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IN THIS ISSUE

The Electric Mr Goyal

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Manoj Ladwa is the Chief Executive of India Inc.
@manojladwa

SOLVING INDIA'S ELECTRICITY DEFICIT

The basic building block for sustained economic growth is now in place. From a chronically electricity-deficit country, India has, in a space of three short years, turned the power sector around – so much so, that not only does the country now have surplus power, it is also exporting electricity to neighbouring countries such as Bangladesh, Nepal and Myanmar.

When Prime Minister Narendra Modi appointed Piyush Goyal as Minister of State for Power, Coal, Mines & Renewable Energy (Independent Charge) in 2014, India was reeling under a massive deficit of 87 billion Kwhs or 9 per cent of demand. Result: the economy was suffering long, daily power cuts and the use of diesel generators for back-up that sapped productivity and ate into corporate profitability.

There was little light visible at the end of the tunnel as India's state-owned power distribution companies, or discoms as they are called, were also bleeding. With cumulative debts of more than $50 billion, they were having to borrow money just to keep their operations running, thus, pushing them further into debt.

The easy availability of electricity is a critical enabler of socio-economic growth.

This turnaround has made it possible for the Indian government to announce that it would be in a position to fulfil its election promise of providing power for all by next year – a full year ahead of schedule.

This is an incredible achievement. The easy availability of electricity is a critical enabler of socio-economic growth. Being the basic building block of prosperity, power is also the key enabler of several flagship schemes announced by the Prime Minister. There can be no Make in India, Digital India, Start-up India, Skill India or even Swacch Bharat without the provision of adequate electricity.

Power, arguably, is the most critical component of the Prime Minister's promise of providing jobs for the 10-12 million youth who join the Indian workforce every year. Key to accomplishing this goal is the aim of increasing the share of manufacturing from 18 per cent of GDP at present to 25 per cent of GDP by 2025. Among several constraints that are holding up the growth of the manufacturing sector was the lack of adequate power to run the machines in thousands of small and medium enterprises that form the backbone of any economy and are the main incubator of the millions of low skilled jobs that really bring prosperity to people at the bottom of the pyramid. I have purposely left out large and heavy industries because they can afford to set up captive power plants or make provisions for back-up power from diesel generators.

But Minister Goyal himself will admit that his job is only half done. Almost a quarter billion Indians still do not have access to electricity in their homes. Turning this situation around and providing power to fuel the expected manufacturing boom in the coming years will consume the current surplus and call for additional sources of electricity.

This is where the Prime Minister's ambitious target of achieving 175 GW of renewable energy capacity by 2022 will come into play. Achieving this target will not only to enable India to meet its emission goals under the Paris climate accord but also to meet the additional demand that improving economic growth and rising numbers of power consumers will generate.

There will be challenges, for sure. Financing large projects in India remains an issue as the banking sector, which is in the throes of a bad loan crisis, is unable to provide large volumes of credit. Then, the issue of balancing the infirm power that wind and solar plants generate – the potential this has to destabilise the grid – has not yet been resolved.

But neither of these problems is insurmountable and there is every reason to be optimistic that solutions will be found.

This edition of 'India Investment Journal' tracks Minister Goyal's mega power challenge as he travels around the world to scout for investments, besides the usual cross-sector coverage.


OUR ZINC PROTECTS
STRUCTURES FOR
FUTURE GENERATIONS
AND GENERATIONS
FOR OUR FUTURE

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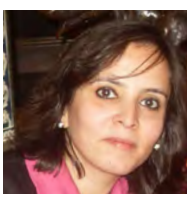

START-UP INDIA

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March Edition

EDITOR'S NOTE

The month of May has been packed with a very wide range of developments, including the first-ever UK-India Awards organised by India Inc. in London on May 12. The event was preceded by the annual UK-India Conclave, this time on the theme of 'A Global Partnership: A New Era in UK-India Relations'.

Both events became the focal point for senior Indian ministers on visits to the UK earlier this month to promote India as an attractive investment destination. We cover these in our special 'From the Scene' section as well as a 'Face to Face' feature tracking Indian Minister for Power, Coal and Renewable Energy Piyush Goyal's success on his investment scouting mission and a 'Special Report' on Indian Minister for Roads Transport, Highways and Shipping Nitin Gadkari's plans to work closely with the UK on India's infrastructure challenge. Both ministers listed very crucial Masala Bonds on the London Stock Exchange, developments that we delve into as part of our coverage of their visits to Europe.

Our central focus for this edition is on start-ups, with an eye on the kind of impact Start-up India has had on the ground. We analyse why the sector is undergoing a much-needed reality check and why bottom of the pyramid voices must no longer be ignored. There are interviews with prominent start-up entrepreneurs who were lured by the Indian market's promise and venture capitalists who chose to invest in innovative enterprises.

Our 'Big Story' this month is India's impressive foreign direct investment (FDI) success and how not just quantity but quality of FDI is finally getting the attention it deserves. Invest India, the country's premier investment facilitation agency, presents insights into the recent trends in this area.

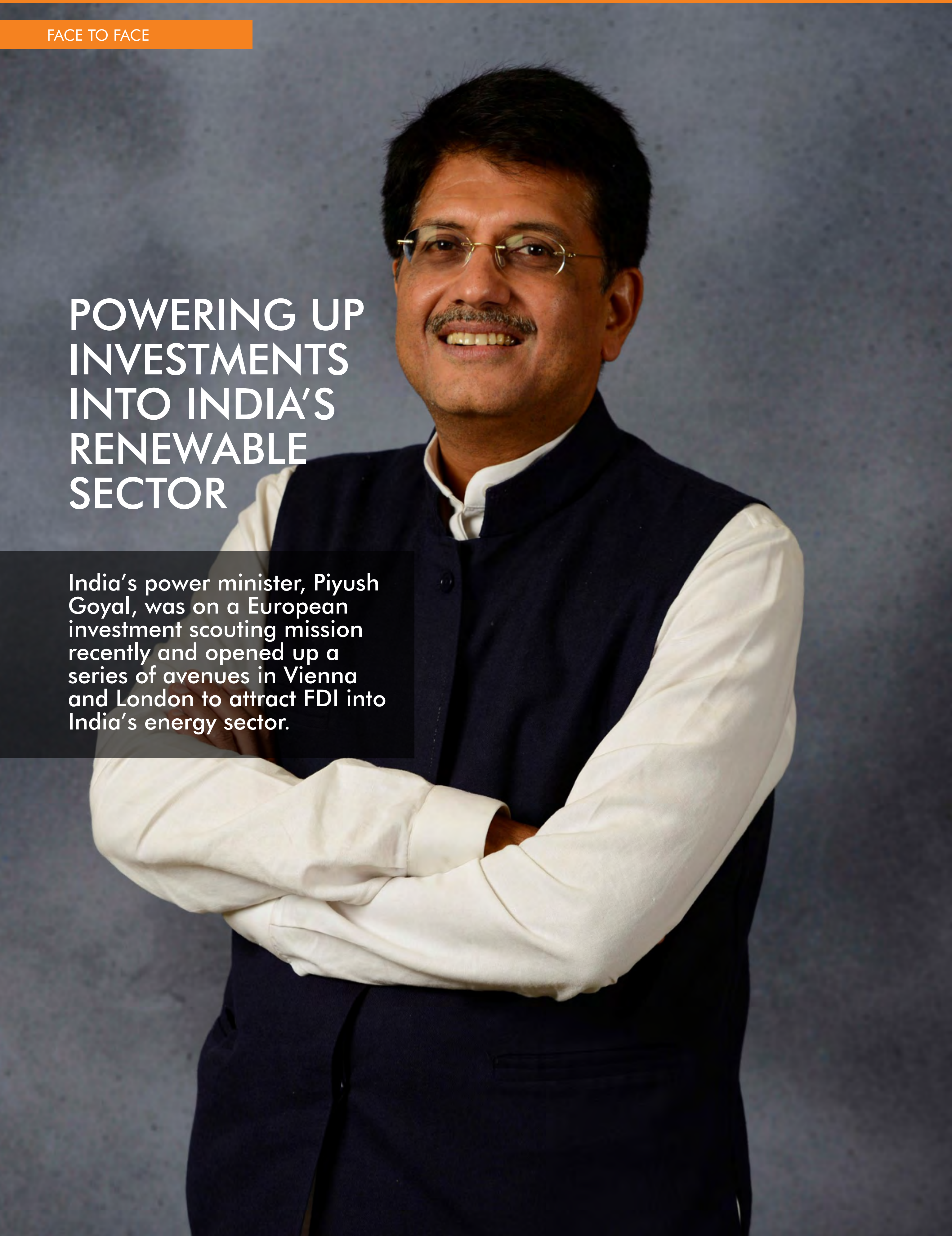
The 'Country Focus' this time is on a "win-win" partnership with South Korea and the lessons India can learn from the Asian nation's own struggles to rise from poverty in the 1950s. We track relations between India and South Korea and explore the trajectory of some of the country's most successful brand exports into India.

In other sections, EY provides some context to India's IPO overdrive in recent months, with companies raising more than $4 billion in 2016, and KPMG weighs up the reasons behind the Indian healthcare sector becoming a magnet for foreign investments. As usual, we also take stock of some of the key flagship schemes of the Indian government to cover special reports under the wider Solar India, Digital India and Make in India umbrella.

The 'State Focus' is on the north Indian state of Haryana and all its efforts to make its policies and landscape attractive to global investors looking for the best destination for their funds, with an 'Expat's Guide' to its capital Chandigarh.

This edition of 'IIJ' is once again designed to cover a broad array of subjects and issues.

Aditi Khanna
Editor, India Inc.



POWERING UP INVESTMENTS INTO INDIA'S RENEWABLE SECTOR

India's power minister, Piyush Goyal, was on a European investment scouting mission recently and opened up a series of avenues in Vienna and London to attract FDI into India's energy sector.

India's Minister for Power, Coal, New & Renewable Energy and Mines, Piyush Goyal, was on a European tour in early May to lure Austria and the UK to look at investing more in India.

At the Vienna Energy Forum, the discussion revolved around the world's largest energy transformation programme which is currently being pioneered by India. Goyal asserted that no country can offer the kind of scale and speed that India has in terms of financing and technical capabilities. Goyal also urged the global community to link low-cost technology, renewable energy and sustainable lifestyles.

The minister informed foreign investors that the Indian government has already prepared guidelines for fast-charging stations for e-vehicles and battery swaps for buses and that work has already begun to prepare tenders to buy the vehicles. India's state-run Energy Efficiency Services Ltd (EESL) will soon invite bids for the bulk supply of electric cars and other vehicles for its ministries and public sector undertakings located in Delhi.

"Tenders for about 1,200 vehicles for offices of various departments in Delhi will give the first push to the electric vehicles market," Goyal said, adding that the market for

Goyal at NTPC Masala Bond launch at London Stock Exchange

e-vehicles in India is worth at least $1.5billion.

He said: "India has experienced world's largest energy transformation compared to any other country. Today we have renewable energy that is unimaginable."

Highlighting India's falling prices of solar and wind energy which at present have reached below grid parity, the minister claimed that the bidding process for renewable energy projects in the country was proof of the power of transparency and honesty in the governance system.

India has experienced the world's largest energy transformation compared to any other country. Today we have renewable energy that is unimaginable.

He appealed to world Leaders to fast track the implementation of Sustainable Development Goal No. 7 – Ensuring access to affordable, reliable, sustainable and modern energy for all – in order to achieve other SDGs by 2030. He also emphasised that Austrian technology can be made affordable and economically viable around the world only if it dovetails with the "Make in India" initiative. As a result of his persuasions, a delegation from Austria will be heading to India in June.

Following Vienna, Goyal flew in to London to initiate India's state-run National Thermal Power Corporation (NTPC) among the first bonds to list on a new International Securities Market (ISM) on the London Stock Exchange (LSE). The NTPC Masala Bond is now available for trading on the ISM following the publication of its rulebook and is aimed at raising millions for India's renewable energy projects.

He said: "NTPC is one of the first companies to list their recent Masala Bond on London Stock Exchange's innovative new debt market. London has been a long-term partner for Indian firms looking to raise finance in the global capital markets and the development of an additional platform for the listing and trading of fixed income should be welcomed.

"In the long run, the rupee will be a currency with most stable exchange rate. We are on the path of growth and we want the rest of the world to be our partner in that growth."

Goyal addresses the India Inc. organised UK-India Conclave in London

The ISM is an additional market for the issuance and trading of UK and international primary debt targeted at institutional and professional investors.

"London Stock Exchange is delighted to announce that its new International Securities Market is now live and welcomes the first bonds to begin trading on the platform. The International Securities Market will provide UK and international fixed income issuers an additional efficient London listing venue, giving them access to the City's deep pool of global capital and an international investor base," explained Nikhil Rathi, CEO of London Stock Exchange.

Austrian technology can be made affordable and economically viable around the world only if it dovetails with the "Make in India" initiative.

Kulamani Biswal, Director (Finance) at NTPC, said the listing of NTPC Masala Bonds on ISM as the "maiden issue" on the market marks the growing cooperation between NTPC and LSE.

"To NTPC and other issuers from India and across the globe, this provides an opportunity to access quality investors for meeting our financing needs. The tremendous response to NTPC Masala Bonds enthuses us to look at offshore funds as a regular source of financing our Capex needs," Biswal said.

The London Stock Exchange claims to be among the world's most international capital markets, with around 70 per cent of all bond secondary trading activity conducted out of London.

"As such issuers on ISM have access to one of the deepest pools of global capital. ISM has been designed to meet the demands of issuers and investors to improve the effectiveness and competitiveness of the UK primary debt markets providing greater choice for a variety of fixed income issuers," LSE said in a statement.

While in the UK, Goyal also spread the message of closer India-UK collaboration in the field of energy, including technologies for flue Gas Desulphurisation (FGD), Thermal Power Flexibilisation, De-NOx, pollution reduction from biomass, waste to wealth, smart meters and electric vehicles.

Addressing senior executives and policymakers in London at the India Inc. hosted annual UK-India Conclave on the theme of 'A Global Partnership: A New Era in UK-India Relations', the minister said: "I have taken a personal pledge to work towards ensuring every household in India has access to energy by 2019. We are working on solutions to hit our targets before 2022, as the Indian government creates the foundations with a 100-year horizon in view."

He reiterated the message as chief guest of India Inc.'s inaugural UK-India Awards in London, where he presented a special Outstanding Contribution Award to UK Minister for International Development Priti Patel.

While in Europe, the minister also oversaw the signing of memoranda of understanding between the Indian Electrical and Electronics Manufacturers Association (IEEMA) and British Electrotechnical and Allied Manufacturers Association (BEAMA) for closer energy alliances between India and the UK.

THE MAN BEHIND AN ELECTRIFYING CHALLENGE

Piyush Goyal was among Mumbai's most successful chartered accountants and merchant bankers when he gave up a flourishing professional career to become India's power minister in May 2014. Actually he was appointed more than just power minister. As a 50-year-old who had never held ministerial office before, he was put in charge of an entire energy feedstock chain, with the Departments of Mines, Coal and Power under him, and with New and Renewable Energy as well. In previous times, these would have been run by four separate ministers.

In three years Goyal has emerged as among the best-regarded ministers in the Narendra Modi government. A country where power plants were starved of coal and which was importing coal in 2013-14 is now exporting coal. Power availability has improved dramatically and at current levels of demand India is a power surplus economy. Of course, as industrial demand picks up some of those numbers could change, but Goyal is preparing for a potential demand surge in the coming years

What have been Goyal's principal achievements? He has galvanised coal mining and rationalised supply of coal from proximate mines to public and private generation plants. A change in rules has allowed different plants to swap contracted coal sources and choose mines that are closer and therefore cheaper. Goyal has pushed a very impressive renewables and particularly solar programme that has targeted 100 GW of solar energy generation and 75 GW of wind energy generation by 2022. The UPA government (2009-14) had set a solar energy target of 20 GW by 2022.

This ambition and derring-do is also driving Goyal's belief that the government can electrify every Indian village well before 2019. In August 2015, Prime Minister Modi had promised that the 18,452 Indian villages that had remained without electricity even seven decades after Independence would be given access to power within "1,000 days" – by May 2018. Only about 4,000 villages now remain.

Goyal has pushed a very impressive renewables and particularly solar programme that has targeted 100 GW of solar energy generation and 75 GW of wind energy generation by 2022.

A popular figure in Mumbai with his wife Seema – the couple have two children, a son and a daughter – Goyal has acquired a totally different persona in public service. He works manically, bureaucrats say, and late into the night, avoiding the social limelight altogether. In the May 2014 election, he had contributed substantially to the BJP's communication and outreach strategy and is expected to repeat that in 2019, emerging as both a capable minister and a party essential.

This makes Goyal a special talent for the BJP.

INNOVATE, INCUBATE, START UP

The euphoria over Start-Up India and skyrocketing valuations of start-ups has given way to a mature evaluation of business models and prospects. Dozens of once feted innovators have shut shop or been merged with rivals. And caution reigns where ecstasy once ruled.

But this reality check was a much needed wake-up call to the Indian start-up ecosystem, which is the world's third largest, only marginally behind second-placed UK. A 2016 report by Nasscom-Zinnov titled 'Indian start-up eco-system maturing' projected the number of such companies to grow 2.2 times from 4,200 at present to 10,500 by 2020 – behind only the US.

The sector will, doubtless, recover and get back its mojo. That will happen in its own time. And Indian start-ups will, in the fullness of time, come up with breakthrough ideas that will spawn the next Amazon, Google, Facebook or Alibaba – only homegrown, homebred and promoted by Indian innovators.

But before that can happen, the Indian innovation eco-system will have to undergo a structural change. The US, for instance, has 1,300 venture funds in operation, it has 900 angel investor networks and more than one million individuals who back innovators with money and support; the UK has more than 700 VCs. India, on the other hand, has only 156 homegrown VCs.

The argument that the larger VCs operate internationally and that good ideas do not languish for want of adequate funding does not hold. Their operations in India are limited to the big cities only. To assume that innovation is the exclusive preserve of IIT-IIM-IISc-educated elite is to insult the spirit of entrepreneurship that exists in the Indian heartland – the vast hinterland of native language speakers who may lack the PowerPoint presentation skills of their big city counterparts but whose ideas and talent may be no less innovative and worthy of funding.

The Flipkarts, Snapdeals, Olas and Quikrs of this world will no doubt continue to attract the headlines and draw the top investment dollars.

But for India to truly emerge as a global innovation hub, the small town boys at the bottom of the pyramid must also be given their voice.

Maybe, the government should focus some attention on them as well.

REBOOTING THE START-UP ECONOMY

by India Inc. Staff

After the heady rush of initial years, Indian start-ups went through a churn in 2016. A spate of mergers beckons this year, as local firms brace against a global onslaught.

He was a 26-year-old young achiever. A dropout from India's premier tech institute —Bombay IIT. A chief executive officer of a company he himself co-founded with 11 others. A man who became the toast of the nascent start-up ecosystem in India when within two years, five rounds of funding, a list of investors as prestigious as Japan's Softbank, Qualcomm Ventures, Nexus Venture Partners and Helion Venture Partners, valuation peaked at $220 million.

The rise and eventual fall of Rahul Yadav, founder of one of India's first real estate portals Housing.com, symbolises the Indian startup story so far – a promising start, meteoric rise, unrealistic valuations and eventually a dose of reality. Yadav had for a good three years, between 2012 and 2015, captured everybody's attention and polarised opinion — some detested his brash and arrogant attitude while others saw a bit of 'Steve Jobs' in him. Having successfully raised funds - $110 million by 2014 —Yadav went on a marketing blitzkrieg that riled its investors. A pitched battle followed, which ended with Yadav resigning in May 2015, being coaxed back and then fired two months later. Earlier this year, it was merged at a valuation of just $70-75 million with rival PropTiger. That it happened with Yadav in 2015 when the start-up boom in India was at its very peak only highlights its relevance.

> "Driven by factors such as availability of funding, consolidation activities by a number of firms, evolving technology space and a burgeoning demand within the domestic market has led to the emergence of start-ups in India."
>
> *D.S. Rawat, secretary-general at industry lobby ASSOCHAM*

A heady start

The first sign of the beginning of the era of start-up was in the pre-global economy meltdown days of 2006-07. A stable world economy that enabled an export-led growth for India, favourable demography with over half the population at less than 25 years of age resulted in a young restless population budding with entrepreneurship, creativity and enthusiasm. Unlike in the past, the proliferation of angel investors — funders ready to provide seed capital at far relaxed terms than a bank – and venture capital funds —that manage money of investors looking for high risk, high reward investments — meant there were enough to money going around.

It was during this time that some of the most high profile technology internet start-ups began their journey. Companies like Flipkart, InMobi, Zomato, GirnarSoft, Meru cabs and Quikr, which would go on to become unicorns with valuations of over $1 billion, were founded. These would over the next decade, redefine not just the contours of entrepreneurship but also urban life in India. If Flipkart was the flag-bearer for this generation, with Sachin and Binny Bansal starting off by selling books from their bedrooms before scaling up to become India's top ecommerce company, others too built the market along with their businesses from scratch.

"Driven by factors such as availability of funding, consolidation activities by a number of firms, evolving technology space and a burgeoning demand within the domestic market has led to the emergence of start-ups in India," says D.S. Rawat, secretary-general at industry lobby ASSOCHAM.

India has been the world's fastest growing economy for three years and the top recipient of FDI for four – with good reason.

India's attractiveness for global venture capital funds was obvious. A thriving under-penetrated consumer driven market with scope for exponential growth, increasing internet penetration and favourable consumer demographics made India the big investment opportunity. What also helped was that the only other country with better prospects — China – was out of bounds for these investors. The merits outweighed the multitude of operational, regulatory and taxation issues that otherwise plague businesses in India. The flow of investment steadily grew.

Between 2010 and 2014, the infusion of Venture Capital and Private Equity funds increased from an estimated $13 mn to $1,818 mn while angel investment too multiplied almost eight times from $4.2 mn to $32.2 mn. Raising funds, either to start a business or to expand an existing enterprise, otherwise considered the most difficult task was no longer onerous. While scores of start-ups were incubated during this period — more than 3,100 startups in digital products were active in the country by the end of 2014 making it the fourth largest nation in the sector – it was also during this time that companies started going in for multiple rounds of funding.

Flipkart, Ola cabs, Zomato and Snapdeal for example between them went in for more than 30 rounds of funding from VC and PE firms, raising an estimated $2.2 billion. Flipkart, the biggest start-up in India, raised funds on six occasions alone between 2010 and 2014, garnering in excess of $750 million in the process.

That was just the start and the peak was yet to come. PE activity in 2015 touched an all-time high – investments totalled 1,049, over 600 of them in start-ups. With angel investments in tow, more than 9,462 start-ups (including non-technology) were founded during the year. The quantum of fundraising also shot through the roof. Flipkart raised $700 million, Snapdeal $500 million, Ola cabs raised over $1 billion in three tranches while e-wallet firm Paytm raised nearly $900 million in two rounds.

Overall, capital worth $9 billion was invested in Indian startups in 2015, which was equal to the cumulative funding between 2010 and 2014. Online and mobile categories dominated the deals. Number of active investors increased from 220 in 2014 to 490 in 2015, as per a report by NASSCOM. As a result, the stars of Indian e-commerce became super stars. Existing unicorns like Flipkart, Snapdeal, Ola cabs, InMobi, Paytm, Quikr, Zomato and MuSigma became even bigger while newer players like ShopClues joined the club.

For a time, it seemed like nothing could go wrong. In January 2016, the government too joined the fray launching the Start-Up India programme. It put in place a special support structure for innovative startups, differentiating them from micro, small and medium enterprises that are largely based on traditional business models, providing funds directly through the India Aspiration Fund that was given an initial tranche of Rs 2,500 crore, a liberal patent regime with an 80 per cent reduction in registering patents for start-ups, a tax holiday for three years and exemption from capital gains tax.

All the projections pointed towards a rosy future. Nasscom said the number of start-ups in the country would continue to go up and there would be over 10,000 start-ups by the end of this decade employing 2.1 lakh people.

Reality check

The years of manic growth however, had hidden the fundamental flawed business models most start-ups were employing and it came to the fore in the very next year—2016.

