

**When more is said than done...**



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IMA India**

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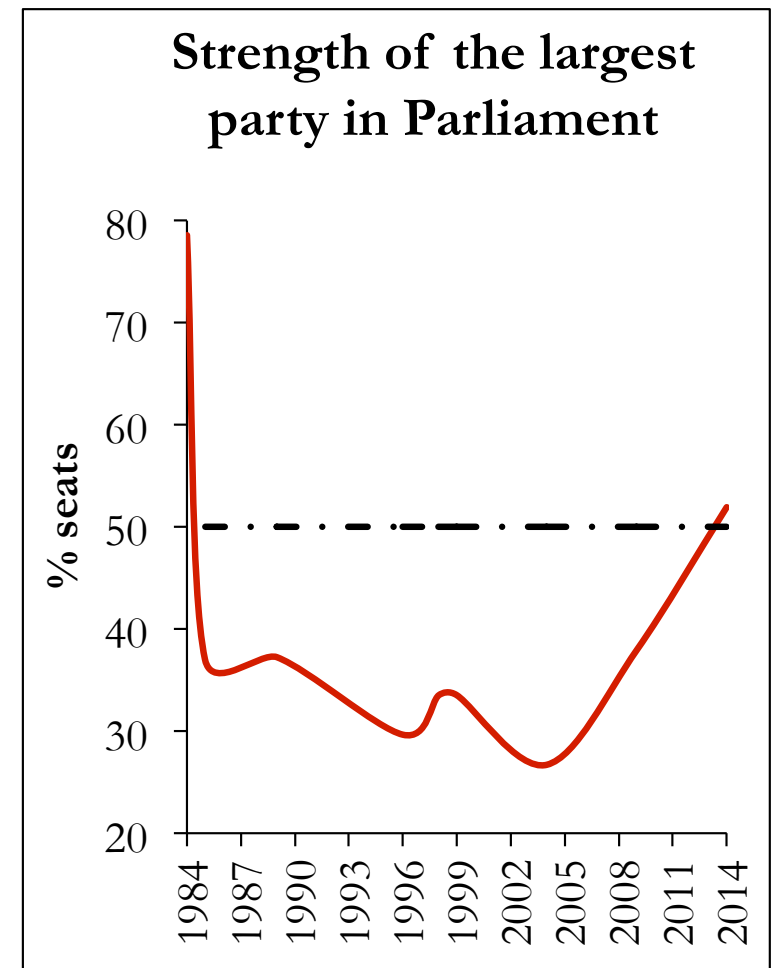
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The reality is sobering, but still  
much to hope for

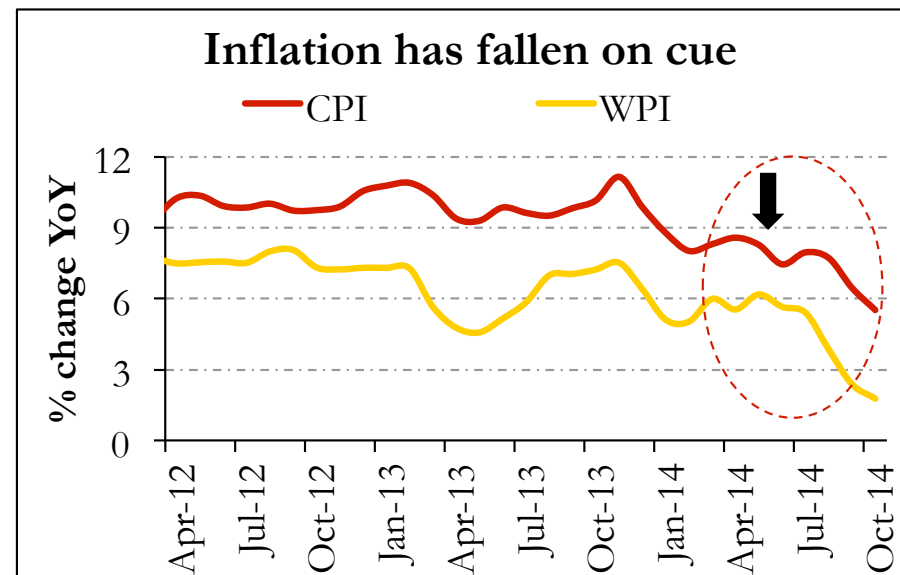
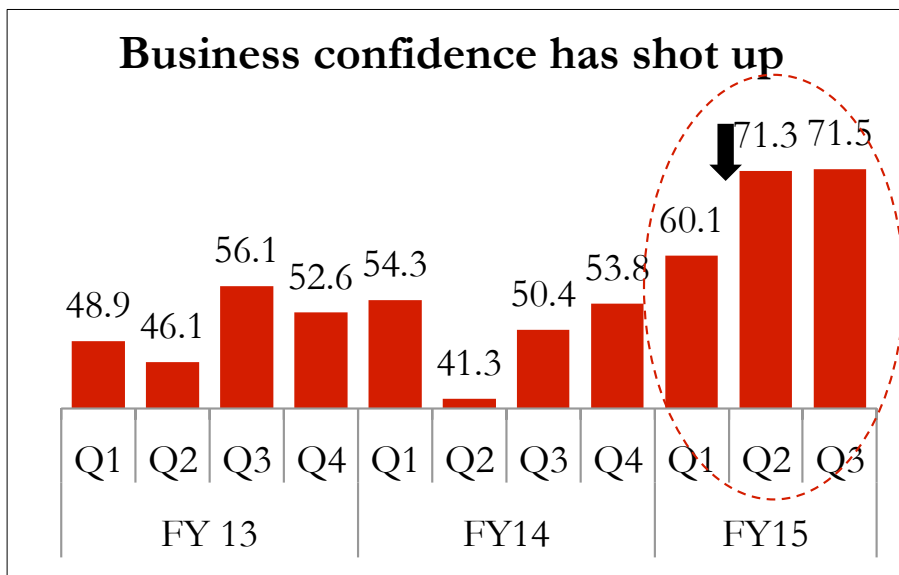
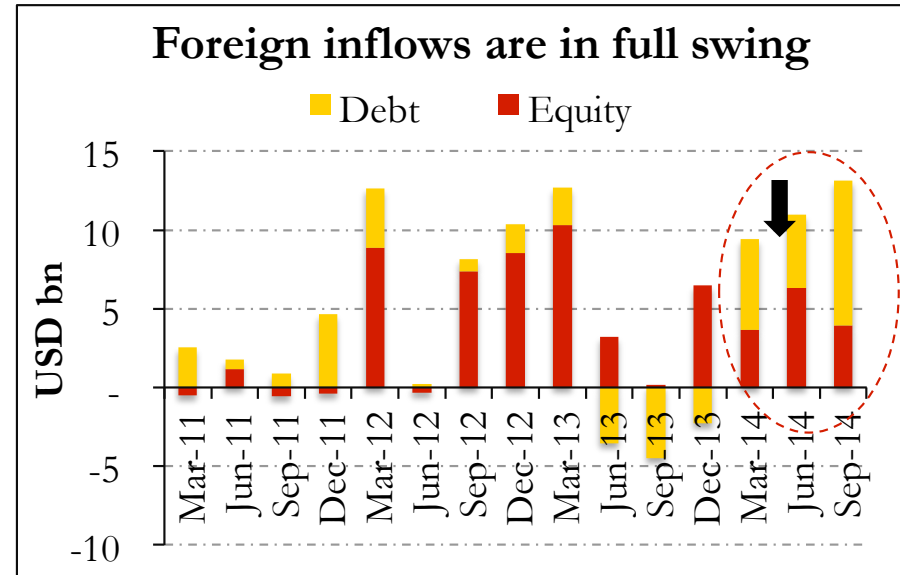
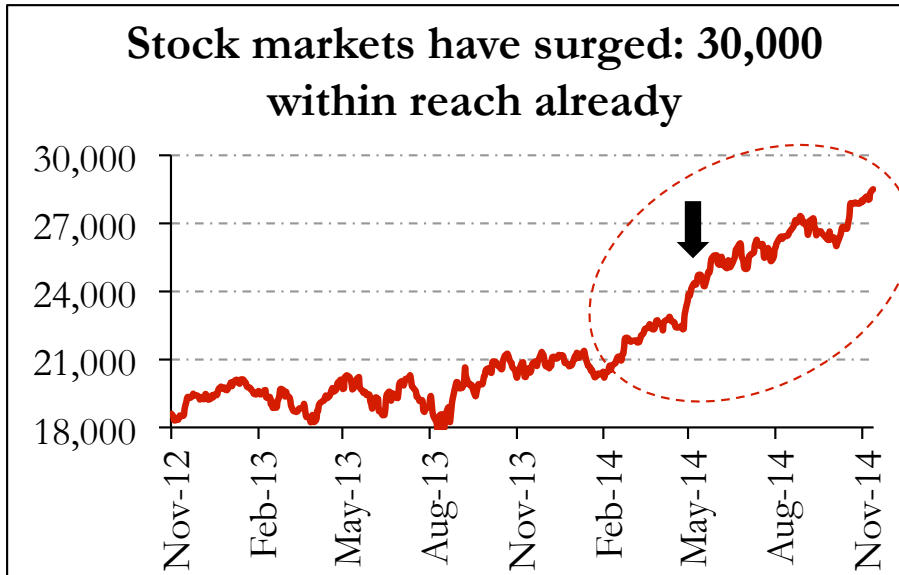


