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EXECUTIVE SUMMARY

Large consumer base
- With a US$ 1.86 trillion economy in FY17 and per capita income of over US$ 1,538.5 in 2016-2017, India presents a unique opportunity for companies to tap the huge consumer base demanding technologically advanced products
- Demand for cheap and durable products that could meet the local requirements drives the need for innovation

Huge talent pool
- 3rd largest technical manpower in the world
- 162 universities awarding 4,000 doctorates and 35,000 postgraduate degrees
- Global share in scientific publications rising at a CAGR of ~12 per cent
- India ranks 8th in the world in terms of number of students graduating in science and engineering stream

Policy framework
- Policies aimed at projecting India as a Science and Technology powerhouse and promoting both public and private sector involvement in the R&D practice
- Women Scientific programme to expose women more and more towards research

Rising investments
- With more and more multinational companies setting up their R&D centres in India, the sector has seen an uptrend in investments in recent years
- As per Union Budget 2017-18, Government of India allocated US$ 597.46 million to the Department of Science and Technology (DS&T), covering six main objectives including technology development programmes, partnerships, alliances, policy formulation, strengthening human capacities, strengthening institutional capacities and societal interventions of S&T.

Source: RBI, India Budget
## EXECUTIVE SUMMARY

### Pharma sector driving R&D growth
- India’s pharmaceutical industry, which accounts for about 1.4 per cent of the global pharmaceutical industry in value terms and 10 per cent in volume terms, is expected to remain a major R&D growth driver.

### Rapidly growing overseas investment
- Cumulative overseas direct investments by India grew at a CAGR of 31.73 per cent, during FY08-17, reaching US$ 331 billion during FY17 from US$ 21 billion in FY08, global car makers are also looking to move their R&D investments in India.

### Sixth-largest R&D investor
- India’s R&D spend is estimated to reach US$ 77.46 billion by 2017 from US$ 72.85 billion in 2016.
- As of 2016, India is the world’s sixth largest annual R&D spending country, accounting for 3.64 per cent of global R&D expenditure and is expected to increase to 3.75 per cent in 2017.
- R&D spending in India is anticipated to grow from 0.9 per cent to 2.4 per cent of the country’s GDP from 2016 to 2034 respectively.

**Notes:** R&D - Research and Development; Figures mentioned are as per latest data available

**Source:** Reserve Bank of India, R&D Magazine, International Monetary Fund, World Bank, CIA Fact Book, OECD, Aranca Research

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ADVANTAGE INDIA
Rising income and evolving lifestyles have led to higher demand for aspirational products.

Indian companies' investments in R&D is not surprising given the importance of innovation to sustain competition.

Indian players are set to benefit from expiration of patents.

Expanding middle class and increasing affordability are expected to remain demand drivers for technologically advanced products.

Apple has submitted 5 applications with the Indian Patent Office in 2016, for innovations related to digital payments. Facebook is also looking to tap into the mobile wallet market of the country.

India is the top exporter of IT products and has the 3rd largest pharma sector and a fast growing contract research segment.

3rd largest technical manpower in the world.

Establishment of CoEs in various areas; NMITLI initiative on PPP basis.

Increased investments by private players; setting up of R&D centers.

During 2015-16, increase in Intellectual Property Rights (IPR) applications witnessed a CAGR of 26.9 per cent, with the number increasing from 262638 to 340000.

PPP for promoting exchange of scientific knowledge and R&D.

Strengthening educational infrastructure.

Amendments to the Patents Act (1970) to make it TRIPS-compliant.

Setting up of NIC in 2010.

Adoption of Science, Technology and Innovation Policy 2013.

Notes: F - Forecast, E – Estimated, IPR - Intellectual Property Rights, CoE - Center of Excellence, PPP - Public Private Partnership, TRIPS - Trade Related Aspects of Intellectual Property Rights, NMITLI - New Millennium Indian Technology Leadership Initiative, NIC - National Innovation Council; Figures mentioned are as per latest data available.

Source: IPI India Annual Report, Aranca Research.
MARKET OVERVIEW AND TRENDS
EVOLUTION OF SCIENCE AND TECHNOLOGY POLICY FRAMEWORK IN INDIA

2003

- **Science and Technology Policy** to bring science and technology together and emphasize the need for investment into R&D to address national problems.

2013

- **Science, Technology and Innovation Policy** aims to develop synergies between science, technology and innovation. Ethnic diversity and varying demographics attracted investment from various players.

2014

- **New Initiatives** such as SWAYAM (Study Webs of Active-Learning for Young Aspiring Minds), etc. have been taken to support young talent and attract innovation.
  - "Innovation of Science Pursuit for Inspire Research (INSPIRE)" initiative was launched to communicate with the youth population and attract talent to the scientific field.
  - The total plan outlay allocated under the Union Budget 2015-16 for the Department of Science and Technology is around US$ 557.1 million.

2015

- **Scientific and Technological (S&T) Activities Survey 2015-16** aims to collect data on resources devoted to R&D in science and technology. The information is collected from about 5000 R&D organisations present across the country.

2016

- **New Initiatives** such as the Science, Technology, Innovation and Creation of Knowledge (STICK) framework has been taken by the Indian government to support innovation.

Source: Department of Science and Technology, Ministry of HRD, Government of India, Union Budget 2016-17
INIAN SCIENCE and TECHNOLOGY SYSTEM

Note: STI refers to Science Technology and Innovation
Source: Changing Indian STI Landscape Presentation, Department of Science and Technology
India’s R&D investments increased to US$ 71.48 billion in 2016 from US$ 66.49 billion in 2015.

R&D investments has helped Indian companies to overcome tight competition with affordable products internationally.

The Indian Robot Mitra, designed in Bengaluru and made in China, which can recognise people by their nationalities and guide customers in a bank, attracted the attention of Chinese manufacturers at an information technology (IT) event held at Dalian, China.

