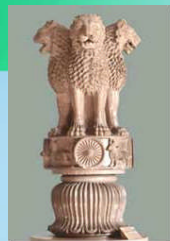


Global SME-Entrepreneurship Conference

***“Indian Economy – A Macro Overview
& Opportunities for Malaysian SMEs”***



Sanjay Panda
Counsellor (Economic)
High Commission of India

Kuala Lumpur, 17 October 2006



Agenda

- **Economic Overview**
- **Knowledge-driven Economy**
- **Demography – Potential Population Surplus**
- **Trade and Investment Opportunities**
- **Economic Overview – A Comparative Analysis**
- **Longer Term Macro-economic Outlook**
- **India's Value Proposition**
- **China vs. India**
- **India-Malaysia Trade and Economic Ties**
- **Business Opportunities for Malaysian SMEs**



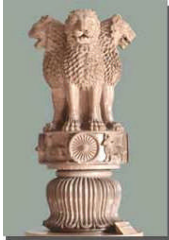
Economic Overview

- Strong macro-economic fundamentals
- Impressive sustained 7 to 8% growth in the economy
- Double digit industrial growth rate
- Increasing private sector driven economic growth – contributing 75% of the country's industrial GDP.
- Economic resurgence largely attributed to the demands emanating from over 300 mn strong new and steadily growing middle class.
- India has irreversibly embraced globalization and competition.
- Overseas Indian investments have exceeded US\$ 4 bn in the last two years.
- India's GDP is likely to cross US\$ 10 trillion by 2038 and US\$ 27 trillion by 2050 making India the third largest economy in the world after China and the US, according to the Goldman Sachs' Report.
- In terms of Purchasing Power Parity (PPP), India today is the fourth largest economy behind USA, China and Japan.



Economic Overview Continued....

- Exports registering over 20% annual growth; US\$ 75 bn in 2004 and estimated to cross the US\$ 100 bn mark in 2006.
- Net aggregate profit of the top 1500 Indian companies increased by more than 150% over the last two years.
- India's forex reserves at US\$ 150 billion is the 6th largest in the world.
- Services sector accounting for 50% of GDP, 25% of employment and 40% of capital formation, continues its upward spiral and is the economy's prime mover.
- Phenomenal growth in software and IT-enabled services sector major contributor to India's economic growth in recent years.
- By 2008, Indian software exports are estimated to reach US\$ 50 billion, IT-enabled services US\$ 17 billion and e-commerce US\$ 17 billion.
- Currently, 220 of the Fortune 500 companies outsource their software related work to India.



The Bangalore Phenomenon

GRAND AVENUE

BY STEVE BREEN





And...

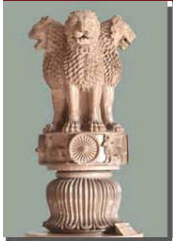




Knowledge-driven Economy

- India, the world's fastest growing knowledge-based economy
- India's demographic trends a source of great strength
- 550 million of India's billion-plus population or over 55% are below the age of 25
- Although demographic growth rate is less than 2%, India's work force will continue to grow for another 20 years or beyond
- India's 300 universities, 2000 research institutes and a strong network of higher educational and technical institutions annually produce over 7 million graduates, 300,000 non-engineering post graduates, 200,000 engineers and some 9000 PhDs
- IT work force today is 650,000; projected to exceed 2 mn by 2010
- Over 1 mn biotech professionals to be employed in next 5 years
- According to *Upnishads*, "Pursuit of *gyana* is the greatest *dharma*"

"Knowledge management is not new to us!"



