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Overview of The Indian Economy



Economic Snapshot

Powering India's Vision Through Reforms

Prime Minister Shri Narendra Modi has laid down India's vision to become a **US\$5 trillion economy by 2025**, and to achieve this goal India needs to shift its gears to accelerate and sustain a real **GDP growth rate of 8%**. Such growth can only be sustained by a "virtuous cycle" of savings, catalysing investment and exports and supported by a favourable demographic phase.

Investment, especially private investment, drives demand, creates capacity, increases labour productivity, introduces new technology, allows creative destruction, and generates jobs. Hence, the government continues to push for transformative reforms to attract more investments and make India an economic powerhouse across Asia-Pacific and beyond.

Advantage India

What Gives India an Edge Over Other Countries:

1

A Strong Demographic Dividend

- **By 2030:** Average age of India's workforce will be 32 years
- Window of demographic dividend opportunity available till 2055 -- **longer than any other country**
- **Large window** can facilitate skilling working age population which can power economic growth

2

Vast Market Base

- 2nd largest population base -- hosts **18% of world's population**
- **By 2030:** One in two households expected to be middle-class
- Only 5% of India's population will be poor, 51% of Indian households will earn over **US\$8,500 per annum**

3

A Large English Speaking Population

India has a large English speaking population, which is useful for business purposes in a globally connected world

Advantage India

4

A Rapidly Liberalizing Economy

- In July 1991, India embarked on its journey of economic liberalization
- Several industries deregulated, state owned enterprises privatized and government opened its doors to FDI
- 2014 onwards: India's FDI's policies have been progressively and steadily liberalised by GoI -- FDI reforms made in defense, construction, single brand retail, manufacturing, aviation, communications, financial sector and more

5

A Growing Skilled Workforce

Required to create **8.1 million** jobs annually, India has steadily increased budget allocation:

- In 2015: Government launched Skill India to train **400 million** people by 2022
- 2017-18 -- Budget allocation for Skilling India **US\$331.83m**
- 2018-19: **US\$478.87m** allocated for Skilling India
- 2030: India projected to have a skilled labour surplus of **245 million workers** -- Talent surplus in financial services, technology, media, telecommunications and manufacturing

Status Of Domestic Economy

Investors can look at India's economic parameters, which reflect positive outcomes:

- India is one of the Fastest Growing Major Economy in the world with a GDP of over **US\$2.6 trillion**
- India has become 7th largest economy in the world
 - **2013-14: 11th largest**
 - **2019-20: 7th largest**
- 2014-15 to 2018-19 - **7.5% average** GDP growth clocked in past 5 fiscals
- First quarter of 2019: **5% GDP growth** (Government has taken measures)
- Past five years have seen record FDI equity inflows:
 - 2016-17: **US\$60.08 bn**
 - 2017-18: **US\$44.85 bn**
 - 2018-19: **US\$44.36 bn**
- A Steady Rise in Exports
 - 2013-14: **3.98% rise** to reach **US\$312.35 bn**
 - 2018-19: **8% rise** in exports to reach **US\$535.5 bn**

Status Of Domestic Economy



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→ A Decline in Gross Fiscal Deficit Ratio:

4.5% **3.4%**
2013-14 2018-19

→ Foreign Exchange Reserves Grown Progressively

- March end, 2013: **US\$292.0 bn**
- December 21, 2018: **US\$ 393.29 bn**
- August 2019: **430.572 bn**

→ Index of Industrial Production (IIP):

4.4% **3.6%**
2017-18 2018-19:

(The moderation in 2018-19 has been mainly on account of subdued manufacturing activities in Q3 and Q4)

→ Transparent and simplified tax policies Increased Tax Collections

- In 2013-14: 12.5% rise in tax collection
- **In 2018-19: a massive 78% rise in tax collection**

→ Total Merger and Acquisition (M&A) activity:

Grew 104.5% year-on-year to reach **US\$ 129.4 bn** in 2018

Government Measures

2014 onwards: Initiatives and Incentives to spur Growth:

Simplified Labour Laws

Reforms in Corporate Affairs

Introduction of E-Clearances

Rolled back a levy on foreign funds

Relaxed foreign direct investment rules

Easier KYCs for investors in Capital Markets

More support to NBFCs/HFCs and MSMEs

To strengthen **Banks** and foster clean and responsible banking, the Government followed the 4 R approach of **Recognition, Resolution, Recapitalization and Reforms**

- Speeded up recognition and resolution of non-performing loans and other stressed assets
- A large recapitalization programme for public banks launched in 2017
- Proposed further recapitalisation of public sector banks (PSBs) with infusion of over US\$10.2 bn
- Merger of several public banks
- Out of 18 public sector banks, 14 are in profit-earning situation

Big Ticket Reforms In Taxation:

1

Goods & Services Tax

2

Cut Corporate tax from 30% to 22%

- Reduction in GST returns and simplification of forms
- Refund process of GST simplified
- Risk based approach in dealing with tax payers
- Withdrawal of Angel Tax for Startups

3

Economic Focus on Virtuous Cycle of Savings, investment and exports for Sustainable Growth in Economy

- For India Inc: **in 2019, US\$9.86 bn package** for stressed exporters and real estate
- Changes in customs duties to promote investment under Make in India
- Interest subvention scheme for MSMEs: **US\$51.1 m** allocated for 2019-20
- **US\$980 mn**, all-time high allocation for MSMEs; given an Export Promotion Cell

India's Transformative, Path-Breaking Policies That Impacted the Economy

The Insolvency & Bankruptcy Code (IBC)

- 2016: was introduced for the speedy resolution of insolvency and bankruptcy cases of companies
- 2019: Nearly 1,500 Corporate Debts have been brought before Corporate Insolvency Resolution Process (CIRP) and 142 have already been closed, while 63 have been withdrawn.
- 302 cases have ended in liquidation, while the resolution plans have been approved in 72 cases.
- Recovery of **US\$58.4 bn** in last four years due to Insolvency and Bankruptcy Code

Bolstering Real Estate with RERA:

- The introduction of Real Estate (Regulation and Development) Act, 2016 seeks to protect home-buyers as well as help boost investments in the real estate industry

Winning Policies

Goods & Services Tax: One Nation, One market, One tax

- A unified nation-wide single tax regime that replaced 17 indirect taxes and a host of cesses
- Has expanded India's tax base to a large extent
- Strengthened the financial ecosystem, while aiding productivity
- Removal of cascading effect of taxes i.e. removes tax on tax

Pradhan Mantri Karam Yogi Maandhan - Pension benefits for retail traders, small shopkeepers

Scheme of faceless electronic tax assessment - Aadhaar and PAN to become interchangeable



Opening The Doors To FDI

The NDA government has been liberalizing India's FDI regime faster than any of its recent predecessors. By May 2017, 21 sectors covering 87 areas of FDI policy had undergone reforms. From 2014 onwards:

2014

- FDI in defense increased from 26% to **49%**
- FDI in railways allowed at 100%

2015

- Increases FDI cap on insurance and pension firms to 49%
- Allows private sector, including foreign-owned firms to establish merchant coal operations
- FDI related reforms in 15 major sectors such as construction, banking private sector, retail, duty-free shops, defense, media, airlines

FDI reforms has triggered record FDI inflows:

- **2014-15 to 2018-19** total FDI inflows has been **US \$ 286 bn**
- **2009-10 to 2013-14** total FDI inflow is **US\$ 189bn**
- **2018-19:** India's FDI inflows at **US\$64.37 bn** marking a 6% growth

Opening The Doors To FDI

2016

- FDI above **26%** in insurance and pensions via automatic route
- FDI in marketplace ecommerce authorized at **100%** with conditions
- FDI in asset construction companies moved to automatic route

2019

- Eased rules for overseas single-brand stores allowing FDI through automatic route in contract manufacturing and all areas of coal mining
- Single brand retail sourcing norms eased- will help foreign brands to set up physical stores and move online
- Easing local sourcing norms for FDI in Single Brand Retail Trading (SBRT)
- **26%** FDI limit extended to digital media
- Limit for insurance intermediaries raised to 100%