# Exuberance after the election

- The spectacular victory of the BJP in the general election and the emergence Narendra Modi led markets to believe that all would now be well
- As the BJP consolidated its position in subsequent state elections, it appeared that the era of fragmented politics is coming to an end and with it the biggest stumbling block to policy reform
- Even a weak global economy seemed a blessing in disguise as it meant lower crude oil and commodity prices

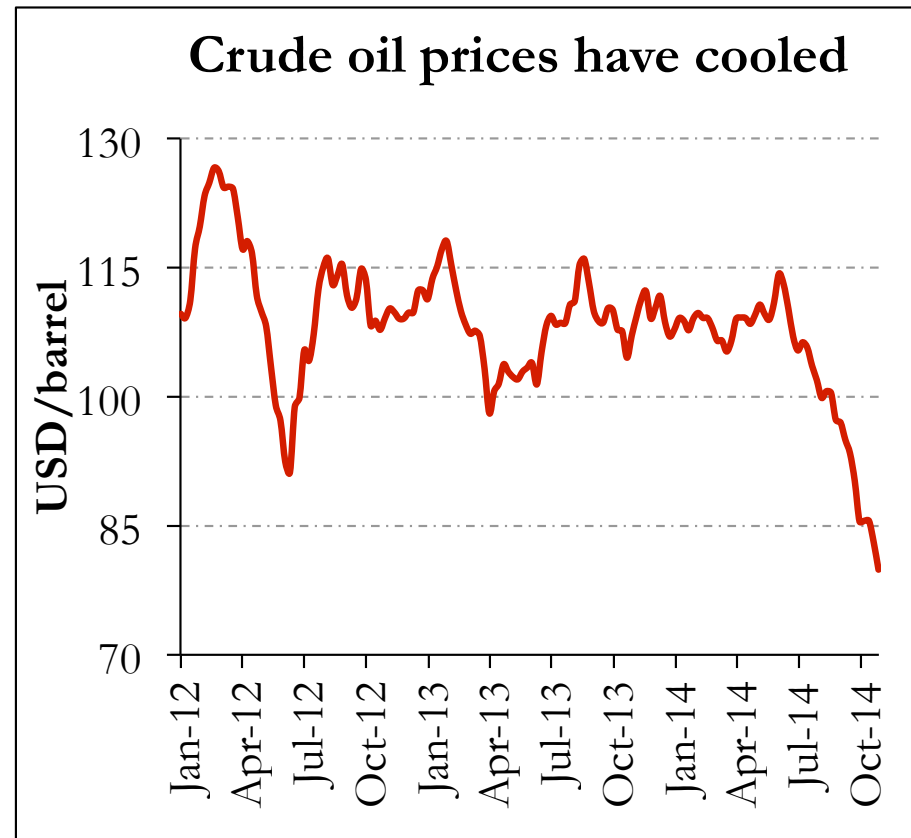
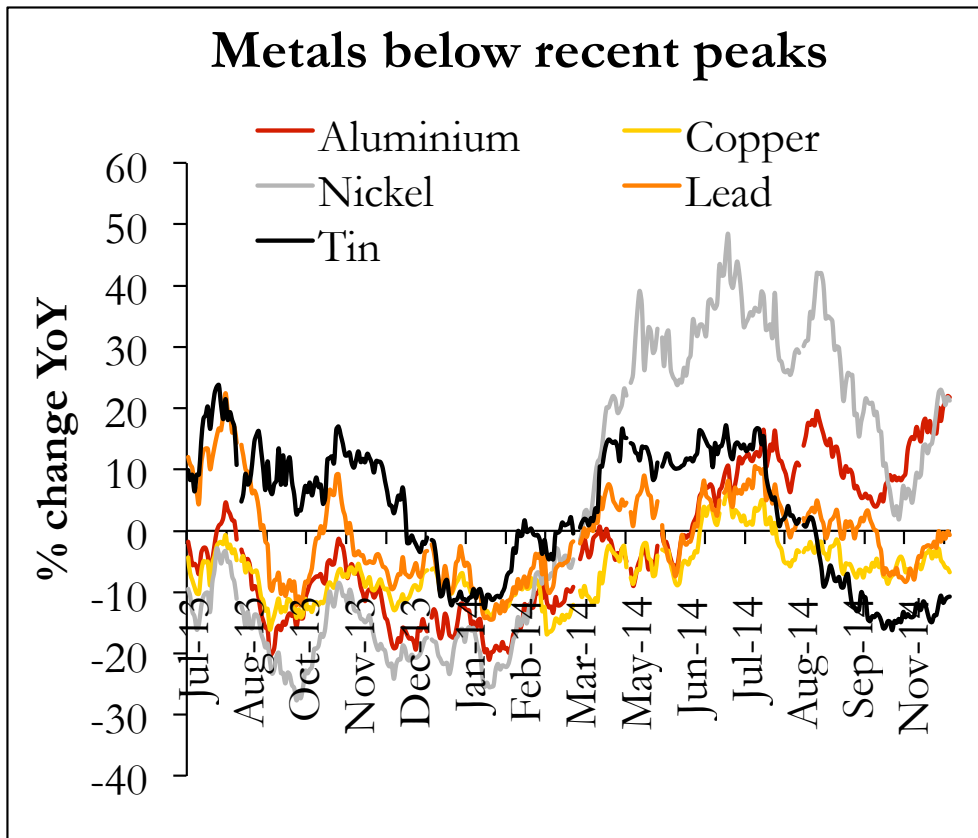