Most of the start-ups in India had just one single business plan, which was then tweaked depending on where they stood. If the entrepreneur had an original marketable idea or was a first-mover even with a model replicated in other parts of the world, it would raise seed capital and expand expeditiously. If they happen to be a late entrant with competition from other existing players, it would promise investors a speedier expansion and better customer service. The key here was to convince investors that over the medium term the others already in the business or likely to join in future, would either fall by the wayside in the face of their aggression or be bought over.

In all these business models, the most vital cog is to acquire consumers in as many numbers and as fast as possible. The growing penetration of internet, rising sale of smartphones — 109 million were sold in 2016, ever decreasing data charges in India —Reliance Jio offers 1 GB data at Rs 12, the lowest in the world – and improvement in cost of logistics and freight-enabled companies to even tap hitherto untouchable smaller town markets online. The expansion of this marketplace along with proliferation in the number of start-ups and intense competition provided a heady mix.

Acquiring consumers, however, meant burning money and it became a game of one-upmanship. Over a period of time, a Flipkart or a Snapdeal, Ola or Taxiforsure, Makemytrip or yatra.com began to look like mirror images of each other and consumers bought products based on who gave them the best deal. Profitability was not a priority and barring a bookmyshow.

com or infibeam, all start-ups bled. According to Kotak Institutional Equities Research, in fiscal 2015, 22 e-commerce businesses ran up over $1.2 billion in red ink. Flipkart led the way.

What upset this applecart was when global heavyweights like Uber in transportation and Amazon in online retail stepped on the gas in India. Despite being well funded, the Indian companies like Flipkart, Snapdeal and Ola cabs, did not have the might to compete with these firms with even deeper pockets. In a game where the winner takes all, as Uber and Amazon started making giant strides in India, investors suddenly realised local firms that had been funded all this while, may not come up trumps after all.

After the peak of 2015, what followed in 2016 was a sobering reality check where investors finally started to ask questions on profitability, returns and sustainability. Mere revenue growth was not enough to secure funding and fundraising dried up. Even some of the biggest investors lost money – Sequoia and Matrix in TinyOwl ($46 million); Catamaran, Nexus, and Qualcomm in Yebhi ($41 million); ruNet, Mangrove Capital, and Springstar in BeStylish ($26.3 million), Indo-US Venture, Matrix, Draper Fisher Jurvetson in SeventyMM ($20 million); Indo-US Venture in Indiaplaza; Lightspeed and Helion in Fashionara.

Many start-ups began to shut shop – Dazo, PepperTap, AskMe, AUTOnCAB, Fashionara, Purple Squirrel, Zupermeal, BeStylish, Localbanya. According to Xeler8, a Delhi-based research firm, 997 of the 2,281 start-ups founded since June 2014, are already dead.

The cookie started to crumble and even the unicorns felt the heat. Flipkart and Ola cabs joined hands to lobby and played the nationalist card seeking protectionist measures against Amazon and Uber accusing them of dumping foreign capital to buy consumers in India. Flipkart even complained about Amazon copying its own model. As the government looked away — Indian start-ups were as much funded by foreign investors and it was actually Flipkart that copied the Amazon model — investors were not impressed. A series of valuation markdowns began.

Ola's latest round of $300 million funding from Softbank earlier this month was estimated at a 30 per cent markdown from its peak valuation of $5 billion. In all, Flipkart has had five markdowns till date. Fidelity partners valued the firm at $5.56 billion in November 2016, nearly a third of its $15 billion peak valuation. Snapdeal too has suffered a loss in valuation and estimates suggest it may be worth just $4 billion as opposed to its peak valuation of $6.5 billion.

"They tried to be everything to everybody. It just doesn't work," says Sanjay Nayar, member and CEO of KKR India. "Entrepreneurs raised money at crazy valuations. All over-stated and over-estimated consumption and growth. Very few succeeded. If you don't make money, how do you value a company?"

The government's Startup India programme simply happened at the wrong time with the sector overheated with funds. The number of new start-ups declined by 67 per cent in 2016 over 2015. The programme received only 1,368 applications till December 2016 of which only 502 were approved by the Department of Industry Policy and Promotion (DIPP).

The dose of reality was probably required in the domestic start-up ecosystem. What is likely to follow is a consolidation among local players as they brace themselves against global rivals. Over the years, the sector has seen a number of takeovers — Ola cabs and Taxiforsure, Cartrade and Carwale, PropTiger and Makaan and then Housing, Myntra and Jabong, Makemytrip and Ibibo, PayU and Citrus Pay. The mother of all deals is currently being worked out by Softbank between Flipkart and Snapdeal.

"There is room for not more than three players. If Snapdeal gets out of the picture, it is Amazon, Flipkart and Alibaba-backed Paytm and there is enough room for these three to exist," says Harshad Lahoti, chief executive of ah! Ventures, an investor network platform.

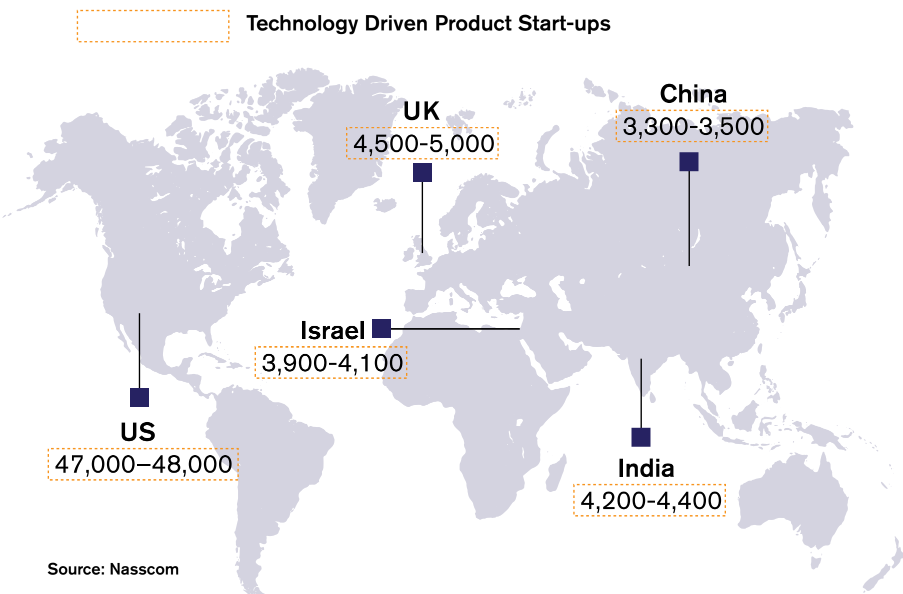
In the battle for survival of the fittest, the biggest of the lot will float. The rest will likely meet the same fate as Yadav of Housing.com whose second business venture failed to take off.

A second chance at success is not easy to get.

START-UP INDIA

A wide-angle view of the country's start-up trajectory over the years. The Indian government has made considerable efforts in terms of policy to breathe life into the entrepreneurial drive in India.

India is the third-largest tech start-up hub



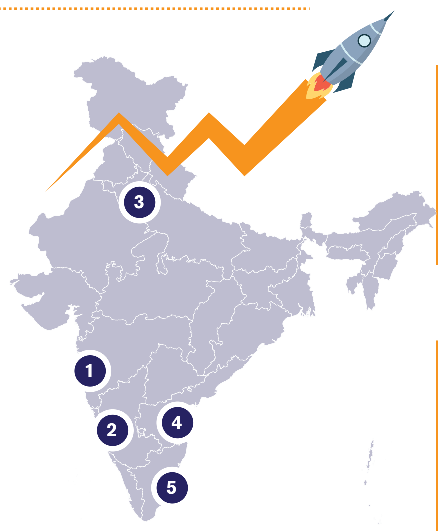
Key Highlight- 2016

- 4,750+ Total Tech Start-ups
- 1,400+ New Tech Start-ups
- 750+ Technology Focused
- Major focus on Cloud & Analytics
- 70% Start-ups based in Bengaluru, Delhi-NCR and Mumbai

Supporting Start-up Ecosystem in India

- The Central government has initiated **'Start-up India'**
- More than 13 States/UTs have framed start-up policies in India
- Growing number of start-up incubators & corporate accelerators
- Many institutes are providing deferred placement support
- PEs/Venture funds are investing money in start-ups

Start-up India Hotspots



1 Maharashtra

Mumbai
Hub for Fin-techs

Companies
PayMate, Citrus Pay, FINO PayTech

2 Karnataka

Bengaluru
Silicon Valley of India

Companies
Wooplr, Freshmenu, Zoomcar

3 Delhi

Delhi-NCR
eCommerce hub

Companies
Lenskart, StalkbuyLove, FashionAndYou

4 Andhra Pradesh

Hyderabad
Termed as Cyberabad

Companies
Zify, CreditVidya, Bucker

5 Tamil Nadu

Chennai
B2B focused Start-ups

Companies
Energyly, FixNi

Some Angel Investors behind the Boom

Name	Number of deals in 2016	Major Start-ups
Dheeraj Jain	23	Shaadisaga, LifCare, inFeedo
Anand Chandrasekaran	20	Makkajai, ToneTag and NoBroker
Kunal Naresh Shah	19	Encashea, Cookifi, Crownit
Ratan Tata	17	GOQii, Ampere vehicles, Idea Chakki
Anupam Gopal Mittal	15	Blinge, Yumlane
Anuj Golecha	15	LenDen Club, Vahanalytics
Anil Jain	13	Dont Scratch your head, Confirm TKT
Apoorv Ranjan Sharma	11	Supr Daily, Gomechanic

Source: VCCircle

Some Global Accelerators in India

Headquartered: California
In 2016, it announced the launch of $25-million India focused fund called 500 Kulfi focusing on early stage companies with product-market fit and demonstrated traction. However, regulatory concerns have deferred their plans for now.

Headquartered: Bengaluru
In June 2016, Cisco announced its LaunchPad initiative which gives start-ups access to Cisco's technologies and labs, mentors and an equity-free grant over a duration of six months. The initial focus will be on manufacturing, retail, transportation, education and healthcare sector.

Headquartered: Bengaluru
Intel India Maker Lab is helping start-ups accelerate their hardware and systems innovation towards creation of new products and solutions by offering infrastructure, technology, tools and mentorship support.

Headquartered: Bengaluru
SAP Start-up Studio is a one-year mentorship programme that allows selected start-ups to access its technology and customer base, apart from providing training to help the respective business models work. The focus is on the Internet of Things, Big Data and Cloud, among others.

Headquartered: Bengaluru
Launched in 2016, Oracle Start-up Cloud Accelerator Program is aimed at boosting start-up's development through technical and business mentoring. The accelerator will work with mid-sized firms, including micro, small, medium sized enterprises and start-ups. Seven more centres have been planned.

Headquartered: Silicon Valley
Brand Capital, Bennett & Coleman and Co's (BCCL) strategic investment arm, has formed a joint venture with GSVlabs to launch 15-week accelerator programmes aimed at targeting innovation. The start-ups will be connected to other innovators through community initiatives and thought leadership events. In exchange, BC-GSV will take an equity stake in each participating venture.

The Unicorns of India

Company	Revenues (in US$ mn) FY 2016	Net Profit/loss (in US$ mn) FY 2016	Valuation $ bn FY 2017	Peak Valuation $ bn
Flipkart	2763	-889	11.6	15.2
Snapdeal	225	-511	1	6.5
PayTM	134	-236	8	8
Ola Cabs	117	-357	3.5	5
Zomato	29	-76	1	1
Shopclues	28	-59	1.1	1.1

Source: ROC and investor reports

BEST TIME TO BE AN ENTREPRENEUR IN INDIA

Naspers has been behind investments in some of India's most successful start-up ventures in recent years. Here Larry Illg, CEO for Ventures, explains what makes India an exciting prospect for the firm.

What would you attribute Naspers' success in the Indian market to?

Naspers is active in more than 130 countries and markets across the world, and our approach to investing in companies has been fairly consistent over the years. Firstly, we ensure that we understand the business model. Do we think it has legs? Do we think there is long-term defensibility and profit potential? This can be a few years out, because we look at a relatively long horizon for our investments. Is there a fundamental need in the market for this business to exist; increasingly, we look for businesses that address big societal needs. And finally, has the business got good potential to scale?

If the answer to all this is yes, then the second question we spend energy on is whether or not the company is being run by an entrepreneur and management team that we believe in, because we believe that being entrepreneurial takes something special. We look for people who are committed and dedicated and want to see their company scale, so we want to be sure they have significant ambition. Many of our successes have been down to putting our trust in local entrepreneurs and backing them to succeed. Local leadership is also important to us because in our experience it ensures a higher level of understanding of local culture, market and of course, customers or end users.

If we see a business model and a leadership team that we believe in, then we start to get excited. The final consideration is price. Does the opportunity come at a reasonable price? While we are not short-term investors, we do want to make a return.

Turning to India specifically, I think all the above applies. We have backed people we believe in, with excellent local knowledge of the Indian market, and business models which address real societal needs in India. We are excited about the potential of all the businesses that we are involved with in India, whether you look at Flipkart, MakeMyTrip, OLX or PayU.

How has the VC arm been developing since it was set up?

We established the Naspers Ventures team in 2015 to sharpen our focus on finding the next areas of growth for Naspers. Of course, finding new opportunities is something the group has been doing for more than a century, but today, there's never been a better time to be an entrepreneur. We see hotbeds of innovation and entrepreneurship right across our markets, and we established our global Ventures team to stay close to these fast-moving opportunities.

Today we have dedicated Naspers Ventures team members in Silicon Valley, Latin America, the Netherlands, South Africa, Hong Kong, and of course, India.

As well as exploring, finding, and investing in new opportunities, we also provide a number of unique support services to help our entrepreneurs develop and scale their businesses. For instance, we offer expertise in strategy, product and mobile, growth marketing, research and intelligence, organisational design and development, communications, and M&A.

We have backed people we believe in, with excellent local knowledge of the Indian market, and business models which address real societal needs in India. We are excited about the potential of all the businesses that we are involved with in India, whether you look at Flipkart, MakeMyTrip, OLX or PayU.

Today the Naspers Ventures team has invested in and works with companies like Movile, iFood, Delivery Hero, Brainly, Codecademy, Udemy, Twiggle, and SimilarWeb.

What are some of the company's high points since it began investing in India?

Naspers was an early investor in Flipkart, which has grown to become India's leading e-commerce business. In April this year, the company successfully raised a further $1.4 billion from a consortium of investors including Tencent, eBay, and Microsoft. This is the largest capital investment ever raised by an Indian internet company and we are proud of the team and excited about Flipkart's growth plans.

In recent months, Naspers has also closed a couple of important deals in online travel, and payments. In October last year, we announced a merger between Goibibo and MakeMyTrip. GoIbibo is a business that we backed with Ashish Kashyap back in 2009. This business grew quickly, and included the acquisition of redBus, which has since expanded internationally. The merger with MakeMyTrip closed in January and since then Deep, Rajesh and Ashish have been working hard to bring the two businesses and teams together. They're making great progress already and everyone's excited about the new company and what it can do for the online travel industry and, in particular, for people travelling in India.

The other deal I mentioned was between our global payments business – PayU and Indian payments technology player, Citrus Pay. In September 2016, we agreed a deal for Citrus Pay to become part of PayU in the largest ever M&A cash deal in Indian fintech.

Has Start-up India contributed towards Naspers' own growth trajectory?

We haven't yet felt the impact of Start-Up India ourselves, but we are excited about what the government is doing to boost the entrepreneurial ecosystem and obviously look forward to many more innovative companies coming out of India.

What are some of your top tips for investing in the Indian internet landscape?

I'm very flattered you've asked for my top tips! But we don't actually have a country thesis for any geography; we seek to understand local dynamics insofar as they inform consumer needs, but never start with "let's do more in this country". Coupled with that, most investors will have their own magic formula for investing, and so may not need my top tips. Our approach is around the business model, the team leading the business, and our perception of the opportunity.

But at a general level, my top tip for any market we consider is to fully understand the local market nuances; things which are easy to overlook from afar, and potentially catastrophic if you get them wrong. Two quick examples for our markets are around product and payments.

When thinking about online or mobile businesses, understanding how people get online and which people own what device is critical to product design and development, and subsequent marketing efforts. Markets vary hugely in this respect, particularly around data access and usage, in many cases due to both bandwidth and cost. In India, internet access is predominantly via mobile, and lower-spec smartphones proliferate.

For payments, it's very easy to make assumptions about how people pay online if you are an entrepreneur based in the US or Western Europe, where credit card penetration is high. It's therefore important to ensure you are thinking about your payment models upfront, or investing in companies that know what they are doing in this respect. Naspers company PayU provides merchants with online payment solutions specifically tailored for local consumers in markets like India, Latin America, and Africa.

What are your future investment plans in the Indian market?

That's not something we talk about for any market, other than saying that our approach is to look for growth opportunities that address big societal needs in markets where we see the greatest potential. In terms of why we like India, the size of population, the rapid growth we see in numbers coming online via mobile, the amount of innovation underway, and the progressive work of the Indian government to encourage the advance of the tech space are all good reasons.

Larry Illg is CEO for Ventures at Naspers and heads the team which identifies emerging trends, acquiring and operating disruptive platforms for the group.

MOVING UP THE BPO VALUE CHAIN

Ramesh Awtaney heads the iSON Group, Africa's largest technology and BPO specialist with a presence in 29 countries, including India. The businessman, who is passionate about replicating the Digital India model in Africa, shares his views on the emerging trends in the IT/BPO space in India, Africa and globally, Donald Trump's impact on the industry and iSON's growth journey.

What is your analysis of the Digital India programme?

The Digital India programme has picked up remarkable pace over the last few years. As an NRI with significant business interests in digital, telecom, and innovation, I view the Digital India initiative from two critical aspects – broadband connectivity and applications. Connectivity has improved a great extent thanks to the roll out of LTE and 4G networks. In what would be the world's largest rural broadband connectivity project using optical fibre, the Government of India is connecting 250,000 village panchayats through its high speed digital highway, Bharat Net. India's state-owned telecom company BSNL is replacing 30-year old exchanges through Next Generation Network (NGN), an IP based technology to manage all types of services like voice, data, multimedia and other packet-switched communication services.

I am sure that Digital India is on its way to become a global case study that will inspire many countries. Through my latest venture, iSON Innovation, I am contributing to a similar vision for a Digital Africa, wherein I want to support and incubate innovative digital start-ups that will propel the continent towards faster growth.

Besides such advancements on the connectivity side, the speed at which governance is adopting digital is very heartening. Today, there has been a multifold increase in the number of services that are available on demand. MyGov.in has emerged as a platform for citizen engagement in governance, through a "discuss", "do" and "disseminate" approach. Aadhaar Card based UID is being strengthened as the backbone of all services at a trail-blazing speed, which will redefine the fundamentals of how citizens engage in the democratic process. eSign off, eVisas, Digital Locker, Digitize India platform, federal MOOCs program SWAYAM and the massive digital literacy program PMGDISHA, are among the several other such initiatives, which reaffirm the immaculate planning and execution that India is showcasing to the world.

I am sure that Digital India is on its way to become a global case study that will inspire many countries. Through my latest venture, iSON Innovation, I am contributing to a similar vision for a Digital Africa, wherein I want to support and incubate innovative digital start-ups that will propel the continent towards faster growth.

How do you see the IT/BPO sector evolving in India, Africa and globally?

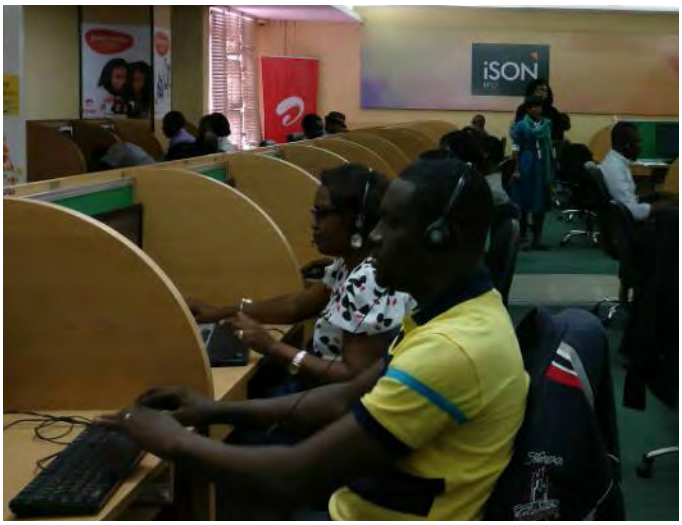
Over the past more than 25 years, India has established itself as the global hub of outsourcing companies and has garnered a huge chunk of the world BPO market. However, as the industry matures, the wages of the workforce are also increasing, which means that India must move up the "value chain" towards higher-value adding Knowledge Process Outsourcing (KPO), which is more cerebral and offers a better price.

This wage parity opens up new opportunities for other low-cost destinations to tap into their labour arbitrage more effectively. Africa is poised to grab a large share because of its significant advantages such as a large employable youth population, lower average age compared to India, multi-lingual support in French and Arabic beyond just English, reasonably good telecom infrastructure, time-zone advantage particularly suitable for UK and Europe, and a strong domestic demand for outsourcing. Especially Sub-Saharan Africa (SSA) has emerged as a strong contender for the IT/BPO sector.

North African countries like Morocco and Tunisia too are witnessing a sharp increase in the wages, which opens up more opportunities for SSA in French-speaking BPO. I predict that Africa can replicate India's growth story in IT/ITeS in just 10 years. We saw this opportunity early and have been investing in new centres across Sub-Saharan Africa over the past seven years, which have helped catalyse the ecosystems for growth in these countries. Today, iSON has presence in 25 countries in Sub-Saharan Africa alone.

At a global level, emerging technologies and robotic process automation (RPA) have gained momentum, especially in the past two years. For the most part, the work that gets outsourced to remote locations is the bottom-of-the-pyramid work, and as RPA capabilities advance, those processes will be first to be shifted to RPA for minimising effort or to remove human intervention altogether. For better or worse — better for cost savings, speed and efficiency and worse for all the jobs that will be lost to RPA — this capability is slowly making its way into all industries and all types of business processes, and will redefine the jobs of the future.

However, this trend also presents an opportunity for the BPO sector to move to high-end work, which would make this business more lucrative.



Are there areas where India and Africa could work closer in the IT sector?

The IT and ITeS industry in India is very evolved. India can export this Process Intellectual Property to Africa, which will create capabilities and capacities onshore. This will be a winning proposition for Africa too, which will benefit from immense skilling and employment opportunities. Africa cannot absorb an offshore model so skill transfers is the only way to bring productivity and quality in a cost-effective manner.

Through our "IP to Work" model, iSON has proved that such an onshore model can effectively facilitate skills transfer in select areas of call centres and some IT services. We have created more than 10,000 livelihoods in Africa using this model, out of which 99.5 per cent are African locals – including 90 per cent youth.

This workforce is gaining exposure in working for leading African clients such as MTN, Etisalat, Orange, Airtel, Zain, Kenya Tourism Board, GT Bank and AXA Mansard, as well as global clients like IDEA, Vodafone, Alcatel-Lucent, Pepsi, GE, Toyota and Standard Chartered. This also helps Africa earn more foreign currency, which strengthens the economy.

The next wave of growth in India-Africa partnership will be to usher in skill transfers in advanced aspects like analytics, big data and artificial intelligence. Over the years, once the onshore skills are created and the local market matures, Africa can also start offshoring selectively to destinations such as India.

Does the Trump-led administration pose a threat to the global IT industry?

There is more hype than substance in this perceived threat. Industry has always followed the economics and while in the short term there would be some noise, in the medium-to-long term, businesses would compel logic to prevail and the global IT industry would refocus on its growth trajectory. As with any change, there may be a need to make some minor adjustments to strike a balance between off-shoring and on-shoring.

On a personal level, what have been your highlights with iSON Group?

The biggest achievement for iSON has been to prove to the world that it is economically viable to bring IP to work. As Africa's governments, companies and entrepreneurs search for innovative solutions to move away from commodity-dependence, iSON has emerged as a thought-leader in harnessing the potential of ICT as the next frontier of Africa's growth.

Besides creating mass employment and rapid economic growth in Africa, iSON has become the largest technology and BPO specialist in the region, with a geographic footprint across 29 countries, including India and the Middle East, and more than 12,500 employees. Today, we have partnership with over 15 leading product and software companies and more than 30 large customers across seven industry verticals.

