



INDIA THE INCREDIBLE INVESTMENT DESTINATION

Fact Book

Department of Economic Affairs, Ministry of Finance, Government of India

June 2012



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India's robust macroeconomic performance

Key Parameters	2005-06	2011-12	Change
Real GDP (INR billion) ¹	32,542	52,220	60% higher
Real Per Capita GDP (INR) ¹	33,548	46,221	38% higher
Investment / GDP (%) ²	35.8	37.6**	5% higher
Exports (US \$ bn) ¹	103	303	194 % higher
General Government Gross Debt (% GDP) ¹	77.4	64.9**	16% lower
Workers Remittances (US\$ bn) ²	28.0 ⁺	63.7 ⁺⁺	127% higher
Gross International Reserves (US\$ bn) ¹	151 [#]	294 ^{##}	94% higher
Foreign Direct Investment inflow (US \$ bn)	9.1	46.8	414 % higher
Foreign Direct Investment outflow (US \$ bn)	6.1	25.8**	323% higher

Sources:

¹ Reserve Bank of India data (as on March 2012)² IMF WEO Database April 2012

** For FY 2010-11

+ for calendar year 2006

++ for calendar year 2011

As on 31 March 2006

As on 30 March 2012

India's key strengths

- Good growth prospects supported by ongoing economic liberalisation and strong domestic demand
- Stable financial system
- Strong external liquidity position
- High degree of political stability
- Vibrant, transparent and high-yielding capital markets
- High savings and investment ratios
- Strong and competitive private sector
- Low susceptibility to event risk
- Steadily rising government revenues
- Healthy sectoral diversity of economy
- Largely local currency denominated debt
- Conducive investment climate
- Strong financial regulatory framework
- High growth in exports
- Strong demographic advantage
- Highly educated work force
- Innovative society

Faster and more stable real GDP growth

India demonstrates faster and stable growth than most other countries in the Dow Jones list of emerging economies

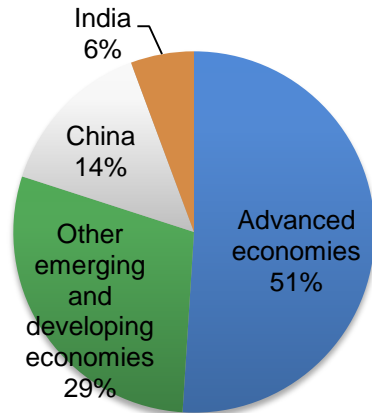
Country	Average Annual Real GDP Growth Rate in % (2006-11)
China	10.9
India	8.4
Peru	7.2
Argentina	7.1
Indonesia	5.9
Egypt	5.4
Morocco	4.8
Colombia	4.8
Philippines	4.8
Poland	4.7
Malaysia	4.6
Chile	4.2
Brazil	4.2
Taiwan, China	4.2
Turkey	4.1
Korea	3.8
Russia	3.8
South Africa	3.2
Thailand	3.0
Czech Republic	2.6
Mexico	2.1
Hungary	0.2

Country	Std. Dev. Of Real GDP Growth Rate (2006-11)
Russia	6.0
Turkey	5.3
Mexico	4.4
Taiwan, China	4.4
Czech Republic	4.1
Thailand	3.7
Hungary	3.6
Peru	3.2
Malaysia	3.2
Argentina	3.2
Brazil	2.8
Chile	2.7
South Africa	2.6
Philippines	2.3
Korea	2.2
Egypt	2.1
Colombia	2.1
China	2.1
India	1.9
Poland	1.9
Morocco	1.7
Indonesia	0.7

Increasing share in world GDP

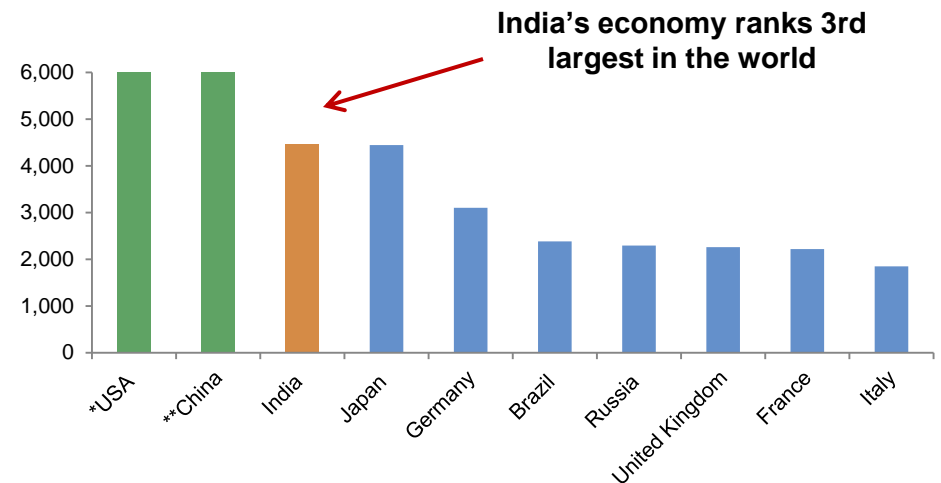
Among emerging markets, India is next only to China with respect to share in world GDP

Share in world GDP (PPP), 2011



Source: IMF World Economic Outlook Report, 2011

2011 GDP PPP (USD bn)



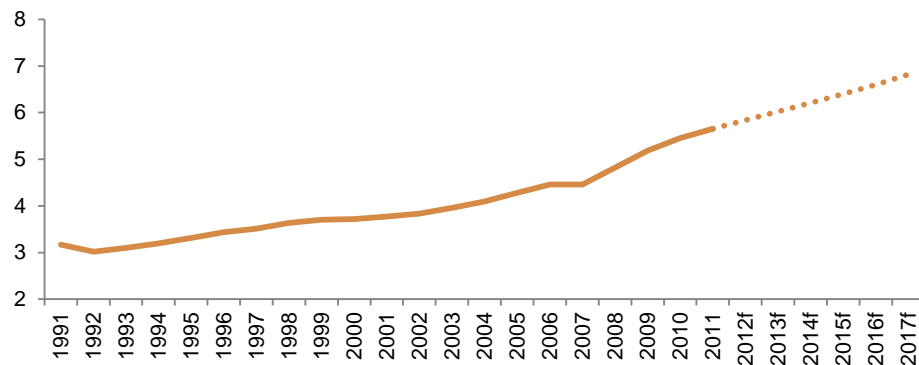
Source: IMF World Economic Outlook (April 2012)

* USA GDP is \$15094 bn

** China's GDP is \$11316 bn

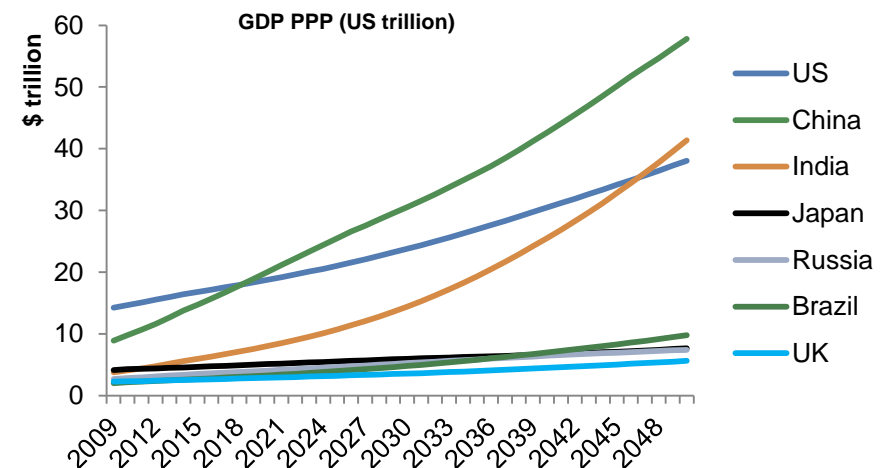
...and it has been increasing steadily

India's share in world GDP (% of world total) (PPP current USD)



Source: IMF World Economic Outlook (Apr 2012)

India is expected to become the second largest economy in the long run

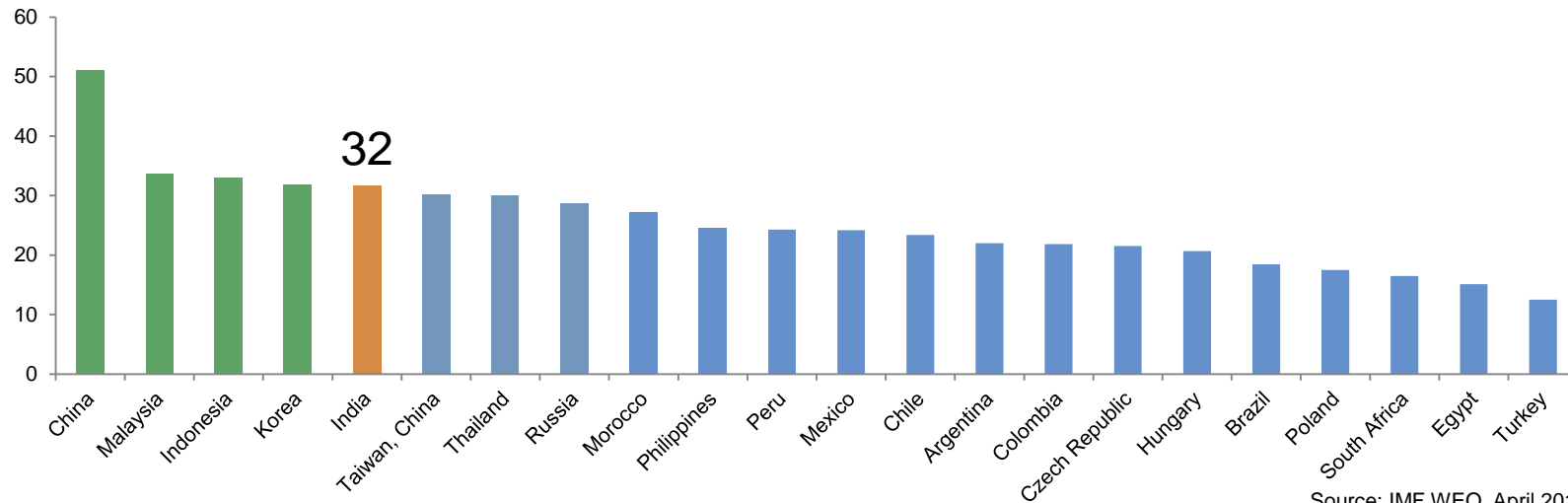


Source: 2050 Report, PriceWaterhouseCoopers, 2011

Savings and Investment rates are among highest in the world

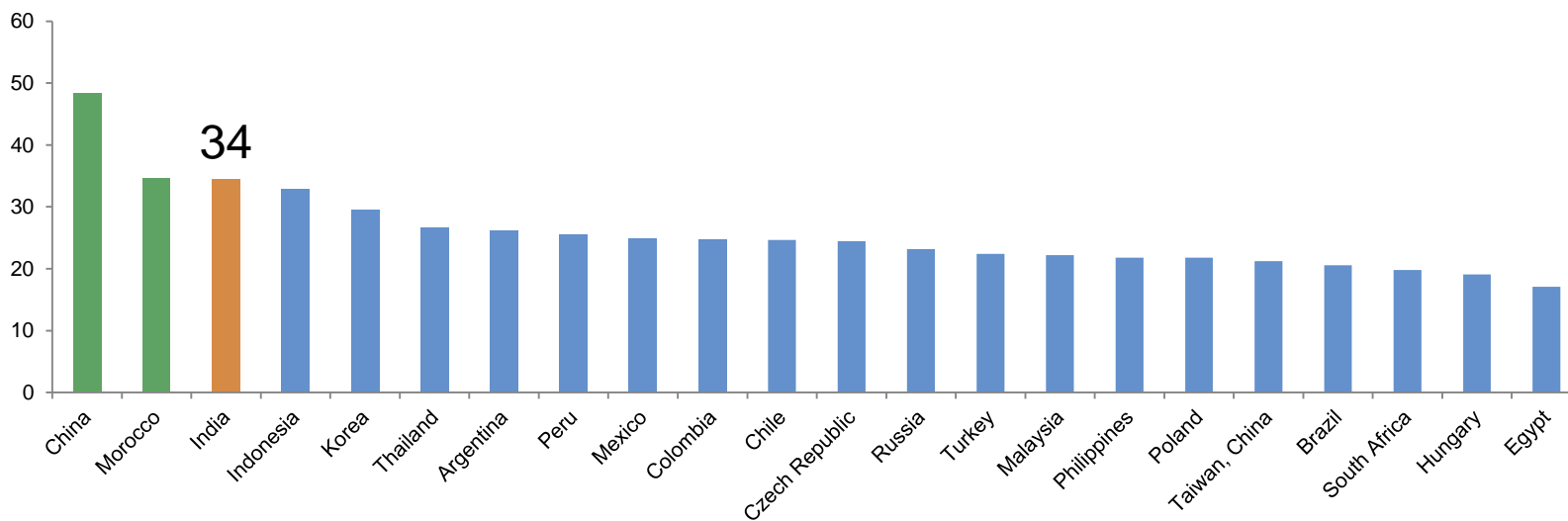
Savings and investment that drive economic growth are higher in India compared to other emerging economies

Savings (% of GDP) 2011



Source: IMF WEO, April 2012

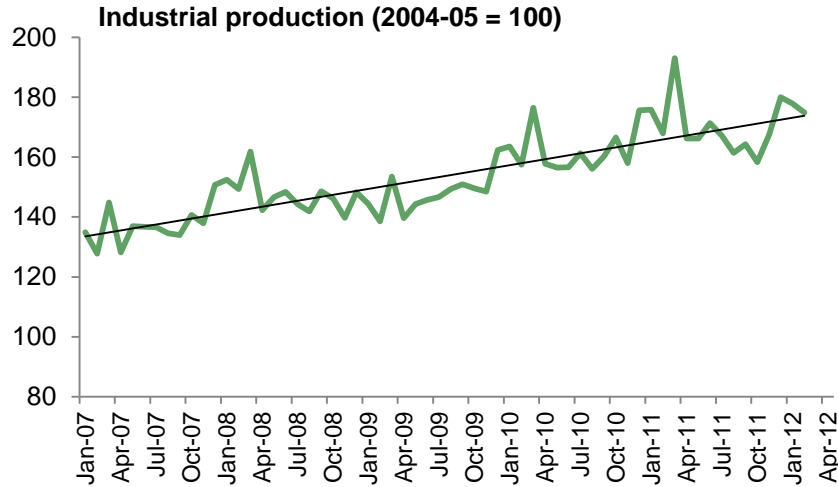
Gross Domestic Investment (% of GDP) 2011



Source: IMF WEO, April 2012

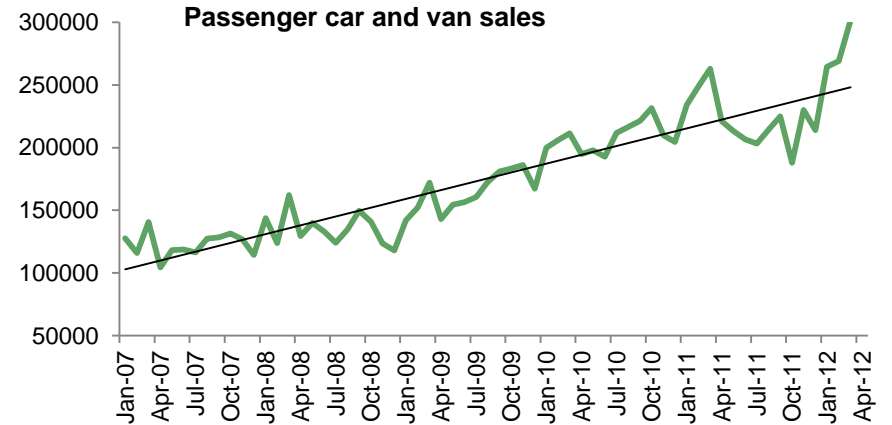
Strong growth fundamentals

Long term industrial output continues to strengthen...



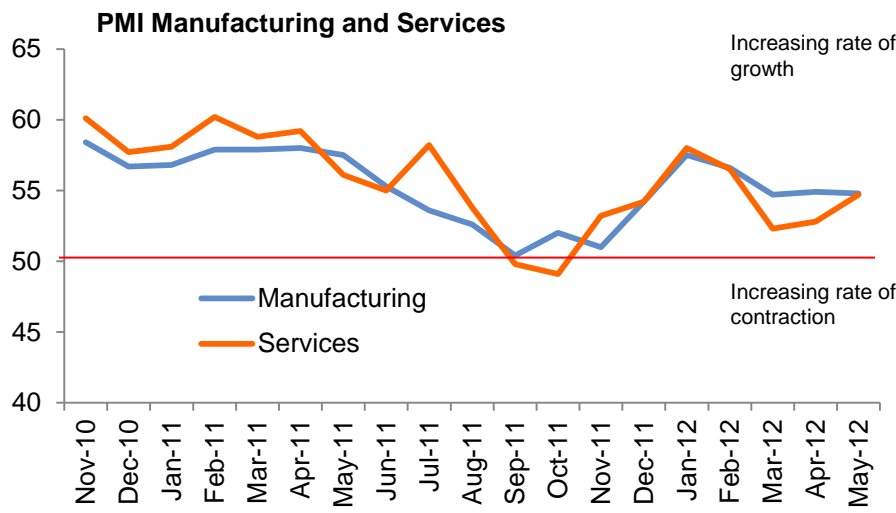
Source: CMIE Business Beacon

... with robust consumption...