# The ecstasy started in anticipation

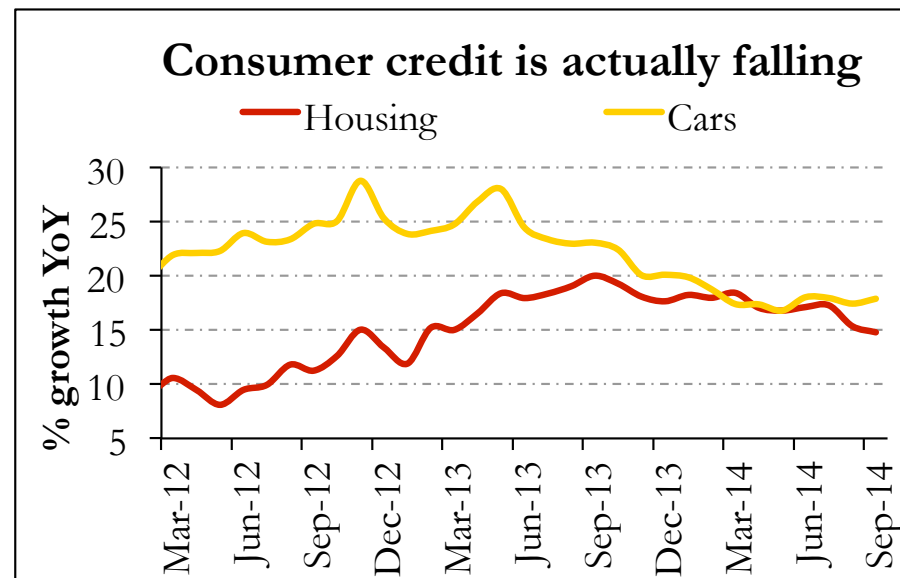
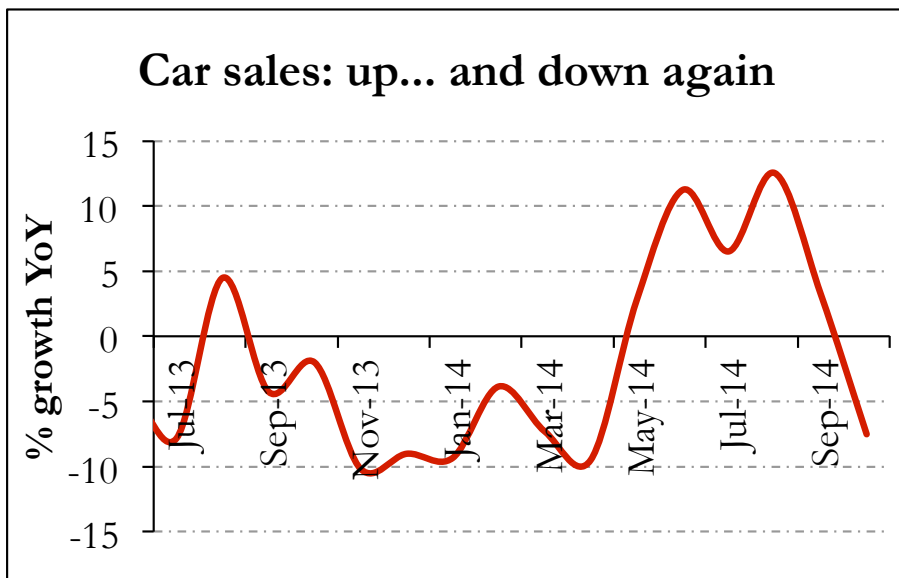
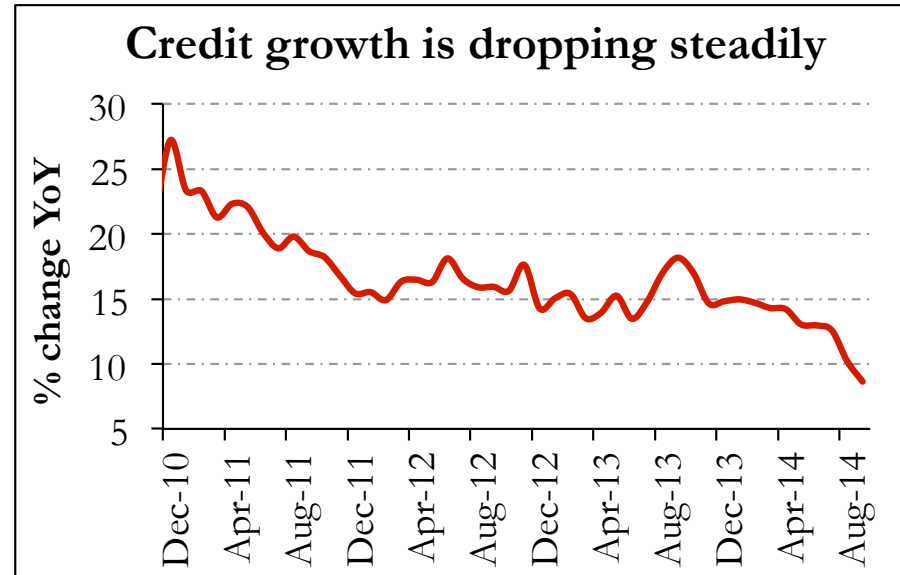
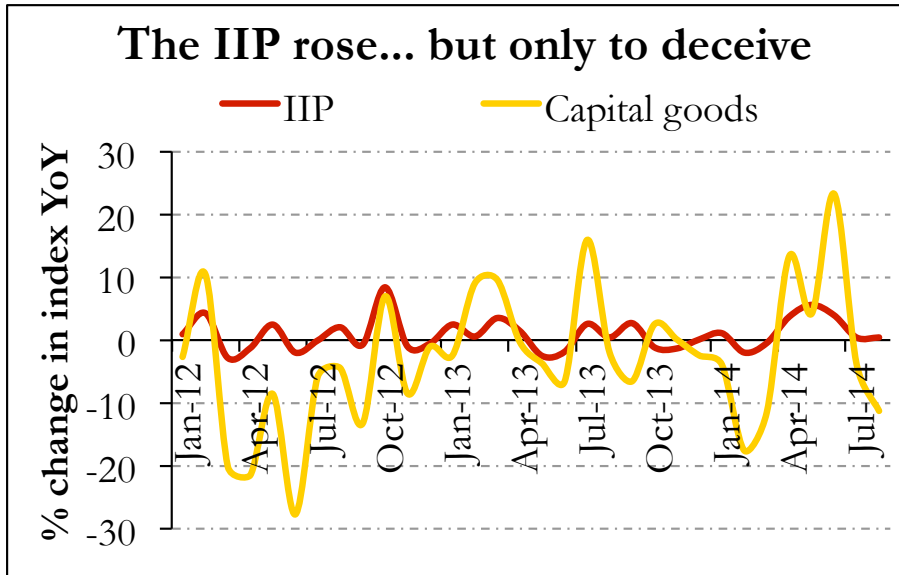


Source: CSO, SEBI, Ministry of Finance, IMA BCPI, IMA analysis.

