From a sustained slowdown in 2013-14

Where are we headed in 2014-15?

Dun & Bradstreet’s India Outlook 2014-15
An organisation

We constantly look for ways to improve everything we do— to make everything we do, whether it is in sugar manufacturing, distilleries & breweries, sports, education and entertainment. We create opportunities for innovation. And we improve the lives of the people our business touch. We strive to deliver incredible brand experiences to our customers through

WAVE Infratech
WAVE Industries
WAVE Distilleries & Breweries Ltd
WAVE Premier Sports
In built on TRUST

transform the way we all live and work. That is our promise, in
tories and breweries, real estate, malls and multiplexes, beverages,
for new market segments. We continuously set new benchmarks.
are a socially responsible multi-product company. We are proud
with innovation and technology.
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The performance of the Indian economy during FY14 in some sense has been weaker than what D&B had envisaged in April 2013. The economy faltered on numerous fronts. Even as concerted efforts by the Government helped to address volatility in the foreign exchange market and narrow the current account deficit to a significant extent in the second half of FY14, a number of factors continue to weigh heavily on growth prospects. The waning performance of the industrial sector, persistence of high consumer price inflation and interest rates, sluggishness in services sector and the weakening in private consumption and investment demand has thwarted all expectations of an economic revival in the near term. The perceived lack of commitment and consensus for reforms across the political spectrum and increasing governance concerns has eroded business confidence. The big question that now lingers is what would the economic and business landscape look like in FY15.

This report has been prepared with the idea of providing a forecast of key macroeconomic variables, which will determine the course of the business environment over the next fiscal.

Even as a 7% growth may still be a few years down the road, D&B expects growth to recover, albeit moderately, in FY15. The impetus is expected to come from improved policy environment, revival of large stalled projects cleared by the Cabinet Committee of Investments (CCI) along with some revival in demand conditions. The second half of FY15 could bring in a more optimistic economic tone, as the impact of the policy measures taken and the project clearances unravel in due course of time. However, much of this economic change would be contingent on the installation of a stable government with a strong reform agenda.
Wave Group

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Wave Group:

Wave Group is a leading business conglomerate that has expanded across industries to create a niche for itself. The integral beliefs of the Group are founded on hard work and team spirit. It has been steered by the long term vision of the Late Mr. Kulwant Singh Chadha since 1963. Today, the Wave Group boasts an impressive portfolio of businesses, including manufacturing of sugar, steel and paper, green power, distilleries and breweries, real estate, malls and multiplexes, beverages, sports, education and entertainment.

Wave Group is a socially responsible multi product organisation that is committed to deliver incredible brand experience through innovation and technology.

Wave Group’s policy has been to efficiently and effectively optimise its diverse businesses, thus resulting in exponential growth in the Group’s productivity, its ability to transform industries and in creating opportunities for entirely new market segments. The Wave Group attributes a major part of its success to its visionary, the erstwhile Chairman Mr. Gurdeep Singh (Pony) Chadha. His pioneering vision to conquer new heights and fulfill the dreams of all its stakeholders has been the key to driving the Group to continuously set new benchmarks. Continuing the legacy, Mr. Rajinder Singh Chadha (Chairman) and Mr. Manpreet Singh Chadha (Vice Chairman) have taken the mantle to constantly look for ways to improve all businesses the group does and create opportunities for new market segments to favorably impact the lives of all its stakeholders.

Activities of the Group:

WAVE INFRATECH - REAL ESTATE DEVELOPMENT:

A decade ago, Wave Infratech was established as the real estate arm of the Wave Group. Since then it has evolved into one of the leading players in the real estate sector and is envisioned to soon become one of the largest real estate developers in the country. It is building outstanding integrated townships which include Wave City, Wave City Center and Wave Estate in addition to its ground breaking commercial projects such as Wave One, Wave Hubb and Wave 1st Silver Tower.

Wave Infratech is widely acknowledged for its futuristic and extraordinary real estate projects. Besides these impressive residential and commercial ventures, Wave Infratech’s portfolio also includes a host of Wave Malls and Wave Cinemas. Wave Infratech is scaling new heights and revolutionising city skylines across India.

- Wave City Center
  The unique driving force of Wave City Center is Wave Group’s key underlying principle – consideration. The entire project is shaped and managed by the dreams, hopes, and aspirations of future citizens of Wave City Center. The sheer scale of this project exceeds anything ever witnessed in the Delhi NCR. Wave City Center, spread over 152 acres, has a diverse portfolio of offerings of Serviced Residences, Multi Use Studios, Premium Office complexes, High Street Shop Condominiums, Mall & Multiplexes, a range of Premium Hotels, etc.
  - Wave City
    Spread across an impressive 4,500 acres on NH 24, Wave City is India’s largest smart city that is only 30 minutes from Delhi. Built on the smart city concept by IBM and designed by the globally renowned city planners Bentel Associates from South Africa, Wave City is being constructed keeping in mind contemporary design and new-age architecture. Offering at Wave City includes Plots, Independent Floors, Villas, Gated Group Housing, and Commercial, Institutional and Retail sites.
  - Wave Estate
    Wave Estate is a 300 acre luxury township, located across sector 85 and 99 Mohali, Punjab. It offers, the highest quality of life and design with streamlined planning and architecture to provide a comfortable and seamless lifestyle for its residents. Its key features include 100% power back up, rainwater harvesting systems, water recycling and eco-friendly commuting facilities. It will transform one’s lifestyle and instill a much needed work-life balance on account of the close proximity between the commercial and residential spaces. Wave estate offers Plots, Villas, Group Housing, Commercial Plots and SCOs with futuristic infrastructure.
  - Wave 1st Silver Tower
    Wave 1st Silver Tower, strategically located in Sector 18, the commercial hub of Noida, houses state-of-the-art office and retail spaces, a well designed energy efficient facade with water harvesting capabilities. Wave 1st Silver Tower is built over 225,000 sq. ft. and provides the perfect platform for businesses to grow. Wave 1st Silver Tower which was completed in 2012, now has many satisfied customers who have taken possession and started business operations.
  - Wave One
    Wave One – an iconic structure with about 2 Million Sq. feet is situated in the core of Sector 18, the commercial hub of Noida. Designed by internationally recognized architect, Brennan Beer Gorman from New York, the tower is set to offer an experience like none other. Wave One will house major commercial realty asset classes like – premium offices and retail space, 5 screen multiplex and multi cuisine food court - all under one roof and will have an elevated multi level parking for nearly 2,000 cars.
  - Wave Malls
    Wave Malls are undeniably one of India’s finest shopping destinations with cutting edge infrastructure, technology and management. They are one-stop destinations for shopping, entertainment and food. Wave Group is a pioneer in developing shopping malls in North India with existing malls in Noida, Kaushambi, Lucknow, Moradabad and Ludhiana as testaments to its successful track record. The group further
plans to expand its presence with new malls in Jammu and Bareilly.

- **Wave Cinemas**
  Wave Cinemas has revolutionized the movie-viewing experience in India with state-of-the-art Digital Sound, Audio & Projection systems and comfortable seating. Wave Cinemas offers a host of screens spread across Delhi, Chandigarh, Ludhiana, Moradabad, Kaushambi, Noida, Haridwar and Lucknow which can seat more than 7,000 people. Wave Cinemas are soon going to be inaugurated in Bareilly and Jammu.

**SUGAR AND STEEL MANUFACTURING:**
The Wave Group is one of the largest players in North India with six sugar mills in Uttar Pradesh and one in Punjab. It forayed into the Sugar Business in 1997-98, post acquiring sugar mills in Dhanaura, Uttar Pradesh and Dasuya, Punjab. The Group’s cluster of sugar mills in UP, a high concentration of large sugarcane area in close proximity to the sugar mills, unmatched irrigation facilities and the presence of highly fertile soil makes them a leader in the sector.

In 2012, the Group has commissioned a Steel Plant at Dhanaura, Uttar Pradesh, with a capacity of 72,000 MT per annum and a Rolling Mill in the same locale with a capacity of 90,000 MT per annum. Commercial production from the Steel Plant commenced in 2013.

**COGENERATION POWER**
The Wave Group understands the importance of renewable energy in today’s world. As a by-product of the sugar plants, the Wave Group helps generate power from bagasse. Green Power thus produced is used for the captive consumption of the sugar plant and the excess power is exported to the state grid as per the power purchase agreement.

**DISTILLERIES**
The Wave Group has distilleries in Punjab and Uttar Pradesh, with a combined production capacity of 150 KL per day. The plants are equipped with modern technology and designed to maintain zero effluent discharge and brands produced at Wave Distilleries include Raffles Vodka, Raffles Rum, Evening Special Whiskey and Divine Special Whisky.

**BREWRIES**
In 2011, the Group set up a world class green field brewery to manufacture international quality beer packaged in bottles and cans. The Brewery has the capacity to produce 1 million Hectoliters of beer annually (1 million cases per month). The Group has successfully launched its own brand with an international look and packaging under the brand name Wave Premium Beer, available in 2 distinct flavors. In addition to its own brand, the Group bottles Kingfisher, one of India’s most sought after brands.

**BEVERAGE & BOTTLING**
Wave Beverages’ plant in Amritsar, Punjab, is one of the nine franchises of Coca Cola India Ltd in the country, equipped with both hot and cold bottling facilities. The plant has a capacity of 1290 BPM on the fully automated line and produces many popular soft drinks consumed in the country including Coca Cola, Fanta, Limca, Thumbs Up, Sprite, Kinley Soda and Maaza.

**PAPER MANUFACTURING**
Wave Group entered the paper manufacturing sector by acquiring the plant at Bilaspur, Uttaranchal in 1992 and currently has a capacity of 78,550 MT and manufactures kraft and semi-kraft paper. Today, this is one of the largest paper manufacturing plants in Uttar Pradesh and produces writing, printing copiers, as well as newsprint.

**ENTERTAINMENT – MOVIE DISTRIBUTION AND PRODUCTION**
Wave Group ventured into the film production and distribution business in 1999. Till date, it has produced and distributed over 150 Bollywood chartbusters. The distribution network covers Nepal, Bhutan, USA, UK, Arabian and Asian countries apart from India.

**EDUCATION – GENESIS GLOBAL SCHOOL**
Genesis Global School, Noida is a premier day-cum-residential school in close proximity to Delhi. It provides a superior campus that sprawls across 30 acres of land with lush green surroundings and facilities that help nurture the future leaders of the country. Genesis Global School offers an international platform to its students that perfectly blend technology, modern pedagogy, culture and innovation. It has an international collaboration with Clifton College, UK one of the most premium academic institutions in UK and follows both the National (CBSE) and International Curriculum (IGCSE) and alongside is also a candidate school for IB (PYP) and (DP). As per the 2013 HT C-Fore Top Schools Survey, conducted by Hindustan Times, Genesis Global School has been ranked #5 in the Top ten International Schools.

**SPORTS – DELHI WAVERIDERS**
As part of the Group’s commitment towards promoting the national sport (Hockey), the group acquired the Delhi franchise of the Hockey India League – DELHI WAVERIDERS. Delhi Waveriders along with the Hockey India League (under the aegis of Hockey India and International Hockey Federation – FIH), a premier sports league, endeavors to bring Hockey back to its past glory, packed with exhilarating moments in sport.

**PONTY CHADHA FOUNDATION**
As part of the Group’s commitment to the society, the group is actively involved into various social development programs and to this effect Ponty Chadha Foundation, a charitable trust was formed. This trust undertakes various activities like medical camps, food for poor (in association with International Food Banking Network through its Noida and Ghaziabad area) and also managing a charitable school i.e. Mata Bhagawanti Chadha Niketan for special children, suffering from various mental and physical disabilities.

**MATA BHAGWANTI CHADHA NIKETAN (MBCN)**
MBCN is one of world’s largest private rehabilitation institutions that is fully committed and dedicated to the rehabilitation of children with mental retardation, cerebral palsy, autism and multiple disabilities. It shelters close to 1000 children with state of the art facilities to make them as self-sufficient and independent as possible, through vocational skill training.

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For details logon to [www.thewavegroup.com](http://www.thewavegroup.com)
The year gone by: 2013-14
A glimpse of the Indian economy during 2013-14, highlighting the major developments which shaped the course of the economic journey.
The year FY14 was a year of uncertainty when expectations weathered a setback. The constant change in the Indian and global economic landscape created uncertainty and risks to the growth momentum. The Indian economy continued to languish recording a below 5% growth for the second consecutive year during FY14.

The anticipation that the Indian economy would recover from the current phase of slowdown from the second half of FY14 did not materialise. The growth prospects of the economy continued to be challenged by various facets. India’s investment and industrial growth prospects remained fragile and even the services sector remained weak. External vulnerabilities remained high with falling reserve cover for imports and external debt and the increasing share of short term and commercial borrowing in total external debt. Global risks increased in view of the prevailing issues regarding the US debt ceiling, euro area sovereign debt crisis and slowdown in growth in other emerging and developing countries.

The unanticipated announcement of the unwinding of the stimulus measure by the US Federal Reserve in May 2013 and the uncertainty regarding the timing of the winding up of the Federal Reserve’s bond buying programme had led to significant volatility in capital flows and the exchange rate especially in emerging markets. Currencies of other emerging economies also declined along with rupee; During Jan-13 to July-13 Brazilian reals depreciated by approximately 11%, South African Rand by around 13%, Indonesian rupiah by around 4% while rupee depreciated by 10%. The sudden and strong depreciation of rupee towards the end of Q1 FY14 let down expectations of an upturn in the growth prospects of the economy in the near term. Even though the rupee was likely to depreciate given that the current account deficit had remained above the sustainable level since FY12, the sudden drop in the value of rupee was not expected.

What made India’s rupee depreciation more disconcerting is the myriad of problems that the economy was facing on the domestic front. The depreciation of rupee raised concerns of reinforcing the inflationary pressures. The imbalances created out of the persistently elevated inflation, high current account deficit (India’s CAD widened while its real GDP growth slowed from above 8.5% to below 5%) and dismal domestic growth created grave concerns. This led to significant revision in growth forecasts of the Indian economy. In Oct 2012, the mean forecast of GDP growth by around 20 agencies compiled by the Reserve Bank of India (RBI) for FY14 was 6.6% which was sharply revised downwards to 4.8% in Oct-2013.