Expected expenditure of world's leading R&D investors in 2017 (US$ billion)

Notes: GERD - Gross Domestic Expenditure on R&D, R&D - Research and Development;
Source: Nature Magazine, Battelle
India has a strong network of science and technology institutions and trained manpower

- India is among the top-ranking countries in the field of basic research
- It has the 3rd largest scientific and technical manpower in the world
- 162 universities award 4,000 doctorates and 35,000 postgraduate degrees annually
- The Council of Scientific and Industrial Research runs 38 research laboratories
- India ranks 7th among highly productive countries in science and technology research.
- In April 2017, the Department of Science and Technology introduced a US$ 297.48 million pilot programme to encourage more girls and women to take up careers in the domain of science and engineering. The programme will cover 100,000 girls and women, from school-going children to those interested in research, will be launched later this year.

Strengthening India’s position in research through investment

- R&D investments have grown in India to around US$ 67.7 billion by 2015 and reached US$ 72.85 billion in 2016 and are estimated to reach US$ 77.46 billion by 2017.
- A series of new investments were recently announced by Cisco India to enhance cyber security infrastructure in India. It will enable to build transparent and secure digital infrastructure environment for accelerating India’s digital transformation. For strategic cyber security cooperation.
- Cisco India has signed an MoU with Indian Computer Emergency Response Team (CERT-In) to establish a threat intelligence sharing programme.
- Under the National Initiative for Developing and Harnessing Innovations (NIDHI) programme, Indian Government plans to invest US$29.75 million for setting up 100 incubators across the country in the next 4 years to support start-ups.
NUMBER OF PATENT APPLICATIONS GOING UP

- Patent filings have gone up from 28,940 during 2006–07 to 46,904 during 2015–16, representing an increase of 52.93 per cent. In 2016-17, the number of patents filed were 24,898, out of which 9,584 were granted.
- Out of the total number of 46,904 patent applications, the number of applications filed by Indian applicants was 13,066 in 2015-2016, indicating around 10.3 per cent Y-o-Y growth.
- Total number of patents granted has dropped marginally in recent years, primarily due to an increase in the disposal of applications for which the request of examination was received.
- The number of patent applications examined in the first quarter of FY18 have grown to 11,898 as compared to 1,932 in the corresponding period last year.

Top 5 Indian applicants for patents from institutes^:

<table>
<thead>
<tr>
<th>Name of Institute/University</th>
<th>Applications filed (2015-16)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indian Institute of Technology</td>
<td>391</td>
</tr>
<tr>
<td>Amity University</td>
<td>99</td>
</tr>
<tr>
<td>Bharath University</td>
<td>65</td>
</tr>
<tr>
<td>Indian Institute of Science</td>
<td>46</td>
</tr>
<tr>
<td>Chitkara University</td>
<td>46</td>
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</tbody>
</table>

Note: ^ - Figures mentioned are as per latest data available
Source: Office of Controller General of Patents, Design, Trade Marks and Geographical Indication, Intellectual Property India

Top 5 Indian applicants for patents from R&D organisations^:

<table>
<thead>
<tr>
<th>Name of R&amp;D organisations</th>
<th>Applications filed (2015-16)</th>
</tr>
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<tbody>
<tr>
<td>Council of Scientific and Industrial Research</td>
<td>323</td>
</tr>
<tr>
<td>Samsung R and D Institute India-Bangalore Private LTD.</td>
<td>271</td>
</tr>
<tr>
<td>Director General, Defence Research and Development Organisation</td>
<td>85</td>
</tr>
<tr>
<td>Indian Council OF Agriculture Research</td>
<td>63</td>
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<tr>
<td>Hetero Research Foundation</td>
<td>40</td>
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STRONG GROWTH IN R&D INVESTMENTS IN INDIA OVER THE YEARS

- India’s share of global R&D spending rose to 3.64 per cent in 2016 from 3.48 per cent in 2015. It is further expected to rise to 3.75 per cent in 2017.

- As of March 2017, World Intellectual Property Organisation (WIPO) stated that India is emerging as a leader in frugal and demand driven innovation among various countries across the globe.

- In May 2017, the central government has introduced various startup intellectual property protection schemes with an aim to ease patent filing for startups and promote awareness and adoption of IP rights.

- To facilitate protection and commercialising of IPRs, these schemes will be providing access to high-quality Intellectual Property services and resources. Moreover, under these schemes, the central government bears the fees of the facilitators for patents, trademarks or designs that a startup may file. Startups only have to bear the cost of the statutory fees payable.

**Notes:** CAGR - Compound Annual Growth Rate, PPP - Purchasing Power Parity, R&D – Research and Development, E – Estimate, F – Forecast

**Source:** R&D Magazine, International Monetary Fund, World Bank, CIA Fact Book, OECD, Department of Science and Technology
INDIA HAS BEEN EXPANDING ITS INVESTMENT HORIZON ABROAD

- Cumulative overseas direct investments increased to US$ 357.3 billion in September 2017 from US$ 21 billion in FY08, leading to significant amount of technology transfer through industrial acquisitions.

- For instance, Lupin’s total number of patent filings reached 2,837 in FY17 up from 600 in FY08. In FY17, the company filed 39 formulation patents, 128 API (Active Pharmaceutical Ingredient), 42 in the field of biotech and 103 NDDD patent applications.

- As of January 2017, Indian inventors contributed 658 patents to IBM, to help global software giant top the list for US patent recipients in 2016. IBM filed a total of 8,088 US patents, followed by Samsung Electronics in the 2nd position, with 5,518 patents.

**Notes:** NDDD – Novel Drug Discovery and Development, FY18* - Up to September 2017
**Source:** Reserve Bank of India, Department Of Industrial Policy and Promotion (DIPP)
INDIA IS FAST EMERGING AS A GLOBAL R&D HUB …

(1/2)

- The number of MNC R&D centers in India has grown at a CAGR of 7.1 per cent from 721 in 2010 to 1165 in 2016.
- During 2010-16, the workforce in MNC R&D centers increased at a CAGR of 8.58 per cent and reached 363,000, which is estimated to further increase to 387,000 by 2017 in India.