IT Spread in India



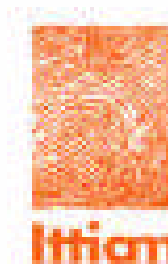
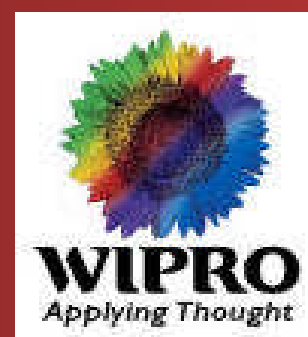
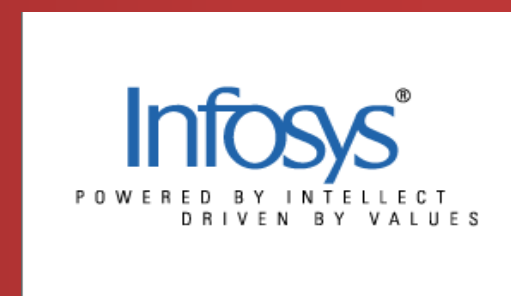


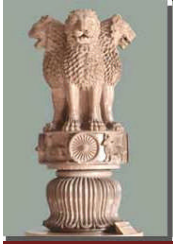
India as a Strategic Knowledge Partner to the World

- India is the first location outside the US selected by Microsoft, Oracle and GE to serve as their R&D base.
- The Indian IT industry has grown rapidly in the last 12 years; from a meagre US\$150 million in 1993-94 to US\$15.9 billion in 2003-04 and US\$ 20.5 billion in 2004-2005 – NASSCOM.
- IT forms about 64 % of our total exports with an annual growth rate of 24%.
- India's BPO Offshoring business, which was US\$ 1.9 billion in 2003, is expected to touch US\$13.8 billion by 2007 - Gartner.
- India accounts for 70% of the world BPO Offshoring pie today - Gartner.
- India's Biotech Industry, which was worth over US\$ 1 billion in 2004-05, is expected to grow phenomenally, reaching US\$ 9 billion by 2007-08 – Industry Experts.
- 848 patents were filed in India in 2003. This grew to 1216 in 2004.