Despite the loss of momentum of the Indian economy, inflation continued to remain elevated, especially the retail inflation. WPI Inflation which had come below 6.0% in March 2013 for the first time after a gap of about 39 months began accelerating upwards on the back of food inflation and touched an 8-month high of 7.2% in Oct-13. Inflation in fruits and vegetables accelerated to an almost 15-year high during Nov-13. Even though this segment has a smaller weight of 3.8 in the overall inflation it contributed to around 31% to the increase in overall inflation which means excluding fruits and vegetables WPI inflation would have remained closer to the comfortable zone of the RBI. While WPI inflation had eased during the beginning of FY14, the retail inflation measured by CPI (combined for rural and urban) remained close to double digits. Moreover, there was a large magnitude of short-term divergence between WPI and CPI, especially during the first half of the fiscal year FY14 posing a challenge for assessing inflation dynamics in the short-term. Moreover, there was a dichotomy evident in the hardening of the core CPI inflation and the decline in the consumer durables sector under the Index of the Industrial Production for 15 consecutive months as well as significant moderation in the private consumption demand (PFCE) under the GDP. Nonetheless, stating the presence of demand pressures, the RBI increased the repo rate by 25 basis points in Oct 2013.
points during Jan 2014 as the CPI inflation stayed high at 9.9% during Dec 2013 even as the WPI inflation moderated to 6.4% in Dec 2013. The Reserve bank of India which considered WPI as the headline measure of inflation decided to adopt a CPI-based inflation targeting framework based on the Urjit Patel committee report. The RBI which started its monetary policy easing in Jan 2013, reducing the repo rate by 25 basis points from 8.00% to 7.75% in Jan 2013 and further to 7.25% in May 2013, again began hiking its policy rate since Sept 2013 bringing back the repo rate again to 8.00% in Jan 2014.

While high cost of borrowing, low business confidence and delays in project approvals impacted investments, high inflation and slowdown in employment generation led to reduced spending by households. The industrial sector was thus impacted not only by the supply constraints (continued deterioration in the mining sector), weak demand conditions also continued to weigh down upon industrial production. Industrial growth almost stagnated during the year. Even the festive demand did not boost the industrial production. Even as exports rebounded strongly during the year growing by double digits during the four months of Jul - Oct 2013, it moderated thereafter substantially and recorded a negative growth during Feb-14 and Mar-14. The corporate sector remained highly leveraged while the rising bad assets in the banking sector and the increase in the corporate debt re-structuring amidst deteriorating investment climate reflected the poor state of the corporate finances.

The services sector growth also moderated during the year growing by just 6.0% during Q2 FY14, the lowest in around 12 years led by weak domestic along with global economic growth. The trade, hotels & transport segment continued to grow at sub 5% levels during the first three quarters of FY14, reminiscent of post crisis levels. The uptick in the finance, insurance, real estate & business services segment in the third quarter of FY14 occurred primarily due to the surge in FCNR (B) deposits. The agriculture sector failed to provide the desired support to the economy, posting an average growth rate of around 3.6% during first three quarters of FY14, despite a favourable monsoon and low base of the previous year. Moreover, the agriculture output did not translate into lower food inflation.

Even though GDP was growing below 5% since Q1 FY13, growth fell to 4.35% during Q1 FY14 recording a 17 quarters low. Domestic GDP did not gather momentum during the subsequent two quarters. Confronted with a difficult macroeconomic situation of slowing growth, high inflation and depreciating rupee, the government and the RBI had taken a number of corrective measures to support economic growth - imposed import duty on gold and platinum to bring down the current account deficit and tightened exposure norms for currency derivatives, the RBI offered banks incentives to attract foreign currency deposits through the foreign currency non-resident route, which has attracted around US$ 34 billion helping to boost the financial sector's growth, constituted The Cabinet Committee on Investment (CCI) (January 2013) and later the Project Monitoring Group (PMG) (June 2013) to speed up key mega projects. By the end of January 2014, the CCI and the PMG had together undertaken resolution of issues for 296 projects with an estimated project cost of ₹ 6.6 trillion. As on January 2014 the PMG has resolved issues of 138 projects worth ₹ 4.9 trillion and as at end-March 2014 around 284 projects worth ₹ 15.6 trillion are being considered by PMG. Clearance of Land Acquisition Rehabilitation and Resettlement, delinking of environmental clearance from forest clearances, encouraging infrastructure debt funds and enhancing credit to infrastructure companies along with liberalisation of FDI in certain sectors were some of the attempts made to support economic growth.

The sharp fall in the current account deficit, a marked decline in gold imports, increase in foreign investment inflows, adequate forex reserves, fiscal consolidation and the resilience in rupee than other emerging market currencies even after the US Fed began to taper its monetary stimulus, incite hopes for the near future. However, uncertainty in global financial market still prevails post ‘Financial Crisis’. Developed economies are showing some signs of recovery while countries like China, Latin America, Eastern Europe and Africa are witnessing a slowdown. The Indian as well as the global economy is thus at crossroads poised to witness recovery during the FY15.
India logged in sub 5.0% growth for two consecutive years of FY13 and FY14 led by near stagnation in the industrial sector. Weak and uneven pace of global recovery, lack of revival in domestic investment and moderation in private demand had led to subdued growth.

Services sector grew by just 6.0% during Q2 - lowest since Q1 FY02. The trade, hotels & transport sector grew at an average of 4.0% during the first three quarters of FY14, reminiscent of post crisis (financial) levels. Domestic constraints and global cyclical factors contributed to the overall slowdown in the services sector.

Subdued investment and consumption demand resulted in contraction in industrial output. Contraction in the mining sector due to regulatory and environmental issues contributed to the overall decline in the industrial output. Even though the manufacturing sector was underperforming since FY12, it recorded an average negative growth rate so far.

The IIP 3-month moving average data shows that the industrial production revived sharply during the last two instances when the industrial activity suffered a slowdown (i.e. during 2005 & 2009). However, this time around the slowdown persisted for more than two years. Effectively, the slowdown in IIP had started from the second half of FY11.
The contraction in consumer durables exceeded the contraction in the capitals goods sector during Apr-Feb FY14. Falling discretionary consumption demand in face of high inflation and weak consumer confidence impacted consumer durables, whereas the consumer non-durables sector recorded an increase during the period. As a result, the consumer goods sector recorded a contraction of 2.8% during the period Apr-Feb FY14.

11 out of 22 industries within the manufacturing sector recorded a decline during Apr-Feb FY14, while 10 out of the 22 industries within the sector recorded a decline in output during Apr-Feb FY13. Among the sectors which had recorded positive growth during Apr-Feb FY14, the highest was observed in wearing apparel (22.2%) followed by electrical machinery & apparatus (17%) and chemicals and chemical products (9.5%).

Sectors like radio, TV and communication equipments (-26.8%), furniture (-14.0%), office, accounting & computing machinery (-14.2%), motor vehicles (-9.1%), fabricated metal products (-7.0%) and machinery and equipment segment (-5.5%) recorded a decline in growth during Apr-Feb FY14.

The investment cycle is yet to witness a turnaround. Bottlenecks facing infrastructure and energy-intensive industrial projects persist. While the slate of new projects has fallen over the quarters, the stalled/shelved projects have increased. Given the large number of projects under implementation, room for new projects remains constrained.
Unlike during 2009 when the decline in private demand was almost counterbalanced by government spending, during this time while private demand decelerated in the face of high inflation with subdued discretionary demand, government demand remained subdued as the government shifted its focus towards fiscal consolidation from fiscal stimulus.

Supply side bottlenecks along with the pass through of depreciation of rupee accelerated the pace of inflation during the current financial year. From around 4.6% in May 2013 - the lowest since Nov 2009, WPI reached to a 14 month high of 7.5% in Nov 2013. Food articles inflation contributed to an average of 33% in overall WPI in FY14, whereas, fuel and manufacturing segment contributed around 28% and 36% respectively in current financial year.

The difference between core CPI and the core WPI inflation remained high during the year. While the CPI inflation has moderated, the core CPI inflation remained sticky, especially in respect of services, indicative of wage pressures and other second round effects. Inflation in housing, clothing, medical care and education drove the core inflation under CPI (combined for rural and urban) which remained on an average of around 8% during FY14. However, while WPI inflation started increasing since Jun to Nov 2013, core WPI inflation had remained subdued.

After keeping interest rates unchanged during Apr-12 to Dec-12, the RBI started reducing the repo rate since Jan 2013 till May 2013. The repo rate was hiked since September 2013 in lieu of the increase in inflation and inflationary expectations in the economy. The hike continued in 2014 as the RBI considered demand side pressures in the economy. During FY14, the RBI had to resort to exceptional measures to address the currency pressures after the US Federal Reserve indicated tapering of the monetary stimulus. Following the easing of volatility in rupee, the RBI initiated normalisation of the exceptional measures in a calibrated manner since Sept 2013.
Liquidity tightened considerably during the year as the RBI undertook liquidity tightening measures to support the rupee. Liquidity eased since Oct 2013 owing to gradual normalisation of exceptional monetary measures, capital inflows under the Reserve Bank’s swap facilities for bank’s overseas borrowings and non-resident deposit funds (which were operational till November 30, 2013) and narrowing of the difference between the credit and deposit growth. The Reserve Bank also conducted OMO purchase auctions and rolled out a series of term repos to ease the liquidity pressure. To address the liquidity stress faced by the SMEs, the Reserve Bank opened a refinance facility of ₹ 50 billion to the Small Industries Development Bank of India (SIDBI).

A cursory glance into the credit growth of industries reveals that during Apr-Feb FY14 the credit growth to the fertiliser sector has been the highest and it has been growing over the years followed by the food processing sector while the credit growth to the mining sector has been decelerating. Within infrastructure, credit growth to the telecom sector has been deteriorating since FY12. During Apr-Feb FY14, it stood at around -3.9%.

While deposit growth had remained subdued since Jan 2011, bank credit witnessed marked deceleration in growth from around 23.3% in Jan 2011 and remained range-bound since Dec 2011. Bank credit grew at an average of 14.4% during Mar 2013 to July 2013 and revived thereafter for 3 months (average of 17%) before dropping again. Bank credit grew at 14.3% as on end Mar 2014 as against the growth of 14.1% during the year ago period.

Despite the uneven and slow pace of global recovery, India logged in a double digit exports growth during Jul to Oct FY14. Exporters continued to take advantage of improvements in external competitiveness following the depreciation in rupee. Thereafter, it moderated substantially recording a negative growth during Feb-Mar 2014. During FY14 total export grew by 4.0% compared to a decline of 1.8% in year ago period. Among sectors, exports of manufactured goods such as leather & leather manufactures, engineering goods, textiles (excluding readymade garments) and readymade garments increased significantly during Q2 and Q3 of FY14.
India’s Import

Imports growth remained weak since the beginning of 2013 due to subdued demand conditions and inflationary pressure. Imports recorded a decline since June 2013 to March 2014 and the slowdown had intensified since September 2013. During FY14, imports declined by 8.1% primarily led by decline in gold imports by around 77% (y-o-y) during July-Jan FY14. While the negative growth in imports was largely led by a significant contraction of 13.3% in non-oil imports during FY14 as domestic demand withered, oil imports also weakened and recorded a mere 2.2% growth during the same period.

Source: Ministry of Commerce and Industry

Current account deficit (CAD) improved remarkably during FY14 (Apr-13 to Dec-13) by 2.3% of GDP as against 5.2% of GDP during comparable period last fiscal. In Q3 of FY14 CAD as % of GDP was 19 quarters low at 0.8%. Improvement in CAD is mainly driven by the decline in gold imports. Invisibles also grew by 7.3% in FY14 (Q1 to Q3) from a decline of 2.2% in FY13 (Q1 to Q3).

Difference between REER and nominal exchange rate is narrowing

Unfavorable current account deficit and announcement of the quantitative tapering by the Federal Reserve dragged the rupee to its all-time low of ₹68.36 per US$ on 28-Aug-2013. Rupee depreciated by 22.5% by the end of Aug 2013 from ₹54.33 per US$ on 2nd Apr 2013. Measures by the RBI and the government helped rupee appreciate by around 9.7% by end Mar 2014 since end Aug 2013. Although real effective exchange rate (of 6 most traded currencies) during FY14 (Jun 2013 to Mar 2014) indicated that the rupee was undervalued by 9.0%.

Yield Curve

The yield curve remained almost flat during the beginning of the current fiscal year. During Jul-13, the short end of the yield curve rose significantly above the long end (both 10 year and the 30 year bond yield) owing to severe liquidity crunch following the RBI’s liquidity tightening measures as rupee depreciated, rising risk perception and FII outflows in debt. The yield curve has normalized in the recent period.
D&B Business Optimism Index

Business sentiment remained severely dampened during 2013. D&B Business Optimism Index stood at 17-quarter low during Q3 2013. Hopes of greater political stability and a recovery in the investment cycle have led to some revival in the optimism level since Q1 2014.

FII Flows

FII inflows during FY14 stood at US$ 8.9 billion as compared to US$ 31 billion in FY13. Strong outflows of around US$ 13 billion witnessed during June to August 2013 due to the risk aversion by investors following the announcement of the rollback of quantitative easing by the Federal Reserve were counterbalanced by inflows of around US$ 9.4 billion during January to March 2014. FII outflows were strongly observed in the debt market – FII outflows in debt continued for six consecutive months of June to November 2013. Outflow in foreign investment dented the foreign exchange reserves (from US$ 394 bn on 5-Apr-2013 to US$ 275 bn on 6-Sept-2013) which gradually recovered following the appreciation in rupee.

Sensex Touches Record High

From a low of around 15848.83 recorded on 26-Aug-11, the BSE Sensex had scaled upwards to touch a record high of 22,386 on 31-Mar-14 despite India’s waning growth momentum. In fact, since December 2013, the BSE Sensex touched new heights and has registered historical levels for 6 consecutive trading days in Mar-14 (24-Mar-14 to 31-Mar-14).
Snapshot of the Interim Budget 2014-15
Glance into the major announcements of the Interim Budget of 2014-15 and its likely implications
Key Highlights

- Fiscal deficit during FY14 to be contained at 4.6%. For FY15, fiscal deficit estimated to be at 4.1%, which will be below the target set by new Fiscal Consolidation Path.
- The current account deficit projected to be at US$ 45 bn in FY14 down from US$ 88 bn in FY13
- Personal and corporate income tax rates kept unchanged
- Excise duty rates on motor vehicles (motor cars, motor cycles, scooters, commercial vehicles, trailers etc.) have been reduced by 3% to 6%, depending upon the nature and configuration of the motor vehicles. This concessional rate is available upto 30-06-14.
- Excise duty for all categories of mobile handsets to be at 6% with central value-added tax (CENVAT) credit, or 1% without CENVAT credit
- Excise duty on capital goods and non-consumer durables cut from 12% to 10%
- Customs duty structure on non-edible grade industrial oils and its fractions, fatty acids and fatty alcohols reduced to a uniform rate of 7.5%.
- Exemption of loading, unloading, packing, storage and warehousing of rice from service tax
- Interest subsidy scheme extended to education loans taken before 31st March 2009 and outstanding as on 31st December 2013; nearly 9 lakh student borrowers to benefit
- Integrated Child Development Services (ICDS) scheme will be implemented throughout the country from 01-04-14.
- National Skill Development Corporation (NSDC) granted ₹ 10 bn next year to scale up its programmes rapidly
- Allocation of ₹ 4.4 bn towards marketing of minor forest produce
- Nirbhaya Fund to be granted another ₹ 10 bn next year for safety and dignity of women

Viewpoint

At a time when the poor state of the economy has severely impacted government finances, the Finance Minister was confronted with an uphill task of appeasing domestic electorate as well as foreign investors and rating agencies. Therefore, fiscal prudence and economic growth recovery remained the key undertone of the Interim Budget presented on 17-02-14.