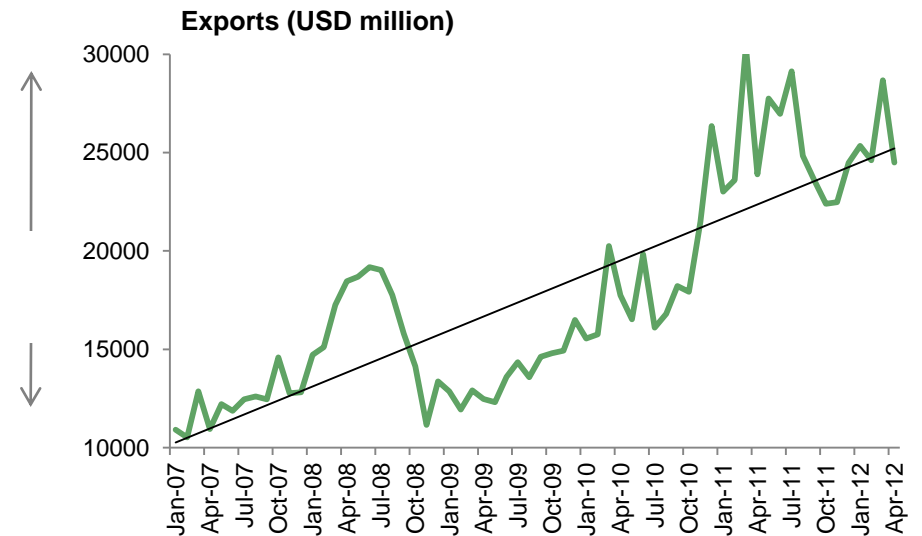
Source: CMIE Business Beacon

... positive business sentiment



Source: HSBC Markit

... and strong export growth

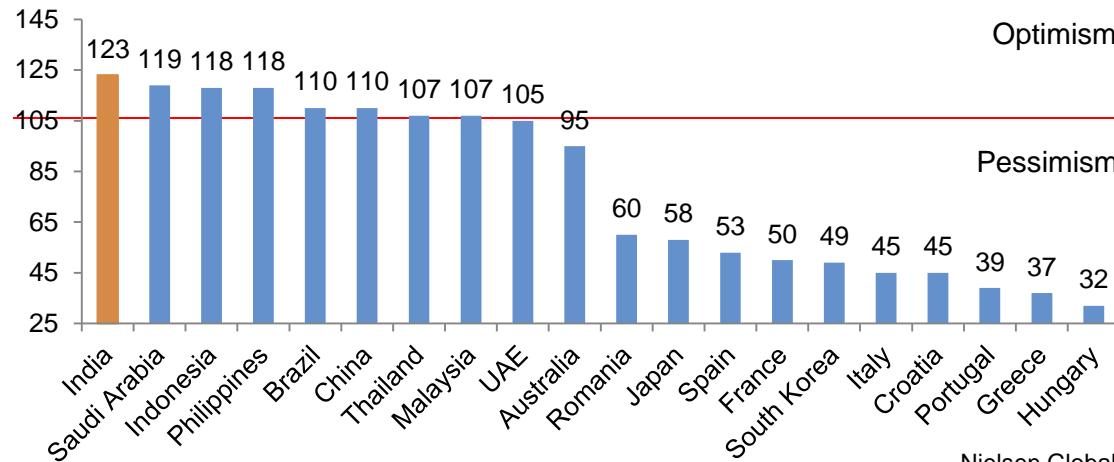


Source: CMIE Business Beacon

Domestic consumption driven economy

Indian consumers are most optimistic about the state of the economy

Consumer confidence index score

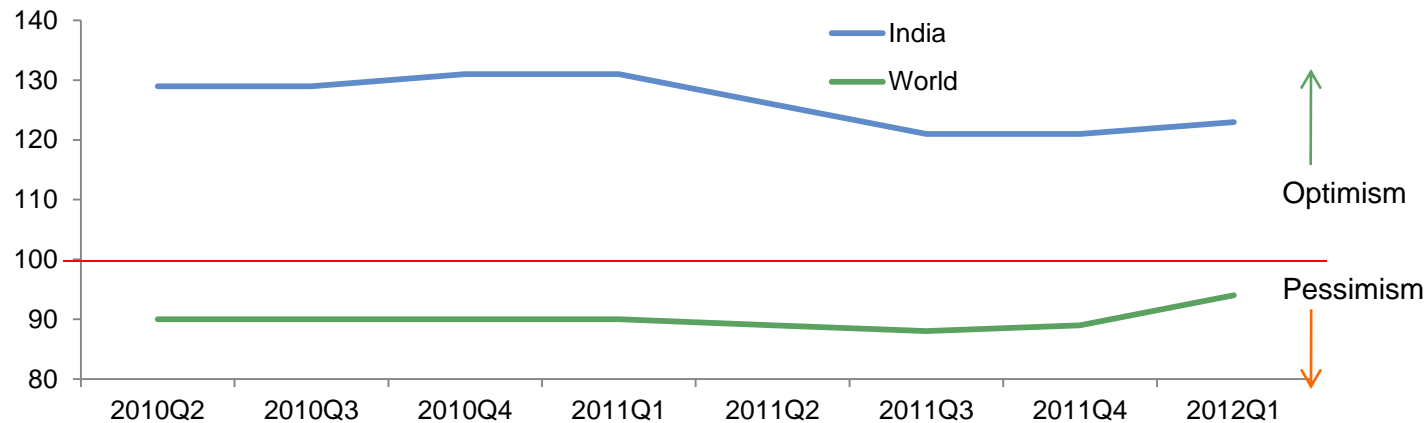


Optimism ↑
Pessimism ↓

According to the latest global consumer confidence findings (for the first quarter in 2012) from Nielsen, optimism over job prospects and state of personal finances are up from last quarter as Indian consumers continue to be the most confident across the globe for the ninth consecutive quarter, rising one index point to 123 in Q1 2012 over the previous quarter

Nielsen Global Consumer Confidence Report, Q1 2012

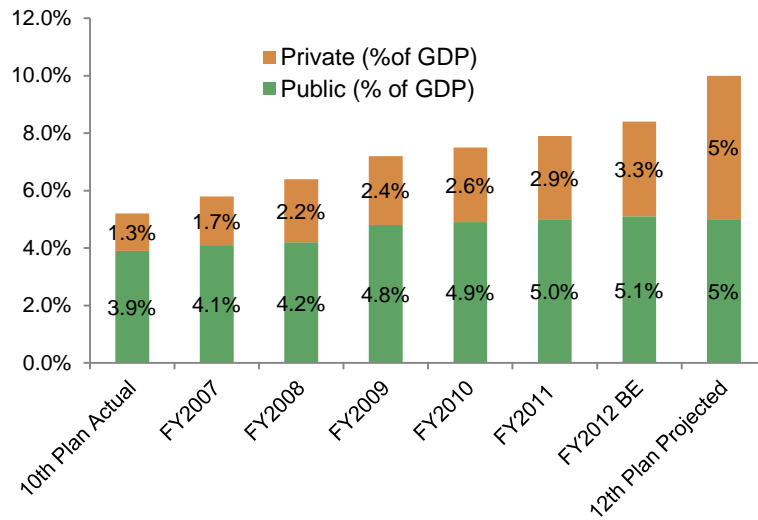
Consumer confidence has been consistently above the world average



Optimism ↑
Pessimism ↓

Focus on infrastructure investment

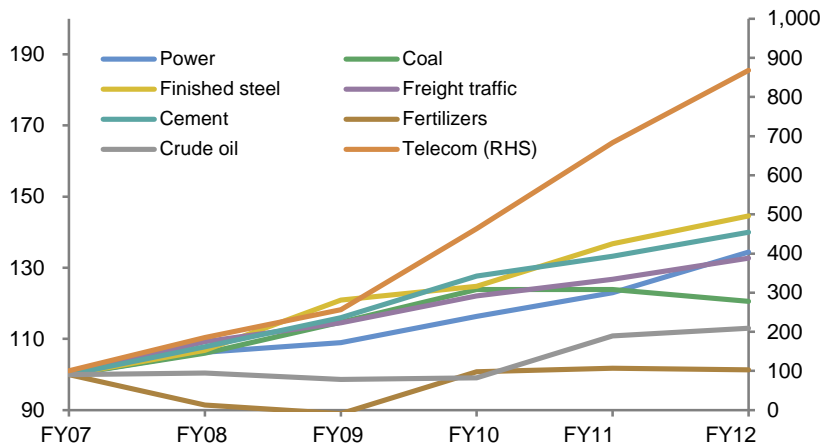
Infrastructure investment has grown massively since 2006 supported by increased private sector participation



Source: Secretariat for Infrastructure

Broad-based investment enables growth across sectors

Indexed infrastructure investment growth (FY 2007= 100)



Source: Economic Survey 2011-12

Government policy initiatives will drive further development supporting GDP growth targets

- **12th 5 Year Plan: Emphasis on Infrastructure Investment**
 - The 12th plan targets infrastructure investments of US\$1 trillion with around 50% of investment expected to come from the private sector
 - First Infrastructure Debt Fund for Rs. 8000 crores launched in March 2012

- **Promoting Public-Private Partnerships (PPPs)**
 - India has been highly successful in promoting PPPs; more than 700 PPP projects currently being carried out across the country
 - The government provides financial assistance to PPP projects through the India Infrastructure Finance Company (IIFC). Since its inception in April 2006, the company has sanctioned loans to the tune of Rs 585.68 billion to 267 infrastructure projects.
 - The government is expanding PPP eligible sectors and developing a comprehensive policy on PPPs, which is likely to be announced this year
 - More sectors added as eligible sectors for Viability Gap Funding under the Scheme 'Support to PPP in infrastructure' in Budget 2012-13
 - Draft policy on PPP under discussion
 - PPP in defence PSUs

- **Improving Investment Environment Unlocks New Funding Sources**
 - Incentives have been put in place to encourage investment in infrastructure:
 - Raising corporate bond limit for FIIs to US\$45 billion from US\$20 billion (Sept'10 to Nov 11)
 - Allowing tax free bonds to be issued by various Government undertakings in the railways, ports, housing and highways development sectors in 2011/12

- **To boost infrastructure investment, withholding tax on interest income has been reduced from 20% to 5% for loan agreements and long term infrastructure bonds in foreign currency (Budget 2012-13)**

Initiatives in infrastructure sector

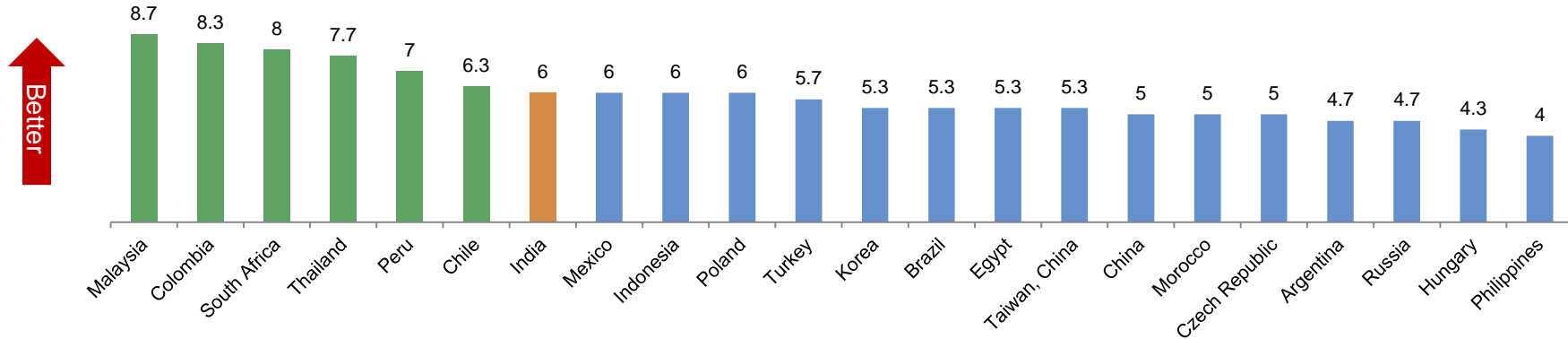
India's emphasis on physical infrastructure: 12th Plan envisages investing USD 1 trillion in infrastructure projects

- ❑ Dedicated Railway Freight Corridors
 - ❑ Eastern and Western Corridors
 - ❑ Increase carrying capacity and speed
- ❑ Delhi-Mumbai Industrial Corridor
 - ❑ Nine mega industrial zones of about 200-250 sq. km
 - ❑ Six-lane intersection free expressway
 - ❑ 4000 MW power plant
- ❑ Urban Infrastructure
 - ❑ Jawaharlal Nehru National Urban Renewal Mission
 - ❑ Metro rail projects in major cities (Mumbai, Hyderabad, Chennai, Bangalore) in various stages of implementation
- ❑ Highways
 - ❑ Target of covering a length of 8,800 kilometers under National Highway Development Project in 2012-13
- ❑ Electricity
 - ❑ 20000 MW generation capacity added in FY12. Power capacity added in FY07 was 6853 MW.
 - ❑ 16 Ultra Mega Power Plants (UMPP) (4000 MW each) planned
 - ❑ First unit of the Mundra UMPP commissioned in March 2012
 - ❑ Target of electrification of 100,000 villages under the Bharat Nirman project achieved
- ❑ Civil Aviation
 - ❑ Direct import of Aviation Turbine Fuel permitted for Indian carriers as actual users
 - ❑ External Commercial Borrowings to be permitted for working capital requirement of airline industry for a period of one year, subject to a total ceiling of USD 1 billion

Investor protection and transparency

India compares well with the advanced economies in investor protection

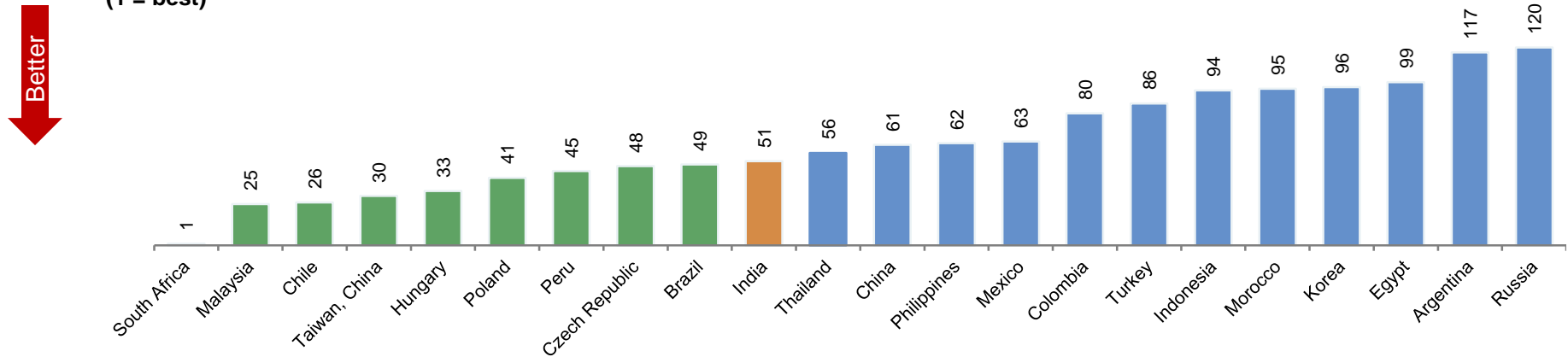
Protecting investors score (1-10 scale) (10=best)



Source: World Bank, Doing Business Report 2012

Transparency level for conducting business in India is superior to many other EMEs

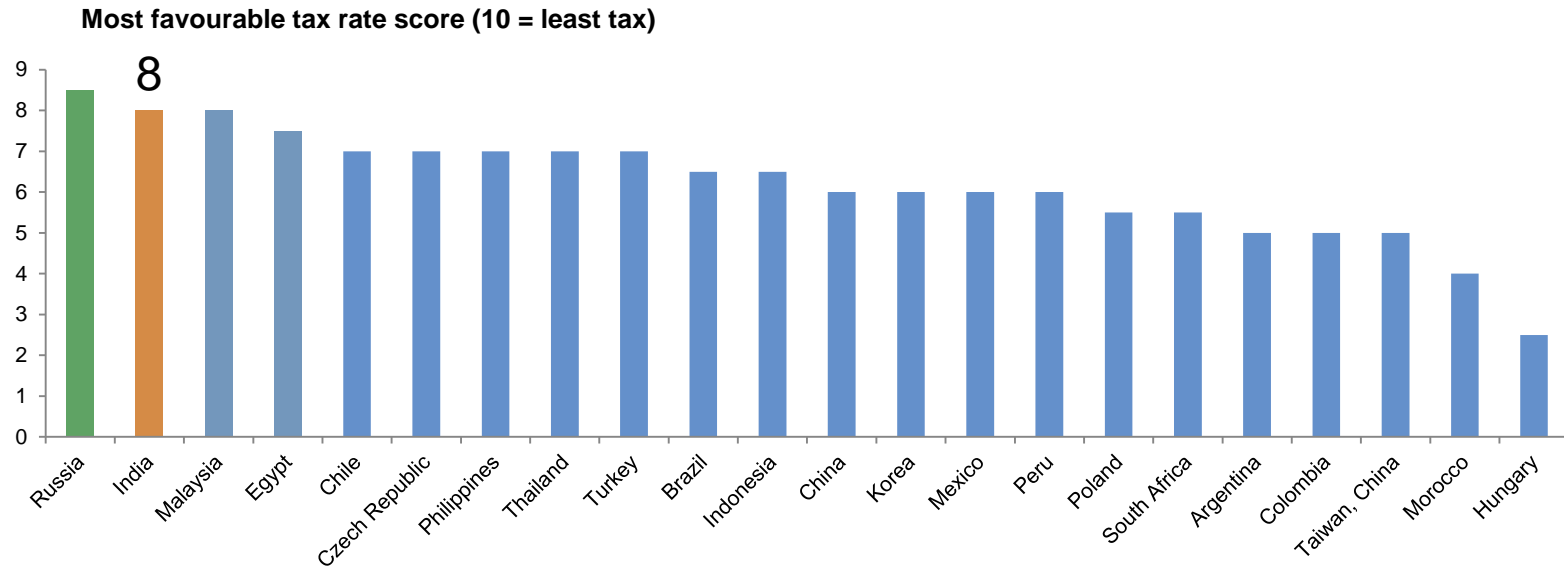
Strength of auditing and reporting standards rank (1 = best)



Source: World Economic Forum – Global Competitiveness Report 2011-2012

Favourable tax regime and conducive regulatory environment

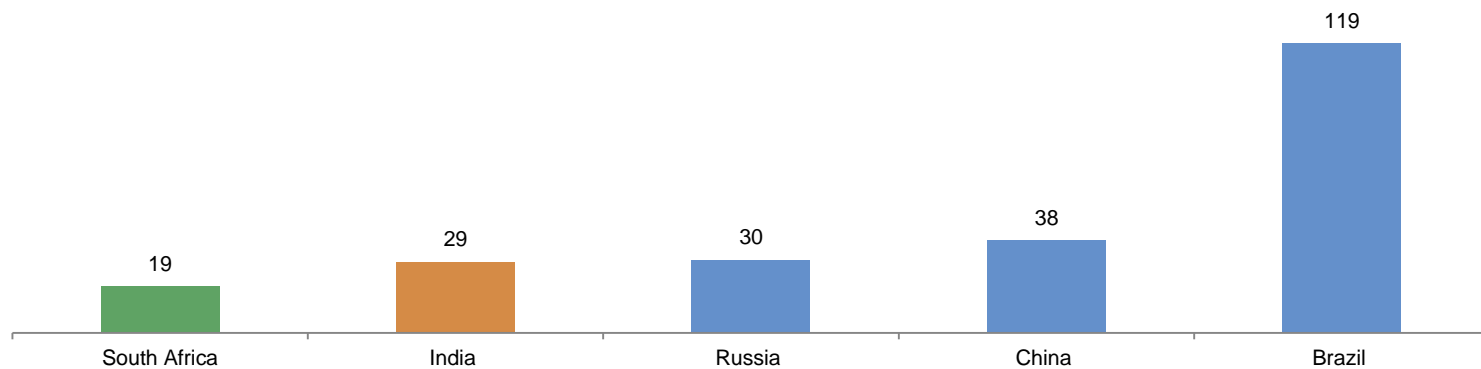
Among emerging markets India has one of the most favourable tax regimes, a very crucial factor for business growth



Source: Economic Freedom of the World Report, 2011

...and compares favorably with three of four other BRICS nations in the ease of starting a business