Indian Knowledge Industry Leaders





Some Of Those Who Have Believed India's Story



DIAMLER



Unilever



invent



Lucent Technologies



BAE SYSTEMS

SIEMENS



SONY

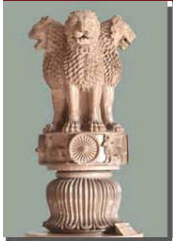


MOTOROLA
intelligence everywhere



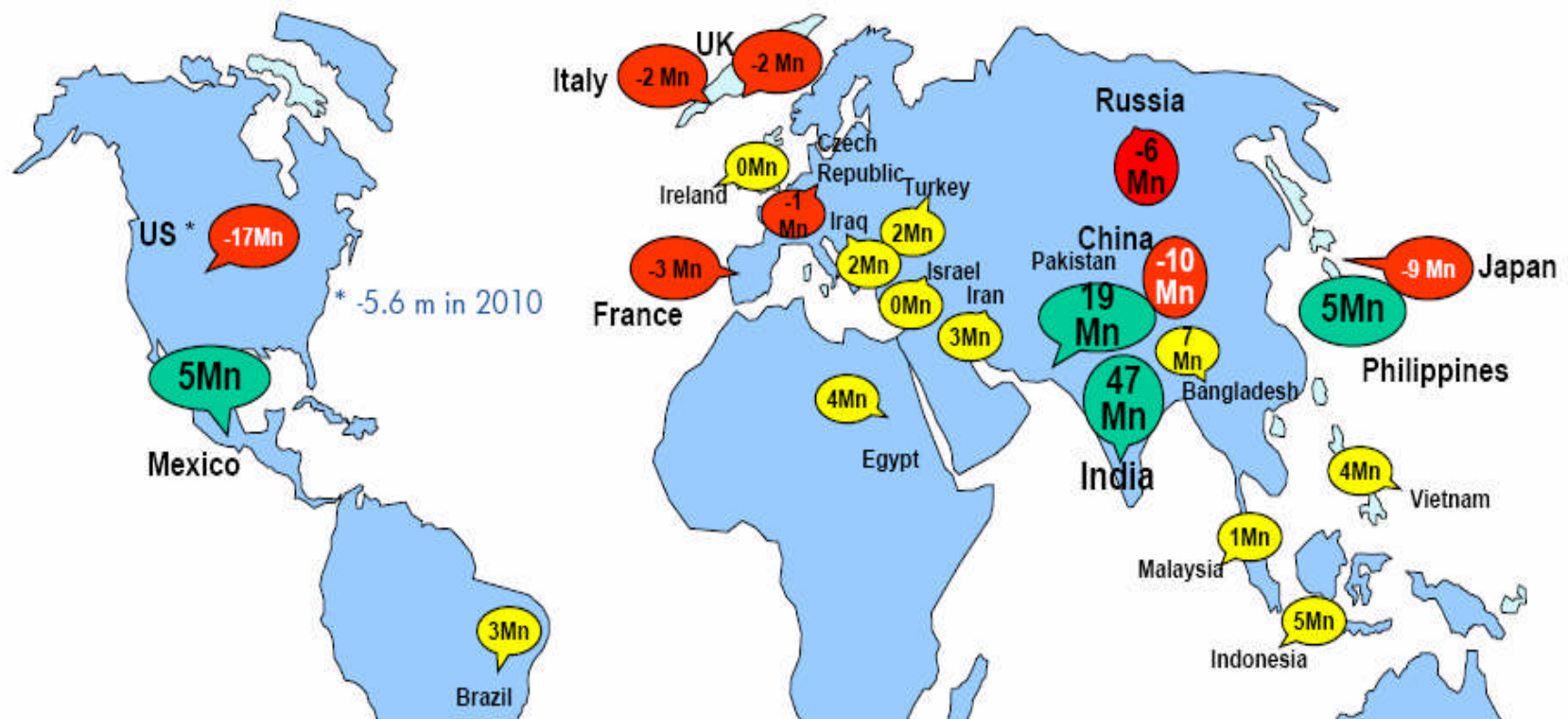
NISSIN FOODS





Population Surplus – A Key Strength Of The Future

Potential surplus population in working age group (2020)



By 2020, the potential working population surplus in India would be 47 million: highest in the world – NASSCOM



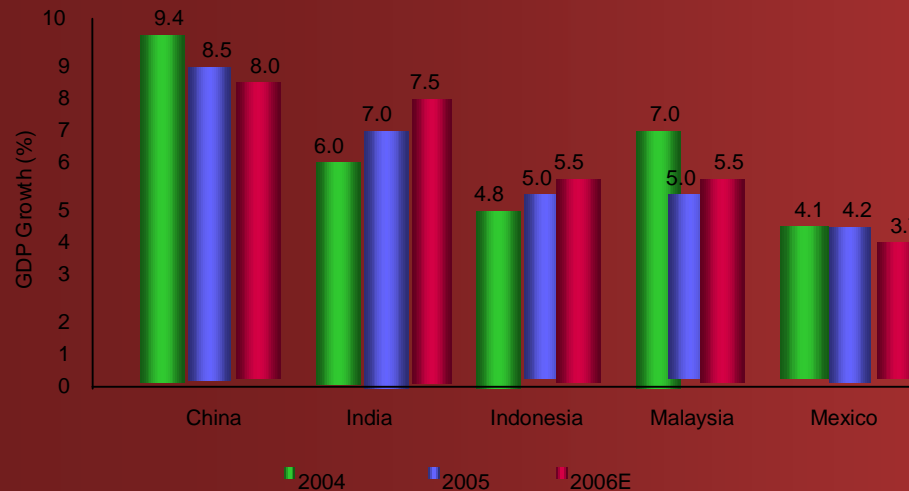
Trade and Investment Opportunities

- Several recent initiatives announced by Government of India
- A liberal, transparent and investor-friendly FDI Policy
- Up to 100% investment allowed in most sectors under the Automatic Approval Route, including infrastructure, power, roads, highways, ports, pharmaceuticals, housing, transport sectors etc., to name a few
- Sectors offering promising investment prospects include the manufacturing sector (apparel industry, auto-components, electrical and electronic products and specialty chemicals), infrastructure sector (estimated to absorb US\$ 150 billion FDI in the next 10 years), tourism, etc.