To begin with, the fiscal deficit for FY14 has been capped at 4.6% of GDP, below the budgeted target of 4.8%. Fiscal consolidation bodes well for the overall economy averting the possible downgrade by the international rating agencies. However, what is disconcerting in the current scenario is that the quality of the current and projected fiscal consolidation appears to be deteriorating. The attainment of better than expected fiscal deficit target in FY14 has involved offsetting the decline in tax revenue through expenditure compression (primarily plan and capital). Plan expenditure for FY14 has been pruned to the tune of 14.4% from the budgeted estimates while non-plan expenditure exceeds the budgeted target by 0.4%. Further, under the revenue expenditure, the grants for creation of capital assets has also fallen significantly (30.6%) compared to the budgeted estimates. Within the tax revenue, corporation tax, income tax, wealth tax, customs and excise duties had recorded a major shortfall. The significant 12.2% increase in non-tax revenue led by the 19.4% increase in dividend and
profits of the public sector units, helped to offset to some extent the fall in the tax revenue. The windfall gain being the collection through the 2G spectrum auction which helped in non-tax revenue augmentation. However, as per the latest available data fiscal deficit will cross budgeted target of 4.8% and is expected to touch 5.1%.

Delving deeper into the budget estimates, the fiscal deficit target of 4.1% of GDP in FY15 is based on a 13.4% rise in revenues and total expenditure growth limited to 11%. The reduced outlay on capital expenditure is an area of concern. Capital expenditure (used for creation of physical assets) for FY15 is down 6.9% from that budgeted for FY14. In contrast, revenue expenditure (salaries and other running expenses) is up 7.9%. Moreover, the outlay on plan expenditure (productive expenditure), at ₹ 5.5 trillion remains unchanged compared to last year.

The subsidy roadmap outlined in the budget might be difficult to achieve given the optimistic assumptions for fertilizer and fuel subsidy. The fertiliser subsidy of ₹ 680 bn budgeted for FY15 is likely to prove inadequate after accounting for the carryover of the current fiscal. Moreover if the proposed gas price revision is implemented from 01-04-2014, then the new Government may have to decontrol urea prices or allow sharp farm gate price increases to achieve the set target. The adequacy of fuel subsidies hinges on global prices of crude oil, the exchange rate and regular revision of diesel prices by the oil marketing companies.

Going ahead, the attainment of fiscal consolidation would be mired with major roadblocks (announcement of 7th Pay Commission), more so if the economy does not recover at the pace expected. Implementation of key reforms such as GST can push growth and expand the tax base and contribute significantly to higher revenues. Focus on expenditure-related reforms also holds the key to stay on the path of fiscal consolidation for the next Government.

### Trends in Receipts and Expenditure

![Graph showing trends in receipts and expenditure](Source: Union Budget 2014-15)

### Subsidies: Inadequately Budgeted (₹ bn)

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<th>FY14 RE</th>
<th>FY15 BE</th>
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*Source: Union Budget 2014-15*  
*Note: BE, Budget Estimates; RE, Revised Estimates*
India’s Economic Outlook: 2014-15
Insight into how India’s economy is likely to perform during 2014-15 which includes the forecast of major macro-economic variables.
This time around in last year we presented our outlook for FY14, expecting a gradual growth recovery but at a relatively sluggish pace. Although this trajectory largely played out, the year has been slightly more challenging than we anticipated. The economy has been severely hit by investment bottlenecks due to poor infrastructure and delayed structural reforms. Other growth-constraining factors were also at play. Uncertainty surrounding the strength and sustainability of the global expansion has weighed heavily on the growth momentum. Growth has slipped markedly over the first three quarters of FY14 and will probably improve marginally in the last quarter. The big question that now lingers is how the economic landscape would look like in FY15. For this, D&B has selected certain key macro-economic indicators and charted out their future path, which in turn would determine the course of the overall economic environment during the next fiscal year.

Real GDP to grow by 5.5% in FY15

The moderation in GDP growth momentum is expected to continue during the first half of FY15. Sluggish investment activity, unhealthy fiscal situation, and policy and administrative uncertainty on the part of the government will continue to place strain on economic activity. Further, given election, first quarter of FY15 might see some uncertainty and volatility. The situation is, however, expected to ease from the second half of FY15. We believe that a recovery, albeit moderate, is on the cards for FY15. The key pillars of this view are improved private consumption and a renewed pick-up in investment activity. The investment activity will be more favourable from the second half of FY15 as the thrust on infrastructure and revival of large stalled projects cleared by the Cabinet Committee of Investments (CCI) and Project Monitoring Group (PMG) would provide necessary impetus to investment demand. Consumption growth should accelerate from a very low base reached in FY14 as the expected stability in inflation towards the second half of FY15 would accelerate discretionary spending. Also, pick-up in investment activity is expected to generate more income and thereby will have positive impact on consumption during second half of FY15. Assuming a normal monsoon and a stable Government at the Centre, D&B expects GDP to record an average growth of 5.5% during FY15 as against an estimated 4.7% growth in FY14. Nonetheless, GDP growth rate would still remain considerably lower than the potential growth. Most of the contributions are expected to come from the second half of FY15. However, if risk to agriculture output from the possible El Nino phenomena materializes, the forecast to GDP would have to be revised downwards.

Disaggregating GDP data on a sectoral basis, the uptick in GDP growth during FY15 is expected to be driven by a robust services sector growth. The services sector, which recorded a healthy growth in FY14 (upto Q3 FY14) despite the slowdown in industrial growth, is expected to maintain the resilience in FY15 as well. The expected improvement in economic conditions-domestic and global, uptick in business sentiment, easing credit conditions and partial industrial recovery during the second half of the year would enable the service sector to support economic growth in FY15. The services sector will still remain elusive of the near double digit growth rates enjoyed during FY06 to FY11 as the domestic industrial sector as well as the global economy is likely to take some more time to revive completely and grow strongly. The service sector is expected to grow by 7.3% in FY15 from an estimated 6.8% in FY14.
Weak consumption and investment demand, slowdown in global demand along with the delay in the global economic recovery have all contributed to a severe slump in industrial activities in India over the past two years. Rapid rebound in industrial sector in FY15 is not expected. Having said that, effective regulatory measures combined with the anticipated removal of input bottlenecks is likely to improve the production scenario to a certain extent. The second half of FY15 may witness some impact of the ongoing investment reforms and clearing up of uncertainty following the general elections. This would provide the much needed palliatives for marginally shoring up industrial sector growth to 2.8% in FY15 from an expected 0.6% in FY14. D&B expects the pace of agricultural growth to moderate to 3.2% in FY15 from an expected 3.8% in FY14 given slightly high base. The projection for agricultural output is based on the assumption of normal monsoon. However, possibility of significant El Nino phenomena may impact agricultural output during FY15.

**Private Final Consumption Expenditure (PFCE) is expected to gather pace during FY15**

In line with D&B’s estimation of moderation in consumption activities, private final consumption expenditure was at a decadal low of 5% during FY13. In the current fiscal year, the economy has witnessed persistent inflationary pressures, elevated interest rates, subdued discretionary demand and weak sentiment in the consumer market, as a result of which consumption remained subdued. In the first three quarters (Apr 13-Dec 13), PFCE grew by 2.5% as against 5% in the corresponding period previous fiscal. D&B expects PFCE to moderate and grow close to 3.0% in FY14 as against a growth of 5.0% during FY13. Going forward, D&B expects PFCE to grow at around 5.4% in FY15. The recovery in PFCE is expected to be driven by the following factors:

- Thrust on infrastructure and revival of large stalled projects cleared by the Cabinet Committee of Investments (CCI) and Project Monitoring Group (PMG) is expected to provide necessary impetus to infrastructure investments which in turn would generate consumption through its multiplier effects including job creation
- Expected stability in inflation especially primary articles as compared to FY14 would increase the purchasing power of consumers
- Several government programs directed towards the upliftment of rural India would also augment consumption activity

**Industrial growth to resurrect from H2 FY15**

Industrial output witnessed one of its worst slowdown in FY14. While regulatory and environmental factors dragged down the mining sector growth, sluggish investment scenario and elevated interest rates affected the production in the capital goods and consumer durable sector. High input cost, uncertainty in the domestic and global economic environment along with low business confidence weighed down the overall industrial production during FY14. D&B expects the Index of Industrial Production (IIP) to register a moderate growth of 0.1% in FY14. Going ahead, D&B expects industrial activity to gather some pace during H2 FY15 and grow by 2.7% during FY15 owing to the below mentioned factors:

- Government’s thrust in infrastructure and clearances of mega investment projects
- Effective regulatory measures, ease in environmental clearances such as Government’s approval to delink environment clearance from forest clearance for key projects coupled with the anticipated easing of input bottlenecks and gradual
improvement in the business sentiment towards H2 of FY15 would accelerate the industrial production

• Further stability in inflation of non-core articles will ease input cost while improved consumer sentiment and revival in demand will catalyze industrial activity

• Easing of inflationary pressure towards end of FY15 and pickup in economic activity are likely to support the retail demand thereby driving the consumer durables sector which has been one of the worst performing segments under the IIP

• Expected reduction in fiscal deficit and subsidies would improve the public sector saving

• Government’s focus on financial inclusion coupled with increasing rural income are likely to improve savings rate in the rural areas

Savings rate to witness marginal recovery

In line with D&B’s estimation, saving rate declined further to 30.1% in FY13 from 31.3% in FY12 and is likely to remain at around the same level during FY14 as well. Factors such as elevated level of inflation, volatility in financial markets coupled with lower real returns have dampened the saving propensity of the Indians. Also moderation in personal disposable income dissuaded buying of physical assets, dragging down the savings rate during FY14. D&B estimates saving rate to stand at 30.4% in FY14 – almost unchanged from the level seen in FY13. However, the expected economic revival during the second half of FY15 is likely to improve the savings rate to 30.8% in FY15. The moderate recovery of saving rate in FY15 would hinge on the following factors:

• Expected improvement in business sentiment combined with the recovery in consumer demand is likely to improve corporate profitability which would have a positive impact on savings rate

• Revival in business confidence would improve employment prospects and lead to higher per capita income, thereby shoring up the savings rate

Investment rate to improve marginally by FY15

During the first three quarters of FY14, Gross Fixed Capital Formation (GFCF) as a percentage to GDP stood at 28.3% as against 30.4% in the year ago period. The subdued investment rate in the current scenario is driven by unfavorable policy environment and lack of business confidence and moderation in demand. Investment rate (Gross Domestic Capital Formation as a % of GDP) stood at 34.8% during FY13 and is expected to moderate further to 32.4% in FY14 whereas in FY15 investment rate is likely to edge upwards to a level of 33.1%. The uptick in investment rate is expected to be supported by the following factors:

• The Cabinet Committee on Investment and Project Monitoring Group has facilitated clearances for a substantial number of mega projects which as and when implemented could be a major push to overall investment

• With improving consumption demand and gradual pick-up in economic activity, corporates are expected to undertake expansion plans during FY15 especially during the second half

• Improving business optimism is likely to help stimulate investment in the economy
Bank credit to improve
Risk aversion by banks due to rising NPA levels along with high interest rates dented the credit growth during FY14. Bank credit growth improved from the low growth rate of 14.1% in FY13 to 14.3% in FY14 and is expected to grow by 16.5% in FY15 owing to the following factors:

- Expected improvement in economic activity will generate momentum in disbursement of credit
- Increase in demand for bank credit by industry due to improvement in production and resumption of investment plans
- Increase in consumption of high-end consumer product and resumption in demand for home loans

Inflationary pressures likely to remain range bound
Although inflation and inflationary expectations remained elevated during FY14, both WPI and CPI inflation eased since December 2013 on the back of significant moderation in food articles inflation. However, CPI core inflation still remains sticky even as WPI core inflation has come down to a more comfortable zone. The rate of inflation stood at an average of 5.9% during FY14 from 7.4% in the previous fiscal. Inflation would continue to remain range bound during FY15 and is likely to moderate only towards the end of FY15 to average at around 5.8% as upside risk to inflation remain high during FY15 due to factors mentioned below:

- Upside risk to food inflation can emanate from the possible El Nino effects on India’s rainfall patterns while further softening of vegetable prices remain unlikely in the near term
- Uncertainty regarding setting of minimum
support prices for agriculture and setting of other administered prices

• While global economic indicators show improvement, the downward risks to global growth which arise in lieu of ongoing tapering of quantitative easing (QE) in the US, continuing deflation concerns and weak balance sheets in the euro area and probable geopolitical tensions might exert pressure on rupee and crude oil prices thereby impacting imported inflation

• Core inflation is likely to remain high due to an expected revival of demand in H2 of FY15

Rupee to witness marginal appreciation towards the end of FY15

The rupee touched record lows during FY14 owing to FII outflows as global investors began unwinding their risky positions following Fed’s announcement of withdrawal of Quantitative Easing (QE), rising gold imports and subdued business sentiment. The rupee depreciated by around 9.8% during current fiscal year (2-Apr-13 to 2-Apr-14) to end at around ₹ 59.65 by end of FY14. While we do not anticipate the rupee to witness such strong deprecation during FY15, it is also not likely to appreciate very significantly despite being strongly undervalued. The RBI is likely to play a critical role in defending the rupee in order to prevent further erosion of export competitiveness. Going ahead in the near term, the outcome of the election results is likely to strongly impact the movement in rupee. We expect that once the uncertainty regarding the election results and the impact of the final election outcome subsides, the rupee is likely to appreciate during the second half of FY15 and stand at around ₹ 59.50 per US Dollar by end of FY15. Even as international crude oil price and inflationary pressures would be an area of concern for the rupee, the following factors are likely to support the Indian currency:

• Improvement in CAD and high interest differentials with many countries would help foreign inflows, thereby providing support to the Indian currency

• The government is expected to speed up the implementation process for key reform measures which are aimed at improving investment scenario and business optimism. This will help in improving foreign investor’s sentiment

Fiscal deficit to rein in

D&B expects fiscal headwinds to subside in FY15 as the new government is likely to adhere to fiscal discipline and build on the fiscal consolidation steps taken so far. Further, the thrust to cut down subsidy bill is also likely to show its impact. The expected improvement in economic activities would also lend support to government finances through higher indirect tax collections. D&B expects the fiscal deficit to be at 4.5% during FY15, lower than 5.1% estimated for FY14. The provisioning of food subsidy from FY15 and the likely implementation of the 7th Pay Commission from January 2016 would be the two major roadblocks towards attainment of fiscal consolidation going ahead, if the economy does not recover at the pace expected.

External sector to remain resilient

Besides the slowdown in global demand, Indian exporters have to endure domestic challenges such as increasing transactions cost, poor infrastructure and some procedural hurdles. Going ahead recovery in global growth and support from the government is likely to improve India’s export (BOP) prospects during FY15. D&B estimates exports to grow at around 13% and touch US$ 360.3 bn in FY15.