Notes: CAGR - Compound Annual Growth Rate, MNC – Multinational Corporations, R&D - Research and Development, E – Estimate, F – Forecast
Source: Zinnov Consulting - Crossing the value chasm,
Until 2005, Tier-1 cities were the favourite destination for MNCs due to availability of rich talent, favourable policies and better quality of life.

However, post-2005, MNCs have started expanding to Tier-2 cities, as they offer benefits such as higher catchment area, lower attrition and cost arbitrage.

R&D related investments and processes attain easier approval from regulatory authorities, globally. This has also increased focus on new generics.

India’s R&D ecosystem has grown at a phenomenal pace in the last 10 years. 42 per cent of the Global 500 R&D Spenders have centers in India, with the figure expected to reach 49 per cent by 2020.

India has emerged as the most preferred destinations for innovation in Asia and the 3rd biggest, globally, with 'Silicon Valley' of East Bengaluru leading the charge.

India improved its rank on the Global Innovation Index* for the second year consecutively. In 2016, India had climbed from being 81st to being 66th and is now ranked at 60th in 2017.

Vertical-wise distribution of R&D centers in India (2016)

Notes: CAGR - Compound Annual Growth Rate, R&D - Research and Development, YoY- Year on Year, 1 – Source from Capegemini
INDIA IS ALSO GARNERING THE BENEFITS OF R&D OUTSOURCING

- Companies across sectors (such as IT, consumer electronics, personal devices, medical electronics, telecom and automobiles) are now offshoring complete product responsibility.
- India has become one of the most preferred location for engineering offshoring.
- The engineering R&D, globalisation and services market in India increased 11.5 per cent year-on-year to reach US$ 22.3 billion in 2016 and is further expected to grow at a CAGR of 14.25 per cent to reach US$ 38 billion in 2020.
- Newer capabilities such as supply chain, regulatory compliances and manufacturing engineering are being developed by Engineering R&D Service providers.
- Service providers in Europe are increasingly looking at scaling up and setting offshore operations in India to access cost effective large talent pool.
- In April 2017, India and Russia signed a joint declaration to build an innovation ecosystem between the two countries. The declaration, which was signed between the Science and Technology (S&T) Department of India and the Ministry of Economic Development of the Russian Federation, is expected to promote innovation and technology entrepreneurship through cooperation and direct contacts between Russian and Indian clusters and business associations, techno-parks, business-incubators, high-tech firms, start-up enterprises, educational and research institutions.

Notes: R&D - Research and Development, T - Information Technology; CAGR - Compound Annual Growth Rate; Figures mentioned are as per latest data available
Source: Financial Express, Value Notes
GLOBAL 500 COMPANIES PRESENCE IN INDIA

- The top 500 R&D spenders contribute over US$ 614 billion with the top 100 R&D spenders alone contributing 66 per cent to the global R&D spend
- In India, TVS Motors, Bosch, Tata Motors and Mahindra and Mahindra have topped the list of R&D innovators in the automobile industry. India, being ahead of China, South Korea and Japan, is generating huge opportunities for Indian automobile brands
- As of April 2017, Samsung R&D Institute India filed the maximum number of patent applications in the country’s IT sector in 2015-16, followed by TCS and Wipro.
- In May 2017, Tata Group announced that the group has displayed more than 3,300 implemented innovations in its annual innovation programme over the last two years. This signals increasing focus of the group towards R&D and new innovations.

Source: Zinnov – Crossing the value chasm
STRONG POLICY SUPPORT CRUCIAL IN DEVELOPING THE SECTOR

| Encouraging the private sector | ▪ The benefit of section 10 (23 G) of the IT Act has been extended to financial institutions that provide long-term capital to hospitals with 100 beds or more  
▪ Government is encouraging the PPP model to improve availability of healthcare services and provide healthcare financing |
| Encouraging investments in rural areas | ▪ The benefit of section 80-IB has been extended to new hospitals with 100 beds or more that are set up in rural areas; such hospitals are entitled to 100 per cent deduction on profits for 5 years  
▪ Under Union Budget 2017-18, government allocated US$ 5.94 billion for NABARD fund  
▪ In Union Budget 2017-18, Irrigation corpus increased from US$ 2.97 billion to US$ 5.94 billion |
| Tax incentives | ▪ As per Union Budget 2015-16, custom duty on life-saving equipment has been reduced to 5 per cent from 25 per cent and have been exempted from the purview of countervailing duty  
▪ Import duty on medical equipment has been reduced to 7.5 per cent  
▪ As per Union Budget 2016-17, services provided by National Centre for Cold Chain Development (NCCD) would be exempted from service tax |
| Incentives in the medical travel industry | ▪ Incentives and tax holidays are being offered to hospitals and dispensaries providing health travel facilities |
| Policy Landscape | ▪ India released a new national Intellectual Property Rights Policy, which seeks to enhance Prime Minister Narendra Modi’s - Make in India scheme, by boosting innovation.  
▪ On the occasion of 9th National Intellectual Property Awards Ceremony held in April 2017, the Commerce and Industry Ministry conveyed that it is focusing on making the Intellectual Property Rights policy faster and efficient. Government’s focus on increasing IPR awareness in schools pan India by launching IPR awareness campaigns was also highlighted. |

Source: Union Budget 2014-15, Union Budget 2015-16, Union Budget 2016-17, Health Ministry, Aranca Research
### Council of Scientific and Industrial Research (CSIR)

- CSIR is India’s largest R&D organisation, with 38 national laboratories, 39 outreach centers, 3 Innovation Complexes, 5 units, 4600 active scientists supported by about 8000 scientific and technical personnel. On an average, CSIR files about 200 Indian patents and 250 foreign patents per year. About 13.86 per cent of CSIR patents are licensed, a number which is above the global average. It is engaged in scientific industrial R&D for economic, environmental and societal benefits for the country.
- Its research areas span across aerospace, biotechnology, chemicals, energy, foods, information dissemination, leather, metals, minerals and manufacturing etc.
- CSIR is ranked at 84th among 4851 institutions worldwide and was the only Indian organisation among the top 100 global institutions in 2014. CSIR filed 225 patents in India and 307 patents abroad in FY17.