# Even the world turned benign

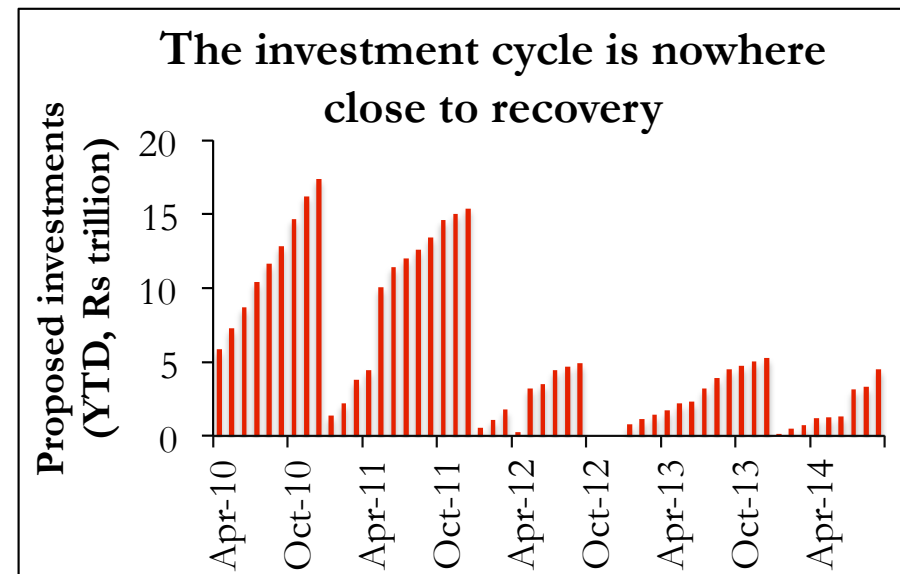
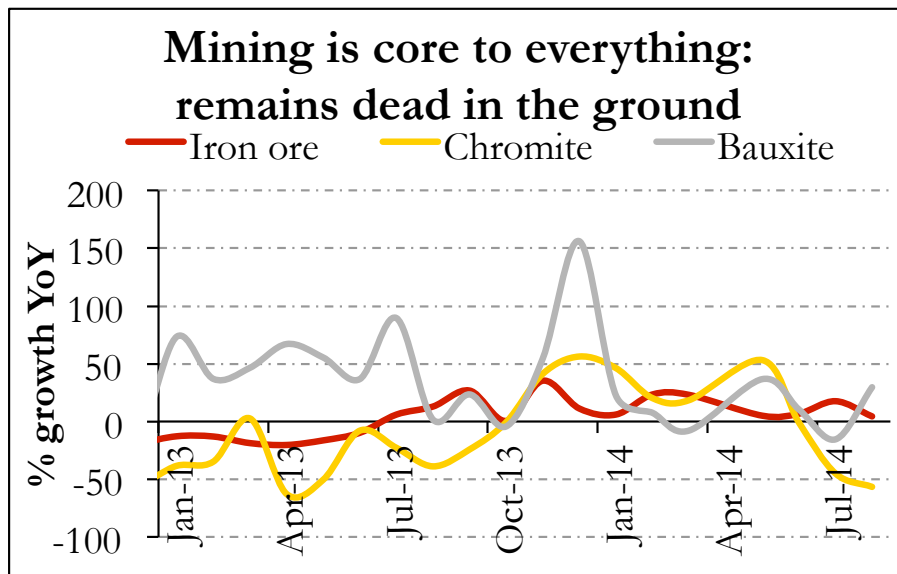
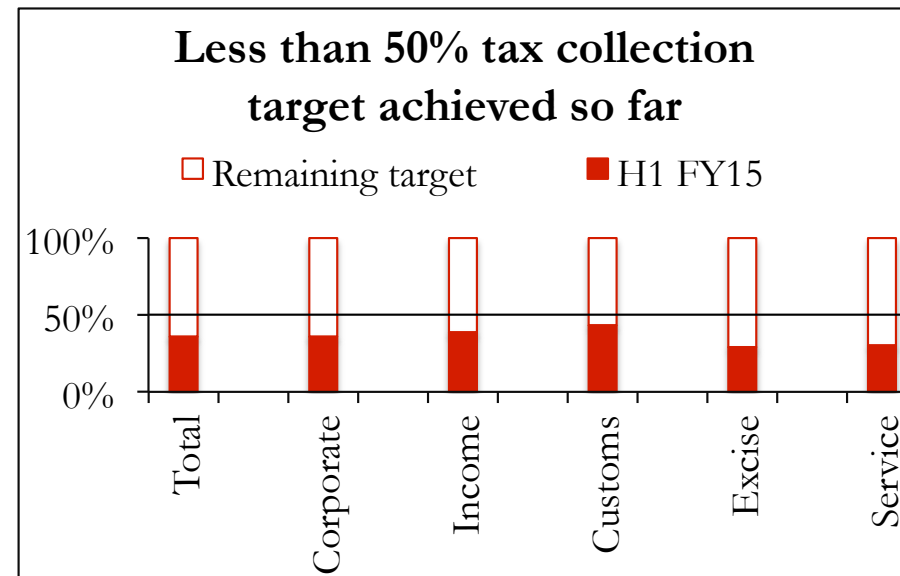
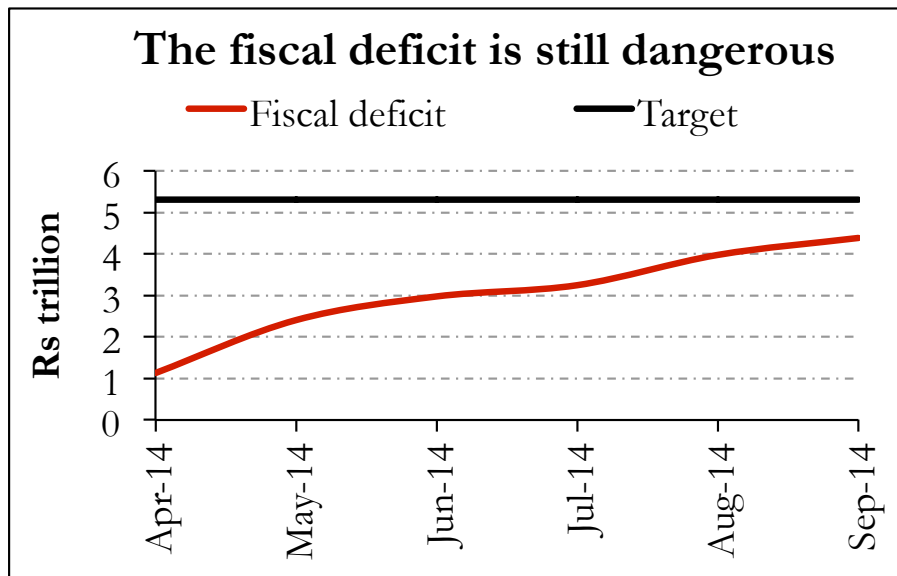