During FY14, imports (BOP) declined by 5.4% (Apr-13 to Dec-13) against a moderate growth of 1.1% in the year ago period. Dismal demand, inflationary pressures, and check on gold imports and elevated global crude oil prices dragged down India’s import bill. D&B expects imports to decline by 7% in FY14. However, towards the second half of FY15, improvement in domestic demand conditions and revival of investment activities would lead to a surge in imports. Therefore, D&B expects imports to grow by around 15% in FY15. In the first three quarters of FY14 India’s current account deficit improved to 2.3% of GDP from 5.2% of GDP in the previous fiscal owing to decline in imports, primarily gold. D&B expects CAD to stand at 2.0% of GDP in FY14 and 2.3% of GDP during FY15. Increase in CAD during FY15 would be due to expected increase in imports.
Corporate Publications

Dun & Bradstreet’s Economic Analysis Group conducts high-end business research and analysis. Tracking the economic scenario and business landscape closely, it produces value-added publications such as India’s Top 500 Companies, India’s Top Banks, India’s Top PSU’s, India’s Leading Equity Broking Houses, India’s Leading Infrastructure Companies and many more.

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An attempt to discuss and debate an issue that should receive special focus given its significance to the economy.
The downward spiral in India’s growth momentum was led by its persistently high inflation and deteriorating investment climate which has pulled down India’s potential growth. It would be critical to ensure that recovery in growth should not be accompanied by inflationary pressures for which India’s potential growth has to go up from the current levels. Moving up to a high potential growth level largely hinges around how efficiently the private sector investment improves. While the investment activity typically slows down during the downturn of a business cycle, the slump in the investment activity that India is facing is quite severe and the structural issues that have accompanied the cyclical factors for the slowdown are not easy to tide over.

Previous data shows that the private final investment had fallen to around 5.0% during FY01-02 which was considered as the downturn phase of the previous business cycle. The revival, thereafter, witnessed an unprecedented growth in the overall investment scenario. The investment rate of the private corporate sector exceeded that of the household sector (which has been the highest contributor to overall investment) during the three consecutive years of FY06, FY07 and FY08. The overall investment rate stood at a peak of 38.1% of GDP during FY08, while the private corporate sector investment also stood at the highest level of 17.3% of GDP. A fall in the private corporate investment from a peak of around 17% in FY08 to around 9% of GDP in FY13 i.e. around 8 percentage point decline translates to a loss of around ₹25 trillion over the years. The pace of decline in the investment momentum can also be gauged from the deceleration of new investment proposals as per the data from the CMIE. Cumulative value of new investment proposals stood at around ₹3.96 trillion during FY14 compared to around ₹20 trillion and ₹22.5 trillion worth of new projects during FY08 and FY09, respectively and lowest since FY06. The pipeline of new projects has reduced during the recent quarters and the value of stalled/shelved projects has reached alarmingly high levels especially since the quarter ended March 2011. In fact for the first time since 1995 (i.e. the period since the CMIE has a collective database) values of projects which are stalled/shelved have exceeded the value of new projects during the period Q3 FY13 to Q3 FY14, barring Q1 FY14 and Q4 FY02. As per the CMIE data, projects worth ₹2.6 trillion were stalled/shelved as on end-Dec 2013 as compared to ₹1.7 trillion as on end-Mar 2013. However, even as projects stalled/shelved has fallen to ₹1.0 trillion as on end Mar 2014 it is almost double the amount of new projects announced which stood at ₹541 billion as on end Mar 2014. The sectors where the value of projects stalled or shelved have exceeded the total value of new projects are petroleum products and refinery, transport services (most of which is in railways followed by shipping and road), steel, commercial complexes under real estate, hotels and restaurants, machinery, automobiles, coal & lignite and telecommunication services among others.

Given the increase in the number of projects being stuck due to various issues, the Cabinet Committee on Investment (CCI) and the Project Monitoring Group (PMG) constituted by the government had together undertaken resolution of impediments for 296 projects with an estimated project cost of ₹6.6 trillion by the end of January 2014. As at end-March 2014 around 284 projects worth ₹15.6 trillion are under the consideration of PMG for which issues are yet to be resolved.

Projects under implementation has increased manifold and since Q1 FY07 the increase has been quite sharp. However, since Q3 FY12, the pace of increase has become quite sluggish and almost stagnant in the recent period. Delays in execution of projects under implementation have increased the cost overruns and reduced the rate of returns on investments. As on Dec 2013, the status report on 741 major (an investment of ₹1.50 billion to less than ₹10 billion) and mega (an investment of ₹10 billion and above) Central sector infrastructure projects which are monitored by the government shows that the percentage of Central government projects running behind schedule has remained higher since FY09. Since FY01 to FY08, the average percentage of delayed projects i.e. projects running behind schedule has been around 32% which has increased significantly thereafter and has averaged at around 48.5% during
FY09 to FY13. While the percentage of the projects delayed has come down to 30% as on December 2013 from 50% as on March 2013, the number of projects has not reduced drastically. As on December 2013, 223 projects were running behind schedule with respect to the original schedule as compared to 285 projects as on March 2013. While percentage cost overrun in those 223 delayed projects with respect to the original estimates is around 23.4% the overall percentage cost overrun (in 242 out of total projects monitored) with respect to original cost estimates stands at 19.7%. Out of the 37 delayed projects which contribute nearly 50% of the total cost overrun, majority of the projects i.e. 22 projects are in the railway sector. Among the infrastructure sectors monitored by the government, majority of the projects belong to the railways (185) followed by road, transport and highways (152), power (100), petroleum (82) and coal (55). Under railways around 50% of the projects considered i.e. 150 are suffering from cost overruns while 37 projects are delayed. Under power, more than 50% of the projects monitored are delayed while under petroleum 68% of the total projects are delayed. For steel and coal 65% and 49% of the respective total projects are running behind schedule and in shipping ports there is a cost overrun in 47% of the total projects. While the reasons for delay and cost overruns in such Central government projects range from delay in land acquisition, lack of infrastructure support and linkages, high cost of environmental safeguards and rehabilitation measures and time overrun; out of the data available, environment clearance have affected the progress of 29 projects; land acquisition problems have affected 24 projects while contractual issues and funding constraints have impacted 15 and 14 projects respectively.

Further, there has been an increase in the number of projects without date of commissioning reflecting rising uncertainty about their completion. Around 376 such projects are currently monitored by the government as on December 2013 - nearly double the number of projects reported during each of the previous four fiscal years. As slowing economy and delayed projects resulted in cost overruns and repayment issues, banks had to restructure loans worth ₹ 2.89 trillion as on December 2013. Added to the gross non-performing assets (NPAs) of banks, which has been on the rise, the stressed assets of the banking sector have increased considerably. Aggregate debt which are under consideration for restructuring are higher in sectors such as infrastructure (with 19.6% of the total debt under the live cases in CDR), iron and steel (17.9%), power (12.67%), textiles (9.46%), telecom (5.19%), NBFC (3.36%) and ship-breaking/ship building (3.25%) which are highly dependent on Central Government approvals for project executions. The impact of the fall in the private corporate investment on GDP is generally magnified through multiplier effects. While the reasons surrounding the fall in the investment level are many, the broad consensus is that reviving investment is not only contingent of lowering interest rates. Interest rates have a major role in impacting projects under implementation (leading to cost overruns) rather than impacting new investment decisions. It is factors like, uncertainty brought about by global and domestic factors, supply constraints, weak business confidence, limited monetary and fiscal policy space which greatly impact the investment/expansion plans of the corporate sector. In an environment of increased uncertainty the private corporate sector generally holds back its expansion plans. Even if the government facilitates in diluting the impediments to the stalled projects, it would be difficult to encourage the private corporate sector to undertake new projects at least in the near future. The two major difficulties which lie ahead are that the corporate sector is highly leveraged and profit levels remains restrained. Secondly, increased government spending which generally in a period of slowdown leads to crowding in of private investment is likely to remain suppressed owing to fiscal consolidation. The turnaround in the investment cycle is crucial. Overhauling the support system to facilitate the revival in the investment activity might take a longer period given that reforms and regulations take a lengthy period of time for implementation. However, what can break the impasse is the uptick in sentiment of both corporate and consumer. Nonetheless, to make the growth sustainable, a broader framework has to be put in place. A stable government at the centre could be just the beginning.

Source: CMIE
The lack of growth-supporting structural reforms and decreasing profit margins have weighed heavily on business sentiments across sectors and pushed down industrial and investment activities over the last fiscal. The macro-economic imbalances have made it challenging for various sectors within the economy to sustain growth. In this section, we present a comprehensive analysis of the key trends that shaped the growth dynamics of certain vital sectors of the economy and also examine their future prospects.
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The Indian economy in the recent period has witnessed a severe slowdown. The subdued industrial activity, weak corporate sector performance, risk aversion by banks due to rise in bad debts, regulatory bottlenecks and inflationary pressures continue to impact the credit and deposit growth of the banks thereby affecting the profitability of the banks. The prolonged slowdown coupled with high interest rate environment strongly impacted the asset quality of scheduled commercial banks (SCBs) resulting in substantial rise in the sector’s Non-Performing Assets (NPAs). The evolving growth-inflation dynamics posed major challenges to monetary authority in India. In order to curb inflationary pressure and support rupee, the Reserve Bank of India (RBI) has taken a slew of measures including raising the Repo rates. A series of policy measures initiated by RBI since FY13 to enable the Indian banking system buoy the current phase of slow growth, improve asset quality and adopt Basel III norms coupled with issue of new banking licenses will ensure a robust Indian banking sector.

Demand for credit expected to pick up in FY15

The slowdown in economic activity has restricted the overall demand for the bank credit in FY13 and FY14. The volatility in India’s industrial output has significantly impacted the banks’ credit to the industry. Growth in banks’ credit to the industry slowed down substantially during the December 2013 quarter. Compared to the corresponding period previous year, growth in bank’s credit to the industry slowed down from 17.6% in September 2013 to 15.9% in October 2013 and 13.7% in November 2013. Banks’ credit registered a marginal growth of 14.1% (y-o-y) in December 2013 only to slow down again to 13.6% in January 2014; indicating the impact of declining industrial activity on banks’ credit to the industry. However with GDP growth expected to modestly pick up to 5.5% in FY15, credit off take is likely to witness some optimism during FY15.

Non-Performing Assets (NPA) would continue to remain a key area of concern

The non-performing assets of Indian banks continue to remain a great concern. The gross NPAs as a percentage of gross advances increased significantly from 3.1% in FY12 to 3.4% in FY13 and 4.2% in September 2013, while net NPAs as the percentage of net advances grew from 1.3% in FY12 to 1.7% in FY13. The doubtful assets of the SCBs increased from ₹ 617 bn in FY12 to ₹ 900 bn in FY13, an increase of 45.8% in FY13 over the previous year, indicating the deteriorating assets quality of Indian SCBs. Further, the gross NPAs of forty listed banks soared by over 35% during first three quarters of FY14 indicating the stress in the banks’ asset quality. Gross NPA (GNPA) was the highest for the public sector banks, reaching 3.8% of the gross advances in FY13 compared to 3.3% recorded during the previous fiscal period. GNPA of public sector banks slipped further to 4.5% as on September, 2013 and to 4.7% as on December 2013. On the other hand gross NPA as a percentage of gross advances of the private sector banks stood at 2.0% in FY13 as against 2.1% in FY12, while that of foreign banks stood at 2.9% in FY13 as against 2.6% during FY12. Gross NPAs for public plus private banks, alone, have increased from 4.0% in September, 2013 to 4.1% as on December, 2013. A significant increase in the restructured assets indicated by number of stressed assets referred for corporate debt restructuring also points towards the worsening quality of assets of Indian scheduled commercial banks (SCBs). Banks referred as many as 84 cases during first nine months of FY14, while there were 129 cases referred during the entire period of FY13. As on third quarter of FY14 ending December 2013, total number of approved CDR cases stood at 443 while the aggregate debt stood at approximately ₹ 2,900 bn. Maximum distress in debt was witnessed in infrastructure, iron & steel, power, textiles and telecom sectors. Prevailing slowdown in the domestic economy, declining business confidence in the industry due to slackening demand, prevailing high interest rate environment, and high exposure of Indian banks, especially public sector banks, to the real estate, textile, infrastructure (specifically power and telecom segments), in addition to the priority sector are few of the reasons for the substantial increase in NPAs. If the deceleration in the industrial activity and adverse macro-economic conditions persist, the credit quality of the commercial banks could deteriorate further. To address the growing pile of bad loans in the banking
system, the RBI has recommended a series of measures, calling for early recognition of stressed assets, strict actions against willful defaulters and incentives for asset reconstruction companies in handling the NPAs of banks. With India’s GDP expected to modestly pick up during FY15, these measures coupled with faster clearing of stalled infrastructure projects would prove to be one of the major drivers in improving the asset quality of Indian banking system.

**Capital infusion in public sector banks set to continue to meet Basel III norms and ensure credit growth**

The Basel III capital regulation has been implemented in India effective from Apr 1, 2013 which will be fully implemented in a phased manner by Mar 31, 2019. The Basel III norms will improve risk management systems and governance and make banks more capital efficient, thereby, improving banking sector’s ability to absorb shocks arising from financial and economic crisis. Infusion of bank capital will facilitate banks to improve its core business of lending for further growth. However, though Indian banks are well-capitalised with an overall Capital to Risk Weighted Asset ratio (CRAR), also known as capital adequacy ratio of 13.5% as on June 30, 2013; to adopt Basel III norms PSBs alone will require an additional capital of ₹ 4.15 tn, of which equity capital would be of ₹ 1.4 - 1.5 tn, while non-equity capital would be of ₹ 2.65 - 2.75 tn, which would entail dilution of Government’s stake in PSBs. During the last five years, Government which is the majority stakeholder in public sector banks has infused close to ₹ 477 bn. For the period 2013-14, Indian government has earmarked ₹ 140 bn capital infusion in PSBs. Nonetheless, as PSBs adopt the Basel III framework, the quantity and quality (common equity) of capital needs to be enhanced, which would in turn enable PSBs meet Basel III capital requirements and also enhance the credit growth.

**Financial inclusion to continue to be one of the key focus areas for the banks**

Financial Inclusion Plan (FIP) which was adopted by Scheduled Commercial Banks (SCBs) in 2010 for a period of three years (2010-13) to improve financial inclusion is set to continue. Under three year FIP (2010-13) the total number of banking outlets in villages have grown from approximately 68,000 outlets in March 2010 to 268,000 outlets in March 2013, nearly 109 mn Basic Savings Bank Deposit Accounts (BSBDAs) have been added during FY13, taking the total number of BSBDAs to 182 mn. The share of Information and Communications Technology (ICT) based accounts in BSBDAs increased substantially from 25% in March 2010 to 45% in March 2013. With addition of over 11 mn households during the period, over 37 mn households have been provided with small entrepreneurial credit as on March 2013. These statistics point towards the effectiveness of FIPs in penetrating rural areas and improving the financial inclusion in the country. This success has prompted the central bank to continue with the FIP policy. FIP 2013-16 would focus on further increasing banking presence in villages by disaggregating their FIP to the branch level and increasing the number of transactions through ICT-based business correspondent (BC) outlets. In addition to FIP, several other initiatives such as direct benefit transfer (DBT), financial literacy and new banking licenses are being undertaken to enhance the financial inclusion efforts. New delivery models such as inclusion of post office as business correspondent are being deliberated to provide a boost to the financial inclusion initiative. With these initiatives, financial inclusion will continue to be one of the key focus areas for the banks.