### Defence Research and Development Organisation (DRDO)

- DRDO is engaged in design and development of weapon systems and equipment in accordance with the requirements of the military services.
- DRDO had a network of 50 labs and establishments to carry out research. As of FY17, it has over 7,410 personnel in Defence Research and Development Services (DRDS) and about 17,000 other scientific, technical and supporting personnel. DRDO received 44 patent grants in FY17.
- Its research areas include aeronautics, armaments, combat vehicles, electronics, instrumentation engineering systems, missiles, materials, naval systems, advanced computing, simulation and life sciences. In June 2015, DRDO’s ballistics test facility got inaugurated in Ramgarh.

### Indian Council of Agricultural Research (ICAR)

- ICAR is one of the largest national agricultural organisations in the world. It consisted of 99 institutes and 53 agricultural universities across India. ICAR has filed 45 patent applications in FY17.
- It is the apex body for coordinating, guiding and managing research and education in agriculture, including horticulture, fisheries and animal sciences in India.

**Source:** Organisational websites
<table>
<thead>
<tr>
<th>Organisation</th>
<th>Business description</th>
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| **India Space Research Organisation (ISRO)** | • ISRO is engaged in development of space technology and its application to various national tasks, launched Mangalyan successfully in its very 1st attempt. In FY17, ISRO received 15 patent grants and filed 12 new patent applications  
• The organisation has 19 centers across India to pursue R&D activities and ISRO currently has a constellation of 9 communication satellites, 1 meteorological satellite, 10 earth observation satellites and 1 scientific satellite  
• Its research areas include communication satellites for television broadcast, telecommunications and meteorological applications and remote sensing satellites for management of natural resources  
• On February 15th, 2017, ISRO made history when its PSLV rocket placed 104 satellites into the space in a single mission. |
| **Indian Council of Medical Research (ICMR)** | • ICMR is the apex body in India for the formulation, coordination and promotion of biomedical research and one of the oldest medical research bodies in the world. ICMR has filed 10 patent applications in 2016.  
• The council has a fleet of 21 institutes (mission oriented national institute), 6 regional medical research centres and 5 units engaged in medical research  
• The council’s research priorities encompass the areas of communicable diseases, fertility control, maternal and child health, nutritional disorders and non-communicable diseases such as cancer, cardio-vascular diseases, blindness and diabetes |
| **Centre for Development of Advanced Computing (C-DAC)** | • C-DAC is a premier R&D organisation of the Department of Information Technology (DIT)  
• It is engaged in research in the areas of supercomputers, applied electronics, technology, applications and health informatics  
• C-DAC filed 20 patent applications in FY16^ |

*Note: R&D - Research and Development, 1 - This list is indicative, 2 - as on 24 September 2014  
^ - Figures mentioned are as per latest data available  
Source: Organisational websites, Aranca Research*
### INSTITUTES AND UNIVERSITIES

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Business description</th>
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<tbody>
<tr>
<td><strong>Indian Institutes of Technology (IITs)</strong></td>
<td>It is a group of autonomous engineering and technology oriented institutes of higher education. Indian Institutes of Technology (IITs) is planning to monetise intellectual properties (IPs) by exploring tie-ups with firms that invest in &quot;inventions&quot;. In FY17, IITs filed 141 patent applications.</td>
</tr>
<tr>
<td><strong>National Dairy Research Institute (NDRI)</strong></td>
<td>NDRI is engaged in research, teaching and extension activities in areas of dairy production, processing, management and human resource development. Its research activities focus on improving dairy productivity, innovating milk processing technologies and disseminating information to the various stakeholders in dairy business to make dairying a self-sustaining business. In FY16, R&amp;D activities comprised 72 in-house and 78 externally funded research projects. In 2014, R&amp;D activities comprised 19 NAIP projects in consortium model with financial outlay of US$ 21.95 million. In FY16 NDRI filed 4 patents.</td>
</tr>
<tr>
<td><strong>Indian Institute of Science (IISc)</strong></td>
<td>IISc is one of the earliest instances of PPP for a research institute in India. It is engaged in research in various departments of science such as biological, chemical, electrical, mathematical, physical and mechanical sciences. A new center for Brain Research is expected to contribute to future growth. The number of filed patents increased to 44 during 2016.</td>
</tr>
</tbody>
</table>

**Notes:** R&D - Research and Development, IP - Intellectual Property, ^ - Figures mentioned are as per latest data available

**Source:** Organisational websites, IP India, Aranca Research
**Hindustan Unilever Limited**
- HUL is credited with innovations in product areas such as structured bar soap, fairness cream, zero alcohol soap, poly-coated scouring bar for dishwashing, fortified salt, instant tea, critical components for a water purifying device, and value-added (nature care) tea.
- Worldwide, HUL has over 20,000 registered patents and patent applications.
- HUL expenditure on scientific R&D is around US$ 4.6 million in FY17, where the total revenue expenditure is US$ 4.3 million and US$ 0.31 million expenditure made as a capital expenditure.

**Tata Steel Limited**
- Tata Steel undertakes research in areas such as raw materials and coke, iron and ferro alloys, steel making, coated products, materials characterisation and joining, materials modelling and product design and refractory technology.
- The total value of the patent and trademark is around US$ 0.3 million, as on FY17.
- The cumulative patents filed till FY17 were 870 and 360 patents were granted as on FY17.

**Cipla Limited**
- Cipla’s R&D division focuses on new product development and new drug delivery systems across a range of therapies.
- The company’s total R&D spending increased and reached US$ 159.96 million in FY17.
- In FY17, new filings in the formulations segment stood at 32 ANDAs for North America, 9 filings for South Africa, 700+ filings for emerging markets in addition to 900+ renewals.
- It is among the top companies domestically in R&D spending.

**Notes:**
*R&D - Research and Development, Growth, 1 - This list is indicative, ANDA – Abbreviated New Drug Application*
*Source: Organisational websites*
Porter’s Five Force Framework Analysis

### Threat of Substitutes
- With easy access to talent base and low operational costs, companies may look to set up in-house scientific research centres.