We are powering global clients through our headquarters in in Lagos, Nigeria and Nairobi, Kenya. Our unique "IP to Work" business model has helped iSON win several accolades. As a key partner in Africa's tech-revolution, iSON has inspired several industries in the continent to outsource for the first time. iSON has helped African telecom providers reduce customer service costs by 50 per cent, cut down customer care wait times drastically, and register tremendous growth in customer penetration.

iSON is also helping telecom carriers to use 'customer experience' as their competitive edge by surpassing Africa's conventional service levels by far. We are also setting up state-of-the-art facilities in Category B cities of Sub-Saharan Africa such as Ilorin, Abeokuta, Ibadan and Kano in Nigeria, and in countries like Liberia, South Sudan, Sierra Leone, Chad and Niger. We have invested over $20 million in Africa in the last seven years and are now investing an additional $20 million to set up four new centres which will create 4,000 more jobs and will positively impact the lives of more than 16,000 people.

Ramesh Awtaney is the Founder & Chairman of the iSON Group of companies.

THE ESSENTIALS OF ATTRACTING INVESTMENTS INTO AYRUVEDA

After years of research with experts and bio-chemists, Forest Essentials set off to build on the 6,000-year-old Indian science of Ayurveda. Company chief Samrath Bedi talks 'India Investment Journal' through his 'Luxurious Ayrurveda' tagline, the tie-up with American skincare giant Estee Lauder and future plans.

What in your opinion attracted investors to Forest Essentials?

Successful brands are built on rich heritage and history. What is compelling about Forest Essentials is its focus on the skill, science and tradition of Ayurveda – central to one of the world's oldest civilizations.

Initially, Ayurvedic products available in the market were formulated with effective properties, but products were not made with fresh and seasonal ingredients, as prescribed by Ayurvedic texts, and were often not pleasurable to use. Forest Essentials has simplified Ayurveda to make it more accessible to the world by curating high quality, user-friendly and pleasurable Ayurvedic products.

Driven by innovation and product excellence, Forest Essentials today is the only Indian brand which is involved in the conception, formulation, manufacturing and sale of products in their own company-owned stores.

The core of our success hence is our expertise in creating and producing truly exceptional formulations. Our commitment to quality across our portfolio means that all the products we develop are carefully manufactured and fully tested. We have enhanced our services and adopted the highest quality standards in our products to match up to the best offerings worldwide, while keeping the spirit of Indian-ness.

As a result, our clients have come to rely on our knowledge and experience to create and produce products that are unmatched in every way.

"Forest Essentials has simplified Ayurveda to make it more accessible to the world by curating high quality, user-friendly and pleasurable Ayurvedic products."

What are the various facets of your tie-up with Estee Lauder?

In 2008, Forest Essentials partnered with the Estee Lauder Group of Companies (ELC), with ELC acquiring a minority stake in the company.

This alliance has allowed Estee Lauder to be a part of the rapidly growing beauty market in India, while Forest Essentials would gain from Estee Lauder Companies expertise in the beauty market as well its strong hold in the international arena. This relationship is of great significance in the Indian beauty business, being the first for an Indian company to have interest from a global beauty conglomerate of its size and pedigree.

With this partnership, Forest Essentials is working closely with ELC to bring traditional Ayurveda up to the highest quality standards, which will make it the first truly Indian Luxury Ayurveda brand in the world.

We do not manufacture for Estee Lauder currently but our R&D team is currently investigating the possibility of undertaking some projects, to understand what we may be able to offer from our repertoire.

What are your top tips for new start-ups looking at setting up in India?

Often the best way to grow a brand is to ensure that you stay true to your brand and know what it stands for. Our brand, "Forest Essentials", is the basis for all the decisions our company makes, from who we hire to the products we create.

Another tip would be to be passionate about your business. The energy of passion keeps you going when the tasks are unpleasant and is the one thing that earns the trust of your employees and customers.

To be successful, you also have to be patient about what you are doing. You will need patience when it comes to employee relations, business negotiations and will have to learn to remain calm amid the big and small hurdles you face while moving towards your goal.

Is Forest Essentials set to compete with the big global brands?

Yes, absolutely. We follow pharmaceutical grade production standards and global compliances to produce products of world class quality. All products contain ingredients which are sourced with great care and contain Spring water certified as rich in mineral deposits by laboratories in France. Hence, we are set to change the perception of Indian products from low to high quality and truly luxurious.

From being the favourite products of many prominent film stars, politicians and industrialists in India, to being the ultimate gifting solution for a discerning international clientele, our products have a universal appeal. With awards, testimonials and regular features received from the country's foremost publications, and many global endorsements, we continue to grow stronger, from strength to strength.

What have been some of your high points in the Forest Essentials journey and what are some of your future expansion plans?

In chronological order, the high points for me personally were 2004, when we opened our first flagship retail store in Khan Market [New Delhi]. Followed by 2008, when the American skincare giant, 'The Estee Lauder Group of Companies', came on board as strategic partners.

It was also the year we launched of our first website and Forest Essentials was then available internationally.

We set up our state-of-the-art facility at Haridwar in Uttarakhand in 2009. The factory is at a pharma level and is capable of delivering products of the highest standards.

The world is smaller and represents greater opportunities today than ever before. We are delighted to confirm our international expansion plans in 2017. We are currently building a strong team solely focused on international growth that is ready to face challenges and fully support the expansion.

Samrath Bedi is the Executive Director of Forest Essentials India.

SHORT TAKES

Indian start-up incubator in Novartis deal

Indian start-up incubator T-Hub has signed an MoU with Swiss pharmaceutical major Novartis Healthcare Private Ltd (NHPL) to create and execute joint programmes that would benefit Healthtech start-ups.

Novartis will work with T-Hub to develop plans to help healthcare and pharmaceutical start-ups to scale up and grow, T-Hub said in a statement.

Jay Krishnan, CEO, T-Hub said: "We are very excited to collaborate with Novartis. It will bring great value to the ecosystem and healthtech start-ups will be greatly benefited. With healthtech being one of our prime sectors, we are working towards ensuring that start-ups associated with T-Hub are well mentored and guided through various programs of ours, which will help them scale their business faster."

Subodh Deshmukh, Global Drug Development Head for India at Novartis, said: "As a global leader in biomedical innovation, we are excited about this potential partnership with T-Hub and its allied start-ups driving innovation in the healthcare space."

Uber to invest in Indian start-ups

American taxi aggregator Uber has unveiled plans to invest $50,000 each into three Indian start-ups — SeekSherpa, LeanAgri and Ambee.

The companies were selected as part of Uber's India-wide competition to find the country's "brightest start-ups". As part of the investment, the firm will invite these companies to San Francisco, where they will get advice and guidance from top Uber executives and other venture capitalists, the company said in a statement.

The three were chosen from a field of more than 5,000 who submitted their ideas via a tap on the Uber app. Of those, 100 were shortlisted by angel investors, mentors and venture capitalists.

Amit Jain, president, Uber India, said: "UberPitch has underscored the depth and breadth of the smart ideas that Indian entrepreneurs are generating. All the companies showed a commitment to tackling some really hard problems."

Amazon gets e-wallet go-ahead in India

Amazon India has received the Reserve Bank of India's (RBI) approval to launch its own digital wallet in India.

The American online retail giant had applied for what is called a "Prepaid Payment Instrument (PPI) licence" nearly a year ago. It is now set to compete with local rivals such as Paytm and Freecharge in the e-wallet market.

Sriram Jagannathan, vice-president of payments at Amazon India, said: "Our focus is providing customers a convenient and trusted cashless payments experience. RBI is in the process of finalising the guidelines for PPIs.

"We look forward to seeing a continuation of the low-limit wallet dispensation with simplified KYC (know-your-customer norms) and authentication. This will allow us to help customers adopt digital payments at scale and thereby contribute towards making India a less-cash economy."

eBay closes in on Flipkart deal

Online retailer eBay is planning to close the sale of its India unit to Flipkart. The deal involves the US-based ecommerce firm investing $500 million for a minority stake in the Indian company.

The deal will give buyers on its platform access to Indian inventory and global sellers access to the growing base of buyers in India that shop online, eBay said.

Scott Schenkel, CFO at eBay, said: "We believe our $500 million investment along with the contribution of our eBay India business, significantly improves our competitive position in a strategically important market."

eBay's sale of its India unit to Flipkart was part of a $1.4 billion investment round in the Indian company by Tencent, Microsoft and eBay ($500 million). While eBay will retain a stake in the Indian market with its stake in Flipkart, the local company will get a foothold in the customer-to-customer online retail market where Amazon is aiming for leadership through Junglee.

SHORT TAKES

Kerala, UN to work on tech lab

The Kerala state government and the United Nation's Office of Information and Communication Technology have come together to set up India's first UN Technology Innovation Lab in Thiruvananthapuram.

The Kerala Startup Mission will be spearheading this initiative on behalf of the state. Areas of water, sanitation, mobility and agriculture have identified as best suited for this innovation centre and the initiative will not only benefit India but also other UN member states with similar issues into the future.

The start-ups in the state will be working closely with the Innovation lab to build products aimed at addressing these issues.

The proposed centre would be a United Nations technology project led by the Office of Information and Communication Technology and staffed with members from both the technology and substantive programme areas of the UN.

Kerala Startup Mission CEO Saji Gopinath described the new agreement as a great opportunity to create path-breaking technologies.

Google unveils 'Solve for India'

Google India is taking a version of its Launchpad Accelerator programme to Tier II towns in India through the "Solve for India" initiative.

The program was kicked off in Pune recently with a set of local entrepreneurs and will be taken to 10 more cities over the course of the year.

It will reach out to entrepreneurs in cities like Indore, Nagpur and Madurai to help them develop solutions in areas like agri-tech, healthcare and sanitation. The programme will provide a platform to developers and entrepreneurs in smaller cities to hear from experts and gain access to direct mentoring and support from Google.

The tech giant aims to reach over 10,000 developers and entrepreneurs this year alone through the programme.

The company will also share product usage insights and help the entrepreneurs build solutions across areas like transportation and education, among others. The focus will also be on developing mobile first solutions with strong offline and language capabilities.

Karthik Padmanabhan, Google India Programme Manager Lead, said: "There are growing number of entrepreneurs in smaller Indian cities who are focusing on building solutions that cater to the real needs of India."

Invesco opens India innovation hub

Global investment management firm Invesco unveiled its first innovation hub in India at Hyderabad, employing around 1,100 people.

Invesco claims to be the first global asset manager to set up an innovation hub in India and hopes to learn from its use and translate the findings around its global offices.

The hub, aimed at serving as a fun and collaborative work space for employees to help align strategies and ideas, will focus on tapping local talent in building innovative products for its global customer network.

Dave Dowsett, global head of strategy innovation and planning at Invesco, said: "We are maturing our innovation pipeline and working closely with teams around the world to develop talent and keep our focus on continuously pivoting towards technology that will set us apart from our competitors and allow us to focus on delivering a superior investment experience for our clients across the globe."

The hub, which was opened up for employees in January 2017 to give them access to the latest technologies, is now also open to start-ups, especially those in the fintech space to expand the talent pool.

Innovation key to start-up success: Study

An entrepreneurial study conducted by the IBM Institute for Business Value (IBV) has revealed that more than 90 per cent start-ups in India fail in the first five years due to lack of innovation and funding.

The study is based on a survey done in collaboration with Oxford Economics to understand the rapidly evolving Indian start-up ecosystem and its effects on the wider economy. The results reveal that start-ups can exploit a range of attributes and advantages unique to India.

The 'Entrepreneurial India' study is based on interviews with more than 1,300 Indian executives, including 600 start-up entrepreneurs, 100 venture capitalists, 100 government leaders, 500 leaders of established companies and 22 educational institution leaders to analyse the macro impact of start-ups on the economic growth of the country.

Nipun Mehrotra, Chief Digital Officer, IBM India/South Asia, said: "We believe that start-ups need to focus on societal problems like healthcare, sanitation, education, transportation, alternate energy management and others, which would help deal with the issues that India and the world face. These require investments in deep technology and products which are built to scale globally."

INDIA'S RACE TO $100 BILLION

by India Inc. Staff

It's not a target but it remains an aspiration. Given the trajectory of the Indian economy, there's every reason to be optimistic that this ambitious goal is within reach.

It is not an official target and no one in the government will speak about it on record. But in private, off-the-record conversations, they will admit that receiving $100 billion in annual foreign direct investment (FDI) inflows is an aspiration the Indian government is not giving up on.

That figure isn't quite a mare's nest. China consistently crossed that mark during the heady period when it was growing at 9-10 per cent per annum. And, to put things in perspective, India isn't too far away from that mark.

Achievable 'target'

In 2016-17, India received FDI of a little more than $60 billion in retained earnings, though the growth rate fell to 9 per cent from the average of more than about 25 per cent over the preceding three years.

It is still a very impressive performance, especially when seen in the context of the 13 per cent fall in global FDI flows last year.

A simple back of the envelope calculation shows that India will hit the $100-billion FDI inflow mark within three years if it can maintain the growth rate of the previous three years. How? In the last two-and-a-half years, FDI inflows into India have cumulatively grown 62 per cent. A similar strike rate over the next two-and-a-half to three years will take the figure comfortably over the $100-billion mark.

But FDI inflows do not always follow the laws of mathematical progression. Hence, India has been actively chasing foreign investors to come and invest in the country.

The need for investment facilitation

"Till recently, all the arms of the government were involved in investment promotion. But no one was doing investment facilitation. That's where we came in," Deepak Bagla, CEO of India Invest, India's new but surprisingly low profile investment promotion agency (IPA), had told 'IIJ' a few months ago.

The Chinese boom, fuelled mainly by FDI, was engineered largely its investment promotion agency. Singapore's IPA, too, is famous for aggressively facilitating investments in the city state. But India had no established mechanism to hand hold foreign and domestic investors and guide them from conceptualisation to cash flow.

In 2009, therefore, a Cabinet note mooted the idea of an

IPA. The government created Indian Brand Equity Foundation as a trust to promote and create international awareness of the Made in India label and to disseminate knowledge of Indian products and services abroad.

But this, too, fell short of an IPA. Then, Narendra Modi stormed to power in 2014 and launched his ambitious Make in India programme, leading to a flood of queries about opportunities in this country.

That was when the DIPP and the Federation of Indian Chambers of Commerce and Industry got together to set up Invest India.

Diversification of FDI basket

As the numbers above show, FDi inflows have grown by leaps and bounds since Invest India was set up. But that tells only part of the story. The content and quality of FDI have also changed significantly over the last couple of years.

For example, if one compares the FDI basket during the 2000-2014 period with FDI inflows in 2015 and 2016, the difference in the composition of industries will be clear.

Hotels, hospitals & tourism, electrical equipment, all large job creators, did not feature anywhere in the list prior to 2014 but have, since, emerged as important components of FDI.

This indicates that more foreign investors from more diverse industries are buying into the India story and are investing their money in this country.

In the last two-and-a-half years, FDI inflows into India have cumulatively grown 62 per cent. A similar strike rate over the next two-and-a-half to three years will take the figure comfortably over the $100-billion mark.

Manufacturing in focus

Another interesting diversification, a welcome change from the past, is that the manufacturing sector is attracting increasingly higher amounts of FDI.

This is important as the government has set a target of increasing the share of industry in the country's GDP from 18 per cent at present to 25 per cent – sine qua non for providing jobs to the army of 10-12 million youth who join the workforce every year.

In 2015-16, for instance, FDI inflows in the manufacturing sector amounted to $20 billion, third of the total and almost half if retained earnings, non-equity capital and some other heads are nit

South Korea's Kia Motors recently announced a $1-billion project to build cars in Andhra Pradesh in peninsular India. Apple's outsourced manufacturing partners have already begun assembling the iconic US companies phones (though not the iPhone) in India. And China's Dalian Wanda Group is setting up a $10-billion residential-commercial-industrial city in the northern state of Haryana.

In the retail sector, which is another large job creator, Amazon is spending billions on upgrading its back and front ends in India and Ikea is also betting big on India. They joins other global giants such as Airbus, ThyssenKrupp Electrical Steel and Fiat Chrysler that have belatedly woken up to India's potential and are now rushing to make up for lost time.

Chasing growth

India has been the world's fastest growing economy for three years and the top recipient of FDI for four – with good reason. And that is why investment dollars are flowing in.

"The Indian government has taken some bold decisions such as passing the GST Bill and making a massive push towards a digital economy, which will accelerate India's transformation in the mid-to-long term. Besides paving the way for greater transparency in policy frameworks, such initiatives have the potential to improve India's ranking on the (World Banks's) Ease of Doing Business index," said Dr Mukesh Aghi, President, United States India Business Council (USIBC).

The World Bank, the International Monetary Fund and the ADB are unanimous that India is and will remain the brightest spot in the global economy for years to come. The IMF, in its World Economic Outlook 2016 had projected that India would become the world's third largest economy by 2030 with a GDP of about $10 trillion in nominal terms.

Most industrialists and investors agree with this sentiment.

"India stands at the cusp of one of the greatest phases of growth in its history. It is a beacon of hope for the rest of the world given the sheer growth potential that still lies ahead of it, the democratic system that gives it stability, the internal market demand that will allow India to grow healthily for decades and the sheer grit of its citizens to back democratically elected governments to do the right thing. If you take a long-term view there is no way you can go wrong with investing in India," said billionaire Gautam Adani, Chairman of the Adani Group.

Why FDI is important

India needs FDI as much as the foreign investors need India's low cost manufacturing bases to make their products and the country's vast domestic market to sell their goods in.

A major roadblock to faster growth rates – a necessary pre-condition for generating jobs, spreading prosperity and lifting millions out of poverty – is India's creaking and outdated infrastructure. Finance Minister Arun Jaitley has said India needs approximately $646 billion over the next five years to fix the country's infrastructure.

That's about $129 billion every year for five years. Jaitley has taken the lead by allocating $90 billion on infrastructure creation and renewal in this year's Budget. With private sector investments remaining tepid and banks unable to lend because of the NPA overhang, FDI remains the only route to make up the deficit.

Doing the heavy lifting

Invest India handles about 40 per cent of all FDI that flows into India. It is a matrix organisation, comprising mostly young professionals recruited from top consulting firms, investment banking companies and law firms, all of whom gave up lucrative jobs in response to the Prime Minister's call to help build a new India.

Its track record so far has been impressive. That's because of the systems that CEO Bagla and his colleagues both in the government and in Invest India have put in place.

The World Bank, the International Monetary Fund and the ADB are unanimous that India is and will remain the brightest spot in the global economy for years to come.

For example, it has a process in place for attracting FDI. It compiles extensive lists of companies worldwide and regularly updates news reports of their interest in investing in foreign countries. These companies are then targeted with the help and support of the Indian embassy in their native countries.

Then, Invest India also receives enquiries on its portal. In other cases, leads are generated and forwarded by the central and state governments or from formal and informal connections at global expos and events.

"Our goal is to make ourselves redundant," said Shankar Ranganathan, Vice President, Invest India, adding that he had never before worked for an organisation with such a goal. He explained that the idea was to streamline and ease foreign investment processes to such an extent that the country will no longer need an IPA to facilitate such inflows.

Small beginning

Such thoughts were nowhere on the minds of the government when Invest India began its journey. To start with, it studied the investment promotion model of Gujarat, which had been very successful in attracting investments under Narendra Modi, who was chief minister of the state before he moved to Delhi as Prime Minister in May 2014.

The plan for the IPA was radical in the tradition-bound world of the Indian bureaucracy. It was planned as an organisation completely funded by the government; yet it would have to stay at an arm's length from the government.

Then, it had to be created and run in the manner of a private sector firm. And finally, it had to be designed to keep the private sector investor – both foreign and domestic – at the centre of its existence instead of the government. So, it had to be the independent voice of the investor within the system.

The challenge was to get everyone to accept the idea. It wasn't always easy. But the Prime Minister's vision was crystal clear: "The country can progress only if we end red-tapism. No red tape, only red carpet, is my policy towards investors," Modi has said on more than one occasion.

"India was already famous the world over for frugal engineering. We wanted to adapt that same philosophy to India Invest. Our goal was clear: we wanted to be the world's No. 1 IPA at the least possible budget," said Bagla.

Best in the world

That goal was achieved last year in Nairobi, where Unctad rated it the No. 1 IPA in the world for its Best Practices.

Bagla generously gives all the credit for Invest India's success to his young team. "These youngsters are full of passion. Why else would they have given up often eye-popping dollar salaries at bluest of blue chip global investment banks and consultancies to work in a government-run body at a fraction of what they were earning?" he asks.

Being young and passionate, Bagla's team has developed expertise at taking care of investor grievances. Their domain knowledge and problem solving skills have also earned them the respect of both foreign investors as well as the babus with whom they interact on a daily basis.

"Invest India is a wonderful concept. New and existing investors are finding it a very useful," said Haier India's Somesh Aggarwal.

Easier FDI rules

The drive to attract higher FDI inflows, obviously, has to start at the top. Here, the Modi government has been proactive and prompt in reforming bureaucratic procedures, removing red tape and easing norms for foreign investors.

In 2015, it eased FDI rules governing investments in 15 key sectors such as defence, real estate, aviation, banking and single brand retail. And most importantly, it abolished the Foreign Investment Promotion Board, which had, till it was scrapped, the official gatekeeper for foreign investments.

In the defence sector, in which the government had earlier allowed up to 49 per cent foreign investment, the rules were eased further to allow this investment through the automatic route. And investments up to 100 per cent were also allowed in cases dealing with modern technology.

Commenting on the measures taken to ease foreign investment norms, Ramesh Abhishek, Secretary, Department of Industrial Policy and Promotion, had told India Investment Journal in an earlier interview: "… We are actively engaging with foreign investors, reaching out to them and convincing and persuading them to invest in India. We are offering fast track solutions by devising a dynamic and proactive mechanism aimed at problem mitigation and solution."

The road to $100 billion

How realistic and feasible is the aspiration of attracting $100 billion in FDI annually? Several experts that 'India Investment Journal' spoke to were confident that the country will hit that mark within three to four years.

Their logic: The implementation of GST, the new Bankruptcy Code, the digitisation wave sweeping across India and the slew of fresh reforms that are in the works will push India's growth trajectory to 8 per cent and beyond very soon (subject, of course, to a normal monsoon this year).

Digitisation, in particular, will have a multiplier effect whose impact will be immense. "The government's Digital India initiative, complemented with collaborative private participation, will catalyse India's transition into a digitally empowered society and a knowledge economy. A digitized India will impact industries, enterprises and individuals, making way for futuristic technologies that will lead to never-before-seen transformation at professional and personal levels. There's no better time than now to do business in India!," said Amit Midha, President, Asia Pacific & Japan, Dell Computers.