**Competition in the banking sector to intensify with the entry of new banks and foreign banks**

To promote financial inclusion and make the sector competitive, RBI has invited applications for granting new banking licenses. In response, RBI has received around 26 applications for new bank licenses (since then one of the applicant has withdrawn the application) from corporates/industrial houses. Regulations and guidelines laid out by the RBI are likely to ensure that the new banks would improve the financial inclusion initiatives. Entry of new players would increase the competition in the sector thereby increasing the choice for customers as well as introduction of innovative financial products and services. In addition, the RBI’s scheme of subsidiarisation for foreign banks which allows the foreign banks to convert into Wholly Owned Subsidiary (WOS) and receive near-national bank treatment which includes freedom in opening branches anywhere in the country (except in certain regions where prior RBI approval is required), would propel the foreign banks to opt for WOS route. Consequently, the extent of competition from foreign banks would go up which would eventually provide customers with better choices.
Automobiles

Vehicle sales to record moderate growth in FY15
The Indian automobiles industry witnessed one of its steepest slowdowns in recent years i.e. during FY13 and FY14. Growth in domestic sales plummeted to a meagre 2.5% (FY13) and 3.5% (FY14), as compared to growth of about 26% in FY10 and FY11. A sustained deceleration in economic activity and the resultant weakening in consumer and business sentiment adversely impacted sales of automobiles. Although in FY15 the industry is unlikely to record double-digit growth rates as seen prior to FY12, it would remain positive. Expectations of improvement in economic environment during the second half of FY15 is likely to provide support to vehicle sales in the coming fiscal. Moreover, demand from the semi-urban and rural markets is expected to be upbeat, primarily due to the rising income level, growing consumerism in these markets and improving road connectivity. We expect the deferred purchases to get converted into actual sales, mainly after Q1 FY15, owing to pick up in industrial activity and increase in infrastructure spending. Improvement in consumer sentiments particularly in rural areas, following good performance of the agriculture sector in FY14, would act as a positive trigger for certain segments, mainly passenger cars, utility vehicles and two-wheelers.

Commercial vehicles
After being in overdrive between FY10 and FY12 (growing by 18-39%), domestic sales of commercial vehicles suddenly dipped by 2% in FY13, only to fall further by 20.2% in FY14. Sales of medium & heavy vehicles in FY14 was lowest since FY05, largely due to moderation of mining activities, subdued industrial activity and lower replacement of old vehicles. The light vehicle segment also bore the brunt of weak macro-economic environment and low freight availability. The 17.6% drop in sales of light vehicles in FY14 is the steepest fall posted in over 15 years. The dismal performance of the CV segment can be attributed to slowdown in industrial activity, coupled with sluggish infrastructure spending, tight financing environment and frequent diesel price hikes. Going forward, sales of commercial vehicles are expected to remain subdued till the first quarter of FY15 on account of sluggish industrial demand and surplus fleet capacity. Thereafter, expected improvement in economic environment and increase in infrastructure spending subject to project clearances on major infrastructure projects could bring about a gradual revival in demand. While the recovery in M&HCVs will lag revival in economic growth, LCVs (driven by the SCV segment) are expected to witness strong growth owing to replacement demand and improving demand from tier II & III cities. The Phase II orders under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) programme are also likely to provide an impetus to bus volumes.

Passenger vehicles
For the first time in 12 years, domestic sales of passenger vehicles recorded a y-o-y decline in FY14. While car sales have fallen for the second year in a row, sales of multi-utility vehicles and vans, which have remained in the positive trajectory till FY13, also posted decline
in FY14. Weak and uncertain economic conditions and the resultant consumer uncertainty, coupled with rising fuel prices and high interest rates which have led to sharp increase in ownership costs, have resulted in customers postponing vehicle purchases. Utility vehicles, particularly sports-utility vehicles remain a bright spot in the PV market. A number of launches by both Indian and foreign OEMs and competitive pricing explains the growing demand for SUVs. Notwithstanding the macro-economic conditions and consumer sentiments, sales of MUVs had surged by 52.2% in FY13, as against the 7.7% dip in passenger car sales. Share of MUVs in total domestic sales of passenger vehicles has also surged from an average of around 13% in FY11-FY12 to around 21% during FY13-FY14. The outlook for FY15 for the overall passenger vehicle industry remains challenging. OEMs are likely to go ahead with their capex plans in anticipation of demand recovery by the second half of FY15. Meanwhile, with the differential between petrol and diesel prices getting narrower, the coming year would witness the share of diesel cars in industry mix to gradually decline, considering higher prices of diesel vehicles.

Two wheelers

From double-digit growth in domestic sales of two-wheelers (FY10-FY12), growth slumped to 3% in FY13 and 7.3% in FY14. The weakening domestic demand on account of subdued urban consumer sentiments is mainly due to increasing fuel prices and high borrowing costs. Nevertheless, we expect demand for two-wheelers to pick up during FY15, supported by slight moderation in inflation level as compared to FY14 and revival in consumer sentiment. The under-penetrated rural market will be the key driver for the industry’s growth, which is expected to remain in single digits.

Export prospects remain challenging

After 10 consecutive years of double-digit growth, exports of automobiles from India had recorded a decline during FY13 (-1.3%). Nevertheless, exports bounced back in FY14, recording a growth of 7.2%. The revival in exports is largely a reflection of increased thrust by the OEMs on the overseas markets, in an attempt to offset the slowing sales in the domestic market. Moreover, global car makers are designing cars for the Indian market, with an eye on other similar markets. While India has established its capability as an export hub for small cars, the Indian automobile industry is emerging as an export base for bigger cars and utility vehicles as well. From 43,574 units in FY12, exports of ‘super compact and mid-size cars’ nearly trebled to 127,889 units in FY14. Similarly, though small in actual volumes, exports of utility vehicles from India have surged in recent years - from 10,423 units in FY13 to 41,550 units during FY14. From double-digit growth in domestic sales of two-wheelers (FY10-FY12), growth slumped to 3% in FY13 and 7.3% in FY14. The weakening domestic demand increased thrust of two-wheeler manufacturers to explore new overseas markets such as Africa and Latin America, among others. However, after posting average annual growth of 25.4% between FY07 and FY12, two-wheeler exports dipped by 1.0% in FY13, before recovering in FY14 (6.5% growth). For FY15, automobile exports are expected to record moderate growth. Manufacturers would look to take advantage of the weaker rupee. However exports are likely to further lose some steam in light of the non-tariff barriers and preferential duty agreements inked by EU with certain African and Latin American countries. The latest move could act as a deterrent for auto companies who had begun to make strong inroads into these economies.

Profit margins to remain under pressure

Automobile companies across segments continue to face tremendous pressure on profit margins due to weak sales and heavy discounts offered in order to attract consumers to the showrooms. To withstand the ongoing slowdown, OEMs have adopted various cost rationalisation measures and also focused on innovation and quality improvement. Moreover, with vehicle manufacturers attempting to draw the customers to the showrooms and convert the pent-up demand into sales through new launches, discounts, marketing & promotional offers, etc, the increasing competition is likely to keep profit margins under pressure. Also, some of the OEMs are looking at scaling up their distribution reach, mainly in the under-penetrated semi-urban and rural markets, thereby resulting in higher marketing cost. On the raw material front, prices of commodities such as steel and rubber are likely to remain firm in the coming year.

Source: SIAM, D&B Research
Indian pharmaceuticals industry has exhibited a stellar performance in the past and has grown unabated at a compound annual growth rate of around 14% during the last five years. The total sales turnover of Indian Pharmaceuticals products, which are largely generics, was about ₹1,200 billion during FY13. Both, domestic and export led demand contributed towards the robust performance of the sector. Lower cost of production and availability of highly skilled labor pool at low cost has helped Indian pharmaceutical companies to innovate and develop generic substitutes of patented drugs at a fraction of cost incurred in developed markets. Though the pharmaceutical industry has remained unaffected from recession in the past, currently companies in this sector are also facing the heat of slowing economic growth. Sales growth of domestic pharmaceutical companies remains subdued, as growth has been in single digits since Q4 FY13 to Q3 FY14 as compared to double-digit growth seen in prior quarters.

Quality concerns could affect export performance
India is one of the largest exporters of pharmaceutical products in the North America and European region. North America and Europe accounts for 32% and 15% share respectively of pharmaceutical exports from India. Between FY09 and FY13, exports of India’s pharmaceutical products registered an average growth of 24.3%. The quality standard achieved by Indian pharmaceutical companies is highlighted in the fact that, according to the Ministry of Commerce & Industry, India has the largest number of US FDA approved facilities outside the US (323 as on March 2013), most of which also have approvals from regulatory authorities in Canada, Australia and the European Union (EU) nations. Additionally, there are more than 350 manufacturing sites (as on 30th April 2013) endorsed by EU for their Good Manufacturing Practices (GMP) in India. However, a recent spate of quality concerns raised by the US FDA regarding drugs manufactured by Indian firms could impact the growth prospect of Indian pharmaceutical exports. During the first three months of 2014, two facilities of two major domestic pharmaceutical manufacturers received import alerts from the US FDA. Moreover, as per a recent surveillance report by the Central Drugs Standard Control Organization (CDSCO), about 2.3% of drugs tested since December 2012 were found to be as “Not of Standard Quality”. The report further highlights that about 13.3% of samples tested from manufacturing sites in Jammu were found to be of sub-standard quality, while about 0.67% of samples tested from manufacturing sites in Bengaluru were found to be of sub-standard quality. In light of these adverse rulings, the US FDA might impose tighter quality norms that could delay Indian pharmaceutical companies in launching their products in the US market. As US is the largest export market for Indian pharmaceutical companies, any delay in product approvals due to adverse rulings by the regulatory authorities would have a significant impact on the sector.

Indian pharmaceutical industry focusing on niche products and emerging economies
With the aim to tap into the high growth areas that provide limited competition, Indian pharmaceutical firms are diversifying their product portfolios by exploring niche areas, such as, oral contraceptives, injectable oncology, dermatology, paediatrics, primary care and custom research manufacturing services (CRAMS). Besides, as several branded drugs are scheduled to go off patent through 2015, Indian pharma companies stand to gain significantly, as India has a market share of 15% of US generics by volume. According to the US FDA, about 8 in 10 prescriptions filled in the US are for generic drugs. Thus, the expected value of patent expiry in the US, which is about US$ 17 billion in 2013 and US$20-22 billion during 2014 as per CMIE, presents a growing opportunity for Indian manufacturers of generic drugs to augment their production and market share. The growing presence of Indian pharmaceutical companies in emerging markets is also expected to boost growth of the domestic pharmaceutical market. Lesser stringent regulatory norms and high healthcare expenditure are expected to drive growth of Indian exports to markets such as Russia, Africa and Latin American countries, which have emerged as some of the fast-growing markets for Indian Pharma companies during FY13 and FY14 (upto Dec-13).
Implementation of New Pricing Policy is likely to translate in weak domestic revenues

Implementation of Drug Policy Control Order (DPCO) 2013 by New Pharmaceutical Pricing Authority (NPPA) with effect from 15th May 2013, which put a cap on the prices of 348 essential drugs covering around 652 formulations, is likely to impact domestic revenue generation of both home grown and multinational drug manufacturers in FY15. Impact of New Drug Pricing policy and regulatory intervention has already started influencing the growth performance of the overall pharma industry. According to the NPPA, there has been a significant reduction in the prices of scheduled formulations as compared to the highest price prevailed prior to the announcement of DPCO 2013. Prices of more than 100 drugs have declined by over 40% and prices of over 120 other drugs have fallen by 20%. Furthermore, slow down of quarterly net sales growth to an average of 7% during the first three quarters of FY14 (period during which DPCO was implemented) as against over 9% average growth during the same period in the previous year reflects the impact of DPCO and slowdown in demand.

Hike in US FDA generic drug user fee could hit hard the large Indian drug manufacturers too

In August 2013, the US FDA proposed to hike the generic drug user fee sharply with a view to reduce the backlog of pending applications and cut down on the average time required to review generic drug applications for safety. However, this hike is likely to put financial burden on generic drug manufacturer across the world while its impact on India is likely to be felt in a big way as the country holds a 15% share (in terms of volume) in US generic drug market.

Enactment of Proposed Bill ‘Small Manufacturer Protection Act of 2013’ in US may benefit small generic drug players including Indian manufacturers

On 2nd December 2013, this bill has been proposed in order to protect small generic drug manufacturers against the recent hike announced by US FDA in the generic drug user fee for all generic drug manufacturers including small manufacturers, which typically face cash-crunch problems. Thus, if this legislation is passed it will have a provision for allowing waivers and refunds of user fees to small generic drug manufacturers and is likely to benefit Indian generic drug manufacturers too since the bill does not discriminate between domestic and foreign generic drug manufacturer.

Growth in ageing population and low healthcare penetration to support growth

India will continue to remain an attractive pharmaceuticals market for global companies on the back of growing ageing population and low penetration of healthcare. Other factors like rising income, increasing incidence of lifestyle diseases, greater awareness of personal health and hygiene, easier access to high-quality healthcare facilities and rising penetration of health insurance are some of the important factors expected to drive the pharmaceutical sales in India. To access the immense potential in growing domestic pharma business, multinational pharma companies are enhancing their stakes in Indian companies or entering into strategic alliances with domestic generic manufacturers. The drugs & pharmaceuticals sector was the second largest recipient of FDI inflows during Apr-Jan FY14. The FDI inflows grew by 32% in Apr-Jan FY14 to around ₹71.3 billion.
According to Annual Report FY13, Ministry of Textiles, the sector contributes around 14% to the manufacturing output, 4% to the GDP, and 11% to the country’s export earnings. The Indian textile industry is fragmented, with only a few large players and numerous small and medium-size companies. The textiles industry comprises of hand-spun and hand-woven sector and the capital intensive, organized mill sector, which consists of spinning and composite mills. The decentralized power looms/hosiery and the knitting sector form the largest section of the textiles sector. During FY14, powerloom is expected to be almost flat as compared to FY13. But in FY15, it is expected to grow by 11.5%. Major growth in FY15 will be seen in the Mill segment (17.5%), followed by powerloom and handloom.

The major sub-sectors within the textiles sector include the organized cotton/man-made fibre textiles mill industry, man-made fibre/filament yarn industry, wool and woollen textiles industry, sericulture and silk textiles industry, handlooms, handicrafts, jute and jute textiles industry, and textiles exports. Availability of raw materials such as cotton, wool, silk and jute in huge quantity and skilled workforce has made India an important player in the textile industry.