### Bargaining Power of Suppliers
- Contract or academic research centres do not have any direct influence on the market, and have little bargaining power for the commercialisation of technologies developed.

### Competitive Rivalry
- Competitive rivalry is low; however, there is indirect competition between contract scientific research centres due to development needs of their clients that operate in the same market and are in direct competition with each other.
  - Many foreign companies tend to set up their in-house research centres that may operate in competition with contract R&D centres.

### Threat of New Entrants
- The threat of new entrants is low because of the capital intensive nature of the business.

### Bargaining Power of Customers
- There is no direct influence of consumers on scientific research; however, technologies are developed keeping consumer needs in mind.
STRONG POLICY FRAMEWORK TO PROMOTE INDIA AS A R&D HUB

In FY17 leading pharma players spent US$ 1.24 billion on R&D activities, registering a growth of about 6 times in comparison with 2009-10.

Notes: R&D - Research and Development
Source: ICRA, Deloitte, PWC, Aranca Research
In recent years, the Indian Government has implemented several fellowship schemes to nurture human capacity for advanced research in the country.

- The period between 2010-20E has been declared as the “Decade of Innovation" by the nation and the need for the establishment of National Innovation Council has been emphasised. To fuel the growth innovation in science and technology STI (Science, Technology and Innovation) Policy 2013 was formed.

- In 2008, Government launched Innovation in Science Pursuit for Inspired Research (INSPIRE) scheme, through which the Government awarded 2,150 research fellowships for doctoral research and 270 faculty awards for post doctoral researchers.

- In December 2016, India and Israel announced plans to support R&D programmes in science and technology sector, with an investment of US$ 1 million, by both nations.

**Notes:** Pursuit for Inspired Research (INSPIRE), ^1 Upto November 2016, ^ - Figures mentioned are as per latest data available

*Source: NSTMIS, Department of Science and Technology*
LOCAL DEMAND ATTRACTING INVESTMENTS FROM MNCs … (1/2)

- India presents a unique opportunity for companies manufacturing technologically advanced products, registering per capita income of US$ 1,538.5 in FY17.
- An expanding middle class and rise in purchasing power of rural residents have boosted demand for innovation and development of cheap and durable products that could meet the local requirements.
- Rising per capita income in India to bring boom in R&D investments in the country with more and more of foreign players shifting R&D bases to India.
- As of December 23, 2016, Maruti Suzuki announced plans to invest US$ 305.53 million, during 2017-2019, in its R&D center in Rohtak, Haryana.
- Qualcomm, plans to invest US$8.5 million on design initiatives in India, which would include funding its innovation labs at Hyderabad and Bangalore, for R&D.
- In May 2017, Apple Inc is looking to expand its contract manufacturer’s facility and set up new plants in Bengaluru, India, as the iPhone wants to get a larger share of the market.

**Source:** IMF, World Bank, India Budget, Government of India Press Information Bureau Government of India, Ministry of Statistics and Programme Implementation

**Note:** E - Estimates, F - Forecast
LOCAL DEMAND ATTRACTING INVESTMENTS FROM MNCs … (2/2)

- Lower development cost, rising technology intensity and growing local demand for top of the line unique technology products have attracted R&D investments from foreign companies in India, making it one of the largest outsourcing provider in R&D segment.

- About 28 per cent companies with headquarters in Japan, the EU and APAC have R&D centres in India.

**Total number of MNC R&D centres in India**

![Bar chart showing the increase in MNC R&D centres in India from 2000 onwards](chart.png)

**Notes:** Figures mentioned are as per latest data available; *As of Feb 2017

**Source:** FICCI, Department of Science and Technology, Zinnov, Aranca Research
Science Technology and Innovation Policy 2013

The key elements of the STI policy are:

- Developing synergies between science, technology and innovation
- Providing a fresh perspective on innovation in an Indian context
- Charting a high-technology path for creating a science, research and innovation system in India
- Promoting proliferation of scientific temper among all sections of the society
- Enhancing skill for applications of science among the young from all social strata
- Making careers in science, research and innovation attractive to the brightest students
- Establishing world class R&D infrastructure for gaining global leadership in some select frontier areas of science
- Positioning India among the top 5 global scientific powers by 2020
- Encouraging private sector to invest in research and development in Science and Technology.
- Setting up of large scale R&D facilities via PPP mode.
- Setting up of regulatory framework for sharing IPRs between inventors and investors.
- Migrating R&D outputs into commercial applications by replicating hitherto successful models as well as establishing new structures
- Facilitating S&T-based high-risk innovations through new mechanisms
- Triggering changes in the mind-set and value systems to recognise, respect and reward performances that create wealth from S&T derived knowledge
- Increasing R&D spending to 2.4 per cent of GDP by 2034
The Government of India has taken various steps to generate interest and promote investments in the Science and Technology sector.

**National Knowledge Network**
- A state-of-the-art multi-gigabit (multiples of 10 Gbps) pan-India network is planned to link some 5,000 nodes in India.
- It will be the sole vehicle for international connectivity in future.

**National Innovation Council**
- 2010–2020 has been declared the Decade of Innovation to stimulate innovations and produce solutions for societal needs such as healthcare, energy, infrastructure, water and transportation.

**Improving Academia**
- Innovation universities would be set up as public-private partnerships to develop new hubs of education, research and innovation.
- The Educational market in India has the potential of reaching US$ 180 billion by FY20 with the increasing demand for quality education.

Source: Department of Science and Technology, Government of India, and Other Government websites
The Government of India has taken various steps to generate interest and promote investments in science and technology sector.

**National Council for Science and Technology Communication (NCSTC)**

- Aims at promoting scientific thinking.
- Communicating science and technology to masses using digital media, folk media and digital media.
- Focus on training in science and technology communication, incentive programmes, production and dissemination of S and T software, development and research in S&T.
- Important initiatives under NCSTC include Mathematics Awareness Resources and Initiatives (MARI), campaigns over Year of Scientific Awareness, the National Science Day, the National Children’s Science Congress, Science Express, etc.