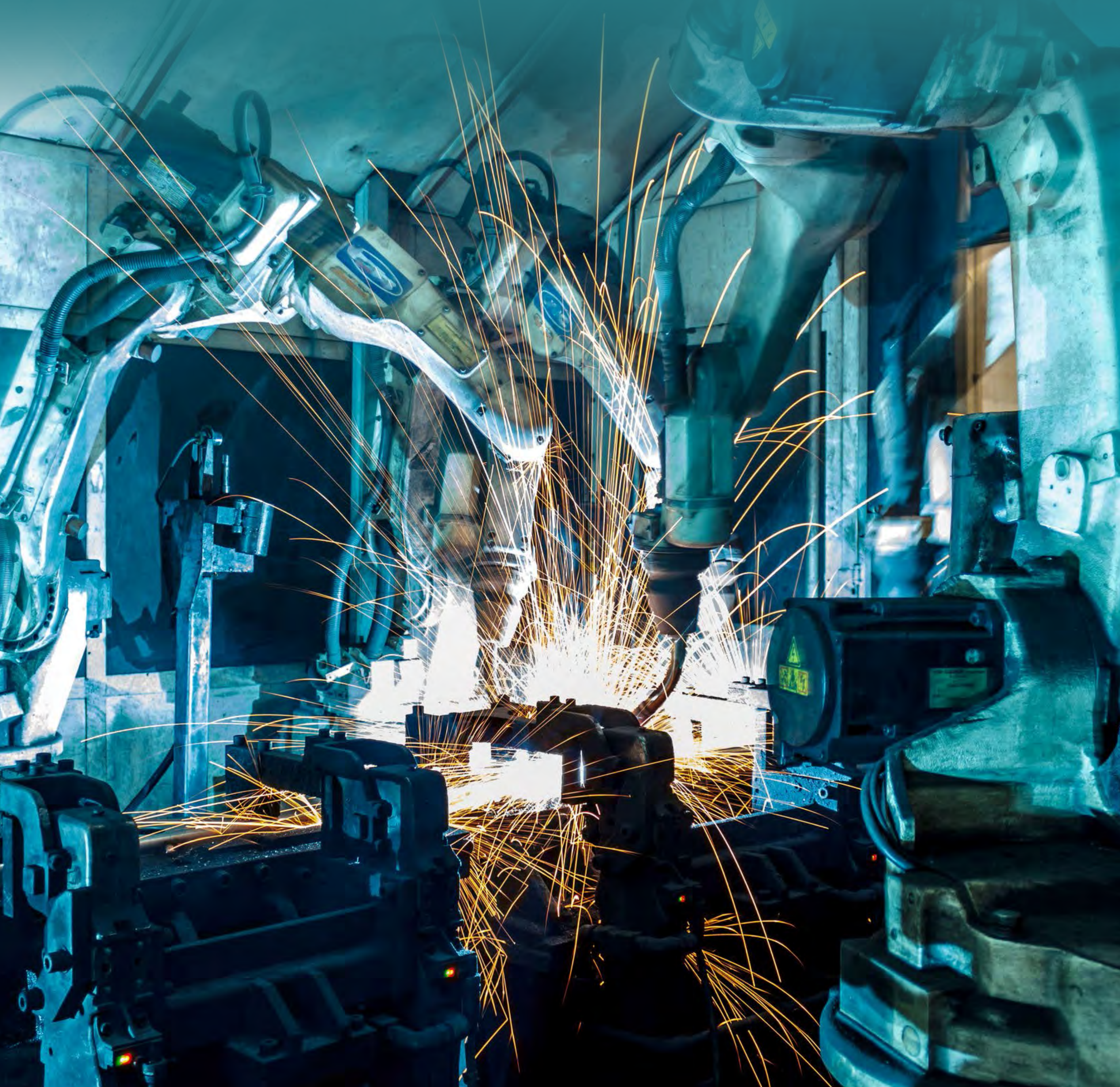
Niti Aayog has committed to removing more than 1,000 archaic laws that have traditionally impeded India's growth, Dr Aghi of the USIBC said.

Rejuvenating the Indian economy, taking it to higher growth trajectories and attracting higher levels of FDI remain a work in progress. The path, so far, has not been linear. There have been hurdles that have slowed down progress and without a doubt there will be roadblocks that will emerge on the road ahead.

The government, and its agencies such as Invest India, will have to find ways of overcoming them. Only then, will the goal of $100-bn FDI flowing in annually be achieved.

Can they do it?

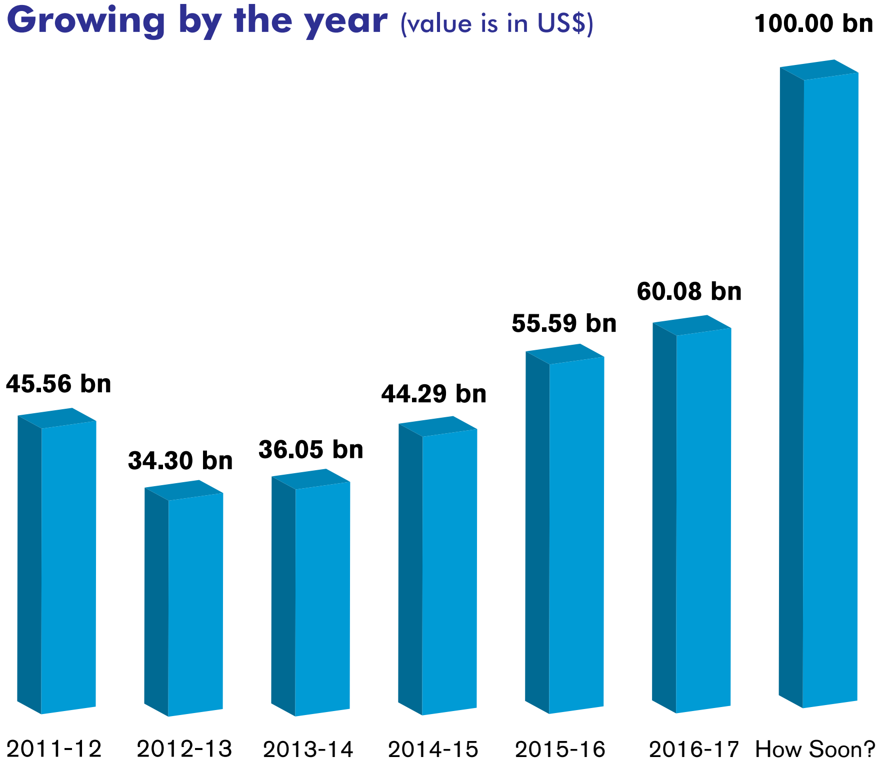
There is every reason to be optimistic.



Flowing against the global tide

India has been the world's top FDI destination over several years and the trend is likely to continue.

Growing by the year (value is in US$)



- **Global FDI** flow shrank **13%** in **2016**
- FDI flows into **India growing** at **23%** annually over **last 3 years**
- **2014-2016**: FDI flows grew at **25%** in **2014-15** and **23%** in 2015-16
- **2016-17**: FDI inflows at **$60 billion**, versus **$55.5 billion** in 2015-16
- **Global: IPOs** in 2016 fell **16%** and capital raised was down **33%**
- India: **38%** increase in deal volume and **79%** surge in capital raised
- First time since **1979**, India's export intensity (ratio of export of goods & services to GDP) is likely to surpass China's this year.
- China's export intensity fell to **20.2%** in first 9 months of 2016 which is just a fraction above India's export intensity of **19.4%** for same period
- **#1** in the World in Consumer confidence
- **Personal finances: 85%** Indian respondents were confident
- **Job prospects: 84%** were confident in the coming year
- Good time to spend: **69%** believe so (Source: Nielsen Global Consumer confidence Index Q4 2016)

Key facts

- **2016-17 fourth successive year** India is world's highest FDI recipient
- Annualised growth rate of **28%** in last three years
- India is expected to witness another robust year in FDI inflows
- Further opening up of insurance sector (up to 100%) expected
- Key defence pacts expected
- FIPB abolition to make FDI inflows easier
- Sectors that attracted maximum FDI till December 2016 include
  - Services
  - Trading
  - Automobiles
  - Construction
  - Metallurgical industries
  - Electrical equipment
  - Telecommunications
  - Computer hardware & software
  - FDI to remain a key driver of growth at a time when private investments remain tepid

THE CHANGING PROFILE OF FDI: PUTTING MONEY WHERE THE MOUTH IS

by Shankar Ranganathan

Make in India, one of the flagship initiatives launched under Prime Minister Modi, has led to a step change in FDI inflows, writes an investment facilitator.

The total FDI inflows into India stood at $60.1 billion in 2016-17 — the highest ever in a single year. Compared to 2013-14, this represents a 75 per cent increase. India's achievement is even more stark when compared to falling global FDI flows as highlighted by UNCTAD. More importantly, Make in India has enabled long-term structural changes such as opening new sectors for FDI, increasing the ease of doing business, cutting the red tape and improving the physical infrastructure.

Most recent commentaries of the Indian FDI scenario focus on the quantity of FDI and the regulatory or procedural aspects. Few focus on the quality of FDI that is key to India's growth story, characterised by industrialisation and urbanisation. Today, India is the greatest industrialisation and urbanisation story in the world. We aim to increase the share of the manufacturing sector in GDP from about 17 per cent to 25 per cent. We will have nearly 590 million people in cities by 2030, about twice the population of the US today. At any point in a country's growth journey, a few specific areas need disproportionate investment and access to latest technology. Now India needs investments and technologies that provide infrastructure and jobs for an urbanising India, clean energy to support industrialisation and quality healthcare for the productive workforce. Thus, to evaluate the quality of FDI, one needs to address two questions:

First, is the FDI coming into sectors where it matters most? In other words, is it contributing to the India growth story in themes such as industrialisation, urbanisation, social sector and environment?

Second, what is the role of FDI within these sectors? For instance, does it provide access to new technologies, innovative practices and business models?

Changing sector-profile of FDI

The past. Historically, services and technology accounted for more than 40 per cent of FDI. While services continue to have the highest share of FDI, in the last couple of years, many new entrants have found their place in the top-10 sectors. Recent entrants include electrical equipment, cement, trading, information & broadcasting, metals, hotels & tourism, and hospitals & diagnostics. This shows a skew in favour of manufacturing and labour-intensive services. [Figure 1]

The future. For the first time in India, Invest India tracks forward-looking or leading indicators of inward FDI. Invest India, India's national investment promotion and facilitation agency, acts as the first point of contact for all investor needs. It is a key cog in the wheel as it handholds foreign investors throughout their investment lifecycle. The analysis of two key leading indicators – the pipeline of cases that Invest India facilitates and the investor interest, as seen in the from the investor queries, that Invest India answers capture the futuristic trends in FDI.

Invest India currently facilitates total investments of over $70 billion, covering over 300 cases. The top five sectors in this pipeline are construction and infrastructure, automobiles, renewable energy, healthcare and retail. These sectors help create quality jobs in manufacturing or services and add to much needed physical infrastructure. In addition, the analysis of investor interest queries highlights that the top areas of interest are food processing, IT/ITeS, renewable energy, electronics, and textiles.

A look at the FDI dynamics within these top sectors in Invest India's deal pipeline shows that foreign investors are bringing in newer technologies and pioneering business model innovations in India.

Construction

The construction sector is the fulcrum of industrialisation and urbanisation. Investors are both creating large greenfield cities and bringing in new business models and technologies. FDI is changing the face of our metros as the majority of the FDI in construction is in the vicinity of the top-10 metro cities. For instance, Korean companies are developing large scale green-field city projects in Western India and Chinese companies such as Wanda Group, CFLD and CASME are actively bidding for new large-scale industrial cities. In some cases, a Joint Development Model is being tried, in which the title resides with the Government and the investor will build the infrastructure and earn from sale proceeds. In real estate PE space, global players such as Blackstone, Brookfield, GIC and QIA are eyeing Grade-A office and retail properties. This is positive for the cash-strapped developers and provides an entry vehicle for foreign players. This will also help bundle assets for REITS. Several global companies such Vollert, Sommer, Elematic, spirol and Spancrete have established facilities to provide precast or prefab solutions.

Renewable Energy

India is undertaking the largest renewable energy capacity expansion programme in the world with a target of 175 GW of renewable power by 2022. India's Intended Nationally Determined Contribution (INDC) is to reduce the emissions intensity of GDP by a third by 2030, below 2005 levels. Global renewable majors such as Vestas from Denmark, SANY from China and Gamesa from Spain are setting up or already manufacturing wind turbines and its components. We see an emerging trend that foreign investors are collaborating with Indian players on next-gen technologies such as fuel cell, solar module cleaning robots, preventive maintenance of grid and auto tilt technology for solar modules.

Healthcare

Large foreign investors such as NMC Health and IUIH are looking to create integrated medi-cities, which will drive significant economies of scale and exploit synergies with diagnostic clinics and medical equipment players. These will cater to the domestic need and at the same time serve as global medical tourism hubs. Invest India is collaborating actively with the investors and the state governments to create pan India network of integrated medi-cities. State government's proactive interest to negotiate and provide land at subsidized rates or in a PPP model is a win-win proposition as it bridges the huge demand- supply mismatch in healthcare in the state and makes the business model of investors commercially viable.

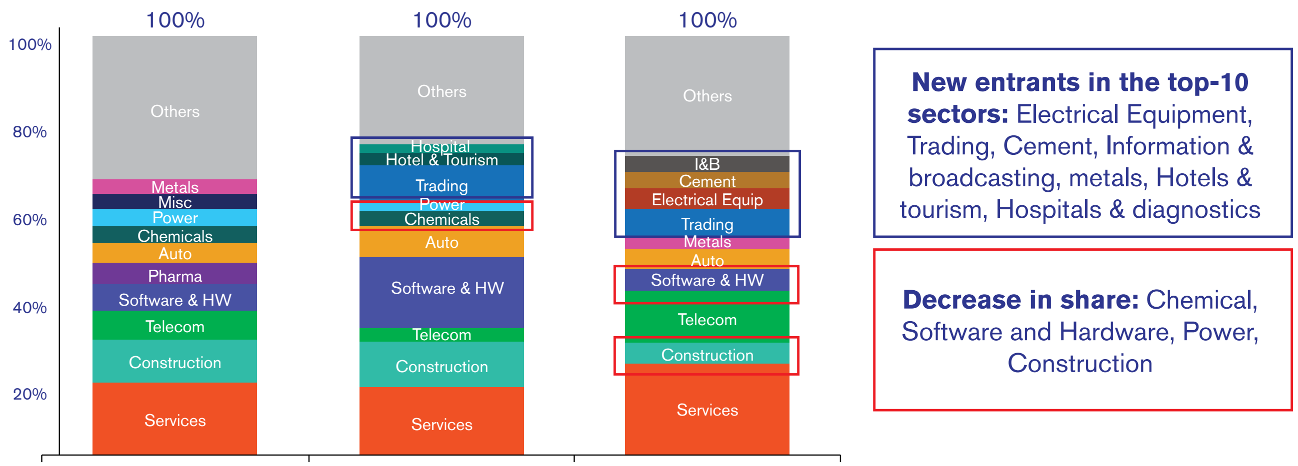
Retail

Retail accounts for over 8 per cent of the employment in India. Investors in single brand retail such as H&M, Zara, Mango, Levi's etc., are increasing the share of their local sourcing and helping India integrate with global value chains. At the same time, they are bringing in global best practices in both the front-end and back-end operations in India. While the eye-popping valuations in e-commerce always grab headlines, the role foreign capital plays in the economy is often under-analysed. The e-commerce platforms, aided by the capital infusion, are penetrating tier-2 and tier-3 towns. Not only so they seek market and expand their merchant base but also bring thousands of agriculture or allied sector labour into the formal system. As many as 60,000 handicraft sellers and Indian small and medium enterprises (SMEs) have been brought on to the portals of e-commerce giants in the past few months.

It is widely known that FDI supplies the much-needed capital for India's growth story. It is encouraging to see its role expand. FDI is significantly augmenting the quality of growth by bringing in capital in sectors that are key at this stage of India's growth story, with latest technologies and business models that are best suited for India.

Significant diversification of FDI sector post the launch of MII

Split of FDI Equity Inflows value by sectors - Top-10 and others



Source: DIPP - FDI equity inflows reports; Invest India analysis

Shankar Ranganathan is Assistant Vice-President at Invest India. He heads the Strategic Investment Research Unit of the organisation, which focuses on FDI and related topics.

SHINING BRIGHTLY

by India Inc. Staff

India's solar power sector is growing at a fast clip, helped by robust foreign and domestic investor appetite for new projects and the country's massive 750 GW solar power potential. But it also faces significant challenges from the infirm nature of solar energy and prices falling to levels that may impact financial viability.

India's steroid-charged solar power capacity addition will take it past Japan as the world's third largest solar market. India, which crossed 12 GW of solar power capacity in 2016-17, is expected to add about 15 GW more in the current fiscal.

Minister of State for Power, Renewable Energy and Coal told the Rajya Sabha, India's Upper House of Parliament that the country would add 10,000 MW from largescale solar power projects and 5,000 MW from solar rooftop projects this year.

A leading private consultancy, Bridge to India, however, has published a report titled 'Indian Solar Handbook 2017', which projects the addition of a more modest 8.8 GW of solar power this year. This lower capacity addition, too, will take India past Japan to the third position among the world's largest solar power markets with about 5 per cent of global capacity. Either way, India's solar capacity is expected to cross 20 GW by the end of the current financial year.

Picking up pace

Before the Narendra Modi government announced its plans of creating an additional 100 GW of solar power capacity in the country by 2022, to reduce dependence on fossil fuels as part of its commitments towards meeting climate change goals, India's Jawaharlal Nehru Solar Mission had, in 2010, under the previous UPA regime, set a fairly modest target of 20,000 MW of solar power capacity by 2022. That figure is likely to be surpassed in the current year itself.

The pace of capacity addition is picking up at a rapid pace. In 2012-13, India had a capacity of 1,686 MW; this rose to 2,632 MW in 2013-14, 3,744 in 2014-15 and 6,763 MW in 2015-16.

States like Andhra Pradesh, Rajasthan and Tamil Nadu, with cumulative capacities of 1,867 MW, 1,812 MW and 1,691 MW, respectively, are leading the charge, though others like Karnataka, Telangana, Gujarat and Madhya Pradesh are fast catching up.

Plunging tariffs

The rising pace of capacity addition in the Indian solar power space is driven primarily by plunging tariffs, which have fallen from more than Rs 10 per unit a few years ago to Rs 2.44 per unit (or less than 4 US cents per kwh). This price, discovered at the reverse auction for 500 MW capacity at the Bhadla Solar Park in Rajasthan, is the lowest in the world and is a function of falling prices of solar modules imported mainly from China.

"At current rates, solar power generation cost is at par with that of thermal power generation. Solar power tariff has been declining on account of sharply declining prices of solar panels, better structuring of the project that reduces risk for project developers and better currency hedging deals that make financing available at competitive cost," said NTPC in a recent statement.

New challenges

While lower solar power tariffs are good news for consumers and will make for a more environment-friendly consumption mix, they do pose fresh challenges for the power sector, regulators and lenders.

While the falling tariffs should be welcomed — it will make India's energy consumption mix more environment friendly — the changing dynamics of the power sector could pose several challenges.

As has been seen in several other sectors, aggressive bidding by players to win contracts often results in the so-called winner's curse – the viability of the project itself then gets called into question. The tariffs discovered at the last few auctions have been the lowest in the world. No one is sure how much lower they will go. And it remains to be seen if such low tariffs can be sustained in the long run.

While lower solar power tariffs are good news for consumers and will make for a more environment-friendly consumption mix, they do pose fresh challenges for the power sector, regulators and lenders.

There have been reports that some discoms that had earlier signed power purchase agreements with solar power producers at higher prices are considering reneging on their commitments and demanding fresh negotiations to fix tariffs in the light of the lower bids. If this happens, the financial viability of the entire sector will be called into question and both investors and lenders will be wary of putting in the big bucks required to keep the sector humming.

There is, as of now, no immediate fear of such a doomsday scenario unfolding, but experts are sounding warning bells and the authorities will do well to take note.

Viability of other technologies

India's power mix is still dominated by thermal power, which accounts for about 60 per cent of the country's total power capacity. Significantly, as renewable sources such as wind and now solar have come on stream, the plant load factor (PLF or capacity utilisation of thermal power plants) have fallen from more than 70 per cent to less than 60 per cent.

'The Economist' reported that falling power prices between 2010 and 2015 forced European utilities to write off assets worth €120 billion. There is no doubt that increased supply of cheap renewable power will affect thermal and hydro power units in India.

As more and more cheap solar and wind power enter the system, discoms, which have an obligation to buy renewable energy first and also a requirement to purchase power on a merit order based on price, will increasingly turn their backs on thermal power, forcing down the PLFs of coal-fired plants further, squeezing their financial viability, thus, putting at risk billions of dollars of bank loans their promoters have taken to set them up.

Infirm power to impact grid stability

There is a critical difference between power generated by thermal and hydro plants on the one hand and wind and solar plants on the other. The former can generate power 24x7 if required and can be scheduled according to plan.

Wind power, however, can only be generated when wind flows are available, which is usually intermittent. Likewise, solar power can be generated only when there is sunlight. Hence, one cannot generate solar power at night or on cloudy days.

Experts warn that the stability of the Indian grid may be affected after solar power capacity crosses the 20 GW mark, as the country lacks sufficient "balancing power".

The sudden withdrawal from the grid of large volumes of solar power after sunset could destabilise electricity supply all over the country. Thermal plants cannot ramp up fast enough to make up for the deficit. The only two technologies that can ramp up so fast are hydro and nuclear, but India lacks the capacity in both to sufficiently balance the withdrawal of solar power.

One way out of this problem is to adopt batteries in a big way to store solar power but the technology is still not sufficiently developed and it could take another five to six years for utility scale battery storage technology to be financially viable.

India's power minister, Piyush Goyal, has repeatedly assured the country that infirm power will not affect grid stability and that the government is seized of the matter and is working to mitigate it.

Solar parks an unqualified success

The auctions of solar power by the central government, conducted by the Solar Energy Corporation of India (SECI), have met with tremendous success. Buoyed by this positive response, the government has doubled the capacity of the solar parks under SECI from 20 GW to 40 GW.

These solar parks, across various states, are clearly demarcated. Bidders received land at concessional prices, ready power evacuation facilities, a 25-year power purchase agreement and several other concessions from the governments of the state in which the park is located.

Thus, execution risk is minimised and delays on account of land acquisition and land permits are eliminated altogether. Then, 25-year PPAs also reduce financial risks to a great extent and provide comfort to lenders, who can then advance money against the future assured cash flows. And incentives from state governments form the icing on the cake.

Little wonder then, that solar park auctions have emerged as the most successful part of the Modi government's plan of adding 100 GW of solar power by 2022.

State auctions a mixed bag

The states also auctions licenses for solar power plants. Alternatively, investors can also approach individual states to set up solar power plants at locations of their choice.

But these are riskier than SECI's solar parks. In most cases, the investor has to identify and acquire the land for the solar plant and then undertake the exercise to change land use. This can be a tedious, long-drawn exercise and can get caught in local politics and litigation.

Then, the power evacuation facilities from such solar plants have to be built by the developer further increasing costs and risks.

And finally, only a few of these projects have PPAs with the state. The rest have long term agreements with private players, who may or may not be in a position to honour them through the term of the contract.

Not surprisingly, state auctions of solar capacities have met with less success than the ones being auctioned by SECI.

Rooftop solar a laggard

Rooftop solar units have not yet taken off the way solar parks have and experts have expressed concerns about this sub-segment of the otherwise highly successful solar power sector being able to meet its target of setting up 40 GW of installed capacity by 2022.

The main concern relates to grid integration of this capacity and poor net metering facilities that are impeding the growth of rooftop solar.

Foreign players dominant

India's solar power sector has seen large doses of FDI flow in from companies in the US, Europe and South East Asia.

Japan's Softbank, which has committed investments of $10 billion to India, is a large player in this field.

Other large players, with significant capacities either already running or in the pipeline are international developers such as Fortum, EDF, AES, SoftBank, Engie, CLP, IBC, Sembcorp, FRV, First Solar and Skypower Global.

There is a second group of foreign investors who are primarily financial investors in projects promoted by Indian entrepreneurs. For example, Indian renewable energy companies such as ReNew Power, Ostro, Mytrah, Suzlon, Azure Power, Welspun, Energon Solar and Hindustan Power are packed by large private equity investors, who, in many cases, hold a majority stake in the investee companies.

This is not to say that Indian business houses are absent from this sector. Tata Power Renewable, part of Tata Power, is the largest player in this sector. Other large Indian business houses that have invested in the solar sector include Adani, Shapoorji Pallonji, Aditya Birla Group, Mahindra Group, Reliance Industries, Rattan India and Hero Future Energies.

Long-term investors

India will require an estimated $100 billion over the next five years to meet its renewable energy targets. But given India's attractiveness as an investment destination and the rush of investors in the renewable energy space, several large global pension funds, which are known to be patient and long-term investors, are keen on investing in India.

Canada's top pension fund managers – Canada Pension Plan Investment Board (CPPIB), Caisse de Dépôt et Placement du Québec (CDPQ), and Ontario Teacher's Pension Plan (OTPP) – the Abu Dhabi Sovereign Wealth Fund, the California Pension Fund, Temasek and Norway's National Pension Fund are all keen on investing in Indian renewable energy, particularly solar power, companies,

CDPQ, which has $199 billion in net assets, plans to invest in India's New York-listed Azure Power, which has 1 GW of solar capacity.

"Our approach is really to pick the right partner and then build a platform that can be sustained over several years," Anita George, CDPQ's South Asia head, told the media, adding that her fund may also invest in other solar power companies.

Then, Dutch fund manager APG, the private equity arms of Goldman Sachs, JP Morgan, Morgan Stanley and Canada's Brookfield Asset Management are all present in India.

Ripe for consolidation

India's solar energy sector is currently highly fragmented with many small players. Even the big boys of the sector have relatively small capacities.

The smaller players, many of whom entered the sector opportunistically to gain the early bird advantage have weak balance sheets and may not be able to sustain their operations in the face of the cut-throat competition that is emerging.

Analysts expect many of them to start selling out by the end of the current year. Already, the sector has seen M&A deals worth $1.6 billion last year but this could be just the tip of the ice-berg.