Liberalisation to boost economy

Government of India has given 'in-principle' approval for strategic disinvestment of five Central Public Sector Enterprises (CPSEs)

- ◆ Bharat Petroleum Corporation Ltd (BPCL)
 - ◆ Shipping Corporation of India
 - ◆ Container Corporation of India
 - ◆ Tehri Hydro Power Development Corp Ltd (THDCIL)
 - ◆ North Eastern Electric Power Corp Ltd (NEEPCO)
-
- The move will include sale of majority or full stake of the Central Government in the entities and transfer of management control
 - The sale plan, a part of Budget 2019-20, will commence following clearance from the Cabinet Committee on Economic Affairs (CCEA)
 - Apart from these five, Government of India has also given 'in-principle' approval for strategic disinvestment of 28 other CPSEs
 - In certain other CPSEs, a policy of minority stake sale without transfer of management control is being followed to unlock value
 - Government of India has set a target of US\$14.6bn disinvestment revenue for 2019-20, as per the Budget announced in July 2019



Liberalisation to boost economy

Government of India has given 'in-principle' approval for strategic disinvestment of 28 Central Public Sector Enterprises (CPSEs)

- Project & Development India Ltd
- Hindustan Prefab Ltd (HPL)
- Hospital Services Consultancy Ltd (HSCC)
- National Project Construction Corp (NPCC)
- Engineering Project (India) Ltd
- Bridge and Roof Co. India Ltd
- Pawan Hans Ltd.
- Hindustan Newsprint Ltd (subsidiary)
- Scooters India Ltd
- Bharat Pumps & Compressors Ltd
- Hindustan Fluorocarbon Ltd. (HFL) (sub.)
- Central Electronics Ltd
- Bharat Earth Movers Ltd (BEML)
- Ferro Scrap Nigam Ltd (sub.)
- Cement Corp of India Ltd (CCI)
- Nagarnar Steel Plant of NMDC
- Alloy Steel Plant, Durgapur; Salem Steel Plant; Bhadravati units of SAIL
- Air India, five subsidiaries and one JV
- Dredging Corporation of India
- HLL Life Care
- Indian Medicine & Pharmaceuticals Corp Ltd (IMPCL)
- Karnataka Antibiotics
- Kamarajar Port
- Indian Tourism Development Corp (ITDC)m
- Rural Electrification Corp Ltd (REC)
- Hindustan Petroleum Corp Ltd
- Hindustan Antibiotics Ltd. (HAL)
- Bengal Chemicals and Pharmaceuticals Ltd. (BCPL)

Five Year Achievements



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Key Achievements of the NDA Government

INFRASTRUCTURE GOES GLOBAL

Government Efforts:

- Since 2008 to 2017, India has invested about **US\$1.1 trillion** on infrastructure and the sector has attracted global investors
- 2014: 12 km of road was built; In 2019 : it is **30 km a day**
- Increase in National Highway length:

92,851 kms

2014

122,434 kms

2018

- Task force set up to draw up a National Infrastructure Pipeline to list projects for five years from FY 2021 to 2025.



Infrastructure Boost



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1

- **UDAAN scheme launched** in 2017 to foster regional connectivity by extending flight connectivity to Tier-3 and Tier-4 towns in the country
- 4.94 km long Bogibeel bridge in Assam was inaugurated in December 2018; it is the second longest rail-cum-road bridge in Asia.
- From 2014-15 to 2018-19: Major Road Works Built

Eastern and Western Peripheral Expressways around Delhi, Delhi Meerut Expressway, Chenani-Nashri tunnel in Kashmir, Dhola –Sadiya Bridge over Brahmaputra in Assam.

IMPACT

In 2018, infrastructure sector in India witnessed private equity and venture capital investments worth **US\$1.97Bn**



Achievement: Smart Cities Soldier Ahead

2

THE SMART CITIES Mission has become one of the government's high-profile projects

Aims to set up 100 sustainable urban centres with a budget of over US\$30 bn to drive economic development. 100 cities have been selected for development as Smart Cities in four rounds over a period of two and a half years from January 2016 to June 2018.