# Six months on: the sobering reality



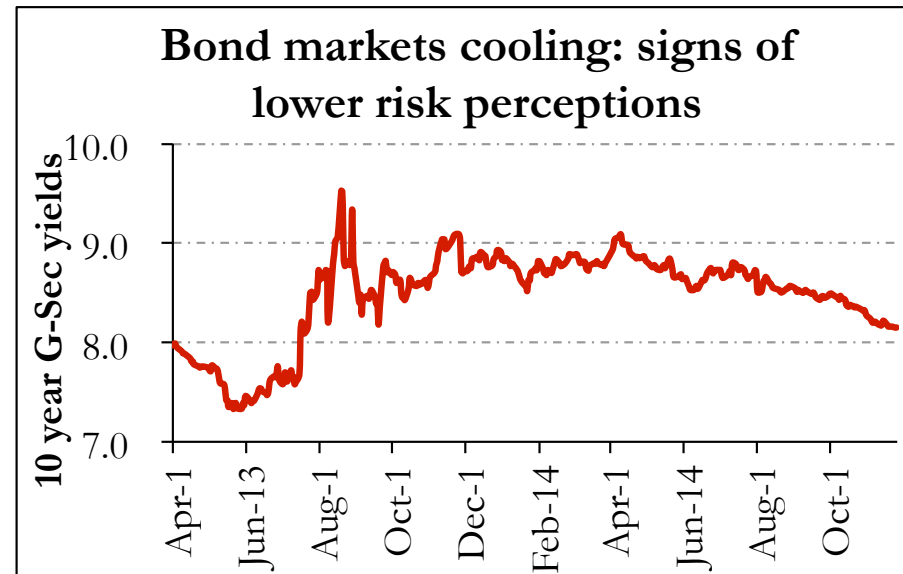
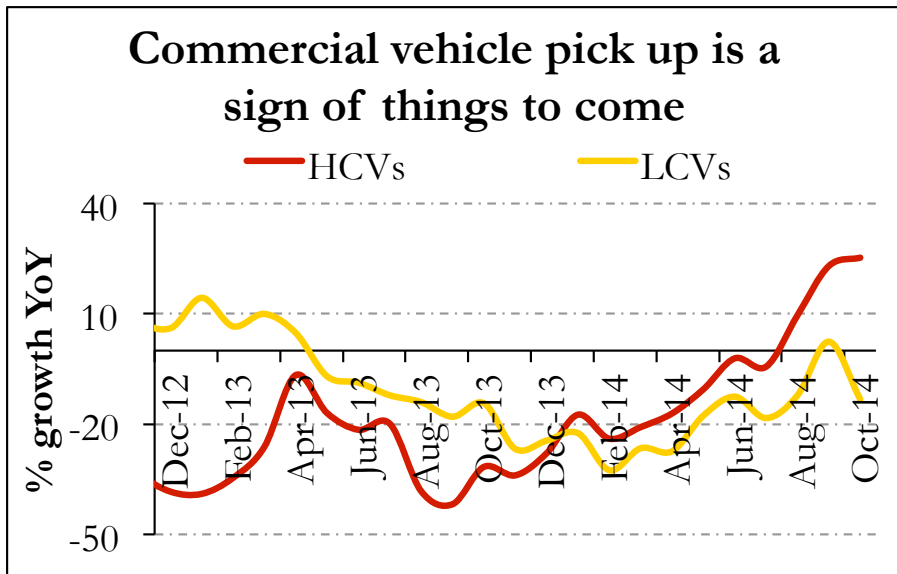
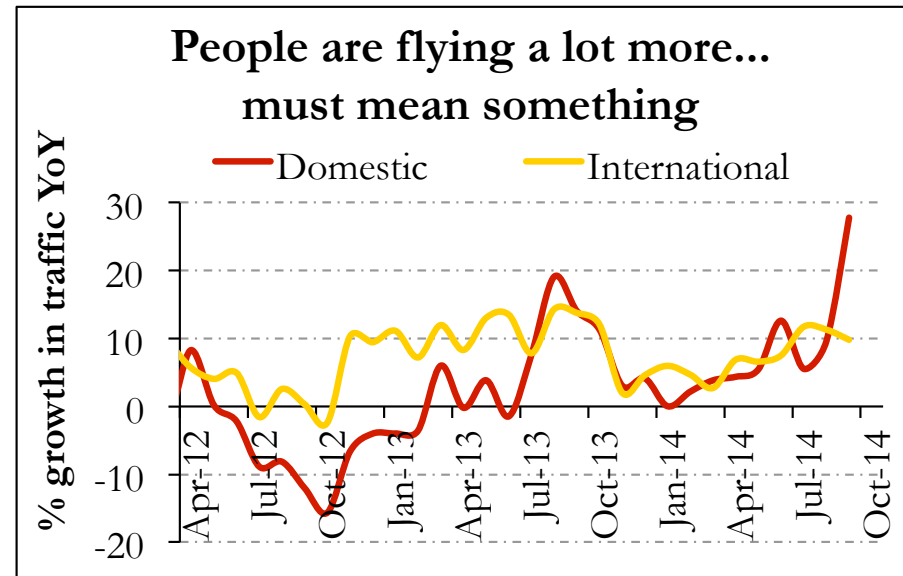
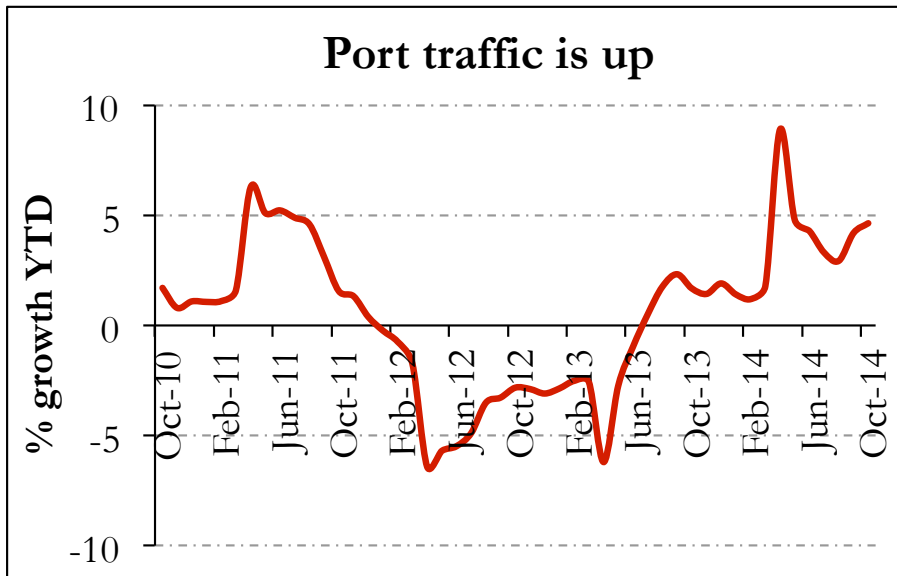
Source: CSO, SIAM, RBI, IMA analysis.