Number of days to start a business



Macroeconomic Environment

Capital Markets

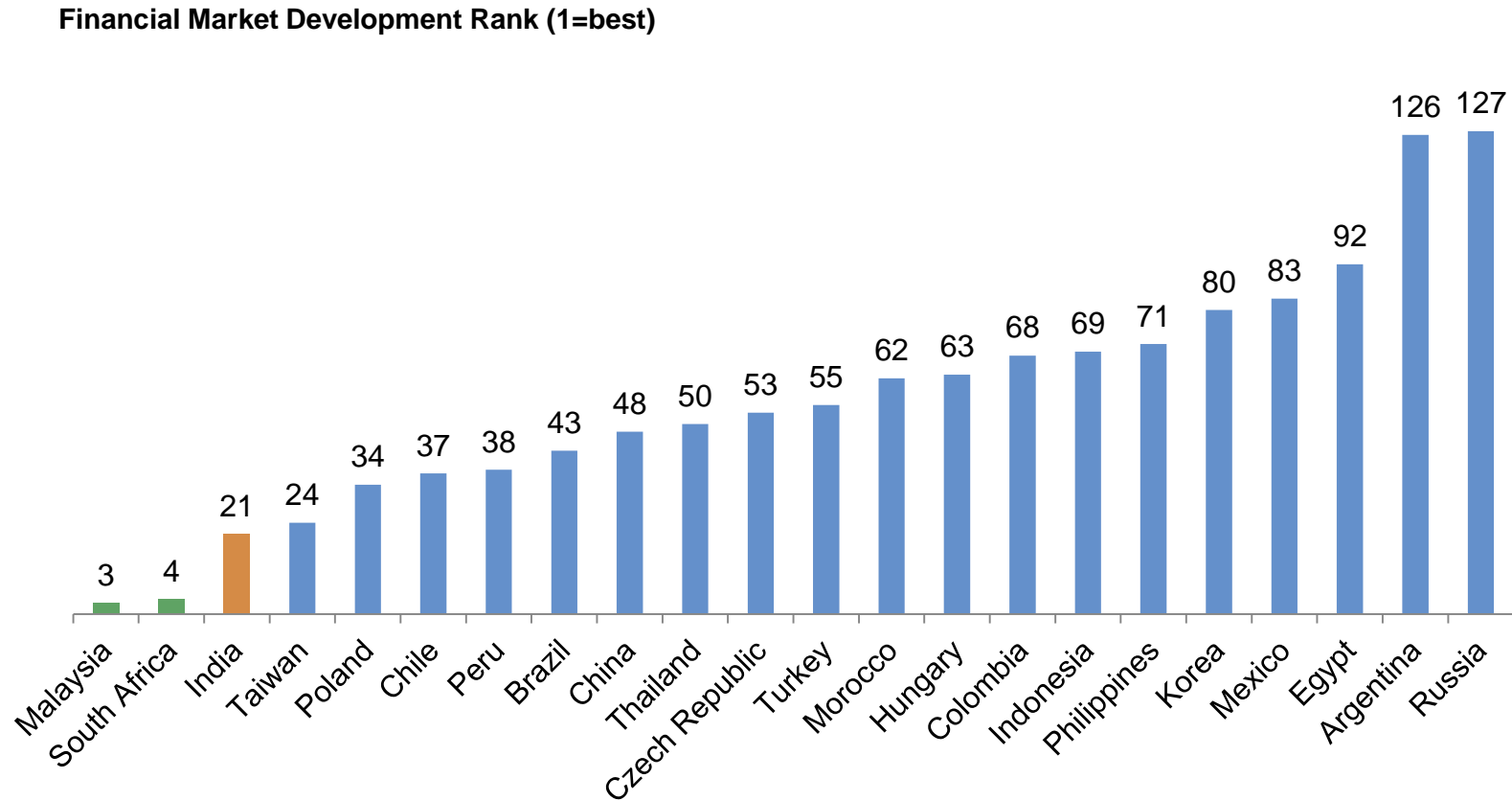
Public Finances

External Finances

Structural Factors

Well developed financial markets

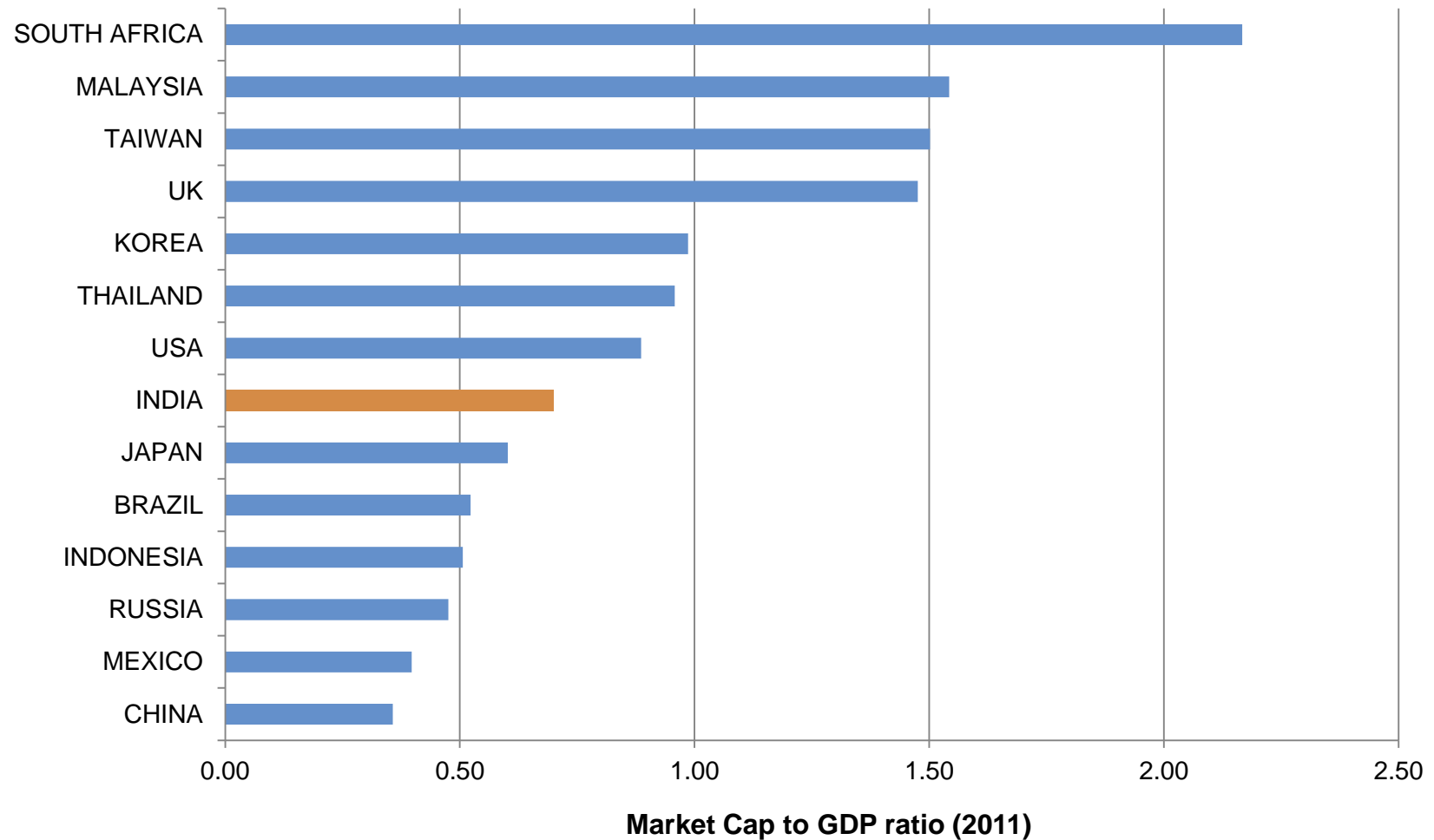
In terms of financial market development India ranks much better than most EMEs



Source: World Economic Forum – Global Competitiveness Report 2011-12

Potential for growth (Market cap)

Future potential for increasing market cap remains attractive as many corporates are yet to be represented in the equity space

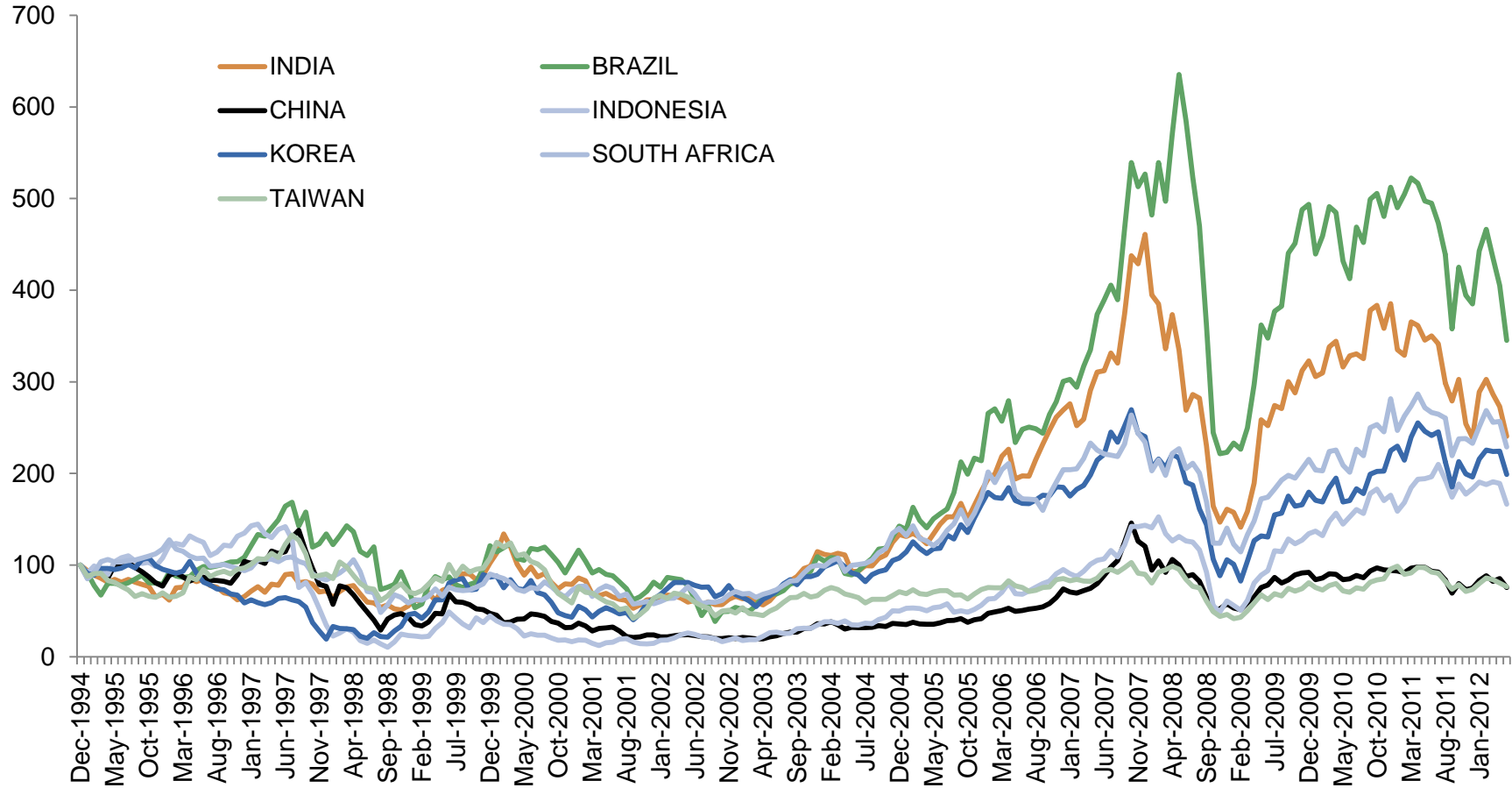


Source: IMF, WFE

High yielding equity market

USD 100 invested in Dec 2001 would have yielded USD 385 by Dec 2011!

MSCI India – USD Index performance

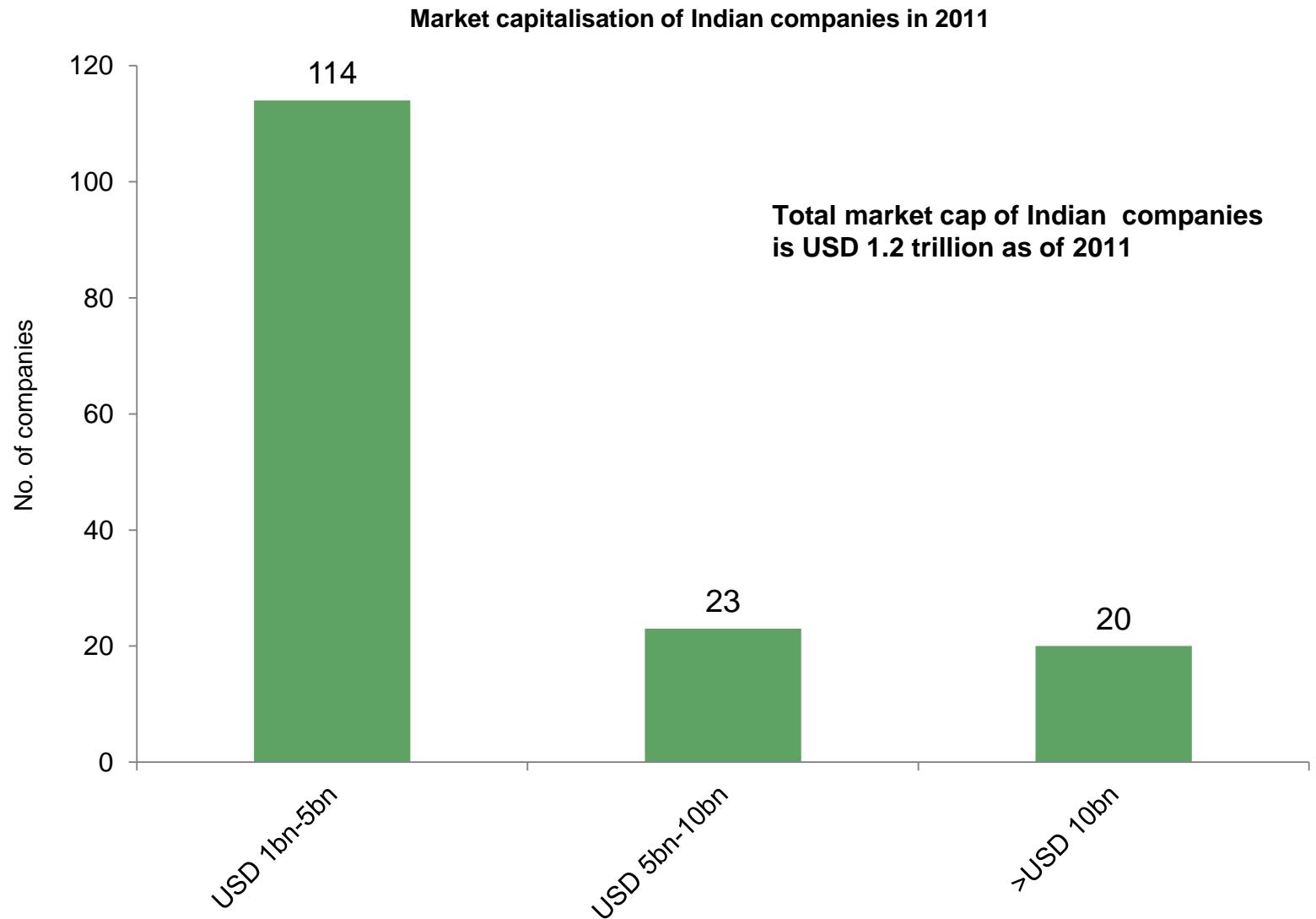


- India has been amongst the best performing markets in its peer group , since liberalization
- Indian equities have delivered a CAGR of 14% over the last two decades

Source: Bloomberg

Indian equity markets: Market cap of Indian companies

157 companies are valued over USD 1 billion each








Source: Bloomberg

Indian equity markets: Market cap of top 20 PSUs

Multiple central public sector enterprises (PSEs) feature amongst the largest companies in India

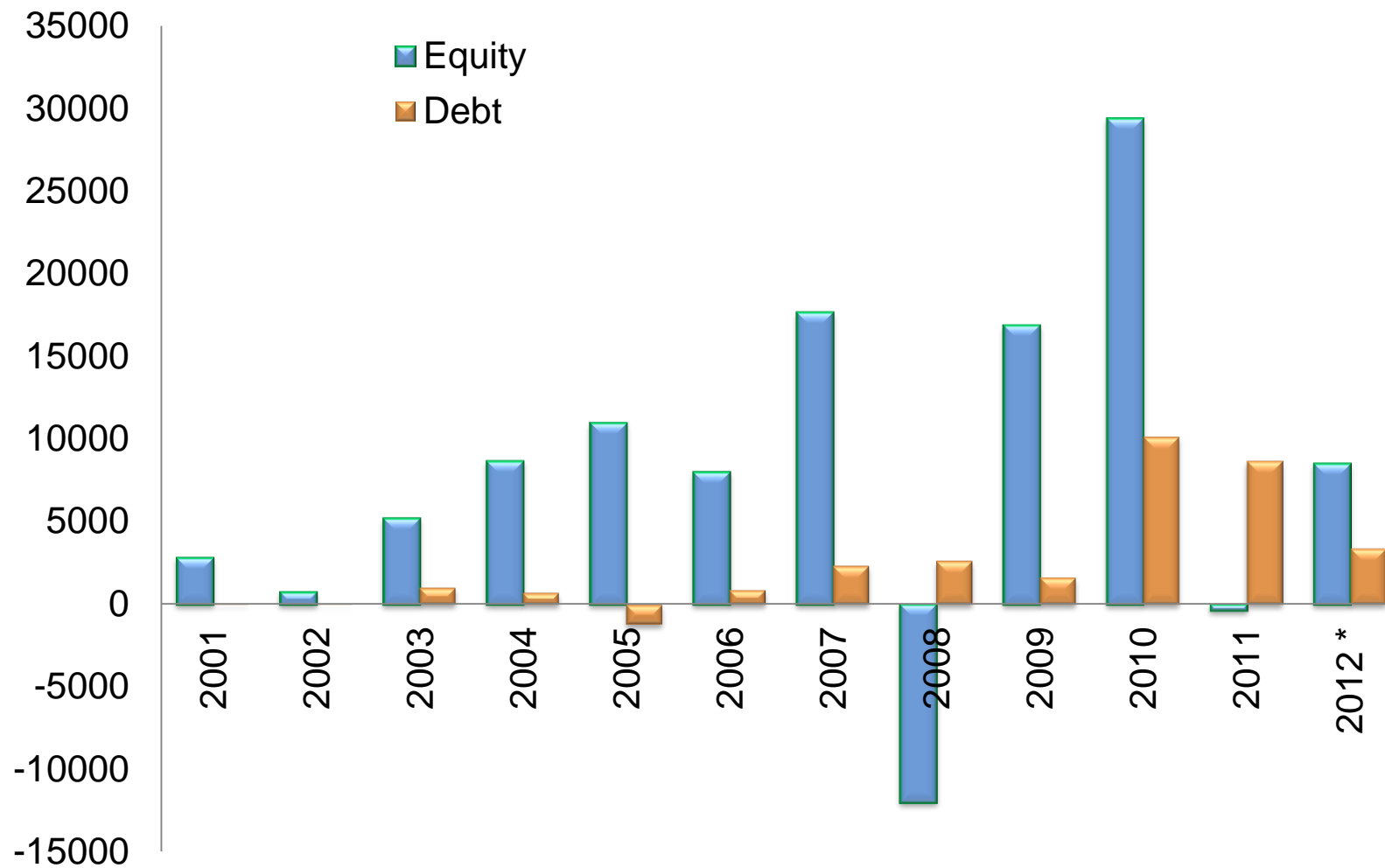
Top Central Public Sector Enterprises

Sr. No.	Company	Market Cap. (US\$ mn)	Sr. No.	Company	Market Cap. (US\$ mn)
1	 ONGC	42,953	11	 Oil India	5,135
2	 Coal India	39,169	12	 Hindustan Copper	5,113
3	 NTPC	25,485	13	 NHPC	4,702
4	 MMTC	18,387	14	 Power Finance	3,839
5	 NMDC	13,248	15	 Bharat Petroleum	3,551
6	 BHEL	12,541	16	 REC	3,152
7	 Indian Oil	12,438	17	 NALCO	2,823
8	 GAIL	9,336	18	 Neyveli Lignite	2,671
9	 Power Grid	8,978	19	 Petronet LNG	2,346
10	 SAIL	7,314	20	 Bharat Electronics	2,277