Just as it happened in the mobile telephony sector, which started out with three players in every circle two decades ago, but now has five large national telecom companies in the private sector, experts expect the solar energy sector to consolidate over the coming years, with a few large RE companies emerging from the churn.

Experts warn that the stability of the Indian grid may be affected after solar power capacity crosses the 20 GW mark

Massive growth potential

India's current solar power capacity of 12 GW is barely 4 per cent of its total installed power capacity of 314 GW. The government proposes to increase this to 100 GW over the next five years.

But even that is way short of its full potential of about 750 GW. India gets about 300 days of bright sunshine every year and the government will want to cash in on that in the future as well.

Clouds in the sky

The sector faces significant challenges as well. The problems related to land acquisition for projects won under state auctions and the problem of rooftop solar have already been discussed above.

Other problems relate to getting returns on investments and getting paid by heavily indebted state-owned distribution companies.

Climate goals

There is no doubt that the boom in the solar energy sector will help India meet its power requirements in an environmentally sustainable manner and meet its goals under the Paris climate change accord.

But how much further solar tariffs will fall and whether the sector can remain financially viable at such low prices remains to be seen. Some experts have also expressed doubts over whether India can meet the target of adding 100 GW of solar capacity by 2022.

But that is well into the future. For now, the Narendra Modi government can bask in the sunlight for having kick started a sector that could change India's energy scenario for the better.

Brighter than a thousand suns

The Big Numbers

- **748 GW** — India's total solar potential
- **100 GW** — Govt target for solar power capacity by 2022
- **12 GW** — Installed solar capacity till March 31, 2017
- **15 GW** — Target for capacity addition in 2017-18
- **$100 bn** — Total investments needed over 5 years

The Players

Large foreign companies	Fortum, EDF, AES, SoftBank, Engie, CLP, IBC, Sembcorp, FRV, First Solar and Skypower Global
PE backed Indian solar power companies	ReNew Power, Ostro, Mytrah, Suzlon, Azure Power, Welspun, Energon Solar and Hindustan Power
Large Indian companies	Tata Power Renewables, Adani, Shapoorji Pallonji, Aditya Birla Group, Mahindra Group, Reliance Industries, Rattan India and Hero Future Energies
Financial investors	Softbank, Temasek, Canada Pension Plan Investment Board, Caisse de Dépôt et Placement du Québec, Ontario Teacher's Pension Plan, Abu Dhabi Sovereign Wealth Fund, California Pension Fund, Norway's National Pension Fund, APG, the private equity arms of Goldman Sachs, JP Morgan, Morgan Stanley and Canada's Brookfield Asset Management

IS INDIA'S ROOFTOP SOLAR MARKET TAKING OFF?

by Akhilesh Magal

A relatively slow-moving solar market in India is showing some signs of promise.

The Solar Energy Corporation of India (SECI) has announced a 1,000 MW tender in order to allocate rooftop solar projects on government buildings across the country. This is the largest ever rooftop solar tender announced in India till date. Riding on the success of a previous 500 MW rooftop solar tender announced in April 2016, SECI has now doubled the allocation size. This is a welcome move in a market that has historically struggled to take off for a host of reasons. As per official statistics, the rooftop capacity in India stands at 382 MW. This includes only those projects that have been subsidised by the MNRE. The non-subsidised market appears to have crossed 1,000 MW.

SECI has recognised that one of the most challenging tasks is for investors and equipment suppliers to find consumers who are willing to install rooftop solar systems.

SECI has recognised that one of the most challenging tasks is for investors and equipment suppliers to find consumers who are willing to install rooftop solar systems. One of the major costs for any developer in the rooftop segment is the cost of acquisition. Acquisition can be an extremely time-consuming process. This 1,000 MW tender aims at aggregating capacities across the country and although limited to government buildings, it is a move in the right direction. However, there are three other challenges that are needed to be addressed.

Challenge 1: Solving the DISCOM riddle

India's DISCOMs are debt heavy. This is largely due to the fact that power is underpriced for a large section of the populations. Agricultural and some residential consumers get away by paying less than what it costs DISCOMs (Power Distribution Companies) to buy power from power producers. DISCOMs try to recover this deficit by overcharging industrial and commercial consumers. This has resulted in a situation where retail power prices have constantly increased for industrial, commercial and some residential tariff bands while prices have stagnated for the other segments. DISCOMs

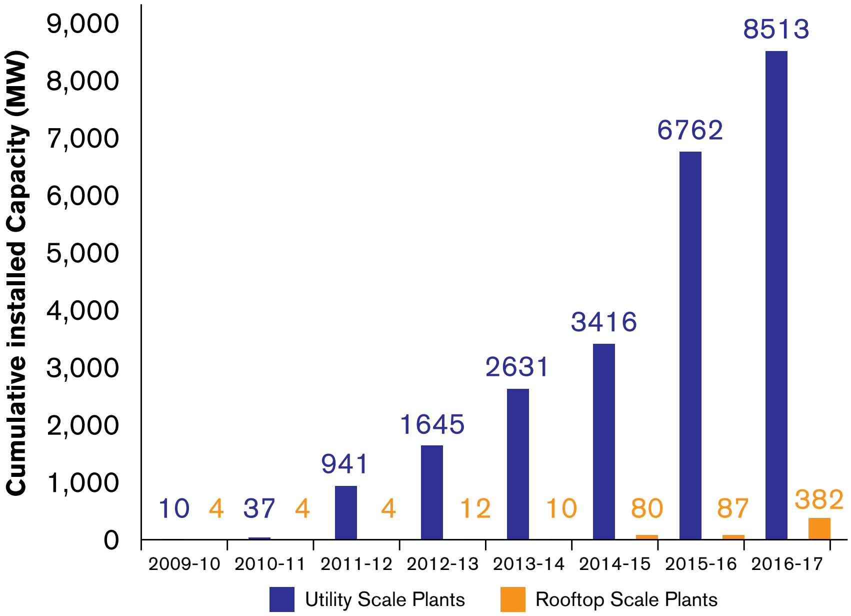


Figure 1: Growth of the solar market in India (MNRE)

cannot raise prices for farmers due to historic socialistic and now political reasons. This has led to a situation where industrial and commercial consumers are looking to hedge escalating grid costs by shifting to solar energy. Solar energy is already cheaper than grid prices for several such consumers across the country. DISCOMs now are in the classic "death spiral" trap where they are left to serve underpaying consumers (since they have an obligation to do so) while the cash-cows leave the grid.

If India wants to meet its 40 GW solar rooftop target by 2022, then this is the single largest problem that needs to be addressed. This would mean that DISCOMs do not take the brunt of the power subsidies, but the respective state government does. All power subsidies must be allocated for in the state government yearly budget and disbursed on-time to the power consumers. An interesting and useful way to transfer subsidies is to adopt the Aadhar Number (India's Social Security Number) direct bank transfer approach. This approach has been largely successful in dealing with cooking gas transfers and is now being widened in its approach to include fertiliser subsidy, food and other social schemes for the poor. Power subsidies are no different and implementing such a transfer shall end up eliminating several beneficiaries that do not deserve such subsidies. It will also improve data telemetry of India's grid – a key challenge in India's path towards modernizing the grid.

Implementing such a process is a long-term solution as it involves complex interactions with the states and dealing with different and often contradictory interests. In the short-term, SECI may play the role of the Power Purchase Agreement (PPA) signatory by purchasing power from rooftops and then selling the purchased power to DISCOMs. This would greatly help investors who are looking to invest in third-party owned models and see PPAs with India's DISCOMs as a highly risky proposition. SECI should expand its purview to non-government roofs by aggregating rooftops through the MNRE's existing database (see below).

Challenge 2: Easing the permitting and approval process for net metering

Almost all states in India have announced Net-Metering policies and/or regulations. The net metering process varies by state and is often a long-drawn unwieldy process. It takes anywhere between 2-6 months to get an in initial approval and finally start injecting energy onto the grid. The approving authorities generally include: the state nodal agency (for registering the project and granting subsidies), the DISCOM (for giving the approval for net metering, approving the equipment and commissioning the system) and the Central Electricity Authority (for ensuring safety of the system and approving the single line diagrams). Over and above the roof owner has to interact with the EPC company and or the developer. The involvement of so many actors creates grey areas and result in delays as the file skips from office to office.

One of the most important things is to take the entire process online. This way, a consumer can pay the registration fees online, upload all drawings and equipment certificates, call for inspection and receive subsidies directly. This would greatly reduce the process time and lead to a further reduction in costs. It would also hold relevant authorities responsible for delays and bring about accountability and transparency in the system. The Ministry of New and Renewable Energy (MNRE) has an existing website (SPIN) that aims at connecting consumers with suppliers. This portal can be improved and expanded. This website can also serve as a marketplace to aggregate demand from various parts of the country. This is again essential to bring down costs.

Challenge 3: Creating a Scale Effect

Lessons can be learned through India's rapid scale up of the LED program. The scheme called "Ujala" has been so successful that the national dashboard for LED bulb distribution shows that 187 million bulbs have been distributed in the last year. What is more remarkable is that fact that the prices have been significantly reduced. This is largely due to the volume effect playing out. The entire procurement of LEDs have been managed centrally by the Central Government owned company EESL.

Can a similar procurement approach be worked out for solar modules that still comprise of nearly 45-50 per cent of overall system costs in India? This would also boost manufacturing in India and give India's manufacturers a large home grown demand. It would also perhaps result in many solar module-manufacturing companies coming and setting up operations in India. The key here is scale and the central government must leverage its past success from the LED program and translate it to the rooftop solar market.

Akhilesh Mangal is a Head Solar Advisor at Gujarat Energy Research and Management Institute (GERMI).

SHORT TAKES

German firm joins Clean India campaign

Viega, a German multinational operating in India, has joined hands with 'Team Swachh Bharat' – an initiative co-developed by WASH United and UNICEF in support of Government of India's Swachh Bharat Abhiyan.

Viega, which claims to be among the world leaders in installation technology for sanitary and heating, will provide its kits to 3,500 schools across India. These play-based kits will enable nearly 7,00,000 children to improve the practice of sanitation and hygiene through games and activities.

Anna Viegener, member of the management board and shareholder of Viega, said: "We are sure that the WASH (Water, Sanitation and Hygiene) in school component under 'Team Swachh Bharat' will bring positive change to the lives of many Indian children, and with its educative approach improve the standards of hygiene in the country in a sustainable manner."

Japan's Jera invests $200mn in ReNew

Japan's energy supply chain firm Jera has invested $200 million in India's ReNew Power.

The Japanese company has picked up a 10 per cent stake in ReNew, valuing the Gurgaon-based solar and wind energy company at $2 billion.

"As a ReNew Power shareholder, we will seek to contribute to the company by making available technical, operational, project development, and management experience gained through our global power businesses," Jera

president Yuji Kakimi said in a statement.

JERA has business interests across the energy value chain in businesses such as liquified natural gas and coal supply.

ReNew Power has 3.2 GW of operational and under construction capacity from its own wind and solar projects. It has set a target of over 11 GW of wind and solar power capacity over next five years.

It has also secured long term $390 million debt funding from the Asian Development Bank (ADB).

Airbus Helicopters set to Make in India

Airbus Helicopters, which has a joint venture with Mahindra Defence to make military helicopters in India, has started work in the so-called "Buy and Make Indian" category.

The European major has also started scouting for a site to set up a full-fledged manufacturing facility for the venture, the company revealed at the 11th Aero India show in Bengaluru recently.

It had brought the first dedicated heli-ambulance, an Airbus H130, for display at the annual show.

The helicopter is fully kitted out with specialised emergency medical care equipment and is conducting a live drill of its life saving service at Yelahanka Air Force base. The Helicopter Emergency Medical Services, as it is called, was launched in January 2017 by Bengaluru-based Aviators Air Rescue with a fleet of three H130 helicopters.

India, UK strike £240mn renewables tie-up

Britain and India have announced a joint investment of £240 million to support the growth needs of the renewable energy sector.

UK Chancellor Philip Hammond was in Delhi for the 9th UK-India Economic and Financial Dialogue in April when the strategy on renewables was unveiled as part of an overall objective of strengthening ties in a post-Brexit scenario.

As part of these efforts, investment from the City of London is to be encouraged into India's energy sector through a UK-India sub-fund of India's National Investment and Infrastructure Fund. With a core investment of £120 million from each government, this will aim to raise £500 million for Indian infrastructure projects.

The UK's secretary of state for business, energy and industrial strategy (BEIS), Greg Clark, was also in India in April to take part in the first India-UK Energy for Growth Dialogue.

SHORT TAKES

India-Belgium to work on solar tech

India is looking at an innovative Belgian solar storage technology that promises to offer consumers a source of quality power as a green and reliable alternative to flickering supply from battery storage or diesel generators in distant or off-grid locations.

The National Institute of Solar Energy (NISE), an autonomous entity under the new and renewable energy ministry, and Tiger Power of Belgium, signed an MoU for validation of the technology that combines solar panels, normal lead-acid battery and hydrogen fuel cells to produce steady power.

The MoU was signed as part of the visit of Belgian deputy Prime Minister Alexander De Croo, who is also the minister for development cooperation, digital agenda and telecom programmes.

The package is a solar-battery storage module with a hydrogen fuel cell in tandem. The solar panels charge the battery during daytime for power in the night. But in case the battery becomes weak or fails in the absence of sun, an inbuilt electronic brain switches on the fuel cell to maintain power supply.

Volvo to assemble cars in India

Swedish carmaker Volvo has announced plans to start vehicle assembly operations in India this year.

Its Indian assembly operations will be located near Bengaluru and will focus on models based on Volvo's SPA modular vehicle architecture.

The company has been importing all its cars sold in India, which mean taxes of up to 160-170 per cent on every unit.

Volvo Cars is working with Volvo Group India – the truck, bus, construction equipment and Penta engine manufacturer – to establish its assembly operations. It will make use of Volvo Group India's existing infrastructure and production licences.

Haykan Samuelsson, President and Chief Executive of Volvo Cars, said, "Starting vehicle assembly in India is an important step for Volvo Cars as we aim to grow our sales in this fast-growing market and double our market share in the luxury segment in the coming years."

ThyssenKrupp opens elevator unit in India

German multinational ThyssenKrupp inaugurated a new multi-purpose facility for the elevator industry, which will include manufacturing of elevators, facilities for training and will also act as a distribution centre.

The facility, at Chakan near Pune, will have the capacity to manufacture 6,000 elevator units with plans to increase to 10,000 units over the next two years.

Ravi Kripalani, CEO of Thyssenkrupp India, said: "We have to look at those skills in India which are relevant to Thyssenkrupp globally.

"We also have to look at how much vendors in India can supply the sourcing that the company needs, and hence, a lot of indirect employment will be created. This facility will create direct employment for around 350 people which will increase once we increase the capacity.

"There are lots of projects that we have where a lot of indirect employment will be generated."

The elevator business is one of the most profitable and fastest growing verticals for the German steel major, where it commands a market share of 6.5-7 per cent and has been witnessing a growth of 10 per cent.

INDIAN HEALTHCARE: AN EMERGING INVESTMENT MAGNET

by Nilaya Varma

The Indian healthcare sector is riding the growth curve and emerging as a lucrative site for foreign investments, writes a healthcare analyst.

by Nilaya Varma is Partner and Head of Healthcare at KPMG in India.

The Indian healthcare sector is one of the fastest growing sectors with high contribution not only in terms of revenue, but also employment. The Indian healthcare market is expected to rank amongst the top-three healthcare markets in terms of incremental growth by 2020.[1] The sector stood at approximately $113.9 billion in 2016 and is likely to grow at a compound annual growth rate (CAGR) of 11.6 per cent in the next five years to reach $195.6 billion.[2] This growth is driven by the rising income levels, ageing population, increasing healthcare awareness, growing health insurance penetration, increasing government's focus on providing universal healthcare and the growing burden of the non-communicable diseases (NCDs). Along with these drivers, India's unique value proposition in the form of low costs, availability of advanced technologies and skilled workforce are further driving the medical value travel in the country.

These factors combined with recent government conducive policies are responsible for alluring domestic as well as foreign investments from the private equity (PE), venture firms and healthcare players. In the last five years, the sector has attracted approximately $63.9 billion from VC and PE firms.[3] Further, foreign direct investment (FDI) in the sector witnessed an overall investments of $4.75 billion during 2012–16.[4]

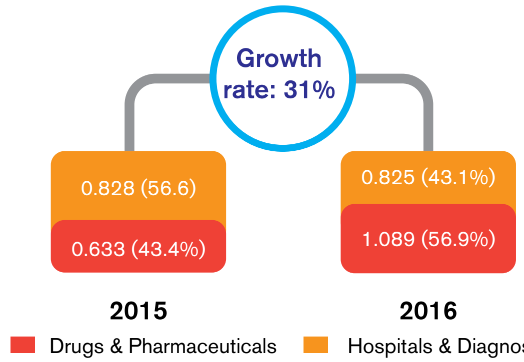
India's unique value proposition in the form of low costs, availability of advanced technologies and skilled workforce are further driving the medical value travel in the country.

Current investment landscape of the sector — Focus on healthcare services and hospital chains

India is gradually becoming a favourable investment destination owing to the high economic growth, low cost labour and the availability of opportunities in several untapped sectors. Additionally, the recent government initiatives to promote the ease of doing business, such as the relaxation of FDI norms, strengthening of research and development (R&D) in the sector and strengthening of intellectual property rights (IPR) regime, along with policies promoting the start-up culture, have fuelled investments.

The overall FDI in India has increased to reach

FDI in the healthcare sector, in $ billion (2015–16)



Source: Department of Industrial Policy and Promotion, accessed on 12 April 2017

approximately $46.40 billion in 2016, an increase of 17.9 per cent y-o-y, which can be attributed to the relaxation of FDI norms, as for most of the sectors under the automatic route, 100 per cent FDI is permitted.4 In 2016, under the healthcare sector, a majority of FDI came for the 'Drug and Pharmaceuticals' category ($1.08 billion), while in the 'Hospital and Diagnostic' segment, the investments were found to be flat in 2016 compared with that of the previous year.

The dominance of pharma in FDI can be attributed to the interest of foreign investors in the established pharma companies, which are expected to perform in the growing Indian pharma market estimated at $39.5 billion in 2015–16 (including exports) and set to grow at a CAGR of 12 per cent over the next three years.[5]

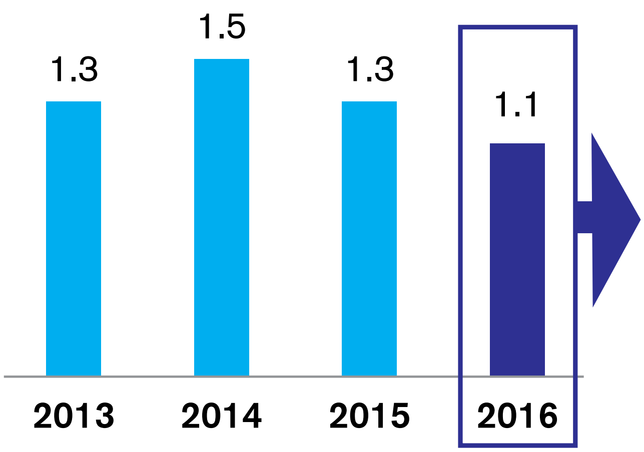
The total PE investments in India has also reached the mark of $15 billion in 2016, with approximately

1. *Healthcare, Indian Brand Equity Foundation, January 2016, accessed on 17 April 2017*
2. *EMIS Professional - BMI Industry View (Pharmaceuticals & Healthcare Report - India – Q2 2017), accessed on 11 April 2017*
3. *Private Equity Review report – 2016, KPMG, February 2017*
4. *Department of Industrial Policy and Promotion, accessed on 12 April 2017*

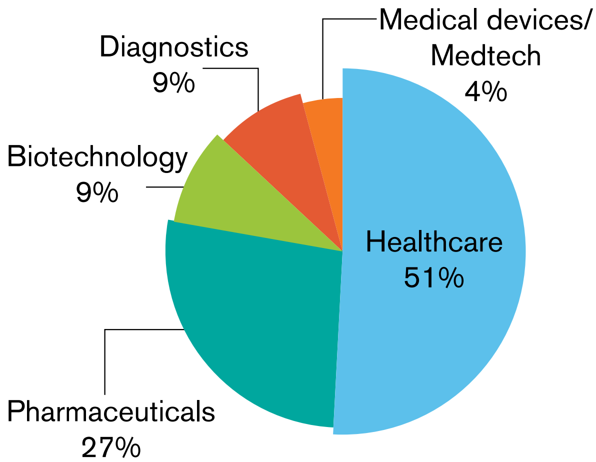
1,430 deals.[6] The overall investments were significantly contributed by the IT; banking, financial services and insurance (BFSI); consumer discretionary; and, the healthcare and life sciences sector, in the specified order.[6]

The healthcare and life sciences sector in India has been particularly witnessing substantial investments from PE firms, venture capital firms and angel investors. In 2016, the sector

Investments in healthcare and life sciences sector, 2013–15 ($ billion)



Investments in healthcare and life sciences, by segment, 2016*



Note*: Healthcare segment includes multi-specialty, single specialty hospital chains, clinics and healthcare IT firms; Pharmaceuticals includes drugs manufacturers and distributors

Source: KPMG India analysis, Private Equity Review report – 2016, KPMG, February 2017

experienced an investment of about $1.1 billion, with nearly 88 deals.[7]

The investments in 2016 in healthcare and life sciences sector, were mainly driven by investors' interests in the healthcare (about 51 per cent of the total investments) followed by the pharmaceuticals segment (approximately 28 per cent of the total investments) and biotechnology (approximately 9 per cent of the total investments).[7] Within the healthcare segment, some of the preferred areas of investments include single and multi-specialty hospitals chains and healthcare IT (mobile health application solution, cloud-based solution and health monitoring solution). There were a lot of investments observed for dental services and eye care services, suggesting a growing interest of investors in single specialty domains. Under the pharmaceuticals segment, the investments were focussed on companies dealing in oncology drug development, nutritional ingredient manufacturing and clinical research. The sector also witnessed a few investments in the emerging area of innovative biotechnology products, such as nanoparticles-based drugs and stem cells-based therapies, diagnostic platforms, and wearables.[6,7]

With an aim to promote the investments in the sector, the government has taken certain steps to attract investors, such as:

- Increase FDI limit to 74 per cent in the existing pharmaceuticals companies: In June 2016, the government raised the share of FDI to 74 per cent from 49 per cent in brownfield pharma ventures, which can boost PE investments. Earlier, the government had allowed 100 per cent FDI under the automatic route in Greenfield pharma companies.[8]
- Bringing 100 per cent FDI for medical devices companies: In 2015, the government further allowed 100 per cent FDI through automatic route for medical devices manufacturers. This is expected to not only boost local manufacturing, but also attract foreign companies to open their subsidiaries in the country.[9]
- Registering as Foreign Venture Capital Investor (FVCI) under the Securities and Exchange Board of India (SEBI): An FVCI registered with the SEBI is exempted from compliance with the pricing guidelines under the Consolidated FDI Policy for the acquisition of securities at the time of entering a market as well as transferring/ selling the securities during an exit.[8]

The Indian ecosystem for healthcare investment needs to be strengthened to develop as a globally renowned healthcare investment hub

Even though the Indian healthcare system is witnessing significant growth in terms of investments, there is a need to further strengthen the ecosystem by mitigating certain challenges such as absence of unified regulatory framework,

5. *Indian pharmaceutical industry valued at $ 39.5 billion, CRISIL database, accessed on 13 April 2107*
6. *KPMG India analysis, Private Equity Review report – 2016, KPMG, February 2017*
7. *KPMG India analysis, India Healthcare start-ups report, KPMG, August 2016*

low tax incentives, thin spread of healthcare insurance, yet to be implemented medical device regulations and lack of cluster-based developments for active pharmaceutical ingredients (APIs). Some of the Asian countries such as China, Singapore and Malaysia have taken steps to attract healthcare investments. A few lessons that can be taken from these countries:

- Unified regulatory framework to remove multiplicity and promoting cluster-based developments: China restructured its food and drug regulatory body to form a single agency with ministerial level powers under the State Council. The new agency replaced a large cluster of overlapping regulators to streamline the regulatory regime and reduce the drug approval time. It has also adopted clusters-based approach to incentivise API manufacturing in the country.[10]
- Support in healthcare insurance and streamlining medical device regulations: Singapore's constructive policies and model of co-payment, in which people share the expense of their care along with government subsidies, have helped in reducing the out-of-pocket expenditure. The country has also developed separate regulations for medical devices to streamline the process of standardisation and regulation of medical devices.[11]
- High tax incentives: Malaysia is seen as one of the key South East Asian countries providing high tax incentives to promote investments. Several provisions such as customised incentives for large ticket investments, ten year tax holiday, access to ASEAN markets through free-trade agreements, duty exemptions and no restrictions on equity, are attracting a lot of foreign investors in healthcare segment.[12]

Along with the relaxations in regulations for investments provided by the government, there are several other factors, such as establishment of healthcare institutes for better human resource development, infrastructure development (building more hospitals, pharma and biotech research parks) and willingness of patients to pay for healthcare services in tier-I cities, would make the marketplace viable for foreign investments.