Textile exports likely to grow by 15% during FY15

The Indian textiles and clothing industry is one of the largest contributors to the country’s exports. Exports of textiles have increased steadily over the last few years, particularly after 2004, when textiles export quota stood discontinued. India has the potential to increase its textile and apparel share in world trade. The Indian textiles industry produces a wide variety of fibres, from cotton to man-made, wool, silk, jute, and multiple blends catering to different demands and needs of companies. India has become a popular destination for many big global retailers due to its strength of vertical and horizontal integration. The quality of the country’s products is seen in the repeat orders from these global companies and the significant growth in their outsourcing from India. During FY14, exports are estimated to increased by 12.27%. Further, in FY15, the exports are expected to grow by 15.75%.

1.5 mn trainees expected to be benefitted

As the sector is one of the largest employment provider, one of the major concerns is the non-availability of the quality and skilled labour. Thus, Government has started various institutes such as NIFT, SASMIRA, etc for textile specific courses. Further, it has launched Integrated Skill Development Scheme (ISDS) with the objective to build the capabilities of those institutions that currently provide training and skill development programmes in the sector. The scheme was introduced in the last two years of the 11th Five year Plan with an outlay of ₹ 2.72 bn including ₹ 2.3 bn as central government’s contribution to benefit 256,000 persons. According to the Ministry of Textiles, 1.5 mn trainees are estimated to be benefitted under this scheme during 12th Five Year Plan (FYP).

Extension of TUFs scheme

The Technology Upgradation Fund Scheme (TUFs) introduced in 1999 was extended till 2012 with some modifications and further for the 12th FYP and the Planning Commission has approved an allocation of ₹ 120 bn under the scheme. The Restructured TUFs is expected to have additional investments of around ₹ 1,500 bn during the 12th FYP. As on Mar-14, 3,964 applications were received with project cost ₹ 376 bn; loan sanctioned stood at around ₹ 220 bn and loans under TUFs were ₹ 202 bn.

Technical textiles segment to gain strength in the near future

Technical textiles is one of the growing sector in India and there are untapped potential in the sector. It is a functional fabric whose applications are used across various industries including automobiles, civil engineering and construction, agriculture, healthcare, industrial safety, personal protection etc. There are in total 12 technical textile segments in India. As per DGCI&S, Kolkata, exports of technical textiles grew by 15% in FY13. According to the sub-group on technical textile for the Twelfth Five Year Plan, the market size of technical textile industry is expected to touch ₹ 1,585.40 bn by the end of FY17 registering a projected average growth of 20% on a y-o-y basis.
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The real estate sector in India plays a crucial role in the development of the country’s infrastructure base and overall growth of the economy. It also contributes significantly in social upliftment. The sector also has forward and backward linkages with over 300 sub-sectors including cement, steel, brick, transport, construction etc. which contribute to capital formation, income opportunities, and employment generation. As per Economic Survey 2011-12, it is estimated that 78% of the sum invested in construction of a housing unit in India is directly added to India's GDP. The GDP share of the real estate sector, including ownership of dwellings, stands at 5.9% in FY13.

Source: CSO, MOSPI

**Residential segment**

The residential real estate segment is the major contributor of the total turnover of the Indian real estate sector and accounts for majority of the market share. Residential real estate comprises of residential buildings and integrated townships. Over the past few years, residential segment in India has rapidly grown in demand. However, given slowdown in the economic activity and moderation in income, housing sector has suffered a setback.

According to the data released by Centre for Monitoring Indian Economy (CMIE), ₹ 5,679.1 bn worth of investment is under implementation in the housing construction sector in the country as on Mar-2014, compared with ₹ 5,266.58 bn as on Mar-2013. During FY14, approximately ₹ 214.9 bn worth of new investment was made in the sector as compared with ₹ 412.04 bn during FY13 - plummeting by 48% y-o-y basis. There is observed trend of a gradual drop in supply consequent to the subdued demand on account of the prevailing economic uncertainty. However, housing projects worth ₹ 540.9 bn were shelved in FY13 as compared to ₹ 118.1 bn in FY14.

**Demand drivers**

Demand for residential units is driven by a combination of factors like property prices, interest rates, economic condition, income levels, urbanization rate, rise in nuclear families, greater access to formal credit and supportive government policies.

**Rise in bank penetration to drive demand**

With the backing from banks and lending institutions, housing credit has grown significantly over the past few years. Though mortgages as a percentage of GDP have grown from 3.4% in FY01 to 9% in 2012-13, the share is still low as compared to various other countries – such as Malaysia (31%), Thailand (19%) and China (17%). In developed economies, this ratio stands at around 60% of the GDP, with countries such as Switzerland, Netherlands and Denmark reporting nearly 100% level.

The total housing credit (including priority) by scheduled commercial banks (SCBs) in India has grown at a CAGR of 13.3% during FY09-FY13. The housing loans outstanding of SCBs as on Mar 31, 2013 stood at ₹ 4,599.7 bn and increased to ₹ 5,291.19 as on Feb 2014. Housing credit by SCBs increased by 14.03% (y-o-y) during FY13 - compared with 12.34% (y-o-y) growth during FY12. SCBs which earlier had a lower share in housing finance sector have now grown to capture a larger share. Housing loans outstanding of SCBs as a percent of gross bank credit ranged between 9-11% during FY09 –FY13 and stood at 9.3% as on Mar 2013. Increased access to formal credit has aided in growing the demand for residential segment among other consumer needs. Further, the number of registered Housing Finance Companies (HFCs) has also increased over the years and grew from 54 as on Mar 31, 2012
to 56 as on Mar 31, 2013. The number of branches/offices of registered HFCs increased from 1,695 as on Mar 31, 2012 to 2,065 as on Mar 31, 2013. The total outstanding housing loan portfolio grew at a CAGR of 23% during FY09-FY13. The total outstanding housing loan portfolio increased by 30.69% to ₹ 2,904.27 bn in FY13 compared with 19.2% growth during FY12. As per Economic Survey 2011-12, institutional credit for housing investment is expected to grow at 18-20% per annum over next 3-5 years. Despite most banks witnessing double digit growth in housing credit in the past few years, a huge section of the country’s population does not have access to formal credit thereby posing opportunities for further growth as the mortgage market in India is still underdeveloped. Greater penetration of banks and innovative financial products would aid the mortgage market to grow in the country. With the grant of new banking licenses by the RBI during 2014, greater penetration of the banking sector is expected. Further, many banks have been increasing their rural penetration to combat the anticipated increase in competition. Thus, the housing sector will benefit from this as there is potential for growth due to a large untapped section.

Further emphasis will be on affordable housing segment under residential real estate to bridge demand-supply gap

Rapid urbanization and urban housing shortage have facilitated residential segment growth. The enhanced pace of urbanization added pressure on the existing residential real estate infrastructure resulting in improved demand for residential spaces. Further, as per Planning Commission it is estimated that about 600 mn people will live in urban areas by 2030. While demand for housing has risen considerably over the years on account of rapid pace of urbanization, supply has not kept pace. As per National Housing Bank Report on Trend and Progress of Housing in India 2013, housing shortage in urban areas is estimated at 18.78 mn in 2012 and in rural areas at 43.9 mn in 2012. Around 95% of urban housing shortage mainly exists in Economically Weaker Section (EWS) and Lower Income Group (LIG), around 90% of rural housing shortage primarily exists in lower income and marginalized groups. Consequently, need based demand for affordable housing will continue in India for the coming years. The government will have to further focus on bridging the demand-supply gap especially in the affordable housing segment. Policies announced in the Union Budget 2012-13 such as facilitating capital inflows through ECB route, increased investment linked deduction of capital expenditure, exemption from service tax payments for affordable housing will improve both supply of funds as well as promote construction in this sub-segment.

Property prices exhibited signs of improvement in Q2 and Q3 of FY14

Volatile rupee, elevated inflation, high interest rates and weakened consumer sentiments has severely impacted the economy in FY13 and FY14. However, residential property prices as per the National Housing Bank (NHB) RESIDEX Index (covering 26 cities, with 2007 as base year) showed signs of an upward trend in Q2 and Q3 FY14 after property prices had abated in Q1 FY14 even as the weakening rupee and elevated inflation gradually eroded purchasing power. Gradual revival in demand for residential real estate segment expected from H2FY15

The slowdown in the Indian economic growth witnessed in FY13 has continued into FY14. However gradual recovery is expected in second half of FY15, with GDP expected to grow by 5.5% as per D&B estimates which in turn would increase household incomes. Further, inflationary pressures which remained high during the previous years are expected to ease towards end of FY15. In this background, consumer sentiment is also expected to improve. Combination of the above factors along with ease of regulations and facilitation by Government in the residential real estate segment will help in gradual pickup in demand and revival of the residential real estate segment in the second half of FY15.
Commercial segment
The commercial segment comprises of office space, retail and hospitality space. Office space is dominated by IT/ITeS segment, retail space by organized retail and hospitality space by hotels & tourism sector. The outsourcing boom coupled with economic uptrend has created a huge demand for office space in India and this in turn has boosted the commercial real estate segment in the past few years.

BFSI sector to drive demand for office space while the IT/ITeS sector sees a fall in absorption of office space
Commercial real estate sector has been growing by a CAGR of 7.3% during FY 2009-13. However, the y-o-y growth has been slowing down from 7.3% in FY12 to 5.0% in FY13. This drop was primarily due to the decline in demand for office space from IT/ITeS segment, largest consumers of commercial real estate space. Further the drop in demand from organized retail companies who have put their capacity expansions on hold, due to unfavorable economic scenario too has contributed to the lower growth. Indian IT/ITeS sector directly accounts for nearly 70% of office space. IT/ITeS sector has presence in Tier II cities apart from metros, which have helped in developing the office space segment in those cities as well. Indian IT/ITeS sector is currently growing by a low rate mainly owed to economic slowdown in major export markets. This slowdown and uncertainty about future growth has forced IT companies in the country to hold/postpone their expansion plans, thereby impacting the demand for office space. With all major IT companies pointing towards continuation of slowdown at least till the next fiscal, the demand for office space from this sector would continue to remain low. However, the demand for office space is expected to increase from banking sector. Issuance of new banking licenses would result in an increase in the demand for office space. Further, the rise in the uptake of space by the BFSI sector can be attributed to the process of consolidation and expansion where many banks are taking larger and contiguous spaces to consolidate their operations. This trend is expected to continue over the next few quarters. Moreover, many BFSI companies have also vacated some previously occupied space to consolidate in other locations.

Investment in commercial space picked up in FY14
According to the Centre for Monitoring Indian Economy, investment activities in the commercial space have seen a surge in FY14 with new investments mounting to ₹24.6 bn as compared with ₹22.4 bn in FY13. During FY14, around ₹5,241.1 bn worth of investment were under various stages of implementation as compared with ₹4,909.5 bn in FY13. However, housing projects worth ₹67.4 bn were shelved in FY14 as compared to ₹66.8 bn in FY13.

Demand for office space likely to be subdued in FY15
The demand for office space is expected to remain subdued over the next fiscal due to the continued slowdown in IT/ITeS sector. Demand from organized retail sector as well as hospitality sector too are declining due to the prevailing economic uncertainty. The overall mood in the leasing market is also expected to remain cautious. While few large scale transactions for relocation of offices might be reported, majority of the demand is expected to be for small and medium size office space. Supply levels will continue to exert pressure on rental movement and market recovery in most medium size markets.

Domestic demand continues to be relatively healthier in hospitality segment; Visa on Arrival eases travel to India
Characterized by a sluggish economy, political ambiguity, regulatory impediments and the perceptual oversupply of room inventory, the Indian hospitality industry is undergoing some challenging times in the medium term. However, the overall outlook of the sector remains positive due to the strong fundamentals of the industry and the Indian economy as seen in a manifold increase in investments that the sector has witnessed. The Hotel & Tourism sector is among the top ten sectors as of Apr-Jan 2014 that have seen the highest FDI inflows for the year, attracting 2% (i.e. US$ 382 million) of the total FDI into the country. In FY13, FDI inflows in the sector had increased considerably, amounting to US$ 3.3 billion from US$ 993 million in FY12.

India has significant potential to become a preferred tourist destination globally. According to the World Economic Forum’s Travel and Tourism Competitiveness Report 2013, India ranks 11th in the Asia Pacific Region and 65th globally out of 140 economies ranked on Travel and Tourism Competitiveness Index. The hospitality sector is experiencing tremendous growth in India on account of increased domestic as well as foreign tourists. The surge in number of travellers, both leisure and business, has fuelled demand for hotel rooms. In Mar 2014, foreign tourist arrivals (FTAs) improved...
and stood at 6.69 lakh as compared with 6.40 lakh in Mar 2013, showing a growth of 4.5%. During the same period, foreign exchange earnings (FEE) from tourism were ₹102.57 bn in comparison to ₹95 bn in Mar 2013. As per ASSOCHAM, the country’s FEE from the tourism sector is likely to grow at 13% p.a. and touch US$ 28 bn by 2015 while FTA is likely to cross 8 mn mark by 2015 from the present 7 mn.

Key developments to be undertaken during 2015

- 10 JW Marriott’s hotel brand to open up in various locations in India by 2015
- Hilton Worldwide has signed a management agreement with Palm Grove Beach Hotels Pvt Ltd, hospitality arm of K Raheja Constructions Group to open the first Conrad hotel in Pune, India.
- Hard Rock Hotels and Casinos, US with its Indian representative, Spectra Hospitality Services plan to open its first five-star property in India by the end of Mar 2014.
- Carlson Rezidor Hotel Group plans to open 38 new hotels in India by 2015
- Global hotel operator Accor plans to open 47 hotels in India by 2015 as part of diversifying its business ventures across the country

The hospitality sector is currently witnessing disinvestment and/or restructuring of hotels. But, with the expected revival in economy, occupancy levels are likely to increase in the coming years with increasing FTA and strong domestic tourist volume in India. Hotels in the budget to mid-scale segments are performing better than the luxury ones. Thus, more hotels are expected to open in these segments with operators declaring new brands.

Retail: Opening new vistas

The vibrancy of the Indian retail revolution is evident through the rapid increase of superlative shopping malls and the distinctive retail stores present all over India. From less than a million square feet of retail space in 2001, the Indian retail space has now around 76 mn sq. ft. of shopping centre stock. Major cities continued to witness steady expansion by international apparel and food and beverage retailers with international mass market brands also entering the non-metro cities, partly due to lack of space options in metro markets. Domestic retailers are expanding steadily in Tier I locations but intense competition with international brands for prime space in core locations is pushing some to non-metro cities.

Further, the liberalization of FDI policy has paved the way for investment opportunities in retail as well as the shopping centre industry. With international multi-brand retailers exploring their entry into India, the demand for quality, high-grade retail real estate space is set to expand significantly in the future. The key drivers of retail real estate investment in India includes liberalization of FDI policy, favorable demographics, improving quality of retail assets in India, increasing consumer exposure to international standards, increase in the number of shopping centers and entry of international retailers which will augment the need of large-scale infrastructure both at the front and the back end.

Government initiatives:

- Norms for FDI in multi-brand retail has been eased to attract global retailers; rules governing sourcing of products, infrastructure investment and selection of cities have been relaxed.
- Government plans to allow foreign retailers to set up shop within cities with a population of less than 1 million, which was not permitted earlier.
- Proposal worth ₹8.1 bn was cleared by the Foreign Investment Promotion Board with regards to single brand retail in the last 6–7 months.