# Things are not hunky dory



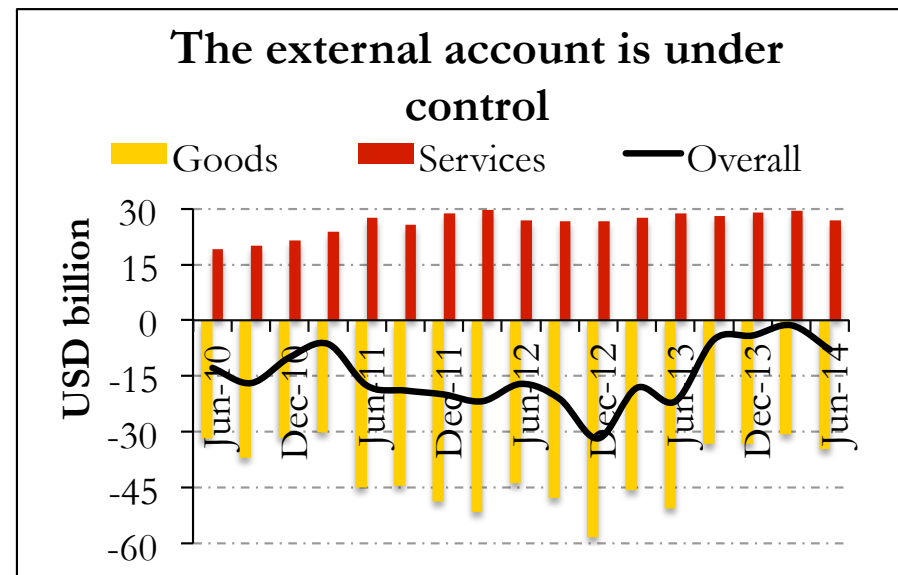
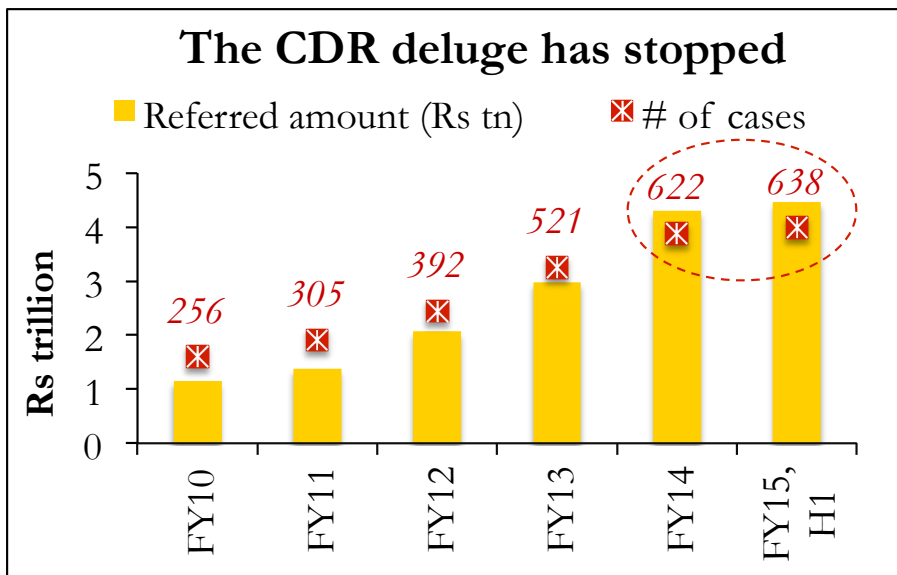
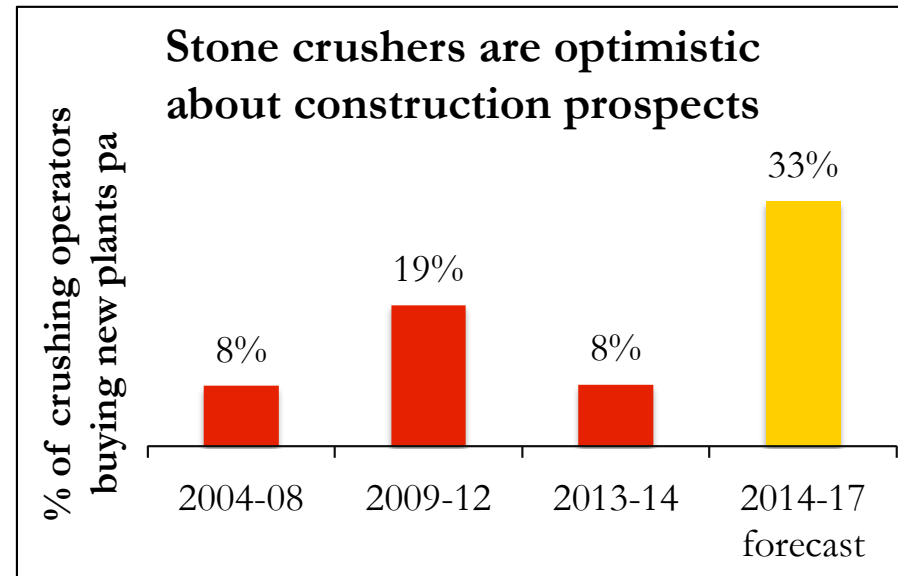
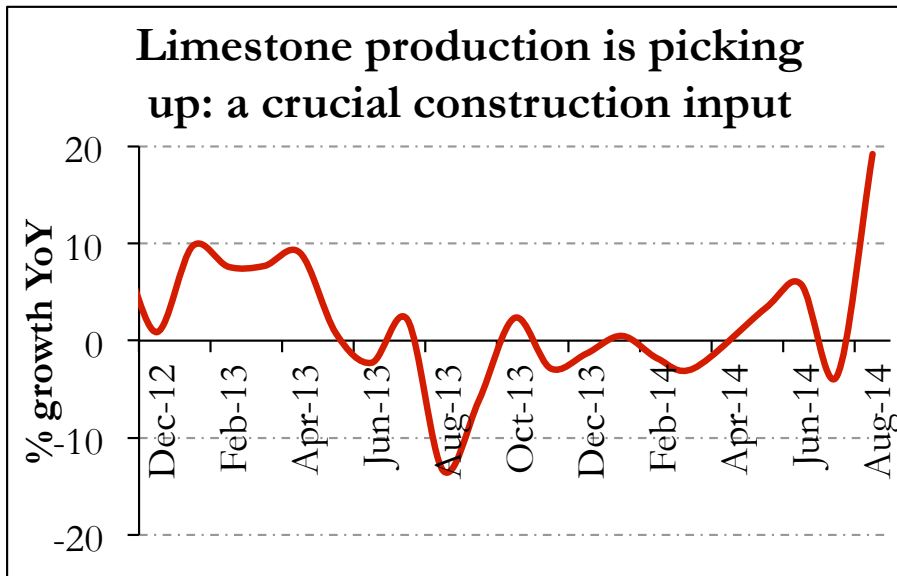


# But future signs look better



Source: PAI, Ministry of Civil Aviation, SIAM, Bloomberg, IMA analysis.

# An encouraging future



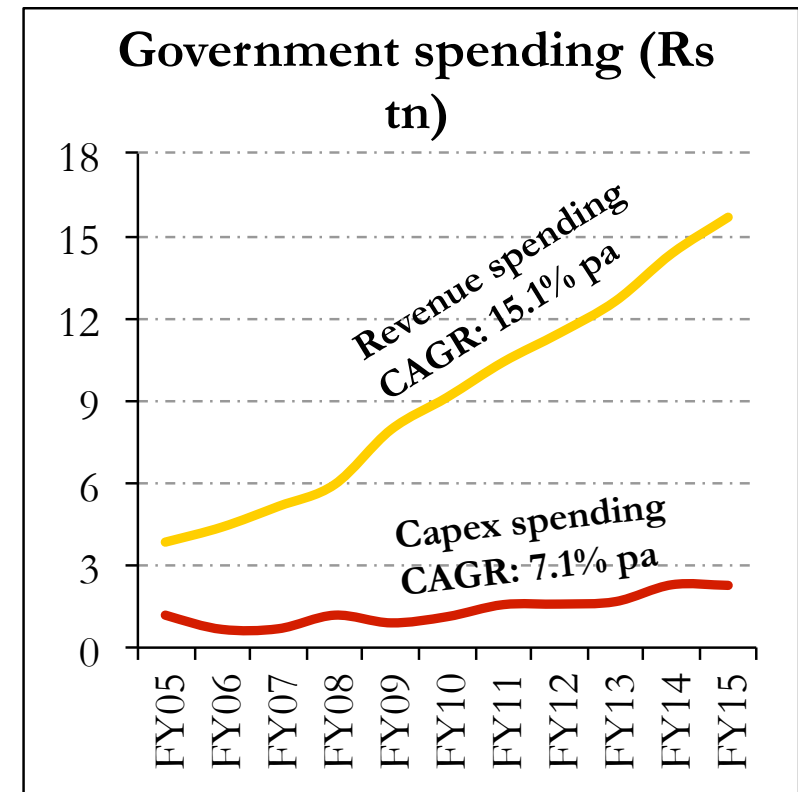
Source: Ministry of Mines, RBI, IMA survey, IMA analysis.

The long term is promising



# The NDA's governance paradigm

- The agenda of inclusion will be based not on subsidies or doles but through the provision of infrastructure and jobs
  - Redirect subsidies/incentives
  - Shift spending to capex
- There is a recognition that Delhi does not govern India – it is a government of the Union
  - Mechanism for dialogue with state Governments – essential as important reforms need their consent (security; land; environment; labour; tax; agriculture; etc)