In a nutshell, the ecosystem for investment in the Indian healthcare market largely depends upon four major factors, namely public–private collaboration, infrastructure requirements, human resources development and tax incentives.

8. *Investment in Healthcare Sector in India, Nishith Desai Associates, June 2016, accessed on 12 April 2017*
9. *Medical devices sector opens up to 100% FDI, The Economics Times, 07 January 2015*
10. *Healthcare in India: Current state and key imperatives, KPMG, 2016, accessed on 17 April 2017*
11. *Universal Health Coverage: The shared goal India-EU Health Conference, KPMG, 2015, accessed on 17 April 2017*
12. *Indian pharma companies make Malaysia a hub to tap ASEAN, Business standard, January 2013, accessed on 17 April 2017*
13. *13 The Association of Healthcare Providers, India, accessed on 17 April 2017*

"With initiatives from government easing regulations and supporting foreign investment, India is likely to experience prolific growth in the overall healthcare sector. However, there is a need to focus on infrastructure and human resources to achieve the maximum potential of overseas investments and further encourage the investors."

Nilaya Varma, Partner and Head- Healthcare, KPMG in India

"It's the entire business ecosystem that governs inclination of FDI in the healthcare sector. Streamlining the regulatory structure, active participation from private players, fostering industry–academia linkages and innovative funding models can go a long way in developing the healthcare sector and attracting investments."

Lalit Mistry, Director-Healthcare, KPMG in India

01 Public–private collaboration: The healthcare sector requires significant funding and increasing the public–private partnership opportunities can enable the government in building capacities to improve services. Boosting such collaborations is expected to attract foreign healthcare players, medical devices and pharma companies for joint ventures with the government.

02 Infrastructure requirement: India has only 0.9 beds per 1,000 individuals compared to the global average of 2.9 beds per 1,000 The country also faces insufficiency in the number of medical institutes, tertiary care, and specialty care hospitals and diagnostic centres. There is also a need for investments in pharma, biotech and medical devices parks to support the sector's growth. All these factors provide significant opportunities for foreign investors.

03 Human resource development: Fostering a skilled workforce environment is expected to attract investors. By ensuring quality education from the government and private universities, India would be able to develop a better workforce of R&D scientists, pharma graduates, doctors, nurses and other medical professionals, which would eventually instill confidence in foreign investors around the availability of resources.

04 Tax incentives: The FDI cap for hospital, pharmaceuticals and medical devices sector has already been raised to 100 per cent. However, in order to further encourage investments, there is a need for tax benefits, such as R&D related deductions, tax breaks for healthcare infrastructure and tax incentives for manufacturing medical devices. Further, separate guidelines around medical devices could also improve the investment climate.

INDIA GOES ON IPO OVERDRIVE

by Vish Dhingra

The year 2016 was one of the best years in recent times for initial public offering ('IPO') in India owing to stronger macroeconomics, pro-business political regime, continuing regulatory reforms and an overall positive investment climate.

Indian companies raised more than $4bn through IPOs in 2016, which is close to the aggregate equity raised over preceding four years from 2012-15.

The IPO pipeline for 2017 looks promising with some of the large companies expected to tap the equity markets including NSE, SBI Life, UTI Mutual Fund, Railways and Insurance public sector undertaking (PSU). Economic fundamentals are improving and the equity index performance is at a record high. India continues to be one of the top destinations for investments globally.

The key drivers for India's inbound investments and a boost in the IPO activity include:

- Greater political and macro-economic stability
- Investment and administrative reforms and a pro-business regime
- Effect of global liquidity on domestic markets
- Continuing regulatory and tax reforms
- Maturity of capital market eco-system

2017: The year of IPOs

With promising and improving valuations, private equity and venture capital exits are becoming an important source for the IPO pipeline, giving rise to highly visible transactions and taking large as well as mid-market companies public.

IPOs from PSUs continue to be a prominent feature. Government's plan of divesting $11bn as a part of the 2017 budget proposal, including the insurance PSU, Railway PSU and other strategic government assets/investments, has played a key role in driving the IPO volumes in India. Public listing of government-owned companies will enhance transparency, accountability and promote higher governance standards. This move will unlock a huge amount of value for the government and increase investor appetite for private sector IPOs that may follow. Fundraising through Green bonds, Masala bonds, InvITs and REITs is also likely to be a big source of capital.

Securities and Exchange Board of India (SEBI), the

IPOs from PSUs continue to be a prominent feature. Government's plan of divesting $11bn as a part of the 2017 budget proposal, including the insurance PSU, Railway PSU and other strategic government assets/ investments, has played a key role in driving the IPO volumes in India.

securities market regulator in India, has been closely monitoring the IPO space and playing a significant role in enhancing the investor confidence. Apart from making it easier for the companies to now get listed, SEBI in parallel has also been firm on the stringent disclosures and tightening monitoring norms. SEBI has brought in a host of changes, gaining trust of the institutional investors, thus motivating the retail investors to make more informed investment decisions. Strong financial results and stability has encouraged the retail investors to invest in the domestic market with confidence. Majority of the companies that were listed in 2017 have yielded positive returns to the investors.

As the market gathers momentum and the IPO pipeline continues to grow, SEBI remains watchful to not just make the market lucrative for the investors but at the same time strengthening entry level norms for companies planning to go public.

India has experienced a series of accounting and regulatory reforms, including the introduction of the new Companies Act, Indian accounting standards (Ind-AS) aligned with IFRS, mandatory auditor rotation, tax accounting standards and internal financial control compliance requirements, amongst others. The year 2017 also saw introduction of the landmark Goods and Services Tax (GST), which promises to simplify the tax regime and enhance competitiveness.

Improvement in macro-economic indicators and ongoing efforts to revitalise growth with various new initiatives such as

IPO value journey

Planning			Execution					Realisation	
1 Prepare	2 Options	3 Timing	4 Right team	5 Infrastructure	6 Governance	7 Investor relations	8 Roadshow	9 Investor and analysts	10 Deliver

1. Preparing for the IPO value journey
2. Keeping your options open
3. Timing the market
4. Building the right management and advisory teams
5. Building your business and financial processes and infrastructure
6. Establishing corporate structure and governance
7. Managing investor relations and communications
8. Conducting and effective road show
9. Attracting the right investors and analysts
10. Delivering on your promises

Make in India, Digital India and Smart Cities has helped India emerge as one of the leading FDI destination in the world. US investors have ranked India as the most attractive investment destination outside of North America in 2017, per a recent EY survey.

IPO Value journey

Over the years the IPO ecosystem has matured a lot. During the IPO journey the companies are subject to increased compliance requirements, intense scrutiny by investors and analysts, and overall accountability for delivering on promises. IPOs today are about more than just raising capital. They are also about enhancing reputation, attracting talent and driving growth.

Getting ready for an IPO requires extensive planning and preparation and a robust execution in order to deliver success. An integrated readiness assessment approach helps owners or managers map out the organisational changes needed to successfully execute an IPO or other capital transaction using a single, integrated approach. It helps them decide which options best fit their business strategies and objectives, delivers an IPO base case and develops the road map to enhanced value.

Although the IPO event itself short-lived, the value journey begins well in advance of the IPO and continues quite beyond it. The key milestones in an IPO journey are:

Whilst an IPO should be a key turning point in the life of a company, market leaders don't treat an IPO as simply a one-time financial transaction. Rather, they recognise the IPO event itself as just one defining milestone in a complex transformation from a private to a public company.

Vish Dhingra is Executive Director with an Indian member-firm of EY Global.

GETTING BUSINESSES IN INDIA GST READY

by Rahul Garg

Rahul Garg, a tech enthusiast with extensive experience of Strategy, Product Management and Operations in the industry, is the founder of Moglix – a B2B e-commerce marketplace.

For decades, India has been thriving on a 'red tape' culture. India as a trade economy has been functioning on high import tariffs, excises and turnover tax on goods and services having enormous cascading effects, leading to a distorted structure of production, consumption and exports.

Currently, India ranks 130 among 189 countries in the ease-of-doing-business. One cannot help but admire the ease with which business is done in countries like New Zealand, Singapore and a handful of European nations that top the list owing to factors like strength in procurement through online processes, and easier and cheaper tax services. These nations, way smaller than India have been practicing the system of unified taxation for over 20 years and with success.

Thus, lessening the travails of small and medium sized enterprises to make business easy is of high priority for the government and GST is an affirmative step towards that. The attempt is to bring together the fragmented indirect tax structure under one unified reform without jeopardising the business environment.

The cornerstone of GST's success is digitisation of businesses. The reform of 'Digital India' that goes hand in hand with GST has been a step to bring small and medium sized enterprises to the ambit of digital ways of business. Currently, the logistics and manufacturing sector of India is fragmented with many unorganized players. Organisations tend to have a supply chain structure that is disintegrated – a warehouse in each state, suppliers in same state as the manufacturing plant, multiple but smaller manufacturing facilities. This results into multiple loops of procurement, vendor payments, indirect tax filing, distribution, etc.

However, with the use of digital technology and implementation of GST, all the stages of supply chain can be linearised by a business and made easy at the click of a button. For this, organisations will need assistance in unifying their operations – be it procurement, sourcing, product discovery and more across its facilities – embed digital technology in their supply chain and migrate their systems to the GST Network (GSTN). A manufacturing business that deals with procurement and demand on daily basis and is not used to complex paper work and laws should avail all the help

Rahul Garg with Moglix investor Ratan Tata

it can get to understand the enormity of GST and adapt to the change.

It would not be a wrong thing to say that the unified tax reform has undertones of the cleanliness drive of Prime Minister Narendra Modi. Further to strengthening the economy by sweeping away the unorganised players across industries, GST will also put a check on malpractices of tax evasion and bribery.

As a result, businesses in manufacturing will re-evaluate their facilities, re-allocate products to plants, and consolidate supplies to drive operational efficiency. On implementation of GST, tax implications for firms would range from 18-25 per cent, and if records are not properly reconciled, companies would lose out claiming it back. Thus, only those players who are willing to adapt to the change and give-away the traditional 'red-tape' ways of administration are the ones who will be able to sustain themselves in the long run.

The shape the nation will take post GST roll-out is something to look forward to. Weaving the entire country into a one-taxation reform is a humungous task and hence the fear of the unknown is certain among businesses.

A 2-trillion-dollar economy with myriads of business complexities as well as federal nuances, adopting a uniform tax net is going to be a reference for many other countries. The immediate effects may go unnoticed but the reform should transform businesses in the long run. If implemented successfully, developing nations will look up to India on how its commitment towards adoption of technology has helped its economy move away from traditional way of administration, compliance etc. and to a better investment destination.

INVESTING IN MANUFACTURING IN INDIA

by Liz King

A leading consultant analyses the factors that have made investing in India easier and a more rewarding experience as long as investors go in with a level of preparedness.

Liz King is Managing Director, Mott MacDonald India – a leading management, engineering and development consultancy.

The objective to develop 100 Smart Cities over five years is a laudable commitment towards urban transformation. The mission is launched at a time when India's urbanisation is growing faster than the rest of the world.

The International Monetary Fund (IMF) has recently altered its predicted growth rate for India slightly downward to 6.8 per cent, but this is still attractive compared to the sluggish rates of growth elsewhere in the world. Foreign investors' confidence in India has also recently improved, making it the eighth most attractive destination for foreign direct investment (FDI). Meanwhile India's ranking in the World Bank's league table for 'ease of doing business' is rising, albeit at 130 the improvement isn't over yet!

These changes have been strongly influenced by the government's attempts to make India a more attractive market by, for example, implementing demonetisation in November 2016, increasing online transactions and the planned introduction of a common nationwide Goods and Services Tax (GST) in July.

India is on a journey of economic liberation and is working hard to attract foreign companies. However, it can be a difficult place to do business and, whilst things are improving, it's wise to be prepared before entering the market.

All this has resulted in an improvement in business confidence and there are plenty of other reasons why foreign companies should invest in India:

A strong prime minister in Mr Modi and increasing political stability

- A mature banking system and vibrant capital market · Aspiring consumer base that outstrips that in most other nations
- A large and youthful, English-speaking workforce
- Central time zone between Europe, Middle and Far East
- A low-cost base compared to most other nations
- Commitment towards global environmental initiatives and intellectual property rights

…but keep your eyes open

India is on a journey of economic liberation and is working hard to attract foreign companies. However, it can be a difficult place to do business and, whilst things are improving, it's wise to be prepared before entering the market.

India has a rich cultural tapestry developed through centuries of history, which captivates many visitors. But this same history and culture, coupled with a democratic constitution, has resulted in a diverse and complicated corporate landscape which needs careful navigation. This can be daunting and opaque to outsiders. Therefore, before you start business here, it is critical to have local knowledge on your team; people who have established relationships and business networks. Such networks are built over generations and are culturally complex, therefore usually unfathomable, and inaccessible to foreigners.

The procedures related to starting a business venture are cumbersome, time consuming and can be expensive. India's public sector administration is bureaucratic and requires absolute perfection in all paperwork otherwise rejection will result. This is where local knowledge is essential; as well as a large measure of patience.

There is little integration or collaboration between various statutory departments and so multiple permitting requirements are normal. For example, construction typically requires permits from at least eight different departments. And each one of these touchpoints may be less than transparent which, for an ethical international company, can introduce considerable hurdles to overcome and delays.

There is a dazzling array of opportunities in India, particularly in publicly funded infrastructure and it is very tempting – and relatively easy – to grow a business quickly in terms of revenue. But be aware that India ranks as one of the worst countries in the world for the ability to enforce a contract, taking an average of 1,420 days with a time consuming judicial process. So, don't expect variations to be agreed quickly or for payment any time soon.

Opportunities in industry

India's industry sector is a major contributor to the economy. Burgeoning domestic manufacturing and consumer markets have created substantial demand. India's producers are also enjoying export success.

Industry accounts for 16 per cent of GDP but under its 'Make in India' campaign, the government aims to increase industry's share of the economy to 25 per cent by 2025; creating 100 million jobs. The government has recently offered tax breaks and abolished the Foreign Investment Promotion Board (FIPB) to make growth easier.

India's competitive edge is owed in part to the facilities used to create the products that Indians and the rest of the world so demand. Those factories, processing plants, warehouses and logistics centres often define 'state of the art' and are created with the support of expert planning, design and delivery teams. With the costs of manufacturing increasing in China, most growth is expected from engineering and capital goods, chemical, pharma, food and textiles. Foreign investment is generally sought in high value-added industries and those with strong growth prospects; defence equipment, power generation, railways and metros, biotech industries, automobile and auto component, and speciality chemicals.

Site selection is critical to success. In addition to providing investment advice, technical assistance, design and project and programme management for industrial projects, Mott MacDonald has developed sophisticated modelling tools to aid decision-making.

Selection factors include:

- Engaging, communicating with and consulting stakeholders – failing to do so risks objections to proposed developments. Planning disputes can themselves be costly, but the real harm to industry clients stems from delayed production, with resultant loss of revenue and, potentially of market share
- Ease of access to transport, for the cost-effective import of raw materials and labour, and the export of finished product
- Resilient power and sustainable water supplies
- Access to suitably educated and skilled employees
- A suitable site – greenfield and brownfield both have pros and cons; but it must be free risk of flooding, landslide, or other natural hazards
- Clear and unambiguous land titles (ownership)
- Environmental clearance

Once a facility is operational, proactive management of environmental performance is important. Compliance with regulatory requirements is good. Going beyond them is even better, as it helps manufacturers to stay on the right side of the law and helps win the trust and respect of local stakeholders and customers alike.

Tips for success

Mott MacDonald has been prominent in India's industry sector for about 50 years. Whether working with clients from project inception right through to operation, or appointed to assist with one specialist aspect of a project, our experts seek to add advantage that will enable clients to get ahead, and stay there.

My advice is: do your homework so that you have confidence in your market; employ locals who understand the landscape; plan for all the public-sector touch points – go in eyes-wide-open – and be certain that you can access everything that your business will need.

India can be a rewarding place to do business!

Liz King is Managing Director, Mott MacDonald India – a leading management, engineering and development consultancy

UK MINISTER WANTS A QUICK FREE TRADE AGREEMENT WITH INDIA

India Inc. hosted the inaugural UK-India Awards in London, where senior British and Indian ministers called for closer ties in a post-Brexit scenario.

London: UK Foreign Secretary Boris Johnson pushed for a speedy conclusion of a free trade agreement (FTA) between India and the UK at the inaugural UK-India Awards in London on May 12.

"Whenever we go to India, we have to pack bottles of whisky because as you know there is a duty of 150 per cent in India on Scotch whisky. But imagine what we could do if there was a free trade deal with India," Johnson told a packed audience of high-profile parliamentarians, entrepreneurs and senior executives. "May the UK-India Awards, like this UK-India relationship, go from strength to strength," he added.

His address followed a special video message by British Prime Minister Theresa May, who described the awards as a "splendid" event that celebrates the best in UK-India relations.

"A priority of my government is to build a truly Global Britain. The UK-India Awards are an example of Global Britain in action," the British PM said.

The event, which was hosted by Indian actor and philanthropist Vivek Oberoi, presented awards across various categories including Deal of the Year, Professional of the Year and Financial Services Organisation of the Year.

UK Secretary of State for International Development Priti Patel, who was conferred the Publisher's Choice Outstanding Contribution Award, hailed the UK-India relationship as an "enduring friendship".

She was presented the award by India's Minister for Power, Coal and Renewable Energy, Piyush Goyal, who was in London to launch the UK Joins Affordable LEDs for All (UJALA) scheme.

The awards, held in association with British Council, Vedanta, Adani Group, ICICI Bank UK, State Bank of India UK, Invest India and News 18 Network, also marked the launch of the 'UK-India 100' list of the most influential people driving the UK-India relationship forward.

Manoj Ladwa, India Inc. Founder & CEO, said: "The UK-India relationship is truly multi-faceted. It is important to ensure it does not become a stale, transactional relationship.

"As relations between our two countries enter a new era in a post-Brexit world, I am confident that through India Inc. and its unique platform of online and print publications and impactful events we will create many more occasions to celebrate the contributions that make the UK and India a winning partnership."

The awards concluded the fourth annual UK-India Conclave earlier in the day, on the theme of 'A Global Partnership: A new era in UK-India Relations'.

India Inc.CEO Manoj Ladwa with high-profile guests at the India Inc. organised UK-India Awards and UK-India Conclave in London

Special Message from UK Prime Minister Theresa May at India Inc. UK-India Awards 2017

Consultancy firm of the Year - Grant Thronton

Deal of the Year (UK) - Intas Pharma

Deal of the Year (India) - Indo-UK Institute of Health

New Market Entrant of the Year - The Lalit London

Financial Services Organisation of the Year - Sun Global Investments

Publisher's Choice Outstanding Contribution Award -
Hon Priti Patel MP, UK Secretary of State for International Development


Law firm of the Year (India) - Luthra & Luthra


Law firm of the Year (UK) - Linklaters LLP


CSR Project of the Year - Reckitt Benckiser

Marketing/PR Campaign of the Year -
Typhoo Tea

SPECIAL REPORT

THE MASALA BEHIND INDIA'S TRANSPORT CHALLENGE

India's Minister for Road Transport, Highways and Shipping, Nitin Gadkari, has described the National Highways Authority of India's (NHAI) Masala Bond debut on the London Stock Exchange (LSE) as a sign of India's growing attraction among global investors.

The rupee-denominated National Highways Authority of India (NHAI) Masala Bond issued with much fanfare by the Minister for Road Transport, Highways and Shipping, Nitin Gadkari, in London recently marks the largest ever five-year issuance and has been described as the "largest inaugural transaction in the Masala Bond market".

Gadkari said: "Our government is fully committed to bridge the infrastructure deficit in the country. Prime Minister Shri Narendra Modi, Finance Minister [Arun Jaitley] and I are on the same page on this and we firmly believe that consistent high level public investment in transport infrastructure including Highways, Ports, Airports and Railways is going to accelerate the economic growth in the country.

Improvement in the quality of connectivity across the length and breadth of India will help us achieve the vision of our government of 'Sabka Saath Sabka Vikaas'.

"Improvement in the quality of connectivity across the length and breadth of India will help us achieve the vision of our government of 'Sabka Saath Sabka Vikaas'."

Yudhvir Singh Malik, the chairman of NHAI who is part of the ministerial delegation to the UK, said the agency was "fully aligned" with the minister's vision for rapid infrastructure development in India.

"National Highways Authority of India is committed to implement the government's vision of delivering high quality highways infrastructure in the shortest possible time. National Highways act as force multipliers in the overall economic growth of the country and NHAI plays a critical role therein," he said.

The LSE Group said the latest Indian issuance had secured global investor backing and will support Indian government plans to accelerate infrastructure investment across India. The 60-month dated bond, with an annual yield of 7.3 per cent issuance from NHAI, the Indian government agency responsible for the management of India's highways network, reinforces the ability of London's global Masala Bond market to support Indian infrastructure financing, the LSE said.

Nikhil Rathi, CEO of London Stock Exchange plc, said: "It [NHAI bond] underlines the vital new international channel of funding that is open for Indian issuers in London and the strength of international investor interest in building exposure to India's growth story.

"London Stock Exchange, the global home for Masala

Gadkari at NHAI Masala Bond launch at London Stock Exchange

Bonds, is proud to be the partner of choice for NHAI as it embarks on its journey to accelerate infrastructure investment across India. NHAI's infrastructure programme, the largest in the world , has attracted global investor support through London – testament to the City's status as a global financial centre and a strong partner to India."

London Stock Exchange claims a strong track record of supporting Masala Bond issuance by supranational, municipal and private company institutions on its markets. To date in 2017, there have been five Masala Bond listings in London, raising $135 million equivalent. In total, 39 Masala bonds have listed on London Stock Exchange, raising equivalent to approximately $5.4 billion.

HDFC, European Bank for Reconstruction and Development (EBRD), NTPC and Axis Bank are among some of the other leading organisations to list of Masala Bonds on the LSE.

During his UK visit, Gadkari also agreed to finalise the bilateral cooperation arrangement between the Transport for London (TfL) and the Indian ministry of road transport and highways to cover a wide range of transport mobility solutions and associated activities in urban environments. Under the proposed agreement, TfL will share with the ministry of road transport and highways its expertise on the mobility and efficiency of transport system and methodologies to facilitate the planning and delivery of mobility solutions, including ticketing, passenger information, major project financing, infrastructure maintenance strategies and behavioural change and public transport promotion.

Gadkari's ministry expects to strengthen cooperation on electric buses, bus innovation and capacity augmentation and water transport following a meeting with TfL authorities.

At an India Inc. organised UK-India Conclave on the theme of 'A Global Partnership: A new era in UK-India relations' in London, the minister explained: "This is the right time for investors from the UK to invest in India. Our target is for double digit growth and our government is very friendly for investment.

"I had meetings with Transport for London (TfL) and we will be signing an MoU to collaborate on sustainable transport projects. I am very inspired by London's double-decker buses and my dream is to have electric double-decker buses on Indian roads."

The senior BJP leader also highlighted that the UK's JCB had hiked construction in India by nearly 70 per cent and called on more foreign companies to invest in India's infrastructure sector.

"We have no stalled projects today. The road sector in India is moving very fast. By the end of this year, there will be revolutionary change in India with our focus on electric and cutting pollution. My dream is to transform our transport sector with an integrated approach," he said.

WHY UK MUST MAKE INDIA A TRADE PRIORITY POST-BREXIT

A new report by a leading UK-based think tank claims there is enough untapped trade potential to offset the possible effects of Brexit.