The Indian retail market has a great development potential as the consumption demand is only going to increase thus providing a thrust to retail trade. It is expected that the headwinds created by the current regime of high inflation rates and economic uncertainty will subside in the next year (FY15) and the retail industry will witness a new wave of growth and maturity. Moreover, in the future, the average size of malls is likely to increase as developers are focusing on mall sizes that allow for a critical mass in terms of offering various formats and categories under one roof. This, in turn, creates a large pool of investment opportunities for real estate investors to partner with mall developers as they set out to create state-of-the-art retail infrastructure. Further, the proposal on real estate investment trust (REIT) regime has inched closer to becoming a reality in the coming year, with the banking regulator keen on approving changes to attract foreign investments.
1. What are the prominent factors that have affected the construction industry over the last 2 years?

The construction sector has strong linkages with various industries such as cement, steel, chemicals, paints, tiles, fixtures and fittings. While in the short term it serves as a demand booster, in the long term it contributes towards boosting the infrastructure capacity. Indian economy in the last two years has been underperforming; GDP growth was around 8.9% in 2010-11 which almost halved in 2012-13 to around 4.5%. This has affected all the industries including construction industry.

The prominent factors which have affected the construction industry are liquidity crunch, policy paralysis, difficulties in land acquisition, delays in getting environment clearances and lack of single window clearance for approvals of large scale projects. This shows that the Government has a very vital role to play in improving the performance of the construction industry.

2. Could you discuss some of the strategies taken by your company to counter the slowdown in the Indian economy as well as the real estate sector in the recent period?

The Indian economy has been feeling the burden of global economic slowdown which has further spiraled to the real estate sector as well. However, due to consistent increase in urbanization, growth in employment, education and healthcare, there has been a significant demand for residential space in major cities. According to 1901 Census, population residing in urban areas was 11.4% which rose to 31.6% as per 2011 census. Further as per UNFPA's State World Population 2007 report, 40.76% of the country's population is expected to reside in the urban areas by the year 2030.

Owning a house is an aspiration and requirement of every individual. Urbanization has added fuel to this demand. The Government’s support to promote affordable housing has acted as an added encouragement to us. The last two years saw economic slowdown and decline in demand for real estate. In order to tap the migratory urban population in these difficult times, Wave Infratech launched Dream Homes (project) in the year 2013, at Wave City NH 24, which is an affordable housing project with all the amenities of a Group housing project and the response that we got was outstanding.

We as a Group constantly try and understand the changing market dynamics, consumer behavior and tailor make our offerings according to the consumer demand.

3. How do you perceive the price in the real estate sector to move in the coming year? What strategy has your company adopted?

Price is a function of demand and supply. Demand in real estate is a gradual process. With elections underway and the likely establishment of a stable Government we expect the economy to start improving; policy decisions to be taken; inflation
to get reduced and employment opportunities to increase. All this will lead to a healthy demand for the real estate sector and corresponding rise in prices.

Further, the real estate sector has experienced high interest rates. With hopes of a stable government having less dependence on coalition, the interest rates should moderate towards end of FY15 – making the situation more conducive for growth in demand for real estate and for the economy on the whole.

As a Group, we have a variety of products in residential and commercial segment catering to all the sections of the society – be it affordable housing, branded and serviced residences, high end residences and commercial spaces. We want to be a single stop solution for all the needs of different types of customers looking for investments in real estate. We work with the best consultants in the world providing enriched customer experience.

Customers are looking for timely delivery of projects which in turn gives price appreciation to the investors/end users. To ensure this we have tied up with best in class construction partners and make sure that we do the planning and execution as envisaged.

4. Would you please elaborate on the regulations that create a bottleneck for the operations in the sector? How optimistic are you on the regulatory change in the near future?

The real estate sector runs on four pillars – people, process, technology and policy: Policy being the main pillar. Lack of single window clearance for all approvals and the delays in approvals are the major bottlenecks for the operations of the sector. However, the recent approval of Land Acquisition Bill will bring in more improvement in the real estate sector.

With a stable government expected soon, the real estate sector could see that these bottlenecks are addressed and the industry contributes significantly to economic growth. The industry also expects REITs to become operational in India so as to increase liquidity.

5. How do you anticipate the investment in the real estate sector in India to pan out in the coming years? Is the real estate sector in an inflexion point?

Increased urbanization and hopes of a stable government soon should give an impetus to the real estate sector and increase demand. Economic conditions in USA and Western Europe are also showing signs of stabilization, which would likely increase the outsourcing business in India, resulting in improved performance of commercial sector which in turn will lead to an improved performance of the residential sector.

Also, access to international markets for funding and collaborations with international consultants should bring in more investments in the real estate sector.

6. According to you what measures should be taken to attract investors, especially foreign investment in the Indian real estate sector?

Real estate is one of the sectors which always have grabbed the attention of non-resident Indians, since the India has immense potential as a real estate destination to attract investments from High Net-worth Individuals (HNIs) and NRIs.

Other than this segment, the global real estate fraternity is looking at emerging economies such as India for tapping opportunities in the real estate sector. Indian real estate will stay attractive due to its strong economic fundamentals and demographic factors. However, the government should take initiatives to :

a. Ease FDI norms in the real estate and retail segments to boost the sector
b. Ease the process of investment by NRIs and POIs from abroad

Also, a more organized real estate sector with professionally managed projects, high end facilities, internationally acceptable corporate practices and timely delivery are some of the measures which need to be adopted by the real estate players at large in addendum to the efforts of the government and regulatory bodies. There is a need for improved transparency in this sector to encourage FDI.
7. What will be the major growth drivers for the sector in the coming years? What are the measures taken by your company to explore untapped opportunities?

The real estate sector will continue to be the preferred destination for domestic and global investors. However, post the general elections there would be better sentiments for the sector as an investment destination.

On the end-consumer buying aspect, there are numerous growth enabling factors such as increasing migration and higher disposable income which could likely bring in a steady housing demand and favorable measures for the sector. Steady housing demand would boost the sector and turn out to be an accelerator for the Indian economy. Furthermore, optimistic RBI governance will drive the sector through the year ahead.

As a company, we have seen a shift in the demand of the end buyers for residential as well as commercial spaces over the last couple of years. The end buyers today apart from considering the location, price and basic features of the project are today also considering the living lifestyle that they would attain once they move in. With new acquired taste, buyers today desire international living standards which would make them stand apart from others.

Understanding the pulse of the end buyers, Wave Infratech for their projects has brought together the best in class partners to give an international experience to the customers. Right from the stage of planning till construction, Wave Infratech has got strategic tie-ups with the best international consultants in place to ensure that at the end of the day the buyer is satisfied with their international living experience.

8. Kindly provide a brief note on the presence of Wave Infratech in the commercial spaces

Wave City Center, which is Noida’s largest mixed land use project, offers retail, hospitality and corporate offices apart from residences. With luxury hotels, high-street shop condominiums, mall and multiplexes, family entertainment centre and other entertainment experiences, the project is one of the largest ventures of the group in the commercial space.

At Sector 18, one of the prime locations of Noida, Wave Infratech has developed Wave 1st Silver Tower, which houses state-of-the-art office spaces and has been awarded the best office space by Mail Today. Wave Infratech is also developing Wave One – a state of the art iconic structure of approximately 2 million sq. ft., situated in the core of Sector 18, the commercial hub of Noida.

As a company, Wave Infratech ensures that commercial spaces of international standards are made available not only for large corporate entities but for SMEs as well.

As an important real estate player, Wave Infratech in the future would continue to foray in residential, commercial as well as retail spaces.

9. Could you brief us about Branded housing and Premium luxurious apartment segment?

Co-branding with international brands has become a trend in the industry and many developers have adopted this practice to leverage this opportunity. This concept is not new, but this has evolved a new trend in the market by fulfilling the customer demand over a period of time. Initially, branded residences were merely residential developments linked to a hotel. However, today the market has matured and the developers have widened the range of the services offered to its customers. Currently, there are various themes that are developed from an emphasis on services and facilities to serve the customer who has time constraints, to the significant level of attention be it architecture, interior design or any other requirements. At the same time using brands as a means of identification has become increasingly important in a competitive marketplace.
This rising profile of design and branding in residential developments, especially at the top of the market, is reflected in the shift in consumer expectations. Today, branded residences command a good premium compared to non-branded residences which is giving boost to this segment.

Wave City Center, an iconic project by Wave Infratech by virtue of sheer scale, towers over anything that has ever been witnessed by Delhi/NCR. It is one of its kind commercial & residential developments coming up in the heart of Noida.

The project would not only house luxury hotels, premium commercial spaces and new age entertainment zones, but will also be a leader in the luxury residences category. The residential spaces at WCC will be a perfect blend of branded housing, premium apartments and luxury serviced residences.

Under the tag of branded housing, Wave City Center offers Elegentia – limited edition 2 bedroom residences. To cater to the demands of the varied residential market – Wave City Center also offers serviced apartments in ultra luxury and luxury categories. Under the Ultra luxury category, WCC offers Eminence, a 3 & 4 Bedroom Serviced Residences & Penthouses catering to the needs of the new age professionals. Moving down a notch, in the luxury category, we offer products like Amore & Trucia – 2, 3 & 4 bedroom premium serviced residences which are the best in class.

In the premium residences category, WCC offers Vasila & Irenia – 2 & 3 bedroom premium residences.

It is evident that Wave Infratech has a strong presence in the premium & luxurious apartments category and on delivery would ensure a truly international and modern living experience for residents.

10. Could you brief us about your expansion plans and how you are planning to raise funds for the same?

With our iconic projects of Wave City Center – Noida, Wave City – NH 24, Wave Estate – Mohali, Wave One - Noida, Wave Hubb – Noida now in construction stages, currently we are ensuring best in class quality construction and timely delivery of our projects. We have also engaged the most reputed construction partners such as L&T, B.E. Billimoria, Shapoorji Pallonji, Leighton etc.

Within each of our projects of Wave City Center, Wave City, Wave Estate and Wave One, we plan to launch more new products in the near future to cater to the demand of residential, commercial and retail spaces.

Also, we are currently in the planning stages of bringing about a unique luxury product which would redefine high end living in Delhi NCR.

As a corporate entity, Wave Infratech adheres to all requisite corporate laws on funding for our projects. Currently, we have banking relationships with financial tie-ups with Oriental Bank of Commerce, Punjab & Sindh Bank, Allahabad Bank, Corporation Bank, IFCI, State Bank of India, State Bank of Bikaner & Jaipur, State Bank of Patiala, HDFC Bank and Yes Bank. The debt raising would be a part of the ongoing process to facilitate the project.

11. How do you perceive research and development in the areas of sustainable, environmental friendly and affordable building structure over the coming year?

As a corporate entity, Wave Infratech gives a lot of value to sustainable, environmental friendly and affordable building structures. We believe that as a real estate player, it is our prerogative to ensure that the buildings we create and operate in, are not causing a dent to the environment.

Starting from the company’s corporate office, which has been recognized as the most sustainable building in the region by USGBC by awarding Wave Infratech with LEED Platinum certification; almost all of the projects by Wave Infratech have a green certification. Also, Wave City Center is planned to be the largest LEED certified Green Township in the country.

The company would continue with this practice in future as well to make sure that all their projects are green certified to ensure sustainable and environment friendly structures are built.
The year FY14 has witnessed a deceleration in metal consumption growth. Apart from weak demand, persistent overcapacity was also a major concern pinching the industry and production fell across major metals. Weak economic growth that led to a slowdown in capital expenditure cycle and industrial growth, mining restrictions affecting domestic availability of raw materials, slowdown in the execution of construction and infrastructure projects and weak growth in automotive sector hampered the industry’s performance during FY14. While regulatory and environmental factors dragged down the mining sector growth and hampered the procurement of basic raw materials, elevated level of interest rates affected the credit off-take and impacted demand of end-user segments. However, a modest recovery in economic growth during second half of FY15 and project clearances by Cabinet Committee on Investment (CCI) and Projects Monitoring Group (PMG) are expected to encourage investment and growth in end-user sectors. Thus, we expect domestic demand for metals to moderately improve in FY15 following a recovery in the end-user industries such as industrial construction, civic infrastructure, power, automobiles, industrial machinery and consumer goods, among others. Further, the World Steel Association also projects that Indian steel demand would grow at 5.6% in 2014. However, further structural reforms to support the industry would be dependent on the outcome of general elections due in few weeks, and thus the investment cycle is expected to be more favourable from the second half of FY15. Nonetheless, global factors like the US Fed tapering, anticipated dollar firmness, weak economic growth in China (one of the largest metal consumer) and new warehousing rules of the London Metal Exchange (LME) to increase metal load-outs and freeing up long queues of metal deliveries at its warehouses are likely to pressure metal prices downwards. Besides, the ongoing crisis in Ukraine over Crimea pursuing to which if the US moves to a tougher sanctions regime on Russia could result in temporary disruption of supply of iron and steel, nickel and copper as Russia is a one of the top ten countries for import of iron & steel, nickel and copper by India.

Immunement in raw material availability likely to fuel production, albeit moderately

Metal production decelerated in FY14 on the back of raw material availability concerns and consumption slowdown. The index of mineral production (base 2004-05) fell by 1.4% (y-o-y) during Apr-Jan FY14. Steel production was mainly affected due to a court-mandated restriction of iron ore mining in Karnataka, Goa and Odisha, which led to a shortage of iron ore and increased non-integrated steel companies’ dependency on imports. The domestic primary aluminium production fell in FY14 so far, mainly on account of decline in demand from industries such as automobiles, consumer durables, construction and power. In addition, copper production also fell in FY14 (Apr-Jan) as production at one of India’s largest smelter, Sterlite Industries, was halted. Sterlite’s copper smelter at Tuticorin in Tamil Nadu was shut down for over four months as the Tamil Nadu Pollution Control Board had ordered the closure of the unit on grounds of emissions issue.

As per data from CMIE, crude steel production grew at 2.0% during Apr-Jan FY14, as compared to 5.6% during prior year period (PYP); while aluminium and copper production recorded a negative growth of 11.8% (PYP: +3.8%) and 12.4% (PYP: +1.0%).

We expect steel production to improve gradually as raw material availability constraints alleviate with the Supreme Court approving resumption of mining operations in Karnataka (only in certain categories of mines) and Goa (with some restrictions). With steel capacity additions of about 13 million tonnes expected to be commissioned in FY15, increase in iron ore production is expected to support steel output growth during the next fiscal. Growth in aluminium production is expected to pick up in FY15 as the industry is expected to add about 1.1 million tonnes of primary aluminium smelting capacity during FY14. These capacities are likely to spur the growth in production during FY15. Despite steady demand for copper from major consumer industries like power, construction
and domestic appliances, copper production would grow at a sedate pace as lack of capacity additions in the industry is expected to deter the production growth.