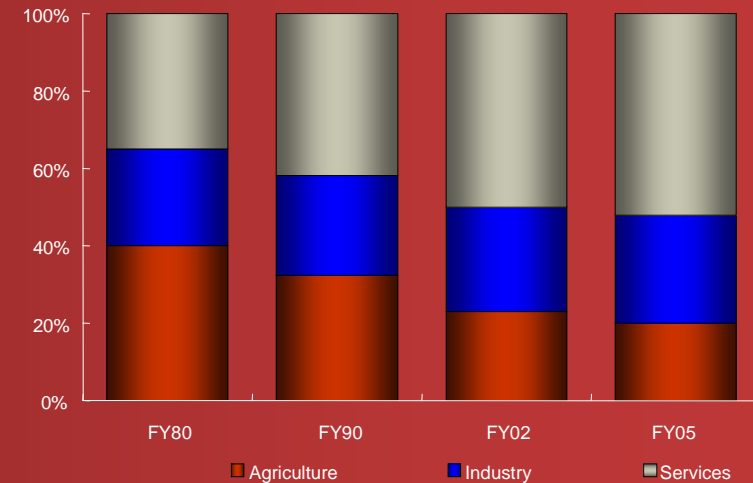


Economic Overview – a comparative analysis

GDP Growth (%)



GDP by Activity



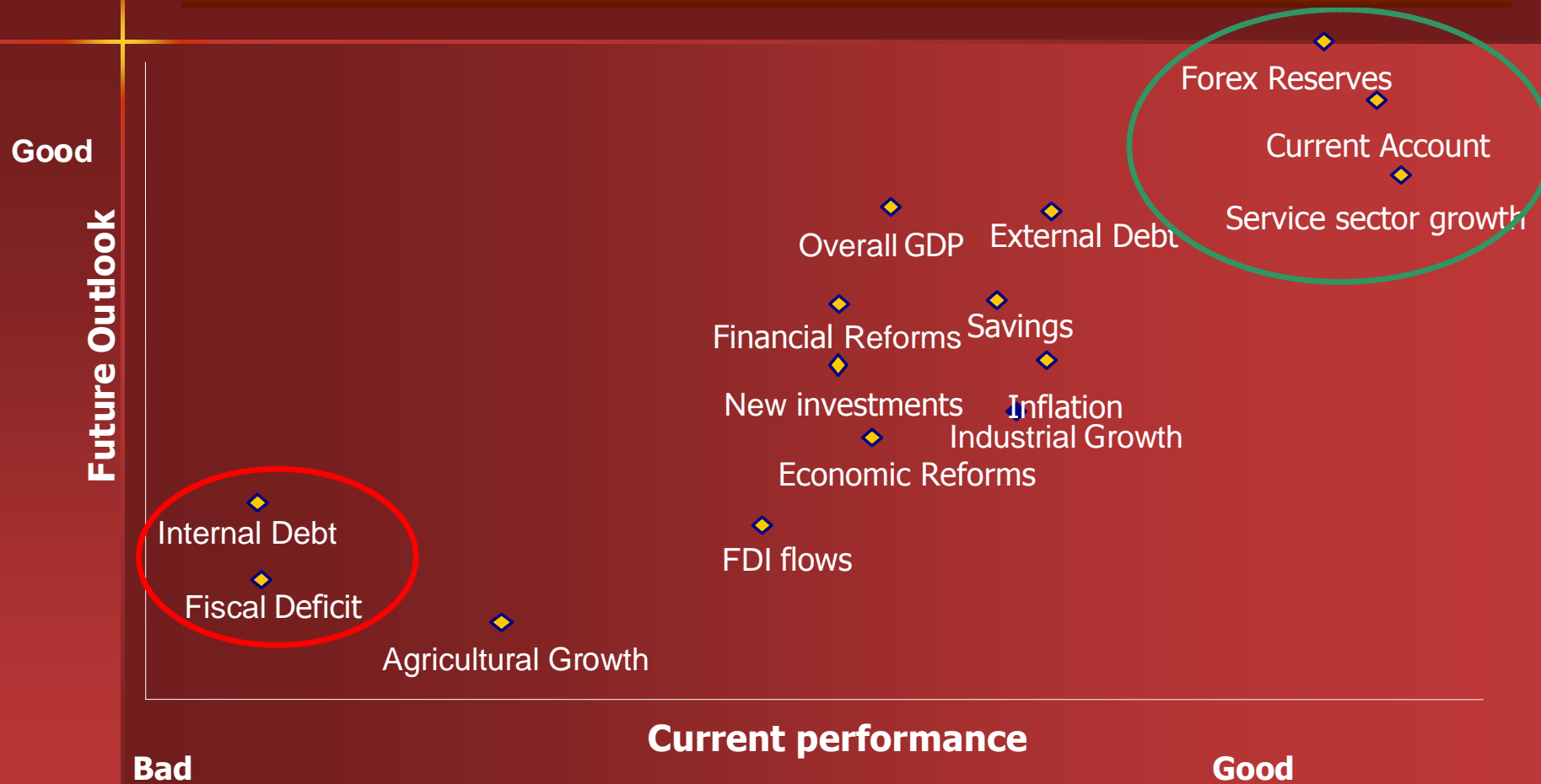
- Historically stable, steady GDP growth
- Attractive economic growth predicted going forward
- Stable growth path expected to continue
- Broad based expansion