- **STATUS: 19 July 2019, 3700** projects worth about **Rs. US\$19.15 bn** have been tendered
- Out of which work orders have been issued for 2,900 projects worth more than **US\$12.68bn**
- 900 projects worth more than **US\$2.11 bn have been completed.**
- Most cities are actively working on areas like urban spaces, Solar Energy, Safety, Public Transport, Complete Streets, and improved Citizen Services and so on.

India: 3rd Biggest Start-up Hub in the World

3

India's VIBRANT Start-up ecosystem with 54 tech Unicorns expected by 2024, is another feather in the government's cap

Government Efforts

- 3,18,506 users registered on Startup India Portal
- 19,247 Startups recognized by Department for Promotion of Industry and Internal Trade (DPIIT)
- Start-up India Hub: A dedicated team has been set up under Invest India

Government Initiatives

- Faster exit for start-ups
- Providing Funding Support through a Fund of Funds with a Corpus of Rs. 10,000 crore
- US\$228.98m have been invested into 247 startups
- Tax exemption on Capital gains
- Harnessing Private Sector Expertise for Incubator Setup

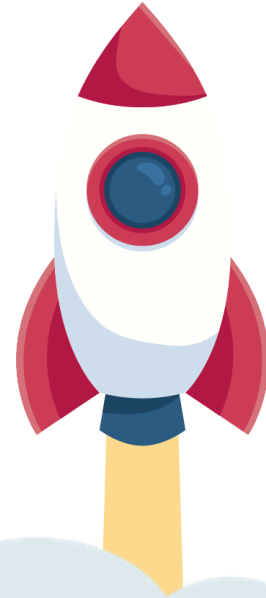
Start-Up Programs

Government launches Atal Innovation Mission

- 102 Incubation Centres selected
- **US\$1.41m** to be given to each centre over 5 years
- **US\$8.2m** disbursed to 31 New Incubation Centres
- **US\$5.48m** disbursed to 8 Established Incubation Centres

Other Initiatives

- Setting up of 7 New Research Parks Modeled on the Research Park Setup at IIT Madras
- US\$1.2m disbursed to 13 Bio-incubators (BIRAC SEED FUND)



Achievement: India Goes Digital

4

NDA Government's inclusive Digital program has transformed India

Policy Impact:

- It is the **second fastest digitizing economy** among 17 leading economies in the world
- Economic value of India's digital economy is **US\$200 bn**
- India's **digital consumer base is the second largest** in the world
- India's digital leap is empowering and inclusive
- **45% of 293 new million Internet subscribers** over the last four years come from states with low per capita GDP
- India has nearly **half a billion internet users** and their number is rising rapidly in every part of the country. This will create a huge market for a host of digital services, platforms, applications, content, and solutions

India Goes Digital

India is one of the top countries globally on key aspects of digital adoption. It has :

- 1.2 billion people with unique digital identity
- **560 million** Internet subscriptions
- **354 million** smartphone devices
- **8.3 Gb per** month data consumption per data subscriber
- **17 hours per week** spent on social media

India has nearly half a billion internet users and their number is rising rapidly creating a huge market for a host of digital services, platforms, applications, content, and solutions



Achievement: Sagarmala To Space



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One of the biggest achievement in the past five years has been the launch of a port-led development programme, the Sagarmala - on April 2016

AIM: To reduce the logistics cost for EXIM and domestic trade

Until now:

- 89 projects have been completed
- **443 projects worth US\$57bn** are under implementation and development.
- **14 CEZs (coastal economic zones) in 8 states** have been identified under the Sagarmala Programme
- **6 new port locations**, namely – Vadhavan (Maharashtra, Enayam (Tamil Nadu), Tajpur (West Bengal), Paradip Outer Harbour (Odisha), Sirkazhi (Tamil Nadu), Belekeri (Karnataka) have been identified
- 53 projects identified, **US\$148.73m** sanctioned and **US\$80.28m** funds released



Boosting Inland Waterways



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2018: A landmark year for Inland Waterways Transport -- seen as cheaper and more environmentally- friendly transport