Source: Bloomberg

FII inflows

Significant FII inflows in equity and debt



*2012 Data is up to 28 May 2012
Figure in USD million

Source: SEBI

India: Favoured FII investment destination

FII inflows (equity)

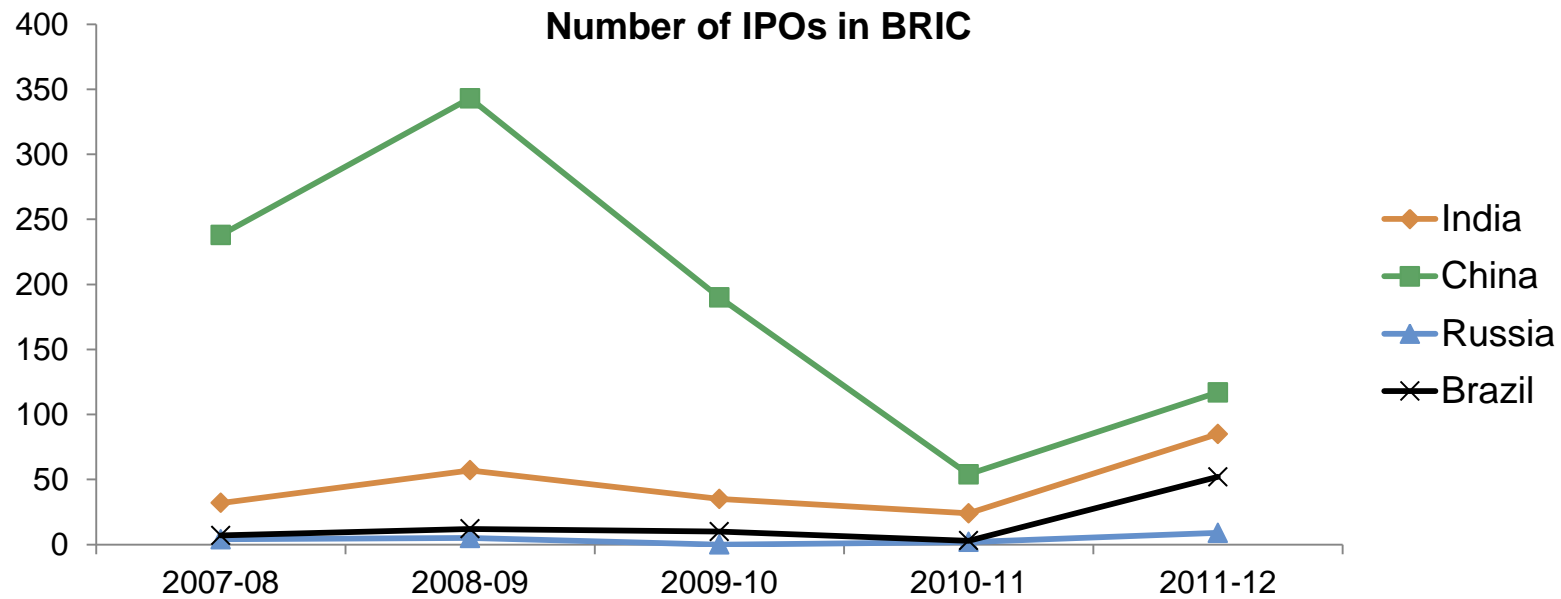
YEAR	INDIA	INDONESIA	KOREA	TAIWAN	SOUTH AFRICA	BRAZIL
2000	1586	91	10127	3021	2474	-1161
2001	2748	428	5790	7494	3466	460
2002	707	872	-2259	-110	-622	-460
2003	6673	1121	11794	15887	-1	2509
2004	8623	2199	9316	8054	5208	662
2005	10702	3403	-2764	19185	7330	2208
2006	8372	1878	-11808	17108	10998	1170
2007	17824	3551	-29221	2244	8890	-1924
2008	-12173	1870	-33368	-15377	-5565	-12019
2009	17626	1385	24827	13720	8988	10028
2010	28711	2331	18595	8689	4834	3600
2011	-543	2600	-6716	-9340	-2002	3623
TOTAL	90856	21729	-5687	70575	43998	8696

Amount in USD million

Source: J P Morgan / MSCI /Exchange / Regulatory websites

Surge in IPO issuances

India has performed very well by the number of issues among BRIC nations



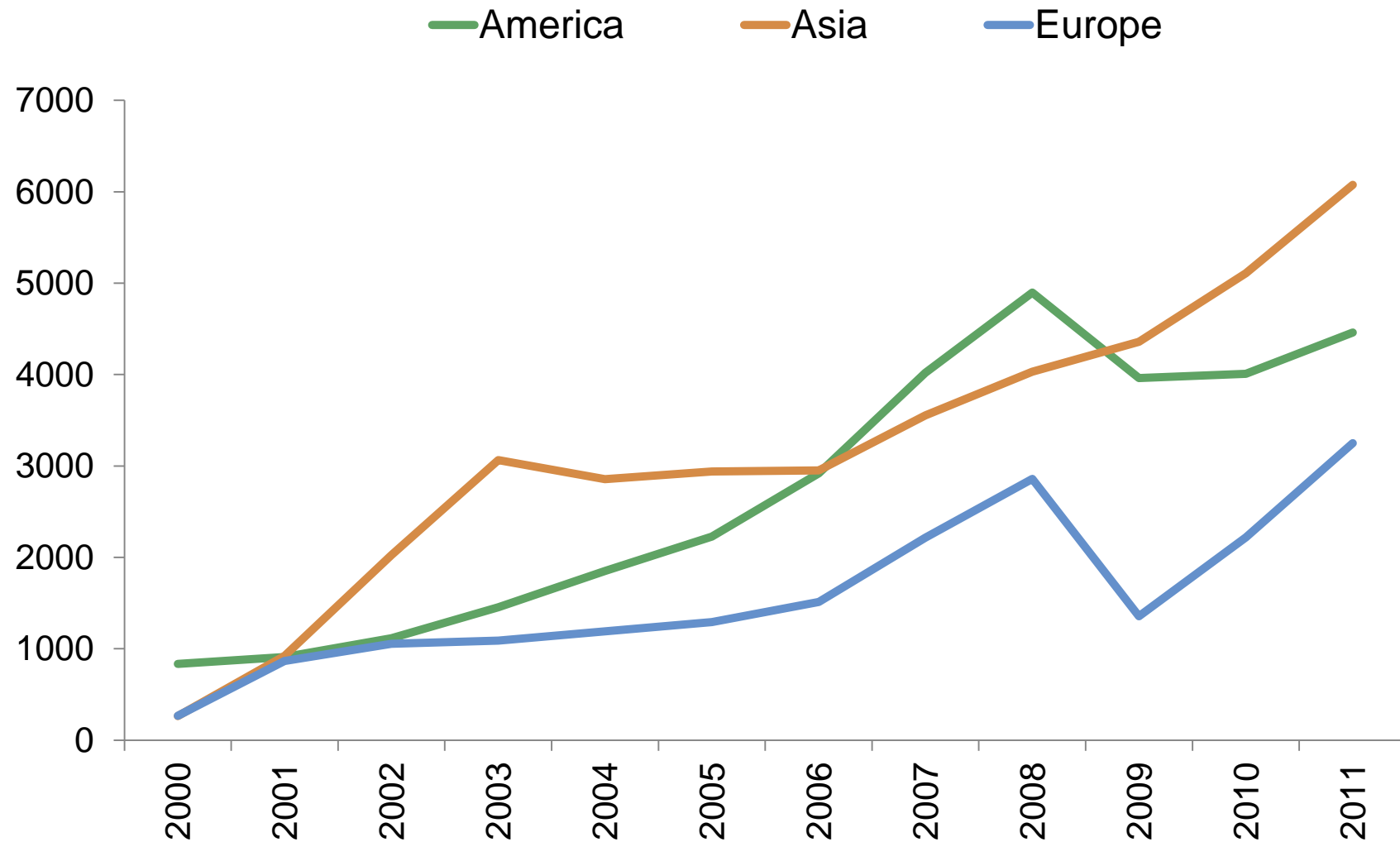
IPOs	India		China		Russia		Brazil		
	Year	Number	Amount*	Number	Amount*	Number	Amount*	Number	Amount*
2007-08		32	1.25	238	33.03	4	0.19	7	2.07
2008-09		57	7.63	343	69.30	5	0.51	12	5.29
2009-10		35	5.03	190	44.83	0	-	10	14.54
2010-11		24	0.59	54	6.98	2	1.58	3	4.53
2011-12		85	10.65	117	58.63	9	1.93	52	22.99

*Amount in USD billion

Source: Bloomberg

Equity derivatives – Asian leadership

Asian markets have been witnessing faster growth in derivatives. CAGR for Asia was 30% as compared to 15% for Americas and 23% for Europe

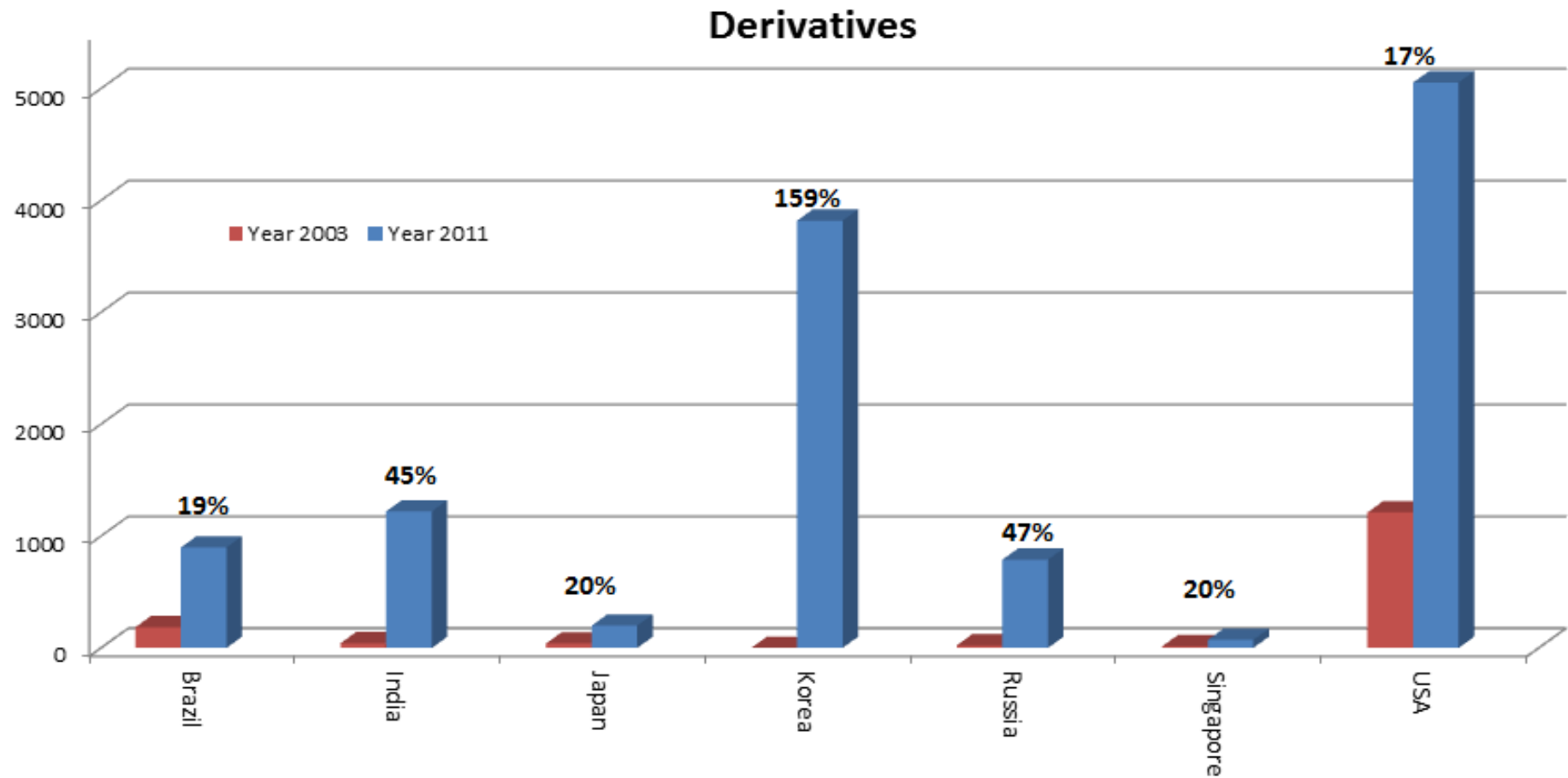


Number of contracts in million

Source: WFE

Growing derivatives market

Indian derivatives market is growing at a compounded annual growth rate of 45%

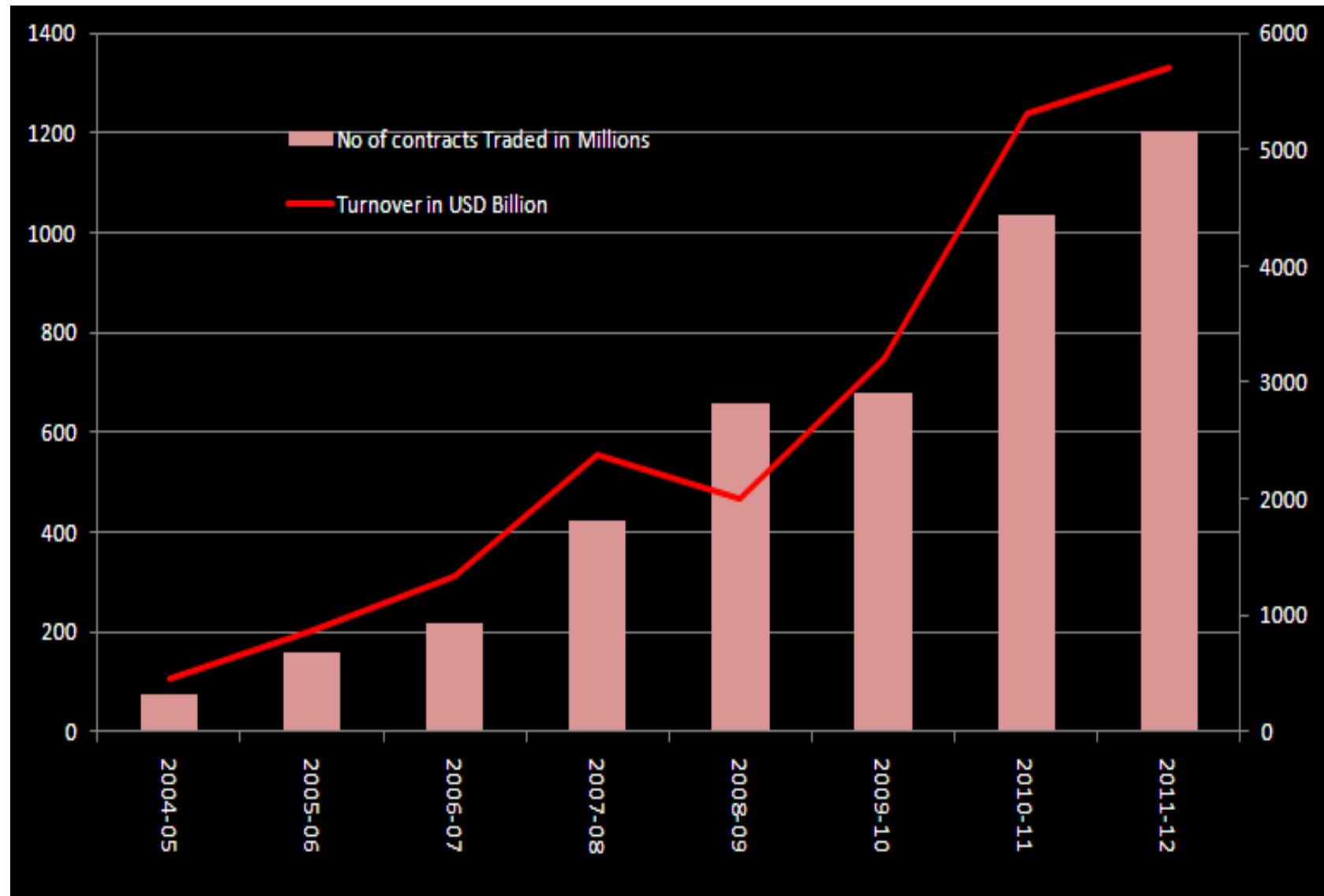


Contracts in million

Source : Futures and Options Intelligence

India: Rapidly growing

Both the number of contracts traded and their turnover have seen a sharp growth over the years



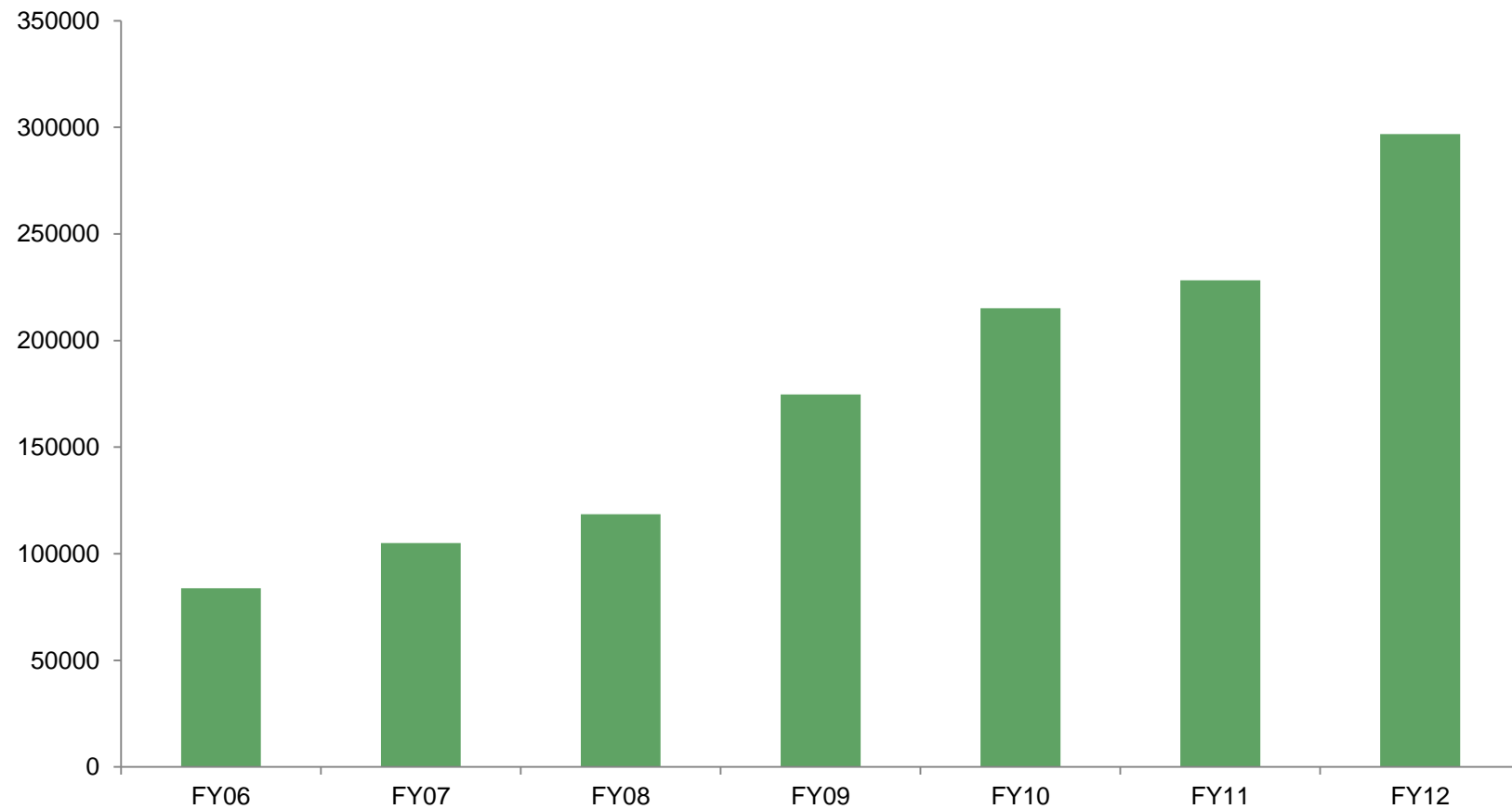
Figures are for equity derivatives in terms of number of contracts traded