Open Europe, in its research titled 'Global Britain: Priorities for trade beyond the EU', has said that Britain can make up for any export loss as it exits the EU by building on under-developed links with countries like India and making it a priority in its trade negotiations.

"There's little point making policy looking at just today's world. According to projections, Germany's GDP will grow by 14 per cent between 2017 and 2030. Over the same period India's is expected to more than double. So, we have modelled how the data will appear in 2030, using predicted growth figures," the report says.

> *"All three of our top priority countries share strong historical ties – Canada and India remain in the Commonwealth, Israel looks fondly on the country which allowed it to be created."*

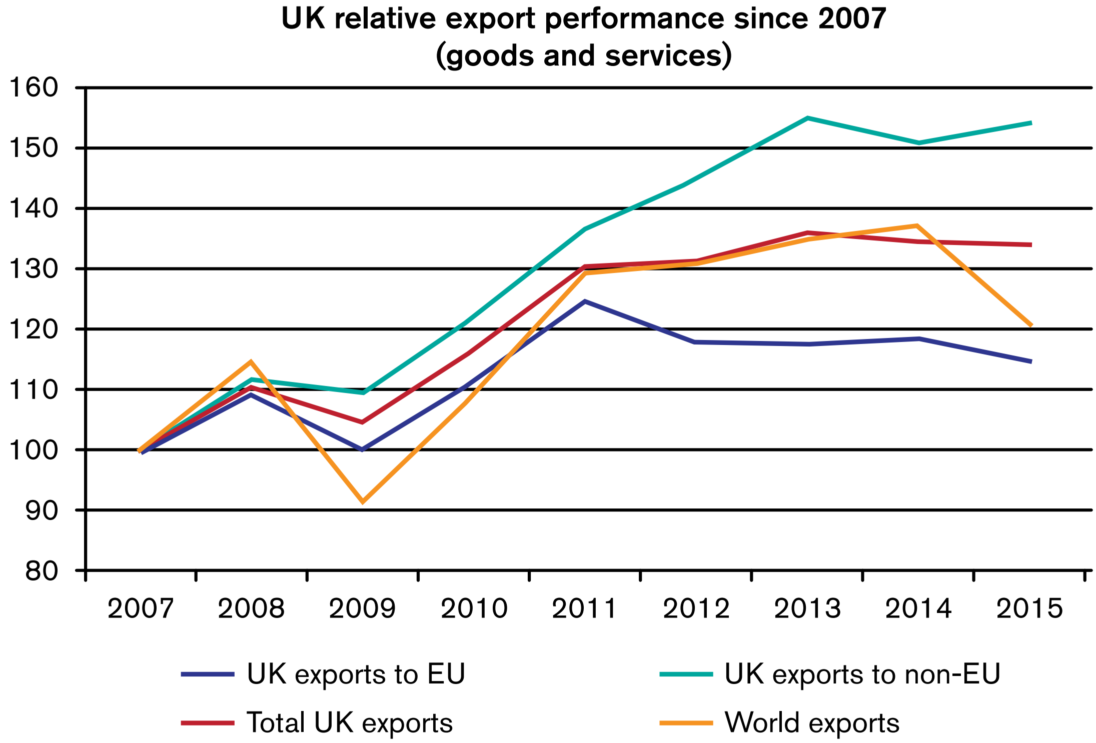
"There are some surprising findings. According to the model, UK exports to India, Canada, and Israel consistently under-perform. By 2030, the UK would, we predict, under trade with those three countries by nearly 10 billion pounds of goods a year," it forecasts.

The top 10 under-performing markets for goods and services represent untapped UK export potential of just over 41 billion pounds in 2030, according to the analysis.

The researchers, therefore, call on the UK government to pursue a careful strategy of "intensive engagement with under-performing countries, but above all India, Canada, Israel, and China". It also advises not to focus too much on free trade agreements (FTAs).

"Although FTAs can be important, including because they serve to symbolise governmental commitment to support trade, the EU's FTAs of which the UK is party have so far proved far less important for facilitating trade than could be expected. The UK already trades effectively with the USA and other major economies without an FTA," the report notes.

Effectively exploiting Britain's soft power assets of deep, historic connections with countries like India, developing deeper connections with "priority countries" of India, Canada



Source: Open Europe based on WTO and ONS data

and Israel, and a focus on service exports are among some of the report's other recommendations.

It concludes: "All three of our top priority countries share strong historical ties – Canada and India remain in the Commonwealth, Israel looks fondly on the country which allowed it to be created. All share our legal system.

"And, while Canada speaks English, English is a lingua franca for India, and widely understood in Israel. The task of the government is to seize the opportunity of Brexit to draw fully on our comparative advantages, the English language, the common law system, the status of the UK judiciary and legal system, the UK's security, development and defence reach, our world-class universities, our innovation and science."

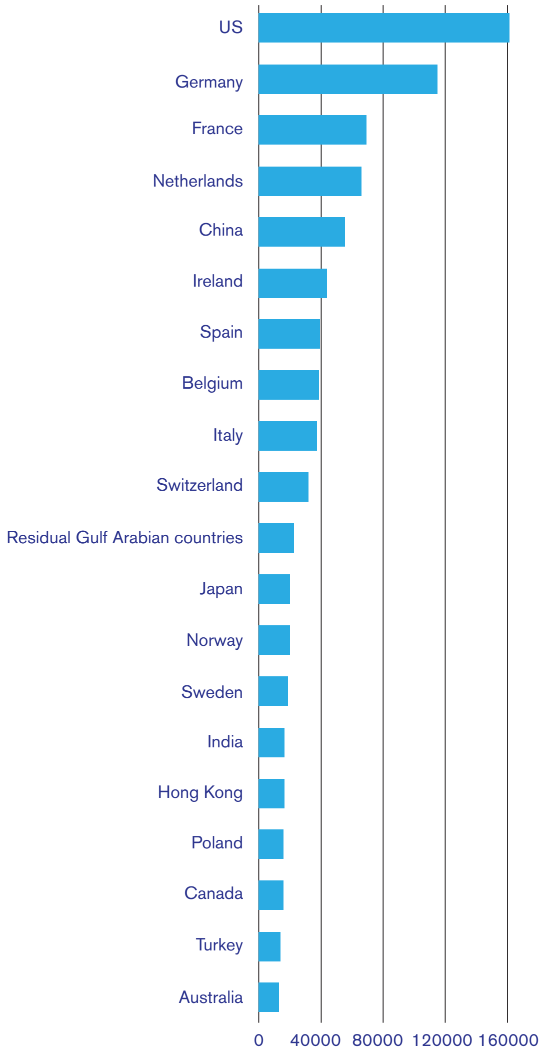
Open Europe says it has developed its quantitative analysis to help inform the crucial decisions on trade and commercial policy. The model is based on the observation that countries trade more with bigger countries that are closer to them. Other factors, such as diplomatic representation and soft power connections were also considered.

Table 1: GDP growth 2017-2030 in selected OECD countries

Country	2017	2020			2030		
	GDP ($m)	GDP ($m)	Change from 2017 ($m)	Change from 2017 (%)	GDP ($m)	Change from 2017 ($m)	Change from 2017 (%)
Australia	983,554	1,095,688	112,134	**11%**	1,503,775	520,221	**53%**
Brazil	2,302,493	2,489,944	187,451	**8%**	3,222,358	919,865	**40%**
Canada	1,442,843	1,531,658	88,815	**6%**	1,880,256	437,413	**30%**
China	15,099,104	17,709,685	2,610,581	**17%**	26,307,248	11,208,143	**74%**
France	2,125,278	2,293,585	168,307	**8%**	2,909,409	784,130	**37%**
Germany	3,041,560	3,133,133	91,574	**3%**	3,461,731	420,172	**14%**
India	5,340,142	6,337,715	997,573	**19%**	11,162,212	5,822,069	**109%**
Indonesia	1,404,119	1,660,511	256,392	**18%**	2,770,508	1,366,389	**97%**
Italy	1,660,178	1,753,073	92,895	**6%**	2,162,666	502,488	**30%**
Japan	4,207,533	4,318,234	110,701	**3%**	4,878,613	671,080	**16%**
Mexico	1,811,028	1,962,330	151,302	**8%**	2,624,556	813,528	**45%**
South Korea	1,808,173	1,988,402	180,229	**10%**	2,571,135	762,962	**42%**
Spain	1,293,388	1,363,052	69,664	**5%**	1,644,390	351,002	**27%**
United States	16,401,209	17,743,025	1,341,816	**8%**	22,482,236	6,081,027	**37%**

Source: OECD, Open Europe calculations

UK's top 20 trading partners (2015, £ million)



Source: ONS Pink Book 2016

Bilateral Investment Treaties (BITs): They set out the conditions under which individuals and private companies of one country are allowed to invest in another, as well as the rights and legal protections for investors. The UK is currently a party to over a hundred BITs

Mutual Recognition Agreements (MRAs): They can cover a wide range of issues. As far as trade in goods is concerned, MRAs ensure that trading partners accept each other's 'conformity assessments' – that is, the testing of products before they can be put on the market – as valid. When it comes to services, MRAs ensure the recognition of professional qualifications – so that nationals of one contracting party can provide their services within the territory of the other contracting party without the need to re-qualify or re-register their qualifications, and vice versa

Visa facilitation agreements: They can make it easier for students and businesspeople alike to move across borders, with positive knock-on effects on trading relations as a whole. For example, expanding education exports in the form of increasing numbers of foreign students creates lasting linkages, including personal networks, which can support trade and commerce. Greater numbers of foreign students also drive tourism through family visits.

Cooperation agreements on research, technology and even security can also come into the picture. Indeed, these policy tools can and should be used in combination, rather than as stand-alone initiatives. Generally speaking, while concluding a fully-fledged FTA can sometimes take several years, it can be quicker to wrap up narrower deals that are potentially conducive to broader agreements at a later stage.

**Source: Open Europe*

POWERING AHEAD

by India Inc Staff

A proactive, business-friendly government, great location and sound macro fundamentals are powering Haryana's economic surge.

This is not the kind of news that makes for banner headlines. So, it was no surprise to find the news on Gurugram, the commercial capital of Haryana, getting an International Arbitration Centre (IAC) buried in the inside pages of most newspapers.

The city, part of the National Capital Region (NCR) and till recently known as Gurgaon, will be the second Indian city after Mumbai to get an IAC. The Punjab and Haryana High Court, whose approval is necessary, has given its consent and sent the proposal to the Haryana government.

Gurugram, which has been dubbed India's Millennium City, is home to more than half of all Fortune 500 companies that currently take their arbitration cases to the IAC's Singapore and London branches for resolution of disputes.

"Gurgaon has offices of a large number of multinational companies and setting up IAC in the city will be more cost-effective and less time consuming for business houses," Harnam Singh Thakur, District & Sessions Judge, Gurgaon, was quoted as saying.

Haryana is a leading industrial state in India. What is less well known is that it ranks third among states in IT and ITES exports. It is also the second largest contributor of foodgrains to the Government of India's central poll and accounts for 60 per cent of Basmati rice exports.

Start-up haven

Gurugram, which has several monikers, including India's pub capital, is also a magnet for start-ups, as home to India's fourth largest number of such companies. Not surprisingly, Bengaluru, India's Silicon Valley, leads the way with 3,641 start-ups, followed by Mumbai with 2317, Delhi with 1,958 and Gurgaon, with 1,476, according to Xeler8, an online start-up and investor database.

Several well-known Indian start-ups, including several unicorns, call Gurugram home. They include MakemyTrip, ShopClues, Oyo Rooms, Urban Clap, Zomato, YepMe, Ixigo and Delhivery.

"(Start-ups in) Gurgaon received $1.02 billion across 134 deals in 2016, compared to $1.19 billion across 121 deals in 2015," Rishabh Lawani, founder of Xeler8, told the media.

What makes Gurugram so attractive to the start-up community, entrepreneurs, executives and employers are its young, vibrant and cosmopolitan demographic mix, the presence of several Indian and multinational companies, which are vendors and customers of these start-ups, and easy access to domestic and foreign investors.

Real estate hub

Gurugram comes immediately to mind when one mentions Haryana and business in the same breath, but the state is a lot more than just its commercial showpiece.

The Dalian Wanda Group, one of China's largest real estate companies, has recently signed a memorandum of understanding (MoU) with the Haryana government to develop Wanda Industrial New City at an investment of $10 billion over the next decade – the single largest investment proposal received from any Chinese company.

The proposal includes the construction of industrial townships and retail and residential buildings. Construction of Phase-I of the project, spread over 1,300 acres, is expected to start soon.

Another MoU signed between China Fortune Land Development Company Private Limited (CFLD), another large Chinese developer, and the Government of Haryana, envisages building lare industrial parks in the state.

Detroit of India

When Suzuki Motor Company (SMC) first set up its factory in the then sleepy town of Manesar in Haryana, on the outskirts of Delhi, to assemble 40,000 cars for the Indian market, it couldn't possibly have imagined that in three decades, that relatively small plant would grow to the point that it would outstrip the production of its parent in Japan.

Today, Maruti Suzuki Ltd, a subsidiary of SMC, produces more cars than its parent, is more valuable than its parent on a standalone basis and not only serves the Indian market but is also the hub for SMC's export thrust to West Asia, Africa, Europe and South America.

Then, Hero MotoCorp, the world's largest maker of motorcycles, also has a factory not very far from Maruti's plant, earning Haryana comparisons with Detroit, the erstwhile hub of the once dominant US auto industry.

Today, Haryana produces 75 per cent of passenger cars, 60 per cent of all motorcycles and 50 per cent of tractors made in India. Maruti, Hero and many of their vendors and suppliers have their factories and establishments in Haryana, thus, presenting investors, including existing ones, with a readymade eco-system for automobile R&D and production.

Focus on textiles

Having industrialised a previously agrarian state over the last three decades, the state government is now looking at new avenues to fuel growth.

It recently announced the Textile Policy 2017 to encourage investments in new units and to ensure the modernisation and growth of existing textile units.

The policy, which offers several financial and tax incentives, encourages setting up of textile parks and skills development and has set a goal of attracting Rs 5,000 crore ($800 million) investments and creating 50,000 new jobs in the state.

"(The policy) has been formulated with an eye on the cotton belt of Haryana. The state is one of the leading cotton producers in the country …. This sector provides employment to about one million people and readymade garments worth $2 billion are exported from the state annually," ä government spokesperson said.

Pulling out all stops

Haryana, which is already among India's most industrialised states, has signed MoUs worth Rs 5.84 lakh crore ($90 billion) with investors in sectors as varied as auto, auto components and light engineering, agro & food processing, aerospace & defence, manufacturing, real estate, energy, Infrastructure, electronics, IT & ITES, textiles, etc., at a recently held Global Investors Summit.

"To facilitate implementation of the projects, land will be made available from the developed land bank. The HSIIDC has also started the system of online geo-referenced display to provide investors information on vacant lands in industrial estates," Haryana Chief Minister Manohar Lal said at a press conference following the summit.

Good location, sound macro fundamentals

As mentioned above, Haryana is a leading industrial state in India. What is less well known is that it ranks third among states in IT and ITES exports. It is also the second largest contributor of foodgrains to the Government of India's central poll and accounts for 60 per cent of Basmati rice exports.

In the 11 years between 2004-05 and 2015-16, Haryana's gross state domestic product (GSDP) expanded at a compound annual growth rate (CAGR) of 12.12 per cent to $75.3 billion while its net state domestic product (NSDP) expanded at a CAGR of 11.75 per cent to $71.6 billion.

The state has invested in the development of world class infrastructure facilities such as special economic zones (SEZs), Kundli-Manesar-Palwal (KMP) global corridor and Delhi- Mumbai Industrial Corridor (DMIC).

Haryana enjoys a locational advantage, with nearly one-third of the state's area under the National Capital Region (NCR).

The state offers a wide range of fiscal and policy incentives for businesses under the Industrial and Investment Policy, 2011. Moreover, it has sector-specific policies, particularly for IT and tourism.

The following are some of the initiatives taken by the state to encourage rapid industrialisation and fast growth

- HSIIDC has developed a number of industrial estates, industrial model townships and specialised parks for cluster development.
- An industrial model township is under-construction at Manesar, near Gurgaon. The region is being developed as an automotive and engineering hub.
- The government is developing sector-specific theme parks and sub-cities along the KMP Expressway.
- Single-window clearance mechanism was established under the Haryana Industrial Promotion Act, 2005
- The state government acquired 1,000 acres of land for a dedicated pharma park in the KMP Express Global Economic Corridor.
- The International Centre for Automotive Technology has been set up at Manesar as part of the National Automotive Testing and R&D Infrastructure Project. It provides testing and R&D services to the industry.
- As of July 2016, the state had seven operational SEZs, 23 formally approved SEZs, three SEZs with principal approval and 20 notified SEZs.
- The state government has proposed a sliding railway and logistic centre in IMT Manesar for smoother transportation and more effective inventory management.
- Haryana is the first state to have implemented its State Wide Area Network (SWAN) for voice, data and video transmission.
- The government has granted licenses to 50 proposals for establishment of IT/cyber projects as of August 2015.
- The state government has established a Regional Centre for Biotechnology (RCB), Gurgaon under the guidance of UNESCO as a Category II Centre.

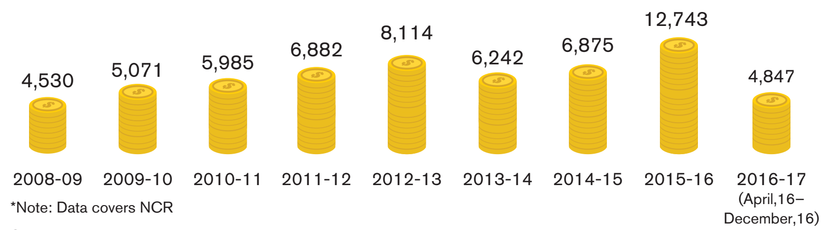
Haryana Fact Sheet

Haryana is among the wealthiest states of India with Gurgaon, now named Gurugram, emerging as a major financial hub of the country. The state shares Chandigarh as its capital with Punjab, with Faridabad as its most populous city. Haryana has a strong agricultural and manufacturing base and is among the largest recipients of investment per capita in India. Surrounding the national capital of Delhi on three sides has meant much of the state is counted within the country's National Capital Region.

Focus Sectors

- 01 Automotive
- 02 Agro-based industry
- 03 IT and ITeS
- 04 Textiles
- 05 Oil refining
- 06 Biotechnology
- 07 Petrochemicals

Foreign Direct Investments (US $ million)



*Note: Data covers NCR

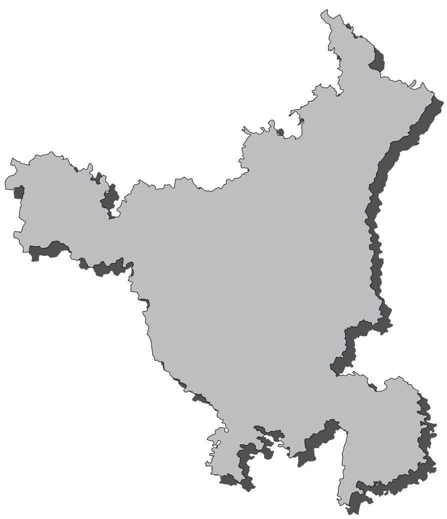
Source: Department of Industrial Policy & Promotion

Policies

- Haryana Sports and Physical Fitness Policy 2015
- Enterprise Promotion Policy, 2015
- New Integrated Licensing Policy (NILP) 2015
- Industrial and Investment Policy 2011
- Haryana Special Economic Zone (Amendment) Act 2010
- Rehabilitation and Resettlement Policy, 2010
- Haryana Tourism Policy 2008
- Haryana Special Economic Zone (SEZ) Act 2005
- Information Technology Policy (IT Policy) 2000
- Labour Policy
- Land Pooling Scheme
- Public Private Partnership Policy
- Industrial Infra Development Scheme

Major foreign companies in Haryana

- **Yamaha Motor**
- **General Motors India**
- **Motorola Solutions India**
- **Ericsson India**
- **Shell**
- **Accenture**



- **Nestle India**
- **GlaxoSmithKline Consumer Healthcare (GSK)**
- **PepsiCo India**
- **Microsoft Corporation**
- **Google**
- **IBM Global Process Services**

Happening Haryana Claims

- Strategically located with 40% of the National Capital Region within the state
- Many MNCs have their corporate offices and production bases in the state
- International/ Domestic Airport, Inland Container Depot in vicinity and excellent rail, road connectivity: Four out of five national highways emanating from New Delhi transact through Haryana
- World-class industrial, corporate and residential estates at competitive prices, developed and managed by professional private and government agencies
- Fine quality human resource availability, good infrastructure, home and leisure support systems in place
- Law and order situation: Peace loving, hardworking workforce and historically known for symbiotic industry workforce relations, with least number of man days lost and negligible strikes/lockouts
- Responsive and transparent administration, efficient delivery systems, highly standardised and simplified procedures
- Leading producer of automobiles and automotive components
- Third-largest exporter of software, one of the preferred destinations for IT/ITES facilities
- Among the leading producers of textiles and readymade garments in India
- Largest exporter of Basmati rice in the country
- Potential for property development and retailing

Japan-Haryana ties

Japan was a partner country in the 2016 Happening Haryana summit

There are 305 Japanese companies operating in Haryana, surpassing by far the second-ranked Maharashtra, which hosts 203 Japanese companies.

Japan has committed about $30bn in investments and aid for development in Haryana.

"**Since last year, we have witnessed unprecedented improvement in the ease of doing business in Haryana due to the state's new industrial policy. The progress made in Manesar bears testimony to it.**"
Keita Muramatsu, President and CEO, Honda Scooters and Motorcycles India

"**Our auto sector and other investments have been inspired by the untiring efforts of and support by the Haryana government.**"
Kenji Hiramatsu, Japanese ambassador to India

What makes Gurugram an attractive IT hub

High Internet Penetration

The city has high level internet penetration with a regular internet use in almost every home

Healthy Ecosystem

To incubate more number of start-ups, the Government of Haryana and NASSCOM announced a 16-acre warehouse

Connectivity

A world class metro along an international airport within a 10km distance

Skills/Manpower

- Gurgaon has easy access to famous universities and colleges for access to skills
- Vast multi-disciplinary talent pool

Land

Low-cost rental space

State support

- The government's Global Start-up Destination Centre at Gurugram will provide a favourable ecosystem with world-class facilities
- A start-up portal to provide a single interface to interact with other stakeholders in the ecosystem
- Electronics Bazar, held once in two years, and other annual IT/ ITeS and electronics fests
- Export-oriented programmes to provide practical tools and information to help businesses
- Partnering with Indian and globally successful Incubators in order to replicate successful funding and mentoring models

City Success Stories

Grofers

Grofers is an on-demand delivery service that connects consumers with local merchants by offering a wide assortment of groceries, fruits & vegetables, cosmetics, electronics, bakery items, pet care products and much more.

Founded by Saurabh Kumar and Albinder Dhindsa in 2013, it expanded quickly and became the most funded hyperlocal grocery delivery start-up as investors including Japan's SoftBank Group Corp, Sequoia Capital, and Tiger Global poured in $120mn.

OYO Rooms

Founded in 2012, OYO is a technology driven chain of standardized budget hotels present in major Indian cities. It ushered disruption in the Indian hospitality industry through technology and standardisation in the budget hotel segment, unlocking a huge market opportunity.

It is planning to expand its footprint in South Asia and South East Asia, besides strengthening its service through a concierge service called OYO Captains. In 2016, the company raised around $62mn from Japan's SoftBank Group Corp.

Yepme

Established in April 2011, Yepme is India's leading online fashion brand, which services over 1,000 cities monthly and delivers close to 500,000 units to its customers every month. The company specialises in the online retail of men's and women's garments and accessories.

In 2016, the company announced to open 400 stores and identified cities including Noida, Meerut, Bengaluru, Hyderabad, Ludhiana and Latur for expansion through the franchise route. Yepme recently announced its collaboration with Amazon – the leading global online marketplace – for selling its merchandise in key markets worldwide under the Amazon Global Selling Program.

Zomato

Zomato is a restaurant search and discovery service founded in 2008 by Deepinder Goyal and Pankaj Chaddah, which currently operates in 10,000 cities across 23 countries, including India, Australia and the United States.

The company has grown through acquisitions, including American rival Urbanspoon in 2015. Zomato has grown to become the largest search and discovery platform dedicated to restaurants across the globe. The company has also launched its membership programme, called Zomato Gold, in Dubai and Abu Dhabi.