**Big Data Initiative (2016)**

- An innovative R&D perspective to promote big data science, technology and applications within the country.
- Aims at developing core generic technologies, tools and algorithms for wide applications in industries, government and academia.
- Extraction of useful knowledge hidden in in-size data repositories.
- Understanding the current status of industry in terms of policy framework, distinct players providing services across sectors, market size, SWOT of industry, etc.

**Nano Mission**

- Launched as a major “umbrella capacity-building programme”
- Aimed at development of infrastructure for nano science and technology research
- Process of laying down a Roadmap for Regulatory Framework for Nanotechnology in India has been initiated
- The number of projects funded under the mission has increased from 38 in FY15 to 56 in FY16 to 67 in FY17.

**Source:** News articles, Government websites, swissnex India
INDIA AS CENTRE OF EXCELLENCE

- In FY2017, Indian Institute of Science, Bengaluru has been acknowledged as India’s leading science institution.
- As of November 2016, Ministry of Earth Sciences, Government of India and Japan Agency for Marine-Earth Science and Technology (JAMSTEC) have signed a Memorandum of Understanding (MoU) for advancement of academic research in the field of Earth Sciences
- As on November 2016, India has become an associate member at European Organisation for Nuclear Research (CERN)

Notes: (1) Centre of Excellence are identified using a threshold of minimum of 200 research papers in the top decile of global research (2014); As per Latest Data available
Source: swissnex India, NSTMIS
POLICY SUPPORT AIDING GROWTH IN THE SECTOR

PPP in R&D
- Exchange of scientific knowledge between research centers, national laboratories, institutes of higher learning and the industry
- The Indian Government plans to involve the private sector in R&D mainly for sectors like vaccines, drugs and pharmaceuticals, super computing, solar energy and electronic hardware. The govt. has announced to create a US$ 16 million fund for setting up R&D units with the help of industries
- The government has created a US$ 1.1 billion public-private partnership fund to support R&D in India

Funded institutions and foreign universities
- Government has announced to set up five new All India Institute of Medical Sciences in Jammu and Kashmir, Punjab, Tamil Nadu, Himachal Pradesh, Assam and set up of IIT in Karnataka and Dhanbad
- Foreign universities permitted to enter the higher education system in India by establishing their own campuses or joint ventures with existing universities
- Atal Innovation Mission with US$ 24.84 million will boost the academicians, Entrepreneurs and researchers to work towards innovation

Science and Technology
- In Union Budget 2016-17, Government of India has announced its plans to make ten public and ten private institutions as world class teaching and research institutes
- Under Union Budget 2017-18, Central Government is planning to establish 100 India International Skills Centres, across the country

Note: PPP - Public Private Partnership
Source: Battelle, Electronics for You, Union Budget 2015-16, Organisational websites
OPPORTUNITIES
### R&D Opportunities in Various Sub Sectors in India

<table>
<thead>
<tr>
<th>Sub Sector</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ICT and wireless technology</strong></td>
<td>- Establishment of Software Technology Parks of India (STPI’S)</td>
</tr>
<tr>
<td></td>
<td>- National Policy of IT aims at bringing the power of ICT within the reach of all its citizens to enable India to emerge as a global hub for IT by 2020</td>
</tr>
<tr>
<td></td>
<td>- Cloud computing presents endless opportunities in wireless technologies</td>
</tr>
<tr>
<td><strong>Pharmaceuticals and Health Care</strong></td>
<td>- 3rd largest pharmaceuticals market by 2020</td>
</tr>
<tr>
<td></td>
<td>- A new Health Policy 2015-2025 to focus on healthcare for all holistically</td>
</tr>
<tr>
<td><strong>Manufacturing technologies</strong></td>
<td>- Automation and environmental sustainability are the key focus areas for manufacturing companies</td>
</tr>
<tr>
<td></td>
<td>- The National Manufacturing Policy targets at creating 100 million additional jobs in the sector by 2025</td>
</tr>
<tr>
<td></td>
<td>- Planned expenditure in R&amp;D in manufacturing sector increased by 63 per cent in 2016-17 as compared with that in 2015-2016</td>
</tr>
<tr>
<td><strong>Material energy</strong></td>
<td>- Multi-disciplinary research to combine emerging concepts in nanotechnology with fundamental metallurgical chemistry is the way forward</td>
</tr>
<tr>
<td><strong>Bio-energy</strong></td>
<td>- Bio-energy is emerging as a promising alternative to meet rural energy needs in India</td>
</tr>
<tr>
<td></td>
<td>- Targets set by Bioenergy Programme: By 2020, 20 per cent blending of fossil fuels will be done, cost effective production system for algal biofuel, next generation biofuels produced from agricultural waste</td>
</tr>
<tr>
<td><strong>Water technologies</strong></td>
<td>- The water demand of industry will account for 8.5 per cent and 10.1 per cent of the total fresh water abstraction in 2025 and 2050 respectively</td>
</tr>
<tr>
<td></td>
<td>- R&amp;D efforts should concentrate on developing technologies for treatment, recycling, recovery, reuse and efficient use of water</td>
</tr>
</tbody>
</table>

*Source: Make In India, FICCI*
RISING R&D ACTIVITIES IN THE INDIAN PHARMACEUTICAL SECTOR

- Indian pharmaceutical market is expected to expand at a CAGR of 18.89 per cent during 2016-2020
- Key drivers that will fuel the sector’s growth include rising income levels, increase in chronic diseases, better medical infrastructure, wider health insurance reach and supportive healthcare policies
- Creation of new drug testing laboratories and further strengthening of 31 existing state laboratories
- A weighted tax deduction is given under section 35(2AA) of the Income Tax Act
- Allocation of US$ 364.96 million to set up four more institutions of the stature of AIIMS in J&K, Punjab, Tamil Nadu, Himachal Pradesh and Assam. Another AIIMS to be set up in Bihar
- Setting up of projects in special areas such as the North-East, Jammu and Kashmir, Himachal Pradesh and Uttarakhand
- Companies need to develop drugs for diseases local to India and other tropical countries
- Overall R&D expense by Indian companies has been around 5 per cent of sales and is expected to increase in coming years