- Services have become an increasingly important part of the economy
- Manufacturing seeing a resurgence (Auto, Engineering, Textiles)
- Move toward service sector implies higher margin / growing energy needs



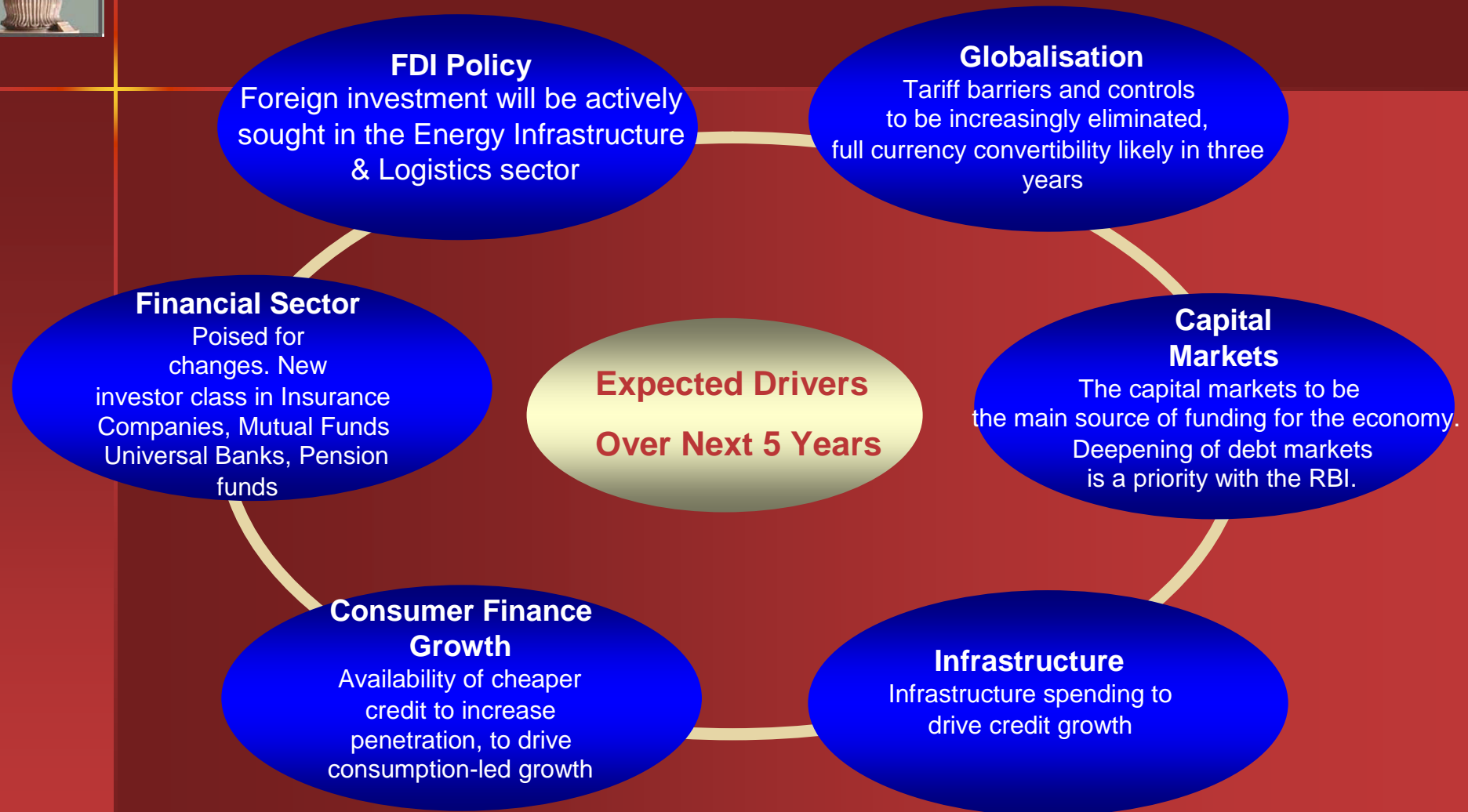
India's Economic Scorecard

Performance Parameters





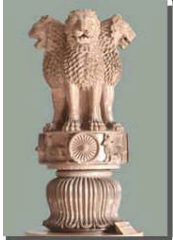
Longer Term Outlook



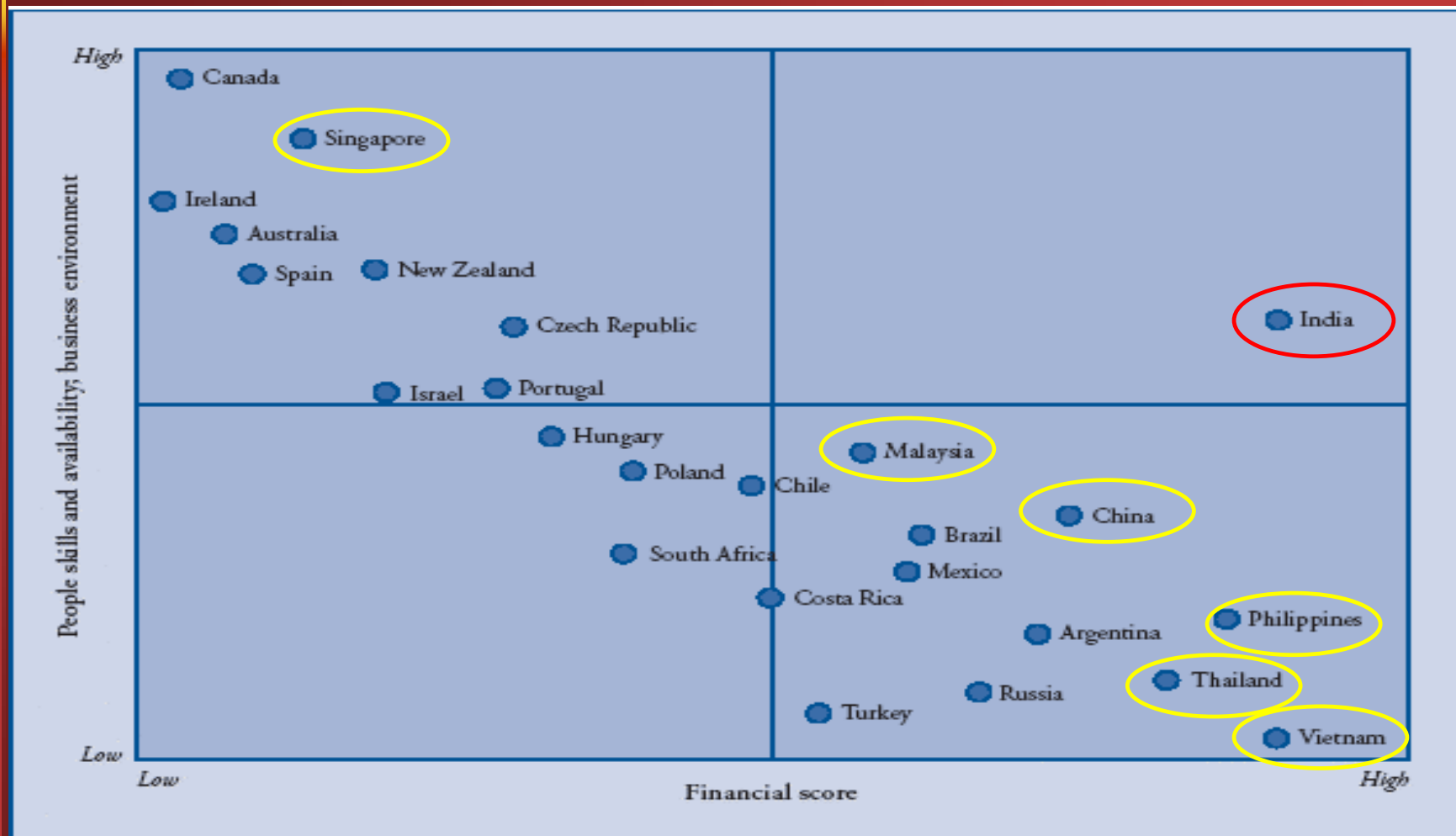


Our Value Proposition

- India has a large pool of English-speaking technicians. There are more English speaking Indians than the English!
- We offer abundant availability of intelligent skilled people, with 7 million fresh graduates every year
- We have half of world's CMM Level 5 companies
- We have the largest number of listed companies in the world: 8000
- We have the 3rd largest share holding population in the world
- Cost of labor in India is 20-30% of total cost as compared to 70-80% at developed nations
- \$10 bn retail savings per annum
- And, finally, India's USP and biggest assets are its vibrant democracy and the well-established rule of law



Our Offshore Attractiveness



Source: A. T. Kearney



China vs. India

- *"India's model should prove more sustainable than the typical East Asian strategy adopted by China. India is developing more efficient corporates, healthier banks, more robust service industries and a bigger consumption base. China has won the sprint; India is training for the marathon."*