MobiKwik

Founded in April 2009, MobiKwik is one of India's leading Mobile Wallet companies which offers its users a virtual wallet to make any kind of payments, be it online or offline, at any of its 50,000 (brick and mortar) or 20,000 (online) merchants, just like a physical wallet. In 2016, MobiKwik launched its MobiKwik Lite app aimed at users in poor connectivity regions. In February 2017, the company announced plans to invest approximately $45mn to expand its user base from 50 million to 150 million users in 2017. Claiming to have a network of close to 45 million users and 1.4 million merchant base across the country, the company has raised more than $126 million in funding so far.

SHORT TAKES

India-Japan plan training centre

The Japanese ambassador to India, Kenji Hiramatsu, has proposed a training institute in Haryana during a high-level meeting with Haryana chief minister Manohar Lal Khattar.

The training institute would focus on imparting skills to the youth of the state, with the aim of making them efficient to operate in the manufacturing sector.

The CM's team said he has extended all possible support from the state government to help set the institute. He also called on Japanese companies and investors to collaborate on the development of the state through their corporate social responsibility (CSR) programme.

Japanese firm Panasonic is also planning to set a new unit in Haryana. Talks of an industrial hub in Jhajjar for Japanese companies to park their units is also in the works.

Panasonic sets up for fridges in Haryana

Japanese home appliances and consumer electronics company Panasonic has invested Rs 115 crore ($18mn) to set up a manufacturing plant at Jhajja in Haryana to locally produce refrigerators.

The factory spread across 1,50,000 sqft, with an annual production capacity of 500,000 units will be operational in November 2017 and the company expects sales from the facility to start from April 2018.

Panasonic India and South Asia President and CEO Manish Sharma said: "This will fill the balance pie that was missing from Panasonics locally manufactured product portfolio in India.

"Refrigerators to a large extent will be manufactured in India except the large capacity refrigerator. This factory will help us to penetrate across smaller towns because the requirement for fridge in those markets is rapidly increasing."

Panasonic currently imports its fridges into India from Thailand, Indonesia and Vietnam and will continue to import the large-capacity refrigerators.

The Japanese company, which is eyeing revenues of Rs 330 crore ($51.5mn) from refrigerators this fiscal year, said it aims to double its market share and sales from the category in the next two years.

The market for refrigerators is estimated to be 13 million units.

US coatings firm sets up in Gurugram

Axalta Coating Systems, a US-based supplier of liquid and powder coatings, has inaugurated its new headquarters for India in Gurugram, Haryana. The opening follows Axalta's plans, announced in October 2015, to expand its Vadodara facility in Gujarat.

The new HQ will also house an Axalta global business resource centre, which will provide a variety of services to the company's operations in the region and around the world. The 35,000 square feet facility will enable the American firm to integrate its corporate office and other key country business functions within a single office.

Robert Bryant, executive vice-president and CFO of the firm, said: "We are very excited to see another significant investment support our future growth in India. The new face of Axalta in India has been designed with Axalta's global standards in mind and enables our company to showcase its commitment to both long-term growth and customer support in the market."

Axalta's business in India serves customers in the transportation original equipment manufacturer (OEM), refinish and industrial sectors of the economy. The company stablished its India business in 1996, and today operates a manufacturing plant in Vadodara along with offices and regional training centres in Gurugram, Mumbai, Kolkata and Bengaluru and supports an extensive product distribution network across the country.

FACT SHEET: An Expat's Guide to Chandigarh

Chandigarh is a Union Territory in North India which serves as the capital of both Punjab and Haryana. With world-renowned architecture, Chandigarh claims to be among the best-planned cities of India. The city, named after an ancient temple called Chandi Mandir, is a visible attempt at balancing modernity with environmental preservation. Designed by the well-known Swiss-French modernist architect Le Corbusier, Chandigarh sits comfortably as a cosmopolitan hub on the confluence of two important states.

Popular Fairs & Festivals

- Festival of Gardens
- The Mango Festival
- The Chrysanthemums Show
- The Chandigarh Carnival
- The Plaza Carnival
- Baisakhi
- Lohri
- Teej Festival

Popular Restaurants

- Saffron
- Oregano
- 24/7 Restaurant at The Lalit Chandigarh
- Pal Dhaba
- Whistling Duck

Popular Local Dishes

- Chole Bhature
- Dal Handi/Dal Makhani
- Sarson ka Saag
- Makki di Roti
- Sheer Korma
- Shahi Paneer
- Butter Chicken
- Tandoori Chicken
- Chicken Tikkas
- Amritsari Fish
- Fish Tikka
- Punjabi Lachha Parathas

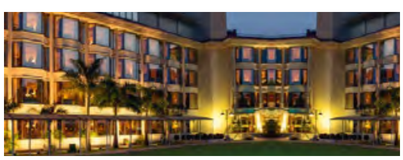
Top Hotels

JW Marriott Hotel Chandigarh
Address: Plot no: 6, Sector 35-B, Dakshin Marg, Chandigarh, 1600 35 India
Telephone: +91-172-395 5555
Fax: +91-172-395 5588
www.marriott.com/hotels/travel/ixcjw-jw-marriott-hotel-chandigarh

The Lalit Chandigarh
Address: Rajiv Gandhi IT Park, Near DLF Commercial Complex, Chandigarh,
160101 India
Telephone: +91 172 300 7777 / +91 172 444 7777
Fax: +91 172 300 7878
Email: chandigarh@thelalit.com
www.thelalit.com/the-lalit-chandigarh

Hyatt Regency Chandigarh
Address: 178 Industrial and Business Park Phase 1, Chandigarh, India, 160002
Telephone: +91 172 4401234
Fax: +91 172 4401235
Email: chandigarh.regency@hyatt.com
chandigarh.regency.hyatt.com

Taj Chandigarh
Address: Block No. 9, Sector-17 A, Chandigarh, India 160017
Telephone: +91 172 6613000
Fax: 91 172 6613000
Email: taj.chandigarh@tajhotels.com
www.vivanta.tajhotels.com/en-in/chandigarh-punjab



Hotel Mountview
Address: Sector-10, Chandigarh
Telephone: +91-904 115 5566
Email: mountview@citcochandigarh.com
www.mountviewchandigarh.com

Top Attractions – In and Around Chandigarh

The Rock Garden
Chandigarh rock garden prides itself as an epitome of creativity and innovation. It is a unique garden that consists of various art objects, made by using industrial and urban waste materials. Created secretly by a local transport worker Nek Chand from 1957 onwards at a dump site, the park has now become part of an important recycling project and one of the city's major crowd-pullers.

Rose Garden
Spread over 30 acres, the Zakir Hussain Rose Garden is the largest botanical garden in Asia that is dedicated to roses. The garden is named after the former President of India and apart from roses, it also features several varieties of medicinal herbs. It contains more than 17,000 plants, with 50,000 rose-bushes and nearly 1,600 varieties of roses.

The Government Museum and Art Gallery
Located in a building designed by Le Corbusier, the museum is divided into four wings dedicated to natural history, art, architecture and portraits. Its star attractions include its collection of over 4,000 Pahari and Rajasthani miniature paintings, and over 600 Buddhist sculptures from the Gandhara region in present-day Pakistan and Afghanistan.

Sukhna Lake
Sukhna Lake is a beautiful man-made lake that lies in the foothills of the Shivalik range. The 3km-long lake was created in the year 1958 by damming the Sukhna Choe, which is a seasonal stream flowing down from the Shivalik hills. It is a popular picnic spot and attracts water sport enthusiasts for activities such as boating, yachting and water skiing.

Capitol Complex (Le Corbusier Centre)
The Chandigarh Capitol Complex, a UNESCO World Heritage Site, is a government compound designed by the architect Le Corbusier. It is spread over an area of around 100 acres and comprises of three buildings, three monuments and a lake, including the Palace of Assembly or Legislative Assembly, Secretariat, High Court, Open Hand Monument, Geometric Hill and Tower of Shadows.

Accessibility

By Rail

The twice daily Shatabdi, Jan Shatabdi and Himalayan Queen connects New Delhi and Chandigarh.

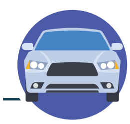
Paschim Express connects the city to Mumbai, Sadbhavna to Lucknow, Kerala Sampark Kranti to Kerala and Chennai Express to Chennai.

By Air

Chandigarh Airport links the city with the rest of the country by an extensive network of domestic flights. Regular flights from Bengaluru, Mumbai, Chennai, Delhi, Srinagar and Ahmedabad are available.

Airlines operating from Chandigarh Airport include Air India, Jet Konnect (managed by Jet Airways), Jet Airways, Air Asia, Go Air, Indigo and Spicejet.

By Road



Chandigarh has excellent road connectivity with other neighbouring cities.

Many direct buses are available from cities like Mussoorie, Shimla, Mcleod Ganj, Dharamsala, Delhi and Kullu.

SOUTH KOREA AND INDIA: A WIN-WIN PARTNERSHIP

by India Inc. Staff

India can learn a lot from South Korea's ascent from poverty in the 1950s to the ranks of the most technologically advanced societies especially in the fields of manufacturing, defence technology, electronics and skills development. And India can, in turn, help South Korea in areas like software and space technology that it excels in.

It is a warm and deepening economic and strategic partnership that could well become the template for India's engagement with other geographically smaller but economically dynamic Asian Tigers.

South Korea has been in the news in India recently for three separate but loosely connected developments, all of them positive.

The first announcement was dramatic, though not startling. Kia Motors, South Korea's second-largest automaker, announced its plan of setting up a $1-billion auto assembly plant in Andhra Pradesh. Its suppliers, who will build their own ecosystem in India, will make additional investments, which were not quantified.

Kia Motors will begin work on building the factory later this year. The 300,000 cars per annum plant will ready in two years and the first cars will begin rolling out in 2019.

India is already the world's fifth largest passenger car market, having crossed sales of three million units last year. By 2020, it could become the world's third largest after China and the US. So, Kia Motors expects to find a ready market for its products in India.

Push to FDI flows

The second announcement went largely unnoticed in the Indian media. India, which has set up an investment promotion and facilitation agency, Invest India, to handhold FDI into India "from concept to cash flow", and South Korea quietly launched Korea Plus, a platform to promote investments from that country into India.

It is a special initiative to promote and facilitate Korean Investments in India, the Commerce Ministry said in a statement, shortly after the launch by Nirmala Sitharaman and Joo Hyunghwan, the commerce ministers of India and South Korea, respectively.

Korea Plus has three representatives each from the South Korean government and Invest India. "The mandate of Korea Plus covers the entire investment spectrum including supporting Korean enterprises entering the Indian market for the first time, looking into issues faced by Korean companies doing business in India and policy advocacy to the Indian government on their behalf," the statement said.

The initiative is already bearing fruit. Shortly after announcing its billion dollar foray into India, Kia Motor Corporation said in a statement: "Kia Motors Corporation, along with the entire team, wish to express our sincere gratitude for all the support and assistance extended to us in connection with KMC's feasibility study on investing and setting up its first manufacturing unit in India. We further wish to express our appreciation for the assistance provided by Korea Plus which has been helpful for us in making an informed decision."

Boost to Make in India in the defence sector

The third announcement was, arguably, the one with the greatest long-term impact. India's largest engineering and construction company, Larsen & Toubro (L&T) announced that it had entered into a $700-million contract with the Ministry of Defence to make and supply one hundred 155 mm/52 calibre tracked, self-propelled artillery guns to the Indian Army.

The technology for the guns will be provided by South Korea's Hanwha Tech Win. This will mark the entry of the Indian private sector into the domestic manufacture of offensive weapons systems.

The mandate of Korea Plus covers the entire investment spectrum including supporting Korean enterprises entering the Indian market for the first time, looking into issues faced by Korean companies doing business in India and policy advocacy to the Indian government on their behalf.

These guns are based on Hanwha Tech's K9 Thunder self-propelled howitzers and have been customised to meet the needs of the Indian Army. They will be built at L&T's factory in Hazira in Gujarat and the guns, dubbed K9 Vajra in India, will be delivered within 42 months.

The contract envisages 50 per cent indigenous content and is seen as the first step towards building a private sector defence industrial eco-system in India under the Narendra Modi government's flagship Make in India scheme. India currently imports 70 per cent of its defence requirements from foreign vendors.

A maturing economic relationship

These announcements mark a deepening of the economic engagement that took off in right earnest about two decades ago with the entry into India of four till then practically unknown South Korean brands – Samsung and LG in home appliances and electronics and Hyundai and Daewoo in automobiles.

The Indian home electronics market had till then been dominated by homegrown majors such as BPL, Onida and Videocon and the auto market by Maruti, a subsidiary of Japan's Suzuki Motor Company, Fiat, Peugeot and Ford.

In the automobile sector, Hyundai has fought its way to the second position in the market, beating off global rivals such as Honda Motor Company, Toyota, Volkswagen, Ford and General Motors, though Daewoo has since ceased operations following its bankruptcy in its home country.

Battleground India

In a very short time, Samsung and LG swept aside their domestic rivals and even stole a march over Japan's Sony to become India's leading home appliances companies.

The Indian mobile phone market, then in its infancy, was dominated by European majors Motorola, Ericssen, Nokia and later, Blackberry. But Samsung's entry soon relegated these once iconic brands to the periphery of the Indian market and the Korean brand is now the clear market leader both in feature phones as well as smartphones.

In fact, the Samsung versus LG battle for supremacy in the Indian market has taken on epic proportions and has been compared in several quarters with the famous Coke versus Pepsi rivalry worldwide.

After an even start, Samsung stole a huge march over its Korean rival. According to the latest figures available with the Registrar of Companies, Samsung registered sales in India of about $6.5 billion for the year ended March 2015 compared to just $2 billion by LG. Mobile phones account for about 70 per cent of Samsung's Indian turnover.

LG has belatedly woken up to this gap and is now following Samsung's lead in designing and making products specifically tailored to the needs of the Indian market and by doubling its marketing budget.

This is expected to add to India's domestic capabilities in designing and manufacturing mobile phones and household appliances to the exacting standards of these global majors.

Building a manufacturing eco-system

Hyundai Motor Company, in particular, has helped nurture and build a small car manufacturing eco-system in India, along with Japanese rival Suzuki. Its factory near Chennai produces more than 600,000 Made in India cars, 40 per cent of which it exports to markets around the world.

It has created linkages with India's burgeoning small and medium (SME) sector and built up a base of suppliers, vendors and service producers that have helped India emerge as the small car hub of the world.

Appreciating the role played by Invest India in facilitating its entry into India, a leading South Korean electronics manufacturer said in a statement: "Thanks for all your support in arranging meetings with state government officials, they have in principle agreed to resolve all major issues."

Another mid-sized South Korean company entering India said: "I deeply appreciate your help. With your help we will be able to formulate actual pricing of products to be manufactured in India."

A win-win partnership

South Korea has been aggressive in betting on India's economic and strategic potential. Bilateral trade has grown more than 40 per cent since 2009, and South Korean companies such as Samsung, LG and Hyundai are among the most respected brands in India.

The two countries are now looking at ways to expand their strategic partnership in areas where there are considerable synergies. India's Look East and Act East policies and its efforts to increase its global heft dovetail nicely with South Korea's policy of diversifying its overseas markets and balancing the strategic matrix in Asia.

South Korea can provide India with technology to upgrade its domestic industry as well as its defence industrial base and India can, in turn, provide an opening for South Korean companies in the Middle East and Africa, where India carries influence and clout.

Space and aerospace

There is considerable scope for enhanced cooperation in the field of science and technology between the two countries. India has already established itself as a global powerhouse in software while South Korea is globally competitive in hardware.

India has also established itself as a major player in the space technology area, with successful missions to the Moon and Mars. Cooperation between the two countries in these spheres can help South Korea realise its ambition of emerging as a major player in the global aerospace industry while India can benefit from South Korean expertise in designing and building hardware.

Infrastructure development

India has already identified South Korea as a partner for major flagship initiatives such as Smart Cities, Sagar Mela and Industrial Corridors. The Modi government has embarked on a $650-billion plan to improve India's creaking infrastructure over the next five years and the Prime Minister has frequently mentioned South Korea as a reliable partner for this.

South Korea can help rebuild and rejuvenate India's infrastructure in roads, railways, urban waste management and treatment and education. The proposed $4 billion infrastructure development fund will give a fillip to such cooperation.

Learning from history

South Korea is now the world's 12 th largest economy and the fourth largest in Asia. It is a world leader in consumer electronics, automobiles, steel, ship building and many others. But it wasn't always like this.

As the South Korean government website says: "In the 1950s, South Korea was one of the poorest countries in Asia. At the end of World War II, the country inherited a colonial economic system designed solely for Japan's needs. Much of the country's infrastructure was destroyed during the Korean War that followed in 1950-1953."

However, an ambitious economic development programme an intensive skills development initiative and an emphasis on foreign trade from 1962 onwards led to "a boom in trade and investment. Rapid expansion, first into light and then heavy industries, followed in the 1960s and 1970s."

The website continues: "This phenomenal growth is often called the 'Miracle on the Han River', the Han River being the main river that runs through the nation's capital and largest city, Seoul. In the 1980s and 1990s, growth continued as South Korea transformed itself from an exporter of mostly textiles and shoes into a major global producer of automobiles, electronics, shipbuilding, steel and, later, high-technology products such as digital monitors, mobile phones, and semiconductors."

"The South Korean model of encouraging the growth of large, internationally competitive companies through easy financing and tax incentives led to the dominance of family-controlled conglomerates… known as chaebol… Some such as Hyundai, Samsung, LG and SK Company became global corporations."

Replicating the Korean story

In a recent report titled "How India Can Become the Next Korea," Goldman Sachs said India will do well to follow the Korean model. It noted the similarities between the Korean economy of the 1970s with India's current stage of development and concluded that India could be poised for similar exponential growth if the right conditions are created.

Skills development

South Korea made the transition from being one of Asia's poorest countries to a world leader in heavy industry and high technology sectors in the space of a single generation. It encouraged export-oriented manufacturing industries that led to the creation of a clutch of the world's biggest and most iconic corporations.

This journey from an economic laggard to Asian Tiger could not have been possible without heavy investment in basic and advanced technical and vocational training to its population.

The Modi government has embarked on a similar initiative called Skill India to impart necessary training to the army of 10-12 million youth who join the Indian workforce every year.

The South Korean government can be an important partner in this initiative that is imperative for the success of the Modi government's vision of increasing the share of manufacturing from 18 per cent of GDP at present to 25 per cent and bringing prosperity to all.

In this context, Samsung has already signed a partnership agreement with the Ministry of Micro, Small and Medium Enterprises to set up technical schools across India to impart necessary skills development and training to Indian workers.

THE BUSINESS OF TRAVEL MADE EASIER

by Milan Zala

A visa strategist gives some crucial updates on recent changes to the visa regime for travellers to India.

There have been some important changes to the e-TV and business visa regime that are worthy of note. These changes, which became effective from April 1 this year, are expected to stimulate economic growth, increase earnings from export of services like tourism, medical value travel and travel on account of business and to make 'Skill India', 'Digital India', 'Make in India' and other such flagship initiatives of the Indian government successful and make it considerably easier for the travel of foreigners to India for the above-mentioned purposes.

s a recap, an e-TV is a single entry 30 day visa that can be used for tourist visits, meeting family and friends, medical tourism or casual business visits. It can only be applied for online twice in any one year from a minimum of 4 days in advance of the date of arrival with a window of 30 days. After about 4-5 days, the applicant receives an e-mail confirming their visa which they need to print out and take to India, where upon they will be issued with a Tourist Visa on Arrival at passport control.

Changes to the e-TV Regime:

- The e-TV has now been sub-divided into 3 categories: e-tourist visa, e-business visa and e-medical visa. This distinction will be apparent from the online application form.
- The e-TV has been extended for entry through an additional 8 airports to 24 airports (i.e. Ahmedabad, Amritsar, Bagdogra, Bengaluru, Calicut, Chennai, Chandigarh, Cochin, Coimbatore, Delhi, Gaya, Goa, Guwahati, Hyderabad, Jaipur, Kolkata, Lucknow, Mangalore, Mumbai, Nagpur, Pune, Tiruchirapalli, Trivandrum & Varanasi) and 3 designated seaports (i.e. Cochin, Goa, Mangalore).
- The window for application under e-TV scheme has been increased from 30 days to 120 days.
- The duration of stay on an e-TV has been increased from 30 days to 60 days
- Double entry on e-tourist and e-business visas and triple entry on e-medical visa are now permitted. Previously, only single entry was permitted.
- As before, one can apply twice in any one year for an e-TV.
- Separate immigration counters and facilitation desks to assist medical tourists have been provided at airports in Delhi, Mumbai, Kolkata, Chennai, Bengaluru and Hyderabad.

Changes to Long Term Business & Tourist Visas:

- Multiple-entry tourist and business visas for a period of 5 years will now be available to UK nationals. Upon urgent requests, business visa will be granted within 48 hours of application.

- 5-year long-term tourist and business visas will require bio-metric enrolment at the time of submission of the application. This became effective from 1 March 2017.

Miscellaneous Changes:

- A new category of visa titled Intern (I) Visa has been rolled out with effect from 1 March 2017 to a foreigner intending to pursue an internship at an Indian company, educational institutions and NGOs, subject to certain checks and conditions. The period of the visa is restricted to the duration of the internship programme or one year, whichever is less. The Intern Visa will be granted immediately after completion of graduation/ post-graduation. Internship in NGOs or internship involving visits to protected and restricted areas will only be issued with prior clearance from the Ministry of Home Affairs.

- Another new category of visa, titled Film (F) Visa has also been introduced with a maximum duration of one year with multiple entry facility.

Milan Zala [mzala@outcom.co.uk] is an Indian Visa Strategist.

*This brief outline provides basic information about working visas in India and does not constitute legal advice. Nor does it deal with any other compliance, employment, regulatory or tax requirements under Indian law, which must be considered, as applicable.

IN DEFENCE OF A STRATEGIC MAKE IN INDIA POLICY

The Strategic Partnership Policy (SPP) could throw open deals worth over $20bn to six selected private sector companies in India.

India's defence forces will get their first fighter jets, submarines, helicopters and armoured vehicles made in India by the private sector within a few years. And it is entirely probable that friendly foreign countries could also be using some of these Made in India weapon systems.

In a major boost to private sector participation in offensive defence platforms, the defence ministry, headed by Arun Jaitley, who also wears the hat of India's Finance Minister, has cleared the Strategic Partnership Policy (SPP) that could throw open deals worth upward of $20 billion to six selected private sector companies in India.

Foreign defence contractors and their suppliers and vendors will also benefit as they will be the primary technology and component providers, and help India develop its own defence industrial manufacturing base.

The expectation is that over a few years, India will be able to design, manufacture and assemble these weapon systems in the country and reduce its dependence on foreign suppliers, who currently provide as much as 70 per cent of the country's defence requirements.

This is how the SPP will work. The government will create a pool of six Indian companies – based on balance sheet strength, technical competence, manufacturing history and creditworthiness – that will be accorded a special status for defence manufacturing. These companies will be identified over the next nine months.

Simultaneously, the Ministry of Defence will also identify foreign defence vendors with proven track record of making the four types of weapon systems identified. The pool of Indian companies will then have to enter into collaboration agreements with these foreign vendors and present joint proposals for the domestic manufacture of the weapons platform.

To avoid the emergence of defence sector monopolies, the policy envisages that each Indian company will be allowed only one strategic partnership project.

Readers will recall that till the 1980s, India had a minuscule automobile industry, which turned out European Morris and Fiat cars of 1950s vintage rebadged as the Ambassador and the Premier Padmini.

Then, Suzuki entered the Indian market, followed by a host of other manufacturers like Hyundai, Ford, General Motors and almost every other automaker. This facilitated the emergence of India as the world's small car hub, complete with its own domestic vendor base and R&D centres. Today, cars designed and built in India are exported in their millions to markets around the world.

Can the defence sector replicate this success story? There is every reason for optimism. Already, US defence major Lockheed Martin and Sweden's SAAB have offered to shift their entire production lines for the F-16 fighter jet and Gripen E fighter, respectively, to India if the government assures them of orders.

Over time, India could also emerge as an export base for these, and weapon systems designed indigenously in future.

This is expected to open up a market worth many multiples of the $20 billion initially envisaged as large foreign vendors and their supply chains tie up with large, medium and small Indian collaborators to provide end to end solutions to India's current defence import woes.

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