Source: SEBI, WFE

Robust growth in corporate bond issuance

India has a developing corporate bond market with increasing corporate bond issuances

Corporate bond issuances (in Rs crore)



Source: SEBI

M&As reflect the vibrancy of Indian corporate sector

India's developed market features

Top 10 M&A Deals since 2007 by size

Value (\$bn)	Year	Target	Target Nationality	Target Business Description	Acquirer	Acquirer Nationality	Acquirer Business Description
12.2	2007	Corus		Steel	Tata Steel		Steel
10.8	2007	Hutchison Essar		Telecom	Vodafone		Telecom
10.7	2010	Zain Africa BV		Telecomm,	Bharti Airtel Ltd		Telecom
8.6 (4 deals)	2011	Cairn India		Oil & Gas	Vedanta Plc		Oil & Gas
7.2	2011	Reliance Industries		Oil & Gas	British Petroleum		Oil & Gas
6.0	2007	Novelis Inc		Aluminium	Hindalco Industries		
5.0	2011	Vodafone Essar		Telecom	Vodafone Group (Plc)		Telecom
2.6	2009	Tata Teleservices Ltd		Telecomm.	NTT DoCoMo Inc		Wireless telecommunications.
1.9	2011	Abbot Point Port		Shipping & Ports	Mundra Port SEZ Ltd		Shipping & Ports
1.7	2010	Atlas Energy Inc (Marcellus Shale)		Marcellus Shale	Reliance Industries Ltd		Production and distribution process for synthetic textiles

- The top ten M&A deals in India since 2007 totaled nearly \$66bn and occurred in developed business sectors including telecommunications, oil & gas, engineering, and manufacturing
- M&A deals in the software industry since 2007 totaled above \$205mn promoting a more developed and technical business environment

Source: Grant Thornton Dealtracker India (various issues)

Recent initiatives in Capital Markets

- Development of Corporate Bond Market
- Dedicated trading platforms for small and medium scale enterprises
- Reducing transaction cost in Securities markets
- QFI access to Indian Equity Markets, corporate bonds and mutual fund debt schemes
- Liberalisation in ECBs: Permitting External Commercial Borrowings (ECB) to part finance Rupee debt of existing power projects
- Financial Stability and Development Council (FSDC)
- Financial Action Task Force (FATF)
- Permitting two-way fungibility in Indian Depository Receipts
- Reduction in the rate of long-term capital gains tax in the case of other non-resident investors, including Private Equity from 20% to 10% on the same lines as applicable to FIIs
- Providing the levy of Securities Transaction Tax (STT) at the rate of 0.2 per cent on sale of unlisted securities in the course of IPO
- Tax exemption to “Angel” investors investing in in start-up companies
- Extending the lower rate of withholding tax to funds raised through long term infrastructure bonds in addition to borrowing under a loan agreement
- Removal of Restriction on Venture Capital Funds to invest only in nine specified sectors
- Financial Sector Legislative Reforms Commission (FSLRC)
- Rajiv Gandhi Equity Saving Scheme
- Mandatory offer of electronic voting facility
- Income tax exemption to the Beneficial Owners Protection Fund (BOPF) set up by the Depositories

Macroeconomic Environment

Capital Markets

Public Finances

External Finances

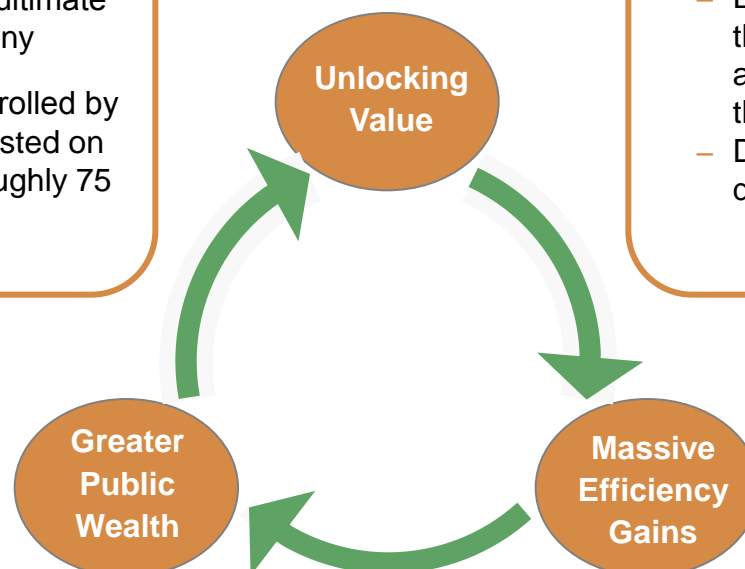
Structural Factors

Unlocking latent potential of Indian PSUs

Key features of India's disinvestment policy

- Objective is to unlock value from PSE's while still maintaining ultimate control (min >51%) of company
- Currently 249 PSE's are controlled by government; 50 are already listed on domestic stock exchange, roughly 75 are ready for listing

- Policy for disinvestment¹
 - Eligible PSE's for listing include those with no accumulated losses and have earned net profit in three preceding consecutive years
 - Disinvestment is a cabinet level decision



- Provides direct opportunity to public for purchasing shares , garnering broader acceptance for policy initiative
- Waiting for the opportune time to disinvest means that the country can maximize public valuations

- “Privatizes” public sector management through introduction of independent board of directors and compensation in line with global best practices
- Doing so enhances management and raises accountability and transparency through market discipline

Note

¹ For full list of policy requirements, see 50th Public Enterprises Survey 2009-2010

Opportunity to reap high yields

Disinvestment of PSUs has the potential to unlock significant value

Top 10 PSUs by potential realizable value

Data as of January 2012	Market Capitalization (USD million)	Govt. Stake (%)	Min. stake expected to be held by the govt. (%)	Potential Realizable Value (USD million)
Oil & Natural Gas Corporation Ltd.	42,953	69.14	51	7,791.67
Coal India Ltd.	39,169	90	51	15,275.91
NTPC Ltd.	25,485	84.5	51	8,537.48
M M T C Ltd.	18,387	99.33	51	8,886.44
National Mineral Development Corp.	13,248	90	51	5,166.72
Bharat Heavy Electricals Ltd.	12,541	67.72	51	2,096.86
Indian Oil Corporation Ltd.	12,438	78.92	51	3,472.69
Gail (India) Ltd.	9,336	57.34	51	591.90
Power Grid	8,978	69.42	51	1,653.75
SAIL	7,314	85.82	51	2,546.73
Total				56,020.15

Note: Realizable value of PSUs = Value of government stake – minimum stake expected to be held by the government (% of GDP)

India: Planned disinvestments

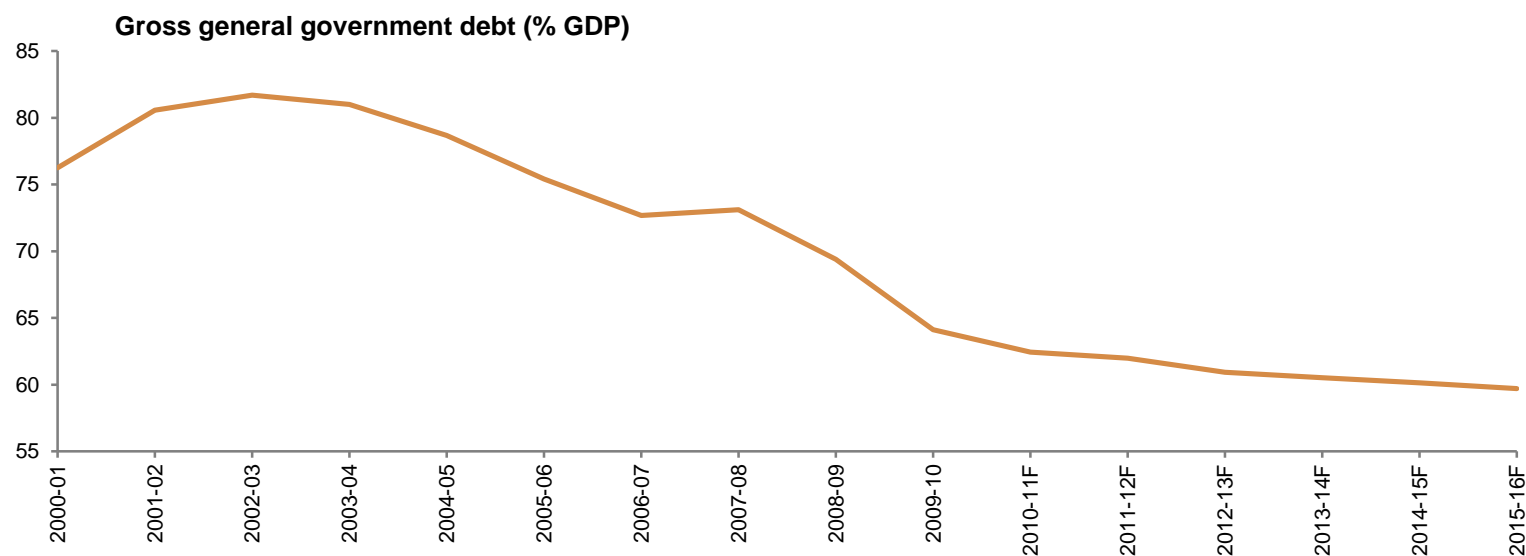
Details of proposed disinvestments

Company Name	Offering Details (%)	Indicative Divestment Size (USD million)
Bharat Heavy Electricals	5% GoI Disinvestment	622*
Hindustan Copper	10% GoI Divestment and 10% Fresh Issue	520*
Steel Authority of India	5% GoI Divestment and 5% Fresh Issue	365*
RINL	10% GoI Divestment	NA
Hindustan Aeronautics	10% GoI Divestment	NA
Oil India	No announcement	NA
Neyveli Lignite	No announcement	NA
National Aluminium Company Ltd.	10	273
MMTC Ltd.	9.33	160
NHPC Ltd.	10	416
NMDC Ltd.	10	1249
MOIL Ltd.	10	79
Andrew Yule & Co. Ltd.	10	13
Engineers India Ltd.	10	158
Rashtriya Chemicals & Fertilizers Ltd.	12.5	76

(*) Note: Values based on current market cap as on January 12, 2012.

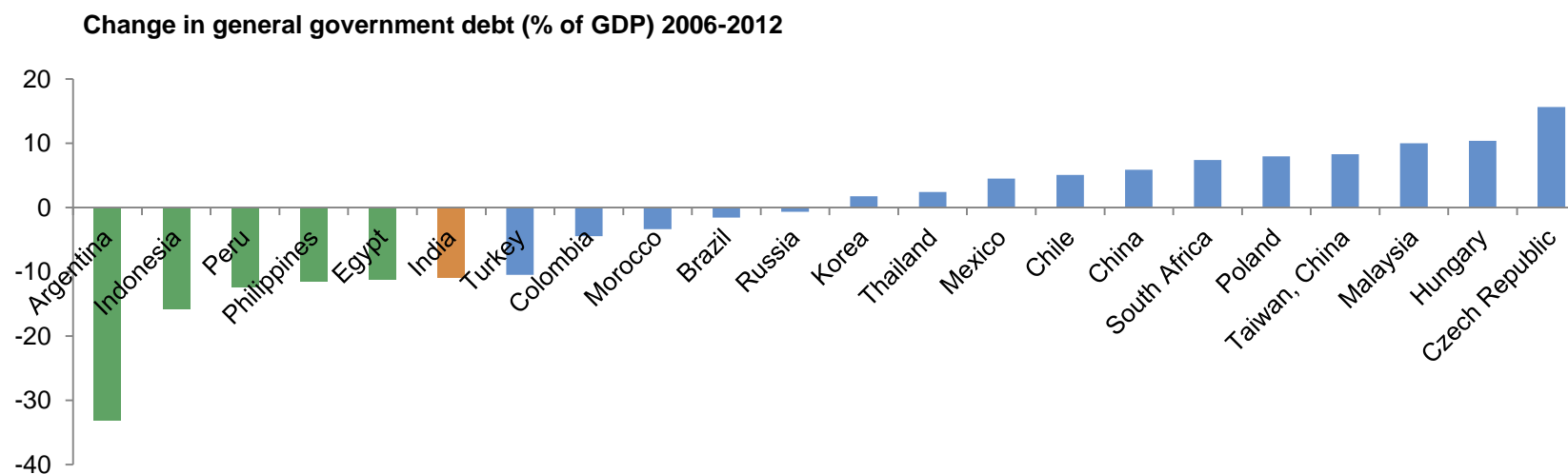
Declining sovereign debt

Decline in government debt is forecasted to continue



Source: IMF World Economic Outlook, April 2012

India's debt continued to decline even during the crisis year and after



Source: IMF World Economic Outlook, April 2012

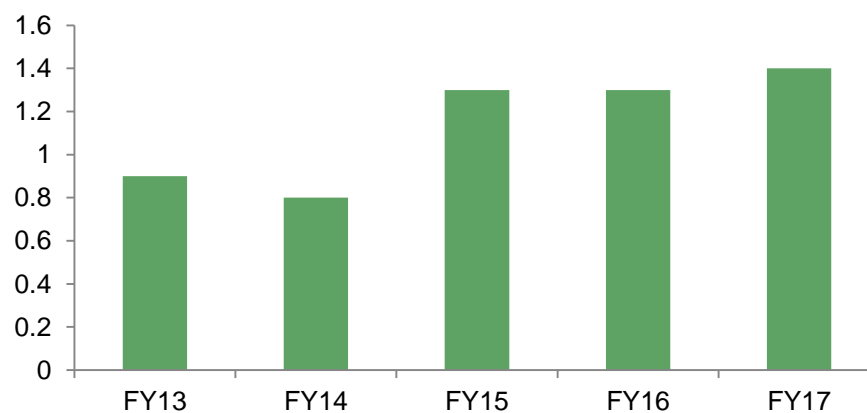
Benign profile of government debt

The maturity periods of central government debt are spread out, making the debt position comfortable

Maturity Buckets	End-Dec 2011 (% of total)	End-Mar 2012 (% of total)
Less than 1 year	3.68	3.49
1-5 years	25.28	26.66
5-10 years	34.30	34.71
10-20 years	21.03	22.01
20 years and above	15.72	13.12

Source: Public Debt Management Report, MoF, May 2012

Maturity trends of dated securities (% of outstanding stock maturing in a particular year)



Source: Public Debt Management Report, MoF, May 2012

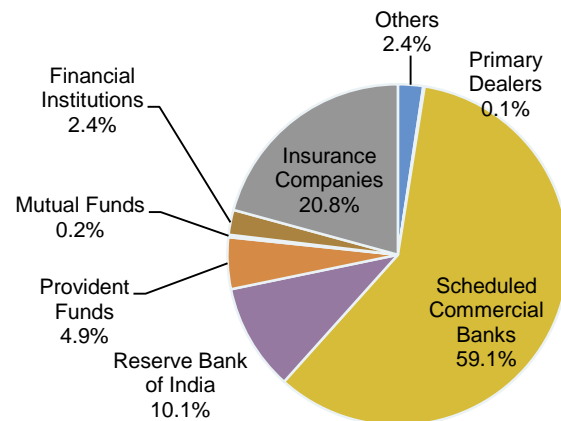
Low leverage and diversified sources for financing debt

India can afford materially more debt than its peers

- **Well developed local capital markets:**
 - Exposure to interest rate/FX risk is greatly mitigated by deep domestic markets that provide the government access to long-dated local currency funding
- **Rapidly growing non- traditional sources of funding:**
 - Pension funds can invest 55% of their total assets in government securities, providing the government a large, permanent, cheap and long-dated source of funding
- **Bank investment in government securities:**
 - Banks are not overly exposed to the government sector with approximately 21%-23% of total assets invested in government paper

Domestic financing is well-spread among different financial institutions

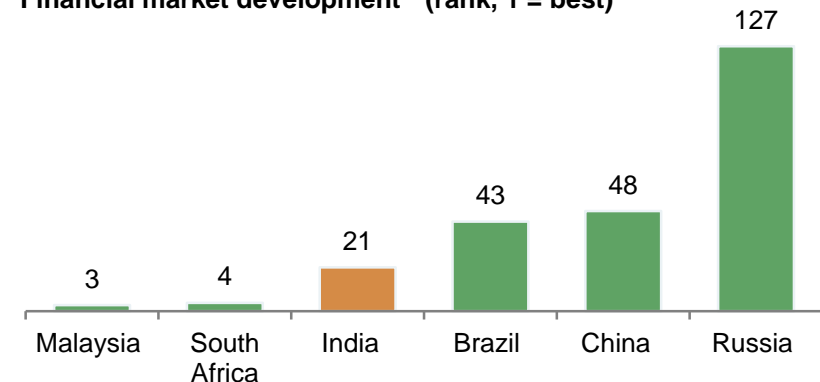
2010 ownership of Central and State Government securities



Source: RBI – Database on Indian Economy (Table 123)

Rapidly developing domestic financial markets ensure easy access to financing

Financial market development* (rank, 1 = best)



Source: World Economic Forum - Global Competitiveness Report 2011/12;
*Four major markets-bond (government and corporate), equity, foreign exchange, and derivatives