- Far Eastern Economic Review
- Due to its size and complexity, India moves relatively slowly to overcome its paradoxes, nonetheless the progress is steady.
- However, tendency to compare and pit one against the other reflect a narrow perception of the global reality.
- Both have pursued separate growth models and have their own areas of strength – China's manufacturing sector and India's services sector. A strategic economic partnership can evolve by leveraging their respective strengths and synergizing mutual complementarities to create a potentially win-win situation for both.



India-Malaysia Trade and Economic Relations

- Malaysian business community has a unique advantage in economically engaging India in a sustained manner
- Indissoluble historical and cultural links - over 2 million Persons of Indian Origin in Malaysia
- Malaysia is India's second largest trading partner in the ASEAN; two-way trade in 2005 was US\$ 5.1 billion. Both countries now moving on a fast track towards a Comprehensive Economic Cooperation Agreement (CECA)
- Malaysian companies actively involved in national highway and other infrastructure development projects in India
- Malaysia well positioned to take advantage of the numerous infrastructure development projects to be implemented in India during the next decade

"Prospects are indeed exciting. Time to leverage our respective strengths, synergize our mutual complementarities and build a strategic economic partnership!"



Business Opportunities for Malaysian SMEs

- Collaborative ventures in ICT sector, particularly BPO. Supplying hardware and sourcing software – a potentially win-win scenario
- Seek joint ventures in identified future growth areas such as biotechnology, pharmaceuticals, tourism etc, to name a few
- A potentially significant role as ancillary product or service provider in infrastructure and construction projects, particularly in the power, housing, roads, ports, harbours, hotels, transport sector etc. Enlisting and registering expression of interest with CIDB a viable option
- Consider investing or joining hands with Indian counterparts in select areas in the manufacturing sector, particularly the apparel industry, auto components, electrical & electronic products and specialty chemicals
- Export of rubber wood and solid wood furniture items
- Closely monitor developments on the bilateral CECA front to maximize from the FTA regime
- Keep eyes and ears open in case the Indian retail market were to open up!



The Way Forward.....



“Your country and mine are positioned at that opportune point where our mutual economic self-interests converge and collide strongly, and collide not at all.”

- Dato' Seri Abdullah Ahmad Badawi
Prime Minister of Malaysia
New Delhi, December 2004



Thank You