**Domestic prices likely to remain range bound during FY15**

A continuous depreciation of the rupee had enabled companies to hike prices of domestically produced steel even in a sluggish demand scenario as gap between the cost of imported and domestic steel widened. Furthermore, the depreciation of the Indian currency also raised cost of imported inputs like coking coal. Domestic aluminium, copper and zinc prices usually move in tandem with the LME prices. A stronger dollar and global oversupply risk are expected to weigh on prices in the international markets. In addition, the US Fed tapering and possibility of sooner than expected rise in interest rates in the US could hamper carry trades in metals and lead to significant unwinding of long positions in metals that would more likely cause a reduction in metal prices. Further, China’s economic activity also plays a significant role in the trajectory of metal prices as it accounts for around 40%-50% of global copper, aluminium and zinc consumption. As per the latest economic indicators, China recorded weak manufacturing activity and exports too have slowed down. Thus, a further economic slowdown in China could pressure metal prices lower.

The LME, one of the biggest metals exchange group, announced new warehousing norms with an aim to hasten metal load-outs and freeing up long queues of deliveries at the warehouses. The snags in metal load-outs were beneficial to the warehouses as they could charge rent on metal inventories and higher premiums for quicker deliveries. The impact of new warehousing policies could result in lower premiums and prices in international markets. Although the domestic metal prices move in tandem with LME prices, metal prices in the Indian markets are expected to be largely unaffected as pick-up in demand from end-user industries would support prices during second half of FY15.

Further, even as rupee is expected to appreciate in FY15 from the levels witnessed in FY14 it is expected to remain weak, which in turn will support the domestic prices of base metals and provide export incentive to domestic producers. Price rise would also get support from a healthy growth in demand for metals in the domestic market. The removal of the ban on mining (although partially) would also remove supply constraint induced pricing pressures for raw materials for the metal sector.

**Demand from end-user industries to drive growth in metal consumption**

Finished steel consumption fell strongly in FY14 on weak demand across steel end-user industries, especially industrial and infrastructure construction, due to execution delays in construction projects and lower demand for automobiles and consumer durables. As per CMIE data, finished steel consumption grew at 0.6% during Apr-Jan FY14, as compared to 4.8% during prior year period. However, with rise in industrial and infrastructure construction activity, long steel demand is expected to be slightly better off as compared to flat steel demand which is expected to remain challenging due to slow growth in the automotive industry during FY15. Furthermore, the increasing use of galvanised steel amid growth in India’s domestic construction sector will underpin consumption of refined zinc. In FY15, the power sector is anticipated to complete transmission lines of over 13,000 circuit kms and over 45,000 MW of generation projects. With such increase in capacity additions in the power sector, coupled with improvement in demand from other industries such as consumer durables, construction and packaging, demand for aluminium and copper is expected to remain firm.

**New projects to take a backseat, as industry would focus on higher utilisation of existing capacity to meet demand**

Investment in new projects has slowed down drastically since the start of FY11 as a result of slackening economy and weak demand. Furthermore, projects under implementation have been stagnating since the quarter ended Jun-12 as stalled/shelved projects began rising from quarter ended Sep-11. With overcapacity concerns looming across the industry, uptick in demand is expected to be met through higher utilisation of existing capacity with a focus on managing operating costs and trimming down new capex for the near term.
Over the past decade Indian insurance sector has undergone a significant growth, resulting in growth in insurance premium, increase in number of players in the sector, product modernization and enhanced regulatory changes. The strategies of insurance players have undergone a change due to a challenging business environment in the last few years. This has been on account of factors such as decelerated GDP growth, rise in interest rates & inflation, uncertainty on various macro-economic parameters, regulations and other aspects impacting investor sentiments in the country. Regulatory changes to encourage need based selling of products have resulted in players re-looking their product portfolio and distribution structure, in order to realign themselves to the changing environment.

**The non-life insurance sector’s growth is expected to move in tandem with GDP growth**

The non-life insurance penetration in India ranged between 0.56%-0.71% during FY02-FY11 and has grown from 0.70% in FY12 to 0.78% in FY13. However, penetration level in India is low as compared with many Asian peers due to lack of awareness, understanding of non-life insurance products and low perceived benefits among others. As India remains among the under-insured countries, there is potential for substantial growth in the non-life insurance sector. The gross direct premium income in India for non-life insurers has grown at a CAGR of 17% during FY01-FY13 with the slowdown visible in FY13 in tandem with the economic activity trend. Motor insurance segment continues to dominate the non-life insurance sector with the highest share of 47% in gross direct premium within India in FY13 followed by health insurance (22%) and fire insurance (11%). Both motor and health insurance segment constituted for a significant share of 66% of non-life insurance business during the first three quarters of FY14. Motor insurance segment accounted for 44% whereas health insurance accounted for 22% of non-life premium collection for Apr-Dec 2013.

Given the significant co-relation between the growth rates in general insurance premium and the GDP growth rate, the sector’s gross direct premium decelerated to 13% in Apr-Dec 2013, compared with Apr-Dec 2012.
Further, passenger car sales in India declined during Apr-Dec 2013 impacting the growth of the non-life insurance segment during the same period. Thus, the non-life insurance sector has not seen an uptick in three quarters of FY14 as GDP growth remained stagnant at 4.5% during Apr-Dec 2013 compared with 4.5% during Apr-Dec 2012; demonstrating continuing broad-based economic slowdown. The non-life insurance sector’s growth in FY15 is majorly expected to move in tandem with domestic economic growth.

**Health insurance set to witness robust growth**

In the non-life insurance segment, health insurance has been the fastest growing business witnessing a CAGR of 30.1% during FY06-FY13. Total health insurance premium grew by 18.6% to ₹139.7 bn in FY13. The contribution of health insurance in non-life premium has increased from 10.91% in FY06 to 22.19% in FY13. Increasing awareness of health insurance, improvement of distribution channels as well as rising healthcare costs have resulted in the growth of the segment with gross premium underwritten growing by 13% to ₹126.1 bn during Apr-Dec 2013. The health insurance portfolio comprises of Retail Health, Group Health (corporates buying policy for its employees) and Govt. schemes (Rashtriya Swasth Bima Yojana [RSBY] is one of the largest insurance schemes covering people below poverty line). Growth in retail segment is expected to be driven by increasing demand for high quality & speciality health care in tier I and II cities, growing urbanization and demographic shifts. Increasing public awareness and better distribution structures are expected to drive growth for government sub-segments. The competition in the sector has intensified in recent times in terms of pricing, innovative product offerings and enhanced services. With the development of more standalone health insurance companies as well as private sector general insurers focusing on health as a specialist line of business, this segment is expected to see substantial growth in the way ahead.

Further, significant changes in the regulatory framework have also been implemented to help drive growth in the health insurance segment such as Insurance Regulatory and Development Authority’s (IRDA) guidelines issued in Feb 2013 on standardization of terms in health insurance policies to eliminate ambiguity, reduce turnaround time in claims settlement and introduction of compulsory lifetime health cover with an increase in entry age-limit to 65 years. The role of Third Party Agents (TPA) has also been redefined with insurance companies now being responsible for accepting or rejecting claims. Most noteworthy development forbids insurers to load the premium in case of a claim in a health policy. Increase in premium (over and above notified premium for that age) due to claims will be permitted only in case the claim amount is at least 5 times the annual premium in each of the 3 years preceding the year of loading. Hence, a single large claim will not lead to increase in the premium and loading will only be permitted if repeated claims are made in 3 consecutive years, and that too only if originally provided for in the policy document.

**Life insurance sector likely to witness high growth in first year premium income**

Since the opening of the life insurance sector to private players in FY01, the life insurance penetration has consistently grown from 2.15% in FY02 to 4.60% in FY10, before falling to 4.40% in FY11 and further to 3.4% in FY12 and 3.2% in FY13. The growth story of life insurance segment can be broadly divided in two phases post privatization - a high growth phase during FY02-FY10 where the first year premium grew at an average rate of 36% (barring FY03 and FY09) followed by a period of slowdown during FY11-FY13 where first year premium declined at an average rate of 8% during FY12-FY13 mainly due to decreasing demand of Unit Linked Insurance Plans (ULIP). The decline can be attributed to the moderation in economic growth with GDP growth falling to 4.5% in FY13. Further, the
decline gross household financial savings as a percent of GDP dropping from 10.3% in FY11 to 7.7% in FY13. Consequently, Life insurance funds as a percentage of gross financial savings of the household sector decreased from 19.4% in FY11 to 16.4% in FY13. However, the life insurance business has picked up with first year premium including single premium growing at a positive double digit rate of 22% in three quarters of FY14 after two years. Given the estimated improvement in the economy during FY15, the life insurance sector is expected to see positive double digit growth in FY15 in first year premium income. Major factor determining growth will be IRDA’s new product regulation offering more benefits to customers. With favourable demographics, new product launches, expansion of operations and supportive regulatory developments, the sector is likely to see positive growth.

“Customer Centricity” – will be a key focus area
Customer centricity will be a key driver of growth moving ahead. The industry is expected to focus on enhancing market conduct and trust levels with customers by way of awareness building initiatives and growing grievance cells and customer contact centres. Customer grievance redressal through Integrated Grievance Management System has been a successful initiative. The industry is expected to further emphasize on customer centricity by enhancing financial literacy, need-based service, offering clear information, addressing customer grievances effectively and offering post sales service. The IRDA has implemented new individual product regulations for the life insurance sector from Jan 1, 2014 which are more beneficial, customer-friendly and provide for death benefit of at least ten times of the premium. About 367 new life insurance products have been launched which are more beneficial for customers with high insurance covers.

Digitization in insurance to play a key role
Insurers are expected to develop and adopt new distribution and marketing channels such as web aggregators, online distribution and mobile applications, to widen reach, reduce cost of distribution and promote growth. Digitization is expected to have a huge impact on insurance sector in India owing to the increasing use of smart phones and internet. Online sale and m-sites and mobile apps are expected to see enhanced acceptance and growth in FY15.

• Online distribution – Various life and non-life insurers are building a robust online channel for distribution thereby engaging and enabling customers to make purchases.
• Mobile and social media - With the rapid growth in the use of mobile technology, insurers are expected to work on products and services catering to the mobile lifestyle. Insurers are looking at the mobile channel for anytime/anywhere/any device access; to cope with competition; reduce costs and cross-selling/up-selling prospects.

Technology as a game changer
Technology is going to drive the way of conducting business in the future. Insurance spending on IT is expected to rise moving forward as evolved technology led distribution and simple transparent products will drive growth. Insurers in India are working to digitalize processes – especially at the front end to increase revenues through better reach and by offering comfort for customers. IRDA has authorized five repositories to open e-Insurance accounts. The insurance repository system, which was launched on Sep 16 2013, enables policyholders to hold insurance policies in the electronic format thereby protecting policyholders against loss of details in case of mutilation or loss of physical document and enabling customers to take an informed decision. Thus, the regulatory decisions on distribution, products and processes like allowing Unique Identification Authority of India’s e-KYC for know your customer verification, launch of e-insurance account and the Integrated Grievance Mechanism System are huge steps forward.

Focus on rural areas for inclusive growth
The large section of un-insured rural population poses tremendous growth opportunities. Several policy initiatives have been undertaken to promote financial inclusion such as insurance companies being statutorily required to conduct rural business and cover lives from social sector - rural, un-organized and socially underprivileged. The Union Budget FY14 also permits insurance companies to open branches in Tier-II and below cities and towns without prior approval of IRDA. Further, majority of the total 10,285 branches as on Mar 2013 of life insurance companies have been set up in semi-urban and rural areas. IRDA has new guidelines permitting insurers to utilize licensed Common Service Centres (CSCs) as distribution networks in rural areas. Insurers utilize CSCs to expand reach - 0.1 mn CSCs each serving a cluster of 6-7 villages, covering ~0.65 mn villages across India. The government is also encouraging business correspondents of banks to sell micro insurance policies in rural areas.
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Indian construction industry is one of the most important sectors of the economy as it stimulates infrastructure-building and creates growth opportunities for other industries in the economy. Given industrialization, urbanization, economic development and people’s rising expectations for improved quality of living, the construction industry in India is poised for substantial growth. It is expected to grow at a rapid pace owing to the government efforts to bridge infrastructure deficit during 12th Five Year Plan (2013-2017) and rapid urbanization leading to high demand for real estate construction.

The Gross Domestic Product (GDP) from the construction sector stood at ₹ 3.2 trillion in FY08 and increased to ₹ 4.2 trillion in FY14 (advance estimates) - recording an average growth of 6.0% and accounting for 7.4% of the country’s overall GDP. The increase in government spending on physical infrastructure in last few years, with programme such as National Highway Development Programme (NHDP) and PMGSY/Bharat Nirman Programme has increased the construction sector output.

The Cabinet Committee on Investment (CCI) has helped in the resolution of deadlocks for around 300 projects, worth above ₹ 5 trillion while the Project Monitoring Group has accepted 411 projects worth ₹ 19 trillion for consideration. Out of these issues, 138 projects worth ₹ 4.9 trillion have been resolved. A majority of these resolved projects are various sectors like 86 in power projects, 21 in coal, 7 in petroleum, 6 in roads and railways and around 5 in shipping.

**Bank credit increases but FDI inflows remained flat during the last 5 years**

The bank credit to the construction sector increased at a CAGR of 7.9% during 2009-13, whereas foreign investors were not too confident in the construction development activities in India as seen in the Foreign Direct Investment (FDI) inflows which declined by CAGR of almost 5% between 2009-13.

**Roads and highways**

Roads are expected to remain the dominant mode of passenger and freight movement. Road infrastructure is very critical and important segment in generating employment. The National Highways Development Programme (NHDP) alone is estimated to have employed 40 persons per day per km.

The country has a road network spanning 33 lakh km with National Highways and expressways accounting for only 2.4%. As on Jan 2014, a total of 50,329 kms of national highway were completed under the National Highways Development Programme (NHDP) and other NHAI projects, out of which around 12,166 kms of projects are under various stages of implementation.
As per Ministry of Roads & Highways, few of NHDP and NHAI projects to be completed in 2015 are:

- **Phase I (Port Connectivity)** - Development of adequate road connectivity to Chennai-Ennore Port to be fulfilled by May 2014

- **Phase II** - Maibang to Lumding (AS-25, 26 & 27) stretch in Dec 2014, Chambal Bridge (RJ-5) to be done in July 2015, Four Laning of Walayar - Vadakkancherry section to be done by Nov 2015; Six Laning of Vadakkancherry - Thrissure section to be completed in Dec 2015

- **Phase III** - Ranchi - Rargaon - Jamshedpur stretch of 163.5 km length by June 2015, Panikholi-Rimoli stretch for approved length 106 Km to be done by Oct 2015 and 4 Laning of Raiganj-Dalkola by Dec 2015

- **Phase IV** - 4 Laning of Nagpur Betul of 176.3 km by July 2015, Four laning of Orissa/Chhattisgarh Boarder - Aurang section to be fulfilled by Aug 2015 and 4 Laning of Gomti Chauraha - Udaipur of 79.3 km length by Oct 2015

- **Phase V** - Six Laning of Nellore-Chilkaluripet by May 2014, 6-Laning of Dhankuni-Kharagpur Section to be done by Sept 2015, Ahmedabad