Macroeconomic Environment

Capital Markets

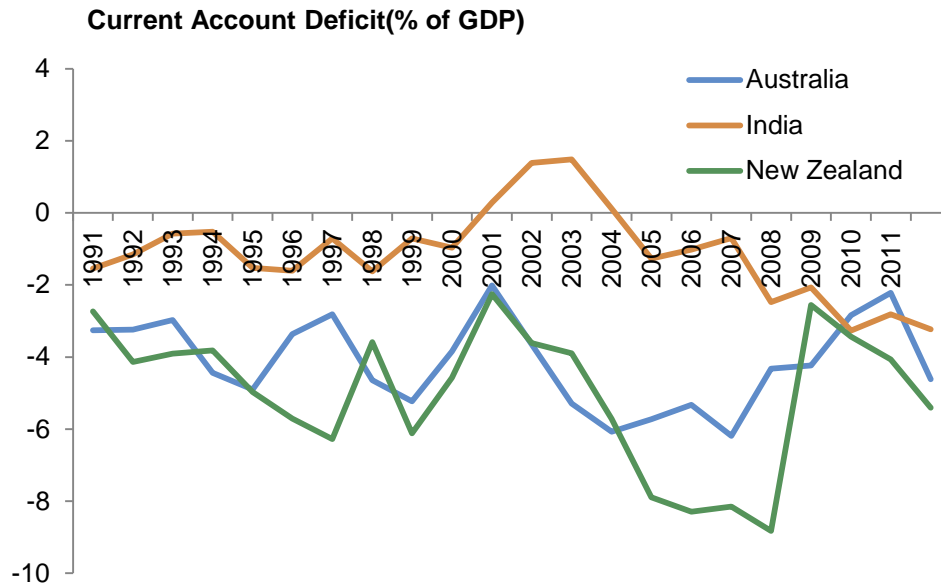
Public Finances

External Finances

Structural Factors

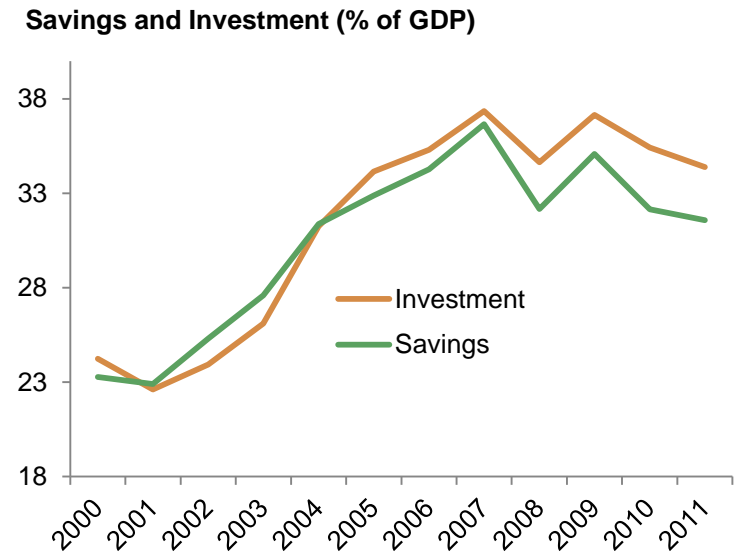
CAD funds the savings-investment gap

India's CAD is better than some of the developed economies



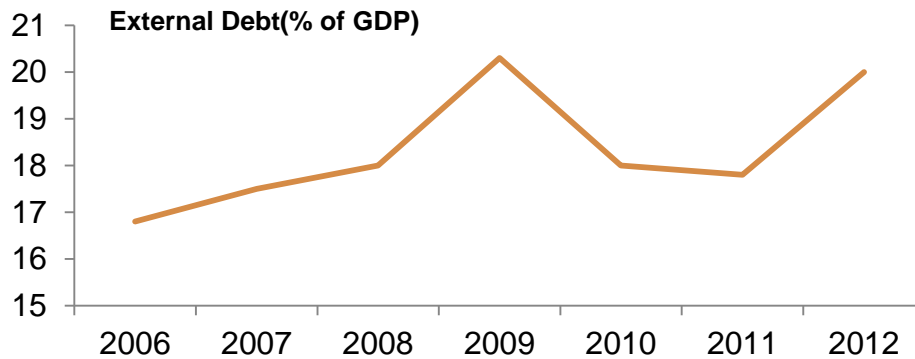
Source: IMF World Economic Outlook, April 2012

India's CAD funds the savings-investment gap, propelling the economy on a high growth path



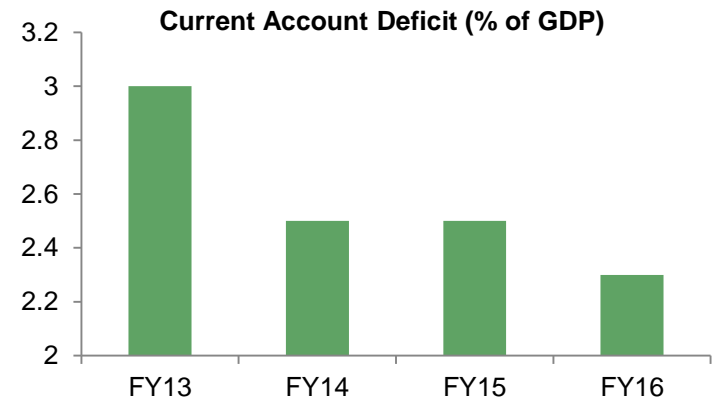
Source: IMF World Economic Outlook, April 2012

India's low external debt means that even a relatively high CAD may not pose a solvency problem



Source: External Debt report end- Dec 2011, EDMU, Ministry of finance

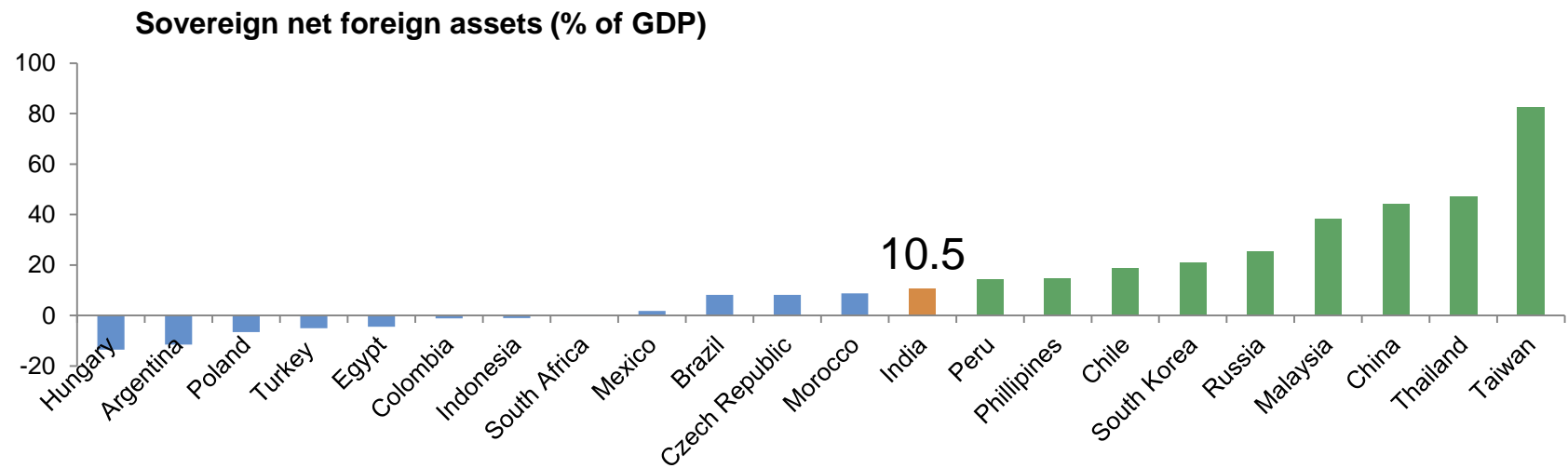
CAD itself is projected to decline substantially in the coming years



Source: IMF Article 4 Assessment 2012

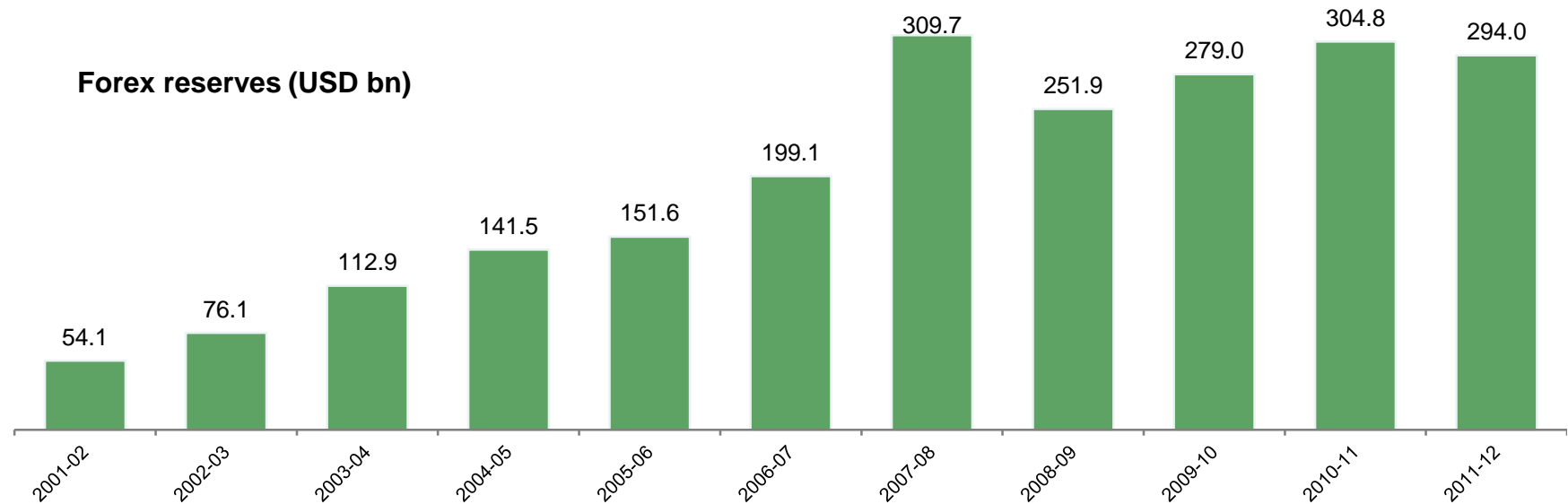
India: Increasing foreign assets

India's net foreign assets are higher than most other EMEs



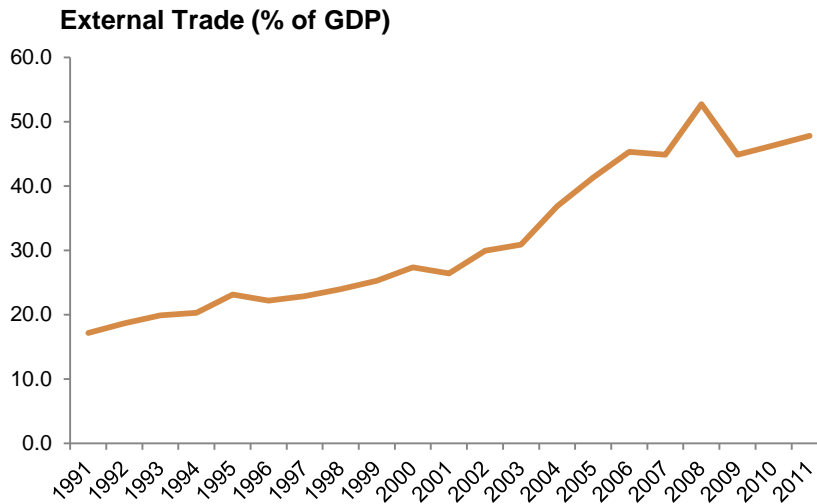
Source: Fitch Ratings, March 2012

...and high foreign exchange reserves



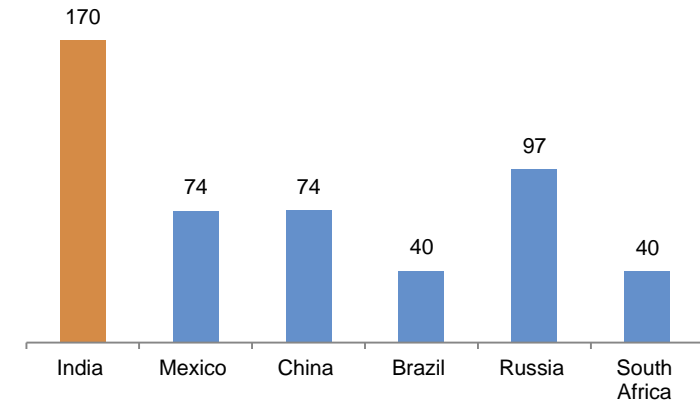
Steadily rising external trade

India outperforms other fast growing economies in terms of change in openness



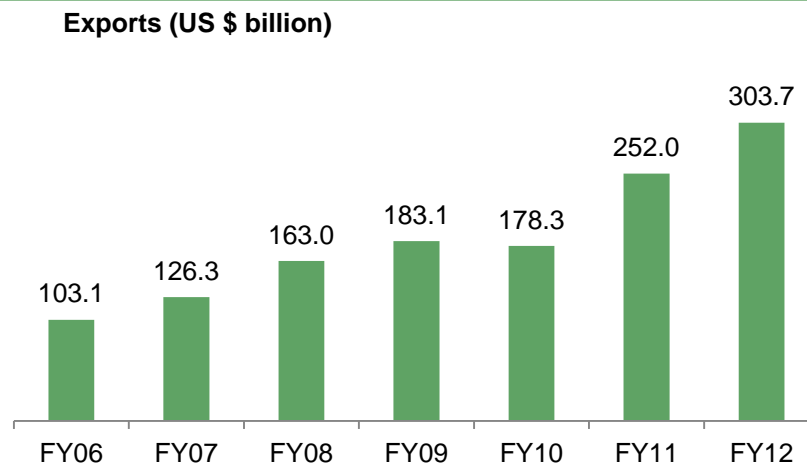
Source: World Bank GDI Database

Percentage change in trade openness between 1991 and 2010



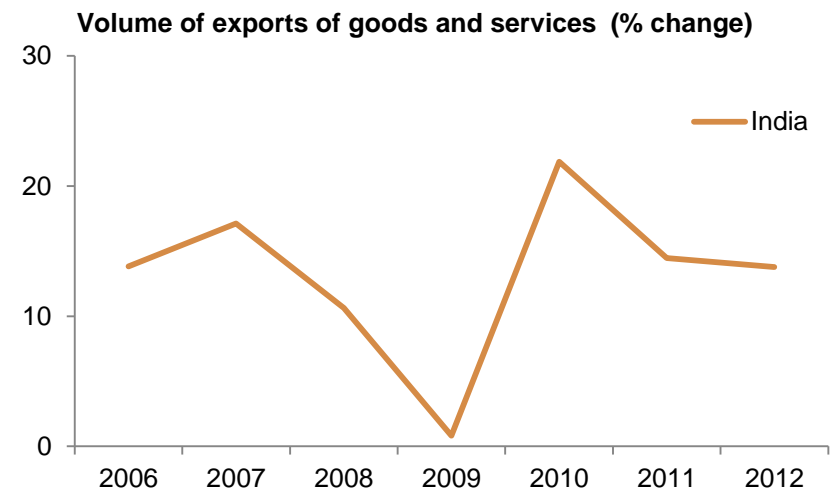
Source: World Bank GDI Database

Exports crossed USD 300 billion in 2011-12..



Source: RBI, Ministry of Commerce

..and real exports have proven relatively resilient

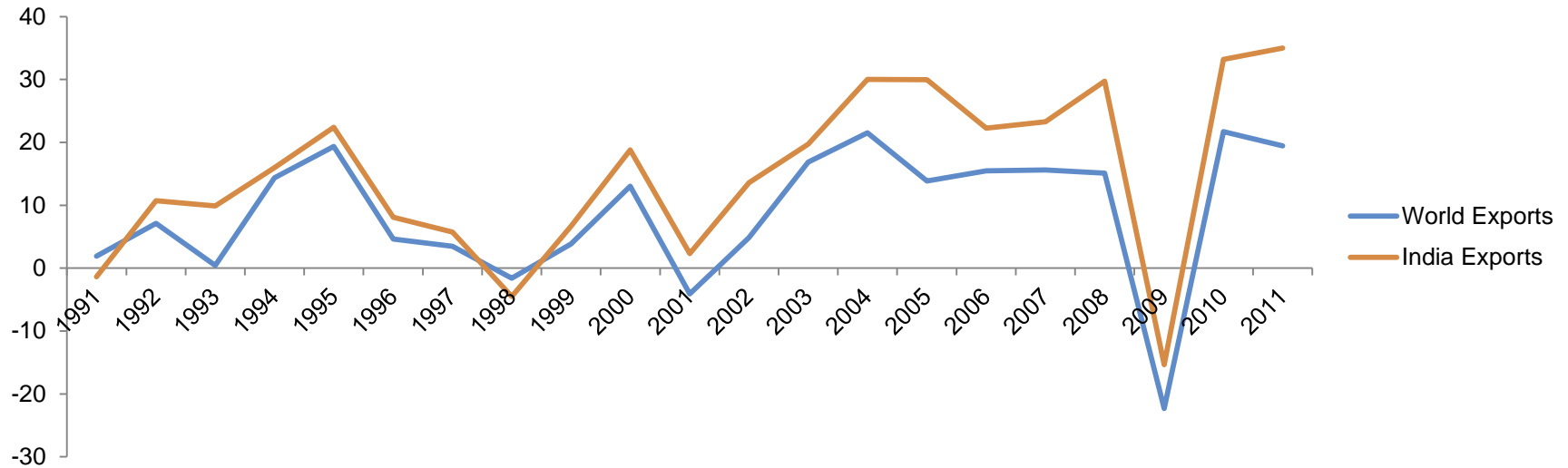


Source: IMF World Economic Outlook , April 2012

Trade growth is higher than world average

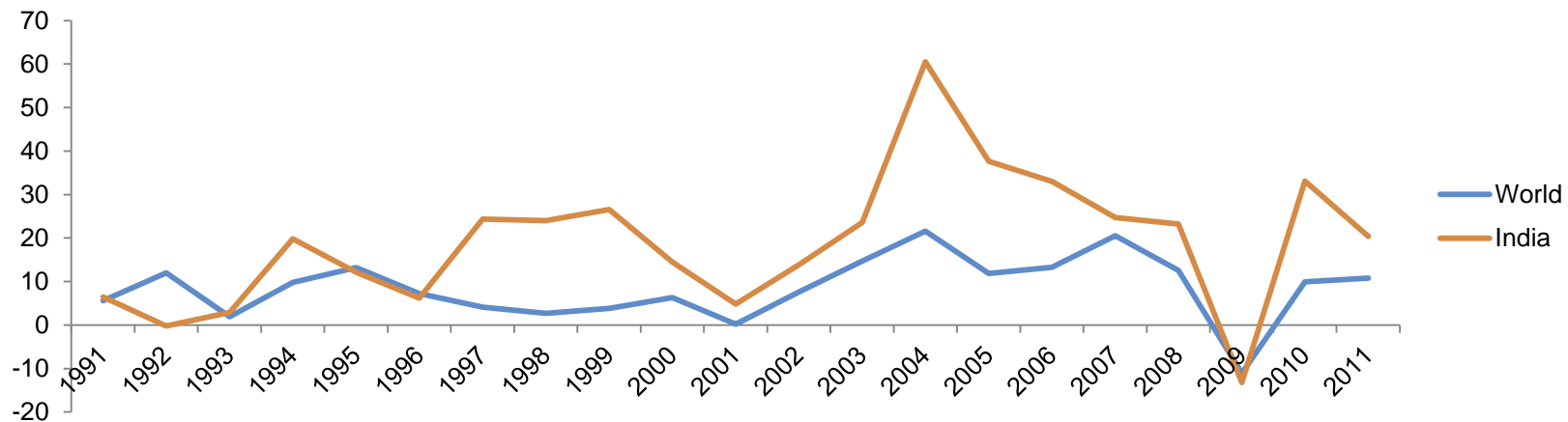
India's export growth in both merchandise and services has consistently outperformed world growth