- **Multi-modal terminal** on River Ganga at Varanasi inaugurated
- Movement of container cargo from Kolkata to Varanasi on river Ganga commenced
- Commencement of integrated movement of cargo from Kahalgaon in Bihar to Pandu in Assam over three waterways – Ganga, Brahmaputra
- **Indo Bangladesh Protocol Route** established
- Inauguration of a modernized international cruise terminal at Chennai Port and the launch of Mumbai-Goa cruise service



Achievement: India's Space Mission Soars High



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- India has emerged as a world leader in space technology applications
- Premier space agency the Indian Space Research Organisation (ISRO)'s annual budget has significantly increased in the past five years:

US\$845m

2014

\$1.45 bn

2019

- New Space India Limited (NSIL), under the Department of Space started in March 2019 to commercially exploit emerging global space industry

Major Achievements:

- India has undertaken **110 space missions**
- ISRO developed and refined the **Polar Satellite Launch Vehicle (PSLV)** to place satellites in low earth and sun synchronous orbits. With **46 successful missions**, PSLV has an enviable record.
- **Geosynchronous Satellite Launch Vehicle (GSLV)** carrying a 3.5 MT payload into a geostationary orbit has undertaken three missions
- ISRO developed **commercial capability to launch satellites**
 - **239 satellites** commercially launched by Antrix Corporation Limited in three years
 - Total revenue from operations during the last three years: **US\$ 885.78 million**

India's Star Sectors That Shine



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IT-ITES: India's Champion Sector

The government identified Information Technology as one of 12 champion service sectors for which an action plan is being developed

- **US\$ 745.82 million** fund set up by government to realise the potential of these champion service sectors

Achievements

- India's IT industry contributes around 7.7 % to the country's GDP and is expected to contribute 10% of India's GDP by 2025.
- Indian IT-ITeS industry's revenue posted by Indian firms has increased over the years

US\$118.8 bn	US\$181 bn
2014-15	2018-19

- 2018-19: export revenue too shot up to US\$137bn

IT-ITes



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Achievements:

- **1,000 global delivery centres** operated by Indian IT & ITes firms in more than 80 countries
- 200 Indian IT & ITes firms led by TCS, Wipro, Infosys, Tech Mahindra are expanding globally
- Leading sourcing destination across the world, holding 55% market share of **US\$185-190 bn** global services sourcing business in 2017-18

A Bright Future

National Policy on Software Products-2019 is targeting a **US\$70-80 bn** software sector by 2025



India's Thriving Pharma

Features:

- **Largest manufacturer** of generic drugs in the world
- India's pharmaceutical industry is valued at **US\$55bn**

A Bright Future

- **Pharma Vision 2020** aims to make India a global leader in end-to-end drug manufacturing
- **3rd largest** pharmaceutical market expected in India by 2020 in terms of incremental growth

Achievements

- Leading supplier to US and UK
- Affordable innovation driven pharma production costs in India
- **3,000** pharma companies and 10,500 pharma manufacturing units operate in India
- **Foreign firms** such as Pfizer, Merck, Sanofi, GlaxoSmithKline, Roche, Teva have bases in India
- Increase in Pharmaceutical export revenue from:

US\$13.6bn

2014-15

US\$17.27 bn

2017-18

US\$19bn

2018-19

India's Towering Telecom

India ranks second in the world in terms of number of telecommunication subscriptions, internet subscribers and app downloads

Achievements

- Fastest **growing market** for mobile applications
- Over **75 per cent** increase in internet coverage – from 251 million users to **446 million**

Government expenditure on telecommunication infrastructure and services have shot up:

2009-14 : **US\$ 1.41 bn**

2014-19: **US\$ 8.55 bn (actual + planned)**

Since 2014:

6X increase in government spending

51,000 km of Optical Fibre Cable (OFC) laid

Towering Telecom

A BRIGHT FUTURE

- India is expected to lead in the growth of smartphone adoption globally with an estimated net addition of **350 mn by 2020**
- New National Telecom Policy 2018 has envisaged attracting investments worth **US\$ 100 billion** in the sector by 2022
- The National Digital Communications Policy 2018 aims to attract **US\$ 100 billion** worth of investments and generate 4 million jobs in the sector by 2022
- Internet subscribers expected to double by 2021 to **829 million** and overall IP traffic is expected to grow 4-fold at a CAGR of 30 per cent by 2021