**Indian pharmaceutical market (US$ billion)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2020F</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>28</td>
<td>55</td>
</tr>
</tbody>
</table>

**R&D spending by top six pharma giant FY17 (US$ million)**

<table>
<thead>
<tr>
<th>Company</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lupin</td>
<td>359</td>
</tr>
<tr>
<td>Sun Pharma</td>
<td>333</td>
</tr>
<tr>
<td>Dr Reddy</td>
<td>303</td>
</tr>
<tr>
<td>Cipla</td>
<td>166</td>
</tr>
<tr>
<td>Wockhardt*</td>
<td>85</td>
</tr>
<tr>
<td>Aurobindo</td>
<td>84</td>
</tr>
<tr>
<td>Cadila</td>
<td>28</td>
</tr>
</tbody>
</table>

**Notes:** F denotes Forecasted, *: For FY16

**Source:** Make in India, FICCI, Ministry of Chemicals and Fertilizers - Department of Pharmaceuticals, Aranca Research
### THE WAY FORWARD … (1/2)

<table>
<thead>
<tr>
<th>India Innovation Growth Programme</th>
<th>The aim is to accelerate innovative Indian technologies into the global market</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>This programme is a joint initiative of FICCI, Dept. of Science and Technology, Govt. of India and others</td>
</tr>
<tr>
<td></td>
<td>The Government’s focus is on using the world class commercialisation strategies and business development assistance to expand in the global market</td>
</tr>
</tbody>
</table>

| Human capital development         | Special incentive mechanisms are being developed to stimulate research in universities and develop young leaders in science and engineering |
|-----------------------------------| The policy framework is being devised to enable school science education reforms, by improving teaching methods and science curricula |

| Investment to promote Research    | Government is promoting investments in basic research to improve research quality to meet global standards and to address national challenges |
|-----------------------------------| Leveraging international S&T co-operation, the government has planned co-investment of resources for joint initiatives with Australia, Canada, Germany, etc. |
|                                   | The government has its focus on investing in R&D of technologies that address the needs of rural India |
|                                   | In April 2017, a joint declaration was signed between National Science and Technology Entrepreneurship Development Board and the Ministry of Economic Development of the Russian Federation to build an innovation ecosystem to promote technology entrepreneurship |
|                                   | As of August 2017, the Government has sanctioned US$ 1.39 billion for ISRO to build and launch 31 rockets in the next three to four years |

| Attracting investment from private sector | Through Science, Technology and Innovation Policy, the Government is promoting the establishment of large R&D facilities in PPP mode with provisions for benefits sharing |
|-----------------------------------------| Promoting multi-stakeholder participation in the Indian R&D system |
|                                        | As per recent RBI (Reserve Bank of India) norms, start-ups can now access foreign currency loans of up to US$3 million in a year, under the external commercial borrowing (ECB) route |

*Source: Science, Technology and Innovation Policy 2013; Department of Science and Technology*
### Recent Developments

- Two separate spacecrafts, Indian Space Research Organisation’s (ISRO) Chandrayaan-2 and India’s first private moonshot Team Indus, are to be launched to the moon between November 2017 and March 2018.

### Promoting innovation

- Through Science, Technology and Innovation policy, the Government promotes mechanisms for nurturing technology business incubators and science led entrepreneurship.
- Also promoting incentives for commercialisation of innovations with focus on green manufacturing.
- In April 2017, the President of India presented the National Geo-science Awards 2016. Since the past 5 decades, these awards have emerged as the most coveted recognition in the field of geo-sciences and they have encouraged scientists to achieve higher levels of excellence.
- As of May 2017, more than thousand scientists have returned to the country on various scholarships and fellowships, to promote research and development activities in various fields. Fellowships like VAJRA (Visiting Advanced Joint Research), launched in January 2017, have been successful in attracting overseas scientists and academicians, especially NRIs.
- As of July 2017, a five year technology fund with US$ 4 million yearly investment, called Israel India Innovation Initiative Fund (I4F), has been launched by India and Israel to boost bilateral ties.

### Attracting investment from private sector

- The Indian Institute of Science Education and Research (IISER), which served as a part of a global team of scientists, proposed to set up a LIGO (Laser Interferometer Gravitational Wave Observatory) detector in India. LIGO will help in detection and observation of gravitational waves.
- GridRaster Inc, working in the virtual and augmented reality space, has raised US$ 2 million as seed funding, which will be used for marketing and product development.

*Source: Science, Technology and Innovation Policy 2013, News Articles*
CASE STUDIES
HUL: A LEADING INNOVATOR IN FMCG

- Incorporated in 1933, HUL is India’s leading company by sales in the Fast-Moving Consumer Goods (FMCG) sector in India. British-Dutch company Unilever owns a majority stake of 52 per cent in HUL.
- HUL has won the top FMCG award at the Dun and Bradstreet Corporate Awards 2015.
- Hindustan Unilever Ltd. (HUL) has been ranked No. 31 in India on the Forbes list of Most Innovative Companies across the globe for 2016\(^1\).
- The company has over 20,000 registered patents and patent applications worldwide.
- HUL is also driving innovation in various categories such as oral care, personal products and soaps and detergents etc.

Notes: CAGR: Compound Annual Growth Rate, 2016\(^1\) – Data as on August 2016  
Source: Economic Times, Company Annual Reports, Company website
ISRO was formed on August 15, 1969
First Indian Satellite, Aryabhata, was launched on April 19, 1975

- First operational Indian Remote Sensing satellite, IRS-1A, was launched on March 17th, 1988.
- On December 28th, 1995, third operational Indian Remote Sensing Satellite, IRS-1C, was launched.
- The third developmental launch of PSLV with IRS-P3 took place on March 21, 1996 and the satellite placed in Polar Sun Synchronous Orbit.
- Ten satellites on April 28, 2008 and eight Nano Satellites for International Customers, under a commercial contract with Antrix Corporation, were launched.
- India’s first Radar Imaging Satellite (RISAT-1) from Sriharikota was launched on April 26, 2012.

- On July 18, 1980, Rohini satellite was successfully placed in orbit in second experimental launch.
- In April 1984, Indo-Soviet manned space mission.

