides concrete support for optimism over India's sport. The world's largest cricket stadium, with a capacity of 110,000 and complete with 76 corporate boxes is now under construction in Ahmedabad.

Given such enthusiasm, it is little surprise that the Government has seen potential in sport both as an advertisement for Indian prowess and as an economic stimulant. The countrys initiative 'Play India' sets out to promote grass roots sport and to encourage a new generation of sporting superstars.

Particular projects include annual scholarships of US$7,300 to help 1,000 aspiring young athletes, funding for 20 universities to promote excellence at sport, providing more gyms in local parks, and setting up a national talent portal to help identify the brightest talents online.

Those talents will require nurturing, and happily some of India's leading sports players have set up their own training academies to meet the need. On the list: tennis player, Mahesh Bhupati, footballer Baichung Bhutia, and badminton players Prakash Padukones and Pullela Gopichand, who each have a school to their name.

India's deep pool of cheap labour and the relaxation of the old limits on FDI has also tempted manufacturers of sporting goods, both Indian and foreign to choose India as a manufacturing centre.

More than 500,000 people are now employed in the sports retail and manufacturing sector, and India is succeeding in the booming global market.

Featured Contacts

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