Booming Healthcare

One of India's largest sectors - in terms of revenue and employment

Achievements of India's Healthcare sector

- One of the leading destinations for high-end diagnostic services
- India has **150,000** health and wellness centres
- A **US\$ 6 bn** medical tourism industry
- **US\$ 4 bn** is current value of the diagnostics industry in India

Healthcare industry has grown exponentially

- 2011: US\$73.92 bn
- 2017: US\$110 bn
- 2019:US\$280 bn (projected)

Bright Future

- **Pradhan Mantri Jan Arogya Yojana (PMJAY)**, government initiative launched to provide health insurance worth US\$ 7,124.54 to over 100 million families every year
- Hospital and diagnostic centers attracted Foreign Direct Investment (FDI) worth **US\$ 6.09 billion** between April 2000 and March 2019

Dynamic Retail



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India is the world's 5th largest global destination in retail space

Achievements

- Retail currently accounts for over 10% of the country's GDP and **8% of total employment**
- 2017: India **ranked No 1** in Global Retail Development Index
- April 2000-March 2019: Indian retail trading has received Foreign Direct Investment (FDI) equity inflows totalling **US\$ 1.66 billion**

Bright Future

- Projected to reach **US\$ 1.2 tn** by 2020
- E-commerce industry expected to cross **US\$100 bn** mark by 2020
- **100% Foreign Direct Investment (FDI)** in online retail of goods and services through automatic route
- **100% FDI** under automatic route for single-brand retail trading

Going Up In Global Rankings

The world is recognizing India's growth narrative...

- **India jumps 79 spots from 2014-2019 in World Bank Doing Business ranking**
- India jumps 14 spots to reach 63rd place in the World Bank 2020 Ease of Doing Business ranking
- Doing Business 2020 listed India among the 10 economies that improved the most in EoDB score
- Indian economy's latest global advancement follows a jump of 23 positions in EoDB 2019 ranking
- India crossed 79 positions over six years in the EoDB ranking - a record feat for a major economy
- The progress has been driven by Indian Government's policy and regulatory initiatives since 2014
- World Bank's Doing Business report studies 190 economies across 12 business regulatory areas

“Prime Minister Narendra Modi’s “Make in India” campaign focused on attracting foreign investment, boosting the private sector—manufacturing in particular—and enhancing the country’s overall competitiveness.” World Bank Doing Business 2020



Going Up In Global Rankings



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India continues to be South Asia's top ranked economy

- India makes the top 10 on the EoDB performance list for the third consecutive year
- Top performance indicates that business regulatory reform is a multi-year process
- India carried out four reforms related to -
 - ◆ Starting a business
 - ◆ Dealing with construction permits
 - ◆ Trading across borders
 - ◆ Resolving insolvency
- Indian microfinance sector saw 50% lower default rates, higher operational efficiencies
- India continues to be South Asia's top ranked economy, drawing strong FDI interest

“Given the size of India’s economy, these reform efforts are particularly commendable...India adopted the Doing Business indicators as a core component of their reform strategies.”

- **World Bank Doing Business 2020**

Going Up In Global Rankings

Other World Rankings

- **2018: 5th largest global manufacturer**, India was ranked **30th on the World Economic Forum's Future of Production Report 2018**
- **Between 2005-2016: No.1 recipient of greenfield foreign direct investment** among the Commonwealth block of 53 countries
- **Moody's Rating 2017** – India's sovereign bond rating was raised to Baa2 from Baa3 (outlook: negative).
- **2019: India will still be fastest growing major economy in the world** despite weaker growth rate-**International Monetary Fund**
- No.1 attractive emerging market for global partners investment, as per Emerging Market Private Equity Association (EMPEA) 2018 UN's WESP report: Outlook for India remains largely positive, led by robust consumption, investment and reforms





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