# The governance paradigm...cont'd

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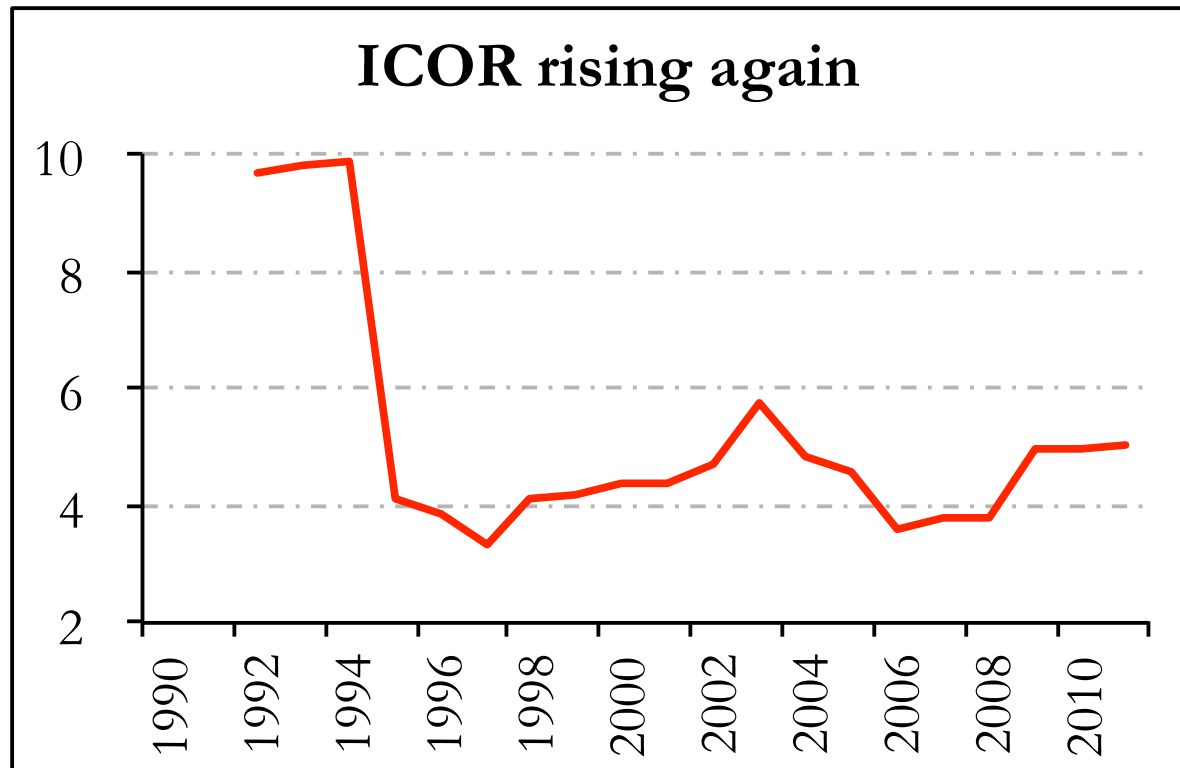
- Old laws will be eliminated – 100 have been scrapped through executive order, 150 more under review
- Removal of discretion and simplification of procedures – e.g. factory inspection, forest and environment clearances
  - Major focus on using technology to eliminate corruption and discretion
  - Auction to become the preferred route for all natural resource allocations
- Skill development, specifically amongst women and youth
  - Voluntary opt-out option being considered under NREGS to enable skill development

# Five critical issues for the long term

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- Although sentiment and growth have picked up on the back of expectations, longer term prospects depend on how the following five critical issues are dealt with:
  1. Fiscal strategy – the quantity and quality of Government spending
  2. Financial sector deepening – a need to avert a banking crisis and increase intermediation to finance investment
  3. Policy reforms to enable higher levels of investment
  4. Creation of much-needed infrastructure across the board, including providing an impetus to basic industries (resources, energy, construction) as well as urbanisation
  5. Provision of education and skills to reap India's demographic dividend

# ICOR: a measure of efficiency

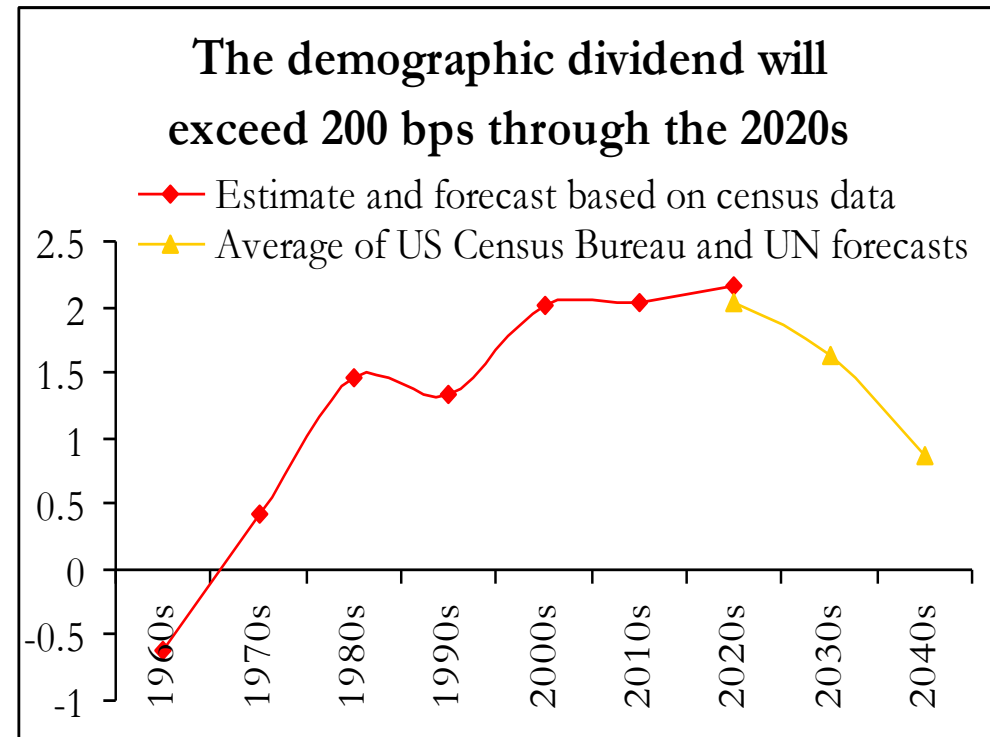
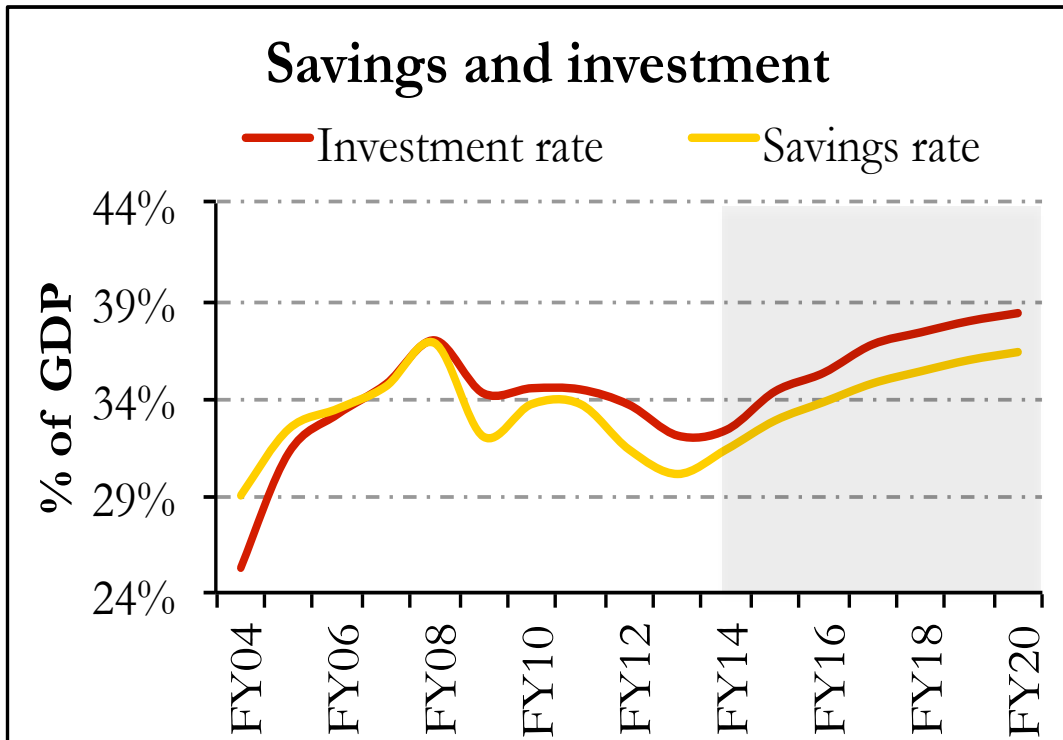


Source: RBI, CSO; IMA India analysis and forecasts. ICOR: Incremental Capital Output Ratio.