- Indian Remote Sensing Satellite, IRS-P4, was launched by Polar Satellite Launch Vehicle along with Korean KITSAT-3 and German DLR-TUBSAT, on May 26, 1999.
- On January 10, 2007, four satellites were launched successfully – India’s Cartosat-2 and Space Capsule Recovery Experiment as well as Indonesia’s LAPAN-TUBSAT and Argentina’s PEHUENSAT-1.

- Mars Orbiter Mission, the India’s first interplanetary mission to planet Mars, was successfully launched on November 05, 2013.
- India’s Mars Orbiter Spacecraft successfully entered into an orbit around planet Mars on September 24, 2014.
- ISRO made history on February 15th, 2017 when its PSLV rocket placed 104 satellites into the space in a single mission.
- ISRO is planning to launch 30 satellites in a single mission on board its PSLV in December 2017.
INDUSTRY ORGANISATIONS
### INDUSTRY ORGANISATIONS

<table>
<thead>
<tr>
<th>National Academy of Sciences</th>
<th>Indian Science Congress Association</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Address:</strong> 5, Lajpatrai Road, New Katra&lt;br&gt;Allahabad - 211 002, India&lt;br&gt;Tel: 91-532-2640224&lt;br&gt;Fax: 91-532-2641183</td>
<td><strong>Address:</strong> 14, Dr Biresh Guha Street&lt;br&gt;Kolkata – 700017, India&lt;br&gt;Tel: 91-33-22474530&lt;br&gt;Fax: 91-33-2402551&lt;br&gt;Email: <a href="mailto:iscacal@vsnl.net">iscacal@vsnl.net</a></td>
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<tr>
<th>Indian National Science Academy</th>
<th>Indian National Academy of Engineering</th>
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<tr>
<td><strong>Address:</strong> Bahadur Shah Zafar Marg,&lt;br&gt;New Delhi – 110002, India&lt;br&gt;Tel: 91-11-23221931&lt;br&gt;Fax: 91-11-23235648&lt;br&gt;Email: <a href="mailto:esoffice@insa.nic.in">esoffice@insa.nic.in</a></td>
<td><strong>Address:</strong> 117 Nalanda House, IIT Campus,&lt;br&gt;Hauz Khas, New Delhi 110 016, India&lt;br&gt;Tel: 91-11-26582475&lt;br&gt;Fax: 91-11-26856635&lt;br&gt;Email: <a href="mailto:inae@nda.vsnl.net.in">inae@nda.vsnl.net.in</a></td>
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<thead>
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<th>Indian Academy of Sciences</th>
<th>Department of Science and Technology</th>
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<tr>
<td><strong>Address:</strong> C. V. Raman Avenue, Post Box No 8005&lt;br&gt;Sadashivanagar, Bangalore 560 080&lt;br&gt;Tel: 91-80-23612546&lt;br&gt;Fax: 91-80-23616094</td>
<td><strong>Address:</strong> Technology Bhavan, New Mehrauli Road&lt;br&gt;New Delhi – 110016, India&lt;br&gt;Tel: 91-11-26567373&lt;br&gt;Fax: 91-11-26864570&lt;br&gt;Email: <a href="mailto:dstinfo@nic.in">dstinfo@nic.in</a></td>
</tr>
</tbody>
</table>
USEFUL INFORMATION
GLOSSARY

- CAGR: Compound Annual Growth Rate
- FDI: Foreign Direct Investment
- FY: Indian Financial Year (April to March)
  - So FY12 implies April 2011 to March 2012
- GOI: Government of India
- MNC: Multinational Company
- GERD: Gross Expenditure on Research and Development
- STI: Science Technology and Innovation
- Y-o-Y: Year on Year
- INR: Indian Rupee
- US$: US Dollar
- LCV: Light Commercial Vehicle
- PPP: Public Private Partnership
- Wherever applicable, numbers have been rounded off to the nearest whole number
### Exchange Rates (Fiscal Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>INR Equivalent of one US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004–05</td>
<td>44.81</td>
</tr>
<tr>
<td>2005–06</td>
<td>44.14</td>
</tr>
<tr>
<td>2006–07</td>
<td>45.14</td>
</tr>
<tr>
<td>2007–08</td>
<td>40.27</td>
</tr>
<tr>
<td>2008–09</td>
<td>46.14</td>
</tr>
<tr>
<td>2009–10</td>
<td>47.42</td>
</tr>
<tr>
<td>2010–11</td>
<td>45.62</td>
</tr>
<tr>
<td>2011–12</td>
<td>46.88</td>
</tr>
<tr>
<td>2012–13</td>
<td>54.31</td>
</tr>
<tr>
<td>2013–14</td>
<td>60.28</td>
</tr>
<tr>
<td>2014-15</td>
<td>61.06</td>
</tr>
<tr>
<td>2015-16</td>
<td>65.46</td>
</tr>
<tr>
<td>2016-17</td>
<td>67.09</td>
</tr>
<tr>
<td>Q1 2017-18</td>
<td>64.46</td>
</tr>
<tr>
<td>Q2 2017-18</td>
<td>64.29</td>
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</tbody>
</table>

### Exchange Rates (Calendar Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>INR Equivalent of one US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>43.98</td>
</tr>
<tr>
<td>2006</td>
<td>45.18</td>
</tr>
<tr>
<td>2007</td>
<td>41.34</td>
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<tr>
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<td>43.62</td>
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<tr>
<td>2009</td>
<td>48.42</td>
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<tr>
<td>2010</td>
<td>45.72</td>
</tr>
<tr>
<td>2011</td>
<td>46.85</td>
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<tr>
<td>2012</td>
<td>53.46</td>
</tr>
<tr>
<td>2013</td>
<td>58.44</td>
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<td>2014</td>
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<td>2015</td>
<td>64.15</td>
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<tr>
<td>2016</td>
<td>67.21</td>
</tr>
<tr>
<td>H1 2017</td>
<td>65.73</td>
</tr>
</tbody>
</table>

*Source: Reserve bank of India, Average for the year*
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