

Is 'India Everywhere' For Real?



SITTING PRETTY ON NEAR-EIGHT PER CENT GROWTH: Finance Minister P Chidambaram at Davos

The short answer is 'YES'. The Indian economy actually grew at 7.5 per cent between 2004 and 2005, instead of the earlier estimate of 6.9 per cent according to recently released data. This pace of growth is likely to be sustained in 2006. GDP in Asia's third-largest economy is expected to be 8.1 per cent in 2005-06. The underlying bullishness has led to a view that the country is inching closer to an 8-10 per cent growth path.

The moot question is: will we actually walk the talk? Is the current groundswell of growth sufficient to create a new and sustainable growth orbit for 2006, 2007 and beyond?

On one hand, it is argued that the world economy grew at 4 per cent-plus for the second consecutive year in 2005 - the only such instance since the late seventies. At the annual World Economic Forum meeting in January in Davos, I sensed

some unease about a possible slowdown in 2006, promoted by international high fuel prices. Yet even amidst these sobering thoughts, I could see a number of international experts willing to make an exception when it came to India.

All India specific sessions were over-booked!. Beneath the glitz of the high-profile CII-led 'India Everywhere' campaign, there was growing conviction about India's ability to script its own growth story. Perceptibly, the mood had shifted.

In fact, each time India came up for discussion, I noticed curiosity levels among global corporate captains, policy makers and investment bankers - especially those from Japan and Korea-perk up. Some even veered round to the view that India would match China's growth rates (9 per cent) sooner than later.

There are good reasons for this optimism. For one, India's savings rate (29 per cent) has edged close to the ASEAN average of 30 per cent, and recent media reports claim that another 3-4 per cent increase in the savings rate could easily add one percentage point to the GDP growth on a sustained basis.

Meanwhile, India's capital markets are strongly reflect the growth. In 2003, the Sensex was at 3000 — Last month it crossed the 10,000 mark; more than 100 Indian companies now have a \$1 billion market cap and India's market cap is over \$500 billion. Foreign institutional investors (FIIs) pumped in \$ 10.67 billion in 2005 on top of \$ 9.2 billion in 2004.

The current growth momentum is not just a gift of the cyclical upturn but reflects the buoyancy unleashed by structural changes in the economy.

Corporate earnings have grown in excess of 20 per cent in each of the last three years. Equally important, this growth is not confined to a few sectors, but has benefited most sectors of the economy and has encompassed IT, auto and auto ancillaries, pharmaceuticals, IT services, basic metals and minerals, banking and textiles. Indian companies are aggressively



expanding domestically and globally, both organically and through acquisitions. With easy access to low-cost capital, both in India and abroad, the growth momentum has been relatively easy to sustain till date.

Many in the Davos crowd believed that India's growth is tenable over the longer term. Many agreed with Professor Yasheng Huang of MIT. According to Huang, India has achieved a 7 per cent plus GDP growth rate with just half of China's level of domestic investment in new factories and equipment, and only 10 per cent of China's foreign direct investment. The argument: China's growth stems from massive accumulation of resources, while India's growth comes from increasing efficiency.

Based on this logic, once more capital begins to flow, India's growth impulses are likely to increase.

Currently, India's growth is being powered by India's industrial output, which generates a quarter of GDP, and jobs being created in booming technology and back-office services.

Talk about manufacturing and industrial, after a gap of 21 years, India will be the partner country at the world's largest industrial engineering fair at Hannover, Germany next month. India's participation at the Hannover mega event between April 22 and 26, 2006, is part of an overall strategy to project India as a preferred global manufacturing hub and engineering base.

At the fair, Indian firms from the large, medium and small sectors will have a presence on sectors such as energy, automotive and a wide range of industrial subcontracting services. The fair - which will target OEMs, vendors and service providers alike, will also give Indian firms an opportunity to gauge the latest manufacturing trends, products, processes and services, especially in the areas of robotics, pipelines and digital technology.

Indian manufacturing investments into Germany and other EU countries are growing rapidly; this is the right forum not just to showcase Indian quality and capability, but also to assess where we stand.

Hannover Messe is the world's most important technological event; it showcases latest products and processes from key industrial segments under a single roof. Over 200,000 decision makers - the bulk of them from Europe and Asia-visit the fair



PARTNER COUNTRY AT HANNOVER FAIR: Overall strategy to project India as a Manufacturing Hub

every year.

Spread over 10,000 square metres, the Indian pavilion will be in the thick of the action. During the duration of the fair, a number of thematic and sectoral seminars will be organised. Top industrialists and ministers from India as well as Germany will address these events. The Prime Minister is expected to inaugurate the fair along with the Chancellor of Germany. India has taken close to 10,000 sqm of space, incidentally the largest ever by a partner country, and would be organising a business event every day. 'Incredible India' would be showcased through cultural events such as the Opening ceremony of the fair, a fashion show and Indian cuisine prepared by the Taj Group, which is sending a team of chefs to Hannover.

Besides showcasing Indian capabilities, Hannover Messe could also be a forum where Indian exhibitors and delegates can hope to generate considerable new business. In the last fair, deals worth 8 billion Euros were conducted.

Being part of Hannover Messe is only part of an overall strategy that has been put into place to project India as a preferred manufacturing destination. Our objective is to create and sustain brand equity for Indian manufacturing in the long term. Even after the fair gets over, we plan to continue our interaction with European businesses and media through various initiatives.

Ajay Khanna

Chief Executive Officer, India Brand Equity Foundation



The Rise of Indian Manufacturing

The spherical glow of the Sun indicates the new dawn in Indian manufacturing. Growing competitiveness, quality processes, scale neutrality, shorter turn-around time and smart outsourcing strategies have enabled India to emerge as the preferred manufacturing destination of the industrial world.

The fine blend of values, culture, education and technology have created a unique ethos that is building on India's rich mechanical and engineering expertise and abundant natural resources to weave success stories of all hues. As represented by the colours of the Indian National Flag.

The two inverted triangles form an icon that signifies the fast forward motion in the fastest growing free market democracy powered by the talent, skill and ambition of the world's youngest population.

The logo symbolises the successful modernisation of Indian tradition, as India rises to shine bright and bold-the Sun depicting its growing power.