% Change in merchandise exports



Source: IMF Article 4 Assessment 2012

% Change in commercial services exports

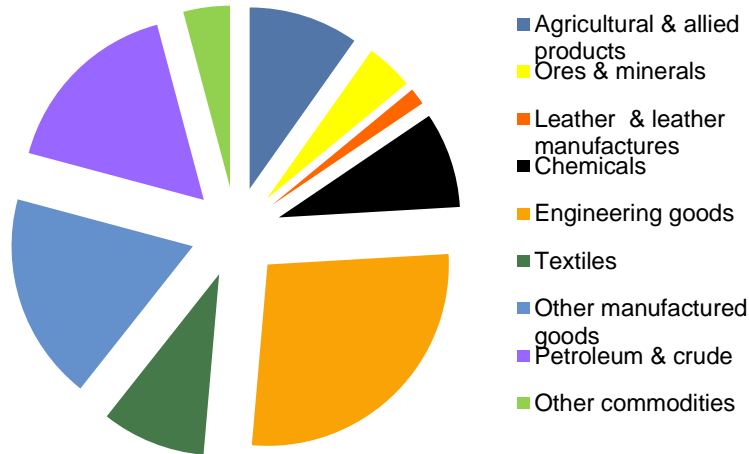


Source: IMF Article 4 Assessment 2012

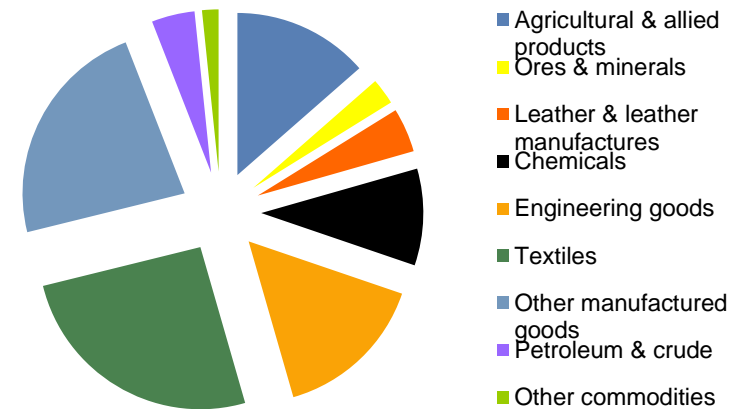
Well diversified commodity exports and destination

High diversification of export products reduces risks to exports

2010/11 export share



2000/01 export share

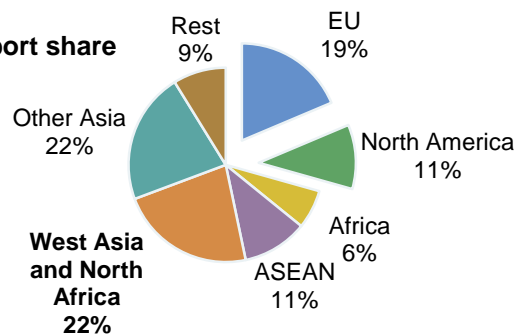


Source: Department of Commerce

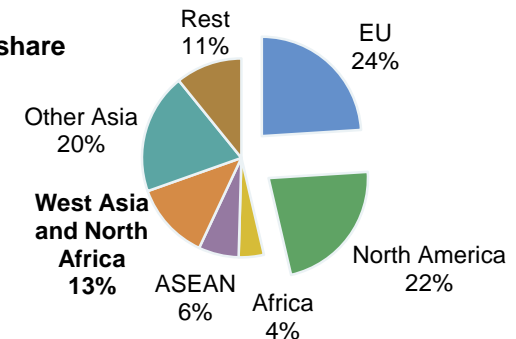
Regions vulnerable to recent financial woes purchase only a third of Indian exports...

... whereas a decade ago those regions purchased almost half

2010/11 export share (by region)



2000/01 export share



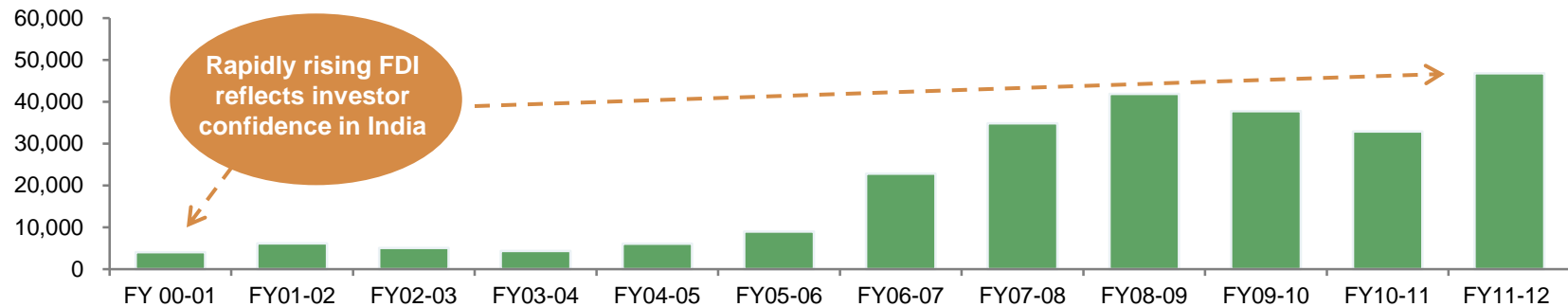
Source: Department of Commerce

Source: Department of Commerce

India continues to be a preferred destination for FDI

FDI has continued to post healthy growth for over a decade

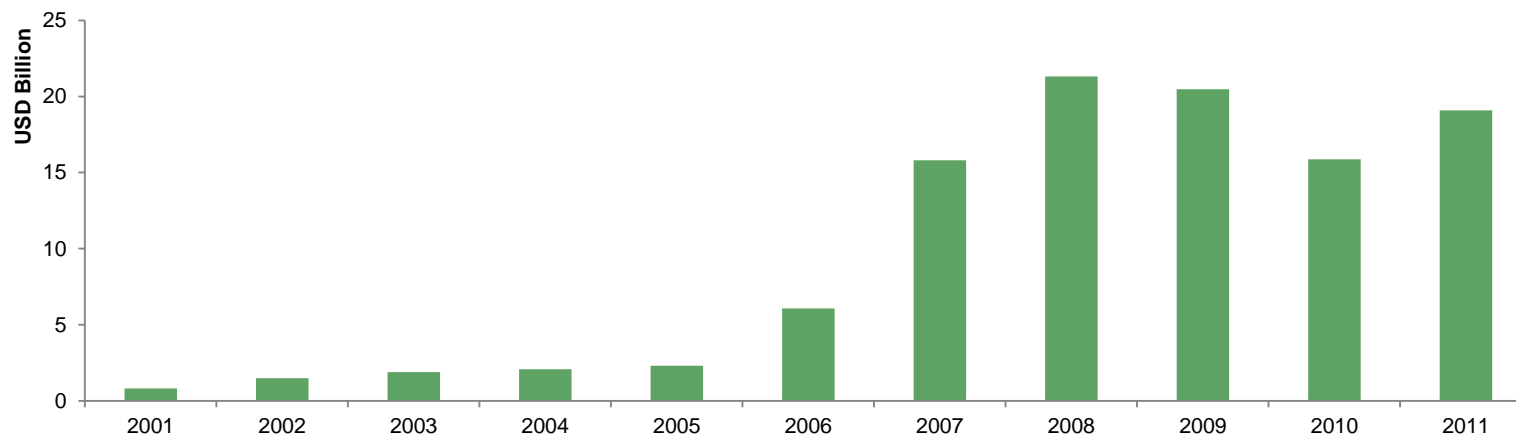
FDI (USD mn)



Sources: Department of Industrial Policy and Promotion

Outward FDI from India has also been increasing, reflecting the global ambitions of Indian companies

Outward FDI (USD bn)

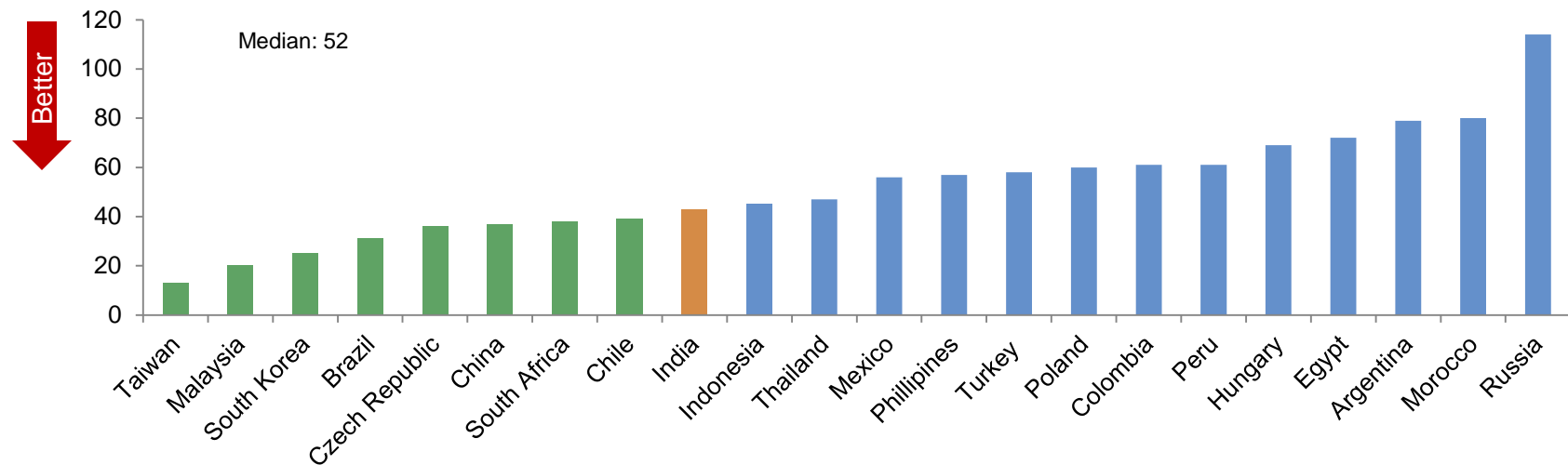


Source: CMIE Business Beacon

India ranks among the best in investment surveys

High business sophistication compared to other EMEs

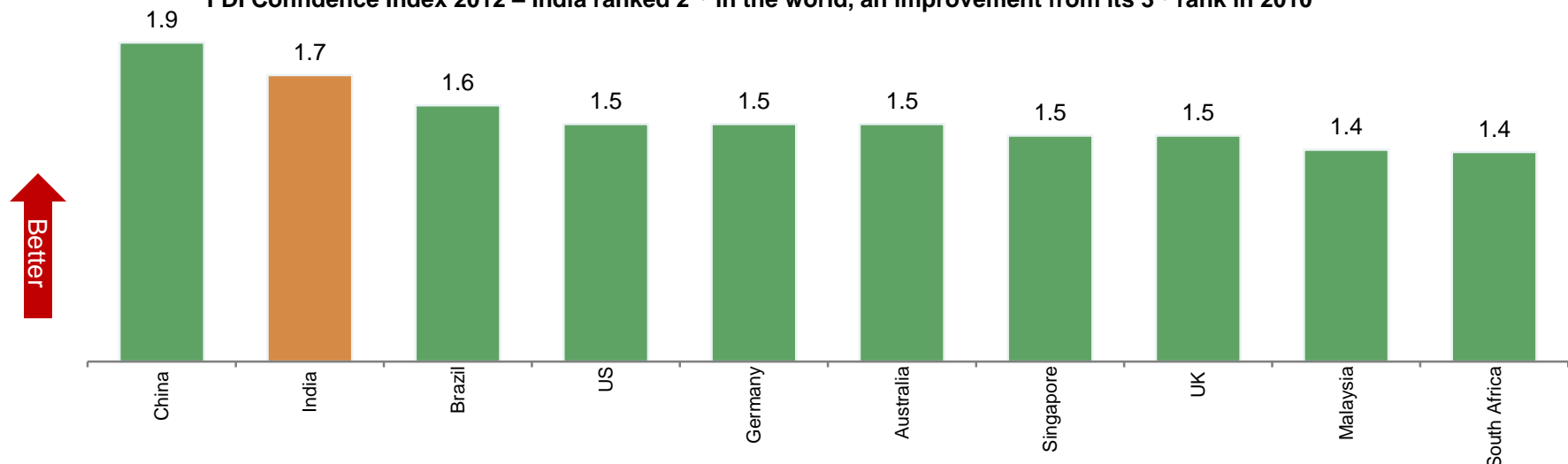
Business sophistication ranking (1=best)



Sources: Global Competitiveness Index; WEF

India is an attractive destination for FDI

FDI Confidence Index 2012 – India ranked 2nd in the world, an improvement from its 3rd rank in 2010



Macroeconomic Environment

Capital Markets

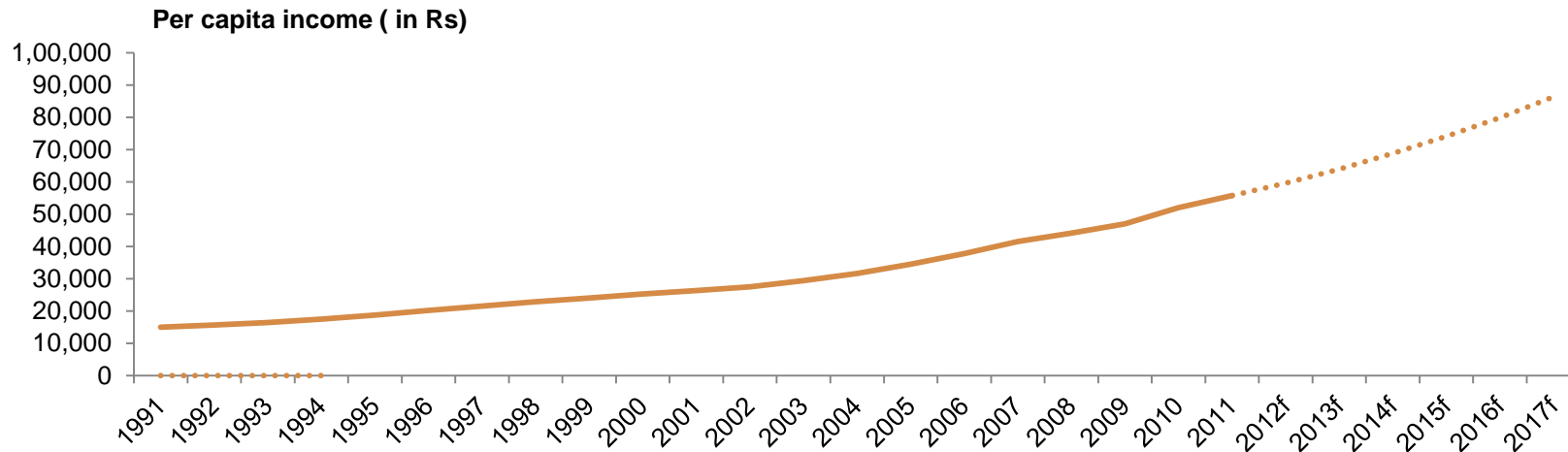
Public Finances

External Finances

Structural Factors

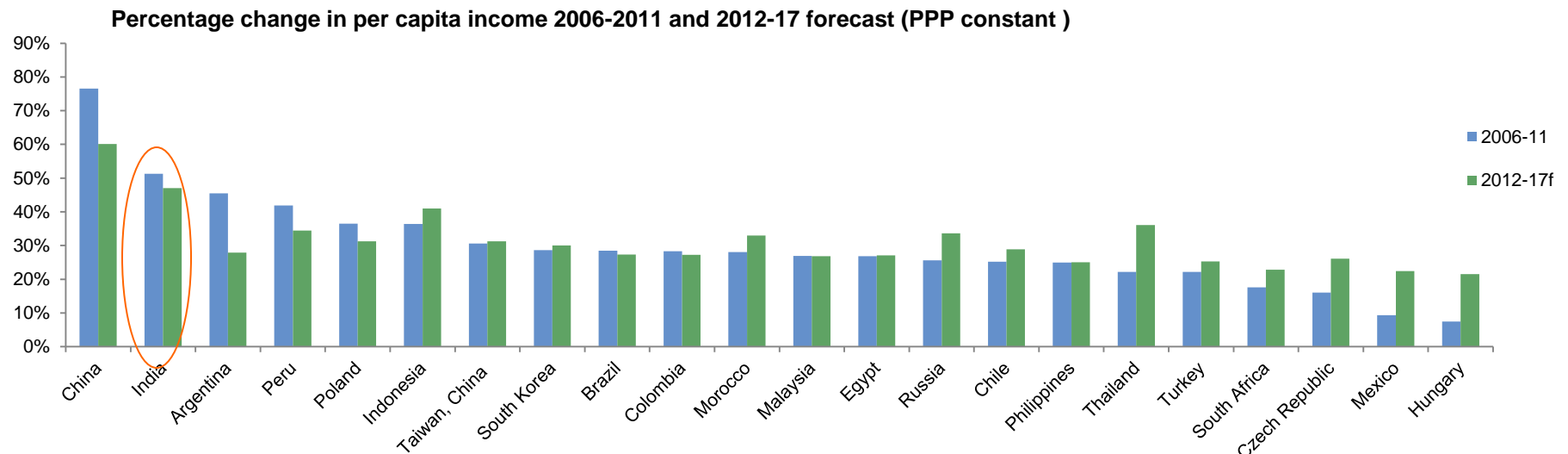
Rapidly increasing per capita income

After 1991, the increase in per capita income has been rapid



Source: IMF World Economic Outlook, April 2012

The average percentage change in income has been next only to China and is forecasted to grow rapidly

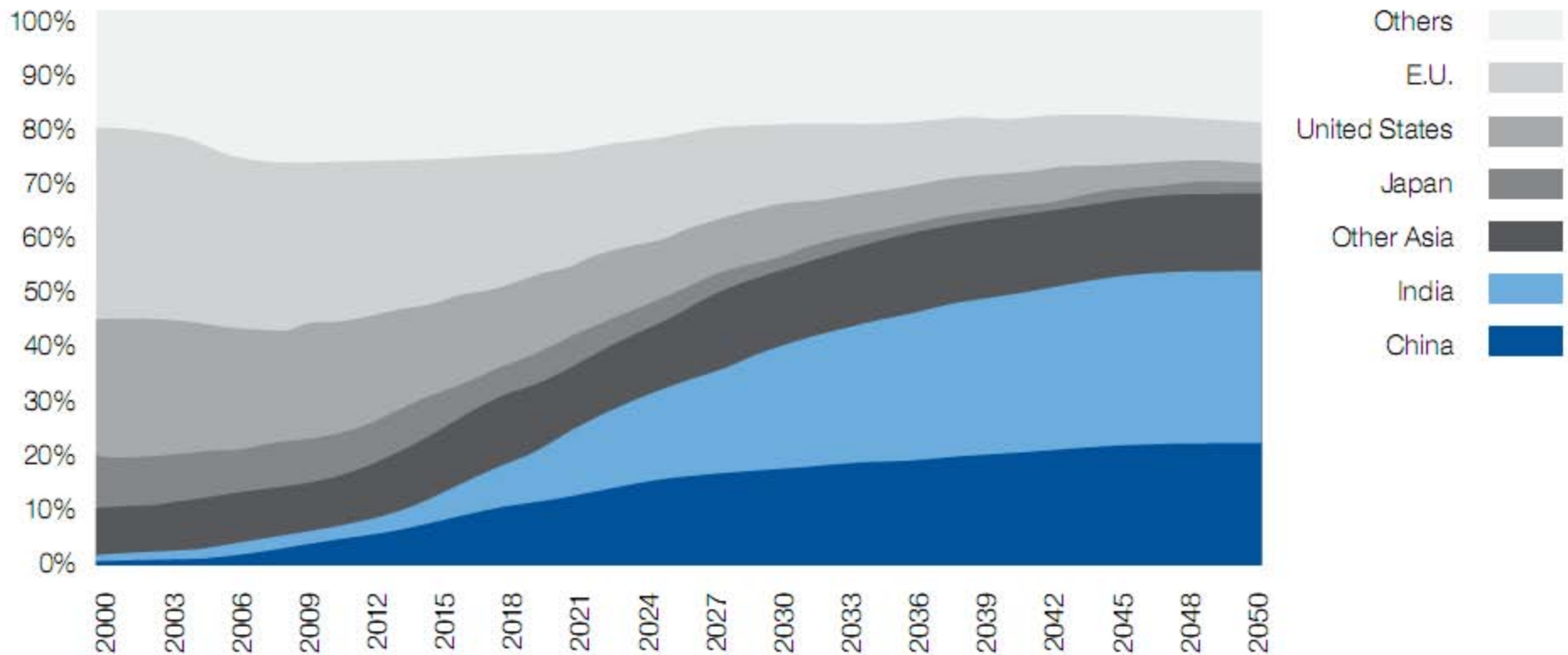


Source: IMF World Economic Outlook, April 2012

India: Growing domestic demand

Increasing per capita income will lead to an increasing share of India in world consumption