3-yr Moving Average

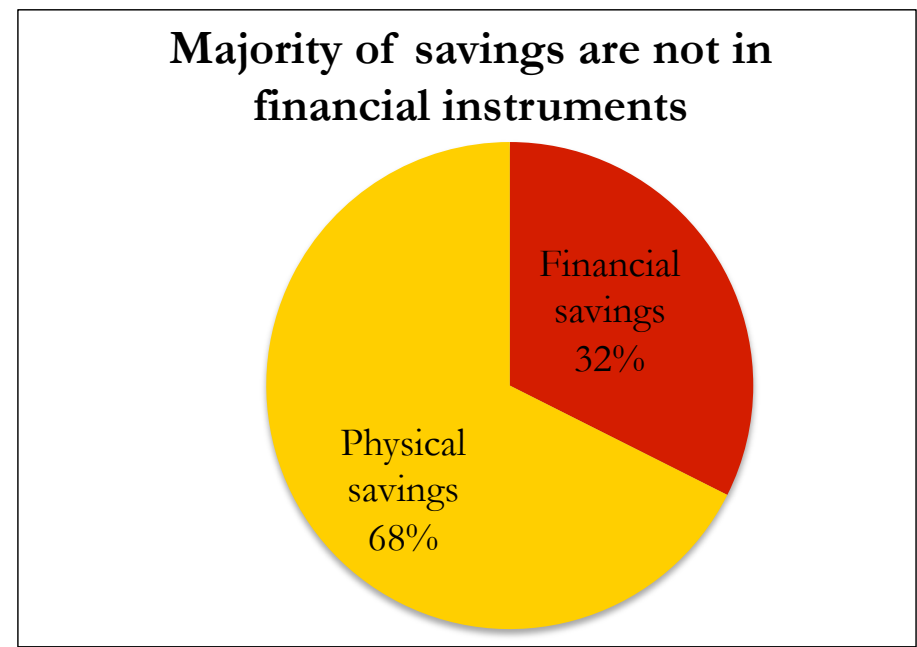
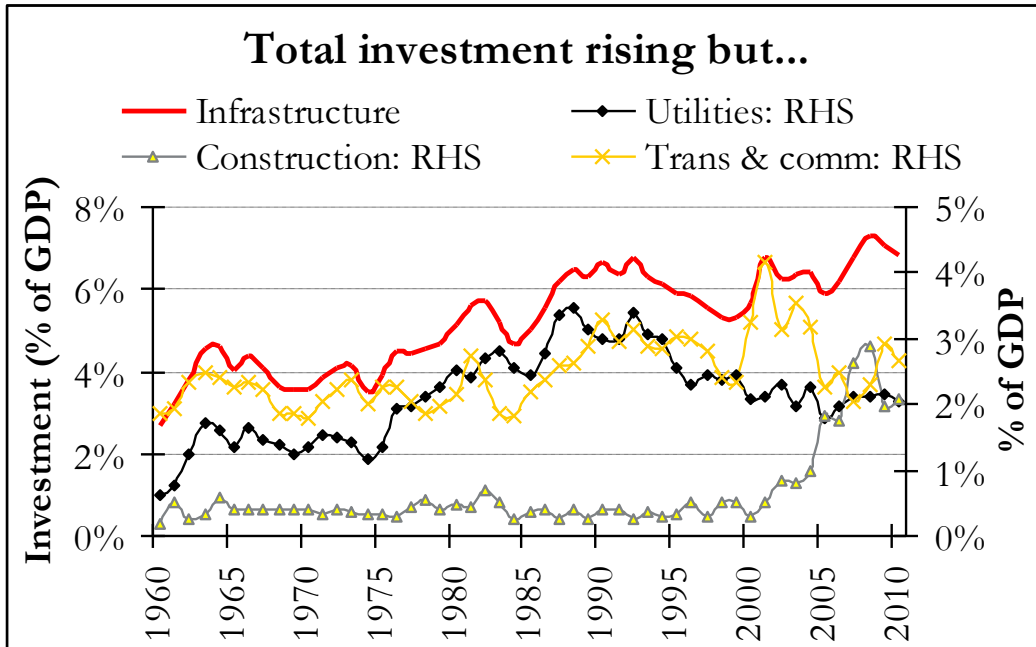
Overall macroeconomic efficiency is measured by the ICOR, which captures the units of capital consumed to produce one unit of incremental GDP

# The opportunity for growth





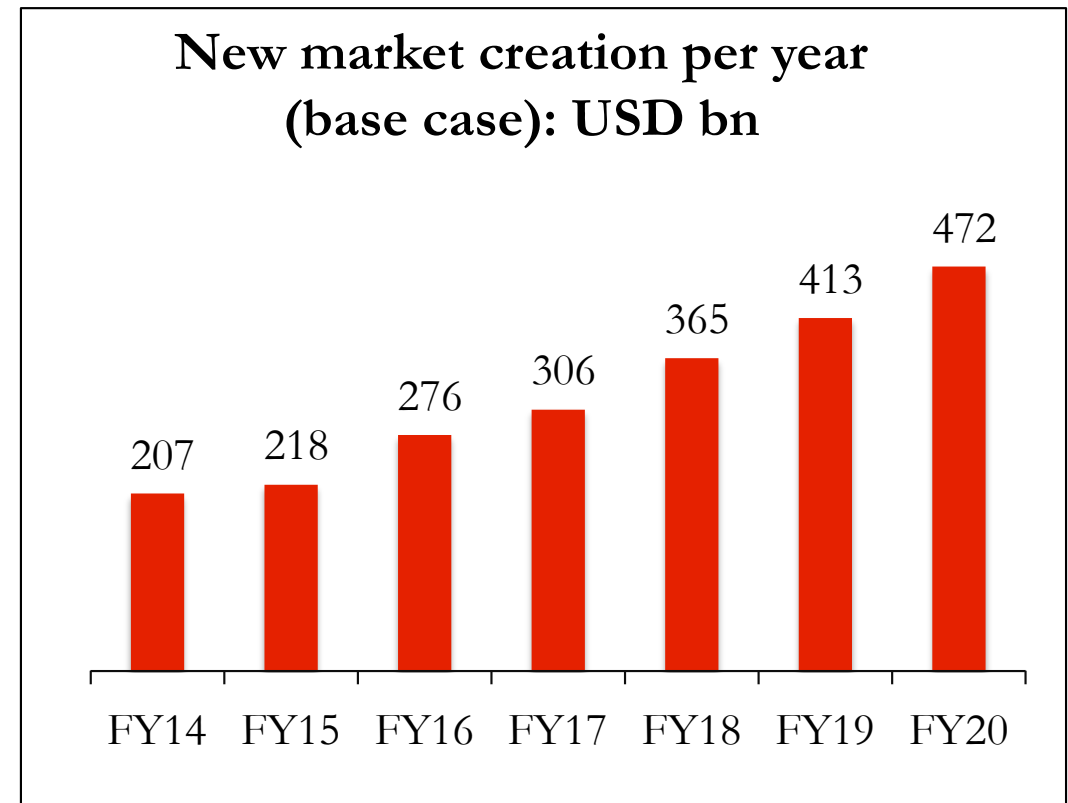
# More money needs to be mobilised



- Infrastructure investment needs to increase from 6% of GDP to 11%
- Last 5 years: debt funding of USD 90 bn was available
- Next 5 years: USD 700 bn of debt funding will be needed

# In conclusion: a large market, regardless

- GDP growth is likely to be 5.5-5.7% in FY15 and 6.5% next fiscal; thereafter, it can increase to 7.0-9.0% depending on the extent to which the Government is able to execute its reform agenda
- In absolute terms, this implies new market creation of USD 2 trillion through 2020 – more than India's total GDP currently
- ~55% of this will be domestic consumption – a huge market



# Wealth will double

Category	Households 2013	Households 2023	Per capita HH income (USD) 2013	Per capita HH income (USD) 2023
Have All	7 million	12 million	60,000 (180,000)*	80,000
Have Lots	30 million	45 million	25,000 (30,000)*	32,000
Have More	60 million	75 million	10,000	15,000
Have Some	80 million	80 million	2,000	3,000
Have Nothing	20 million	20 million	300	400

# Thank you

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