Percentage Share of global middle class consumption 2000-2050

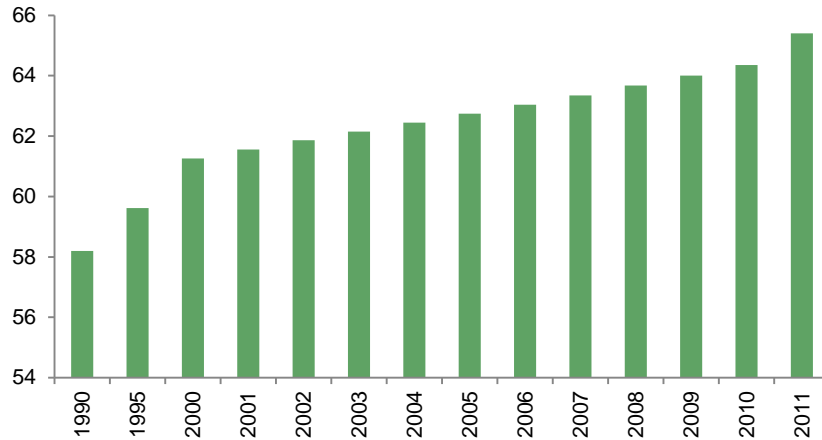


- Today India comprises about 5% of global middle class consumption while Japan, the United States, and the European Union cover fully 60%.
- By 2025, those numbers are expected to equalize; by 2050, they will be flipped.
- Middle-class demand is expected to grow from US\$ 21 trillion in 2009 to US\$ 56 trillion by 2030, with 80% of that growth coming from Asia.
- By 2050 India will comprise about 40% of global middle class consumption

Favourable demographics

Improving human development translating into higher life expectancy

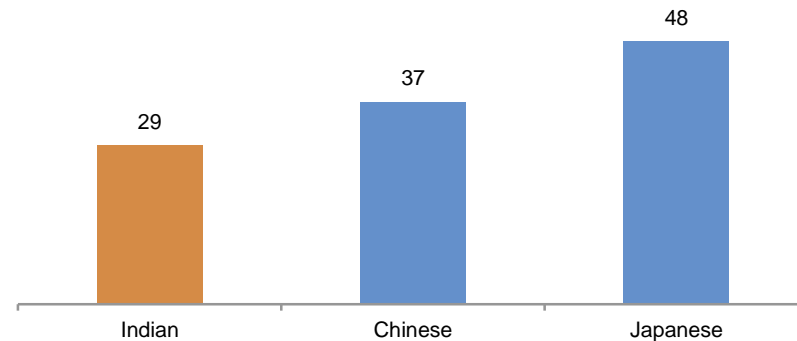
Average life expectancy



Source: UNDP; Human Development Trend Data

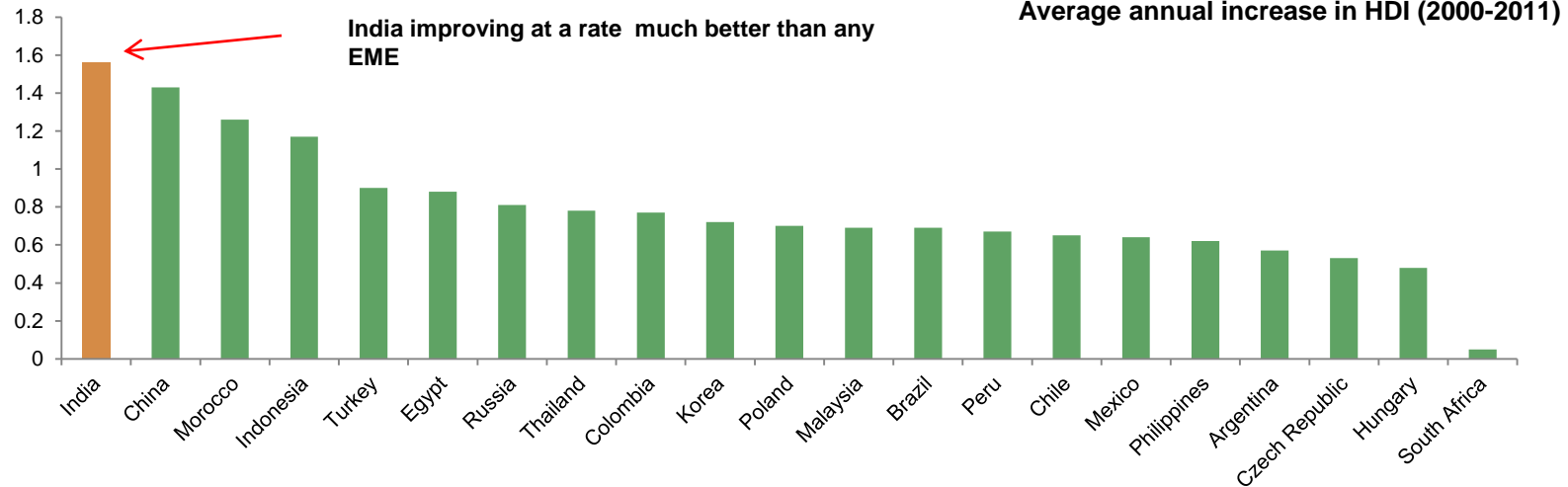
... and favorable demographics

Average age in 2020 (years)



Sources: United Nations

India's consistent improvements in wealth levels have translated into gains in human development indicators



Source: UNDP; Human Development Trend Data

India: Growing scientific pool

2011-12

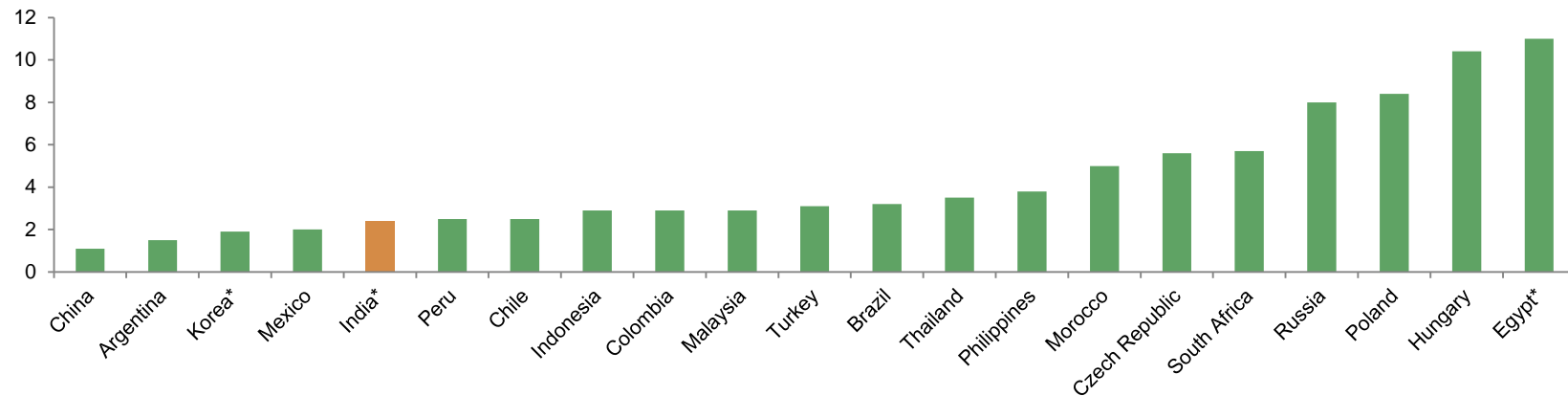
	Quality of education system		Quality of math and science education		
	Score 1-10 (best)	Rank	Score 1-10 (best)	Rank	
Malaysia	5.1	14	Taiwan, China	5.1	5
Taiwan, China	5.8	19	Korea	5.2	12
India	4.4	38	Malaysia	5	23
Indonesia	4.2	44	China	4.3	31
Czech Republic	4.1	49	India	4.7	32
China	4.7	54	Hungary	4.6	37
Korea	3.9	55	Russia	4.3	50
Philippines	3.8	61	Poland	4.3	52
Poland	3.7	71	Indonesia	4.3	53
Colombia	3.7	72	Thailand	4.2	60
Thailand	3.6	77	Morocco	4.1	65
Hungary	3.5	80	Czech Republic	4.1	66
Russia	3.4	82	Colombia	3.7	83
Argentina	3.4	86	Turkey	3.4	103
Chile	3.4	87	Argentina	3.2	113
Morocco	3.3	93	Philippines	3.1	115
Turkey	3.3	94	Chile	2.8	124
Mexico	3.1	107	Mexico	2.8	126
Brazil	3	115	Brazil	2.7	127
Peru	2.6	128	Egypt	2.4	132
South Africa	2.3	133	Peru	2.4	135
Egypt	2.3	135	South Africa	2.1	138

Source: *The Global Competitiveness Report 2011 – 2012, World Economic Forum*

Sound financial sector

India's banking sector benefits from strong asset quality..

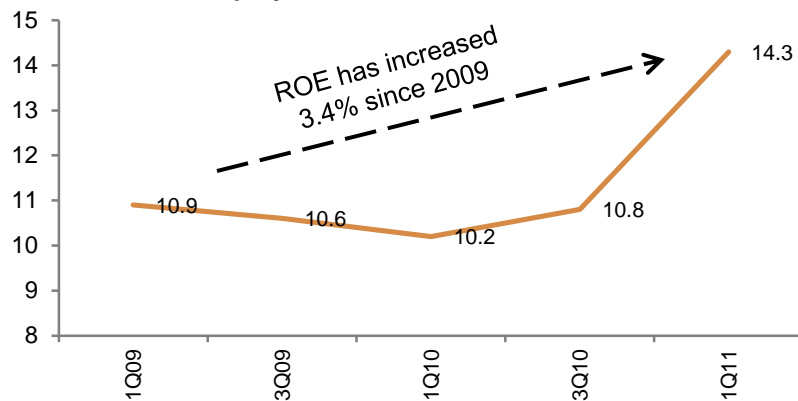
Non performing loans (% of total loans) (2011)



Source: IMF FSI Data; *2010 data

...as well as increasing profitability...

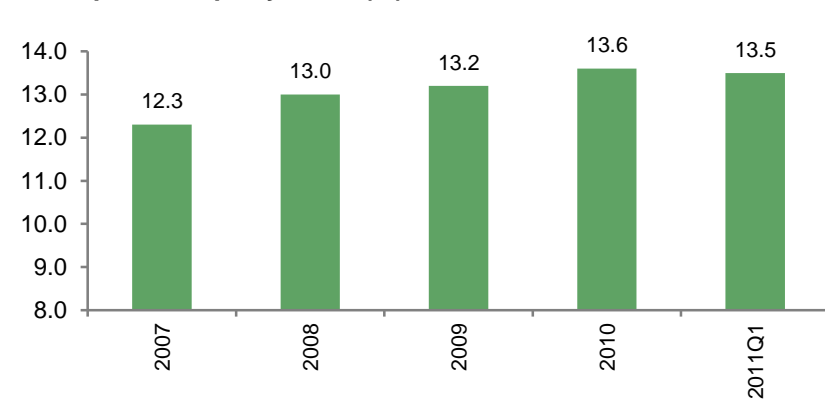
Return on equity



Source: IMF FSI Data

...and solid capitalization levels.

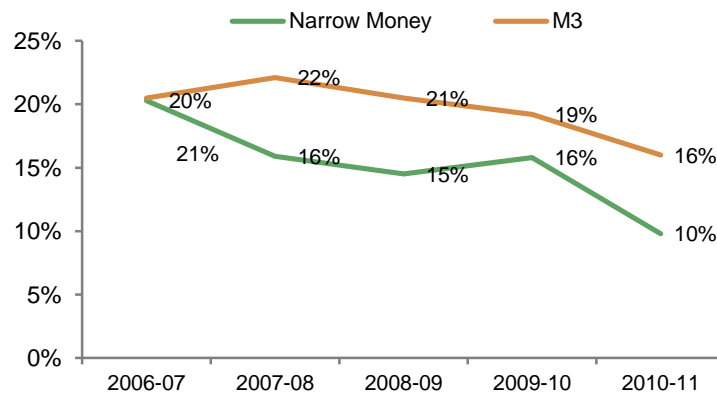
Capital Adequacy Ratio (%)



Source: IMF FSI Data

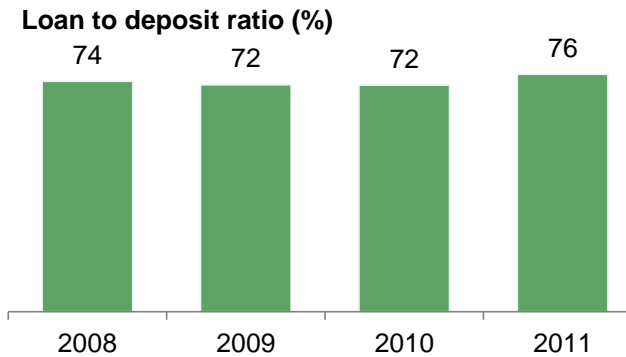
Stable monetary aggregates and banking sector

Growth levels of monetary aggregates are relatively stable in India



Source: RBI

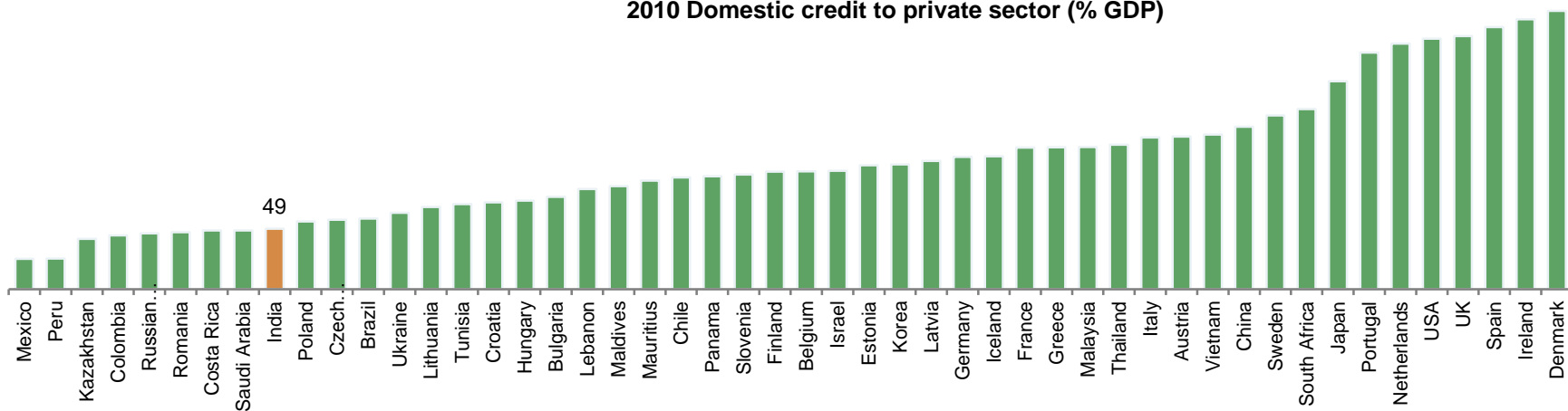
Loan to deposit ratio is stable and healthy



Source: RBI, Ministry of Finance

And the Indian economy is not 'overbanked' or subject to some of the systemic problems faced by other emerging and developed economies

2010 Domestic credit to private sector (% GDP)



Source: World Bank

Soundness of banking system

- Indian Banks have been at the top among EMEs for 2010 in terms of soundness as per the Global Competitiveness Report 2011

2011-12

	Value	Rank
	[1-7 (best)scale]	
South Africa	6.6	2
Chile	6.5	6
Peru	6.2	15
Brazil	6.2	16
Czech Republic	6	25
Malaysia	5.9	28
India	5.8	32
Turkey	5.8	33
Mexico	5.6	40
Colombia	5.6	42
Thailand	5.6	43
Philippines	5.6	46
Taiwan, China	5.5	51
Poland	5.4	60
China	5.3	64
Morocco	5.3	65
Hungary	5.2	75
South Korea	4.7	99
Egypt	4.6	102
Argentina	4.6	108
Indonesia	4.5	112
Russia	4	129

Source: (i) The Global Competitiveness Report 2011 - 2012, World Economic Forum

Notes :

1 = Insolvent and may require a government bailout

7 = Generally healthy with sound balance sheet

Legal protection to borrowers and lenders

- India was amongst the top ranked countries listed on Dow Jones emerging economies in terms of the Degree of legal protection of borrowers and lender's right on a 1 – 10(best) scale for 2011

Source: (i) *The Global Competitiveness Report 2011 – 2012*, World Economic Forum

	2011-12	
	Value	
	[0 – 10 (best)scale]	Rank
Malaysia	10	1
South Africa	9	8
Poland	9	8
India	8	20
Peru	7	39
Korea	7	39
Hungary	7	39
China	6	60
Czech Republic	6	60
Mexico	5	76
Columbia	5	76
Thailand	4	89
Taiwan, China	4	89
Turkey	4	89
Argentina	4	89
Chile	4	89
Russia	3	105
Brazil	3	105
Philippines	3	105
Egypt	3	105
Indonesia	3	105
Morocco	3	105

Transparency in governance

- India ranks better than most of its peers in transparency of government policymaking.

Source: *The Global Competitiveness Report 2011 – 2012, World Economic Forum*

	2011-12	
	Score 1-10 (best)	Rank
Taiwan, China	5.8	5
Chile	5.3	14
Malaysia	5	26
South Africa	4.8	34
China	4.7	41
Turkey	4.6	44
Peru	4.4	55
India	4.4	58
Morocco	4.4	62
Colombia	4.3	65
Mexico	4.2	70
Thailand	4.2	75
Brazil	4.2	78
Hungary	4.1	81
Indonesia	4.1	87
Poland	4	93
Czech Republic	4	96
Egypt	3.8	108
Russia	3.7	115
Philippines	3.6	120
Korea	3.4	128
Argentina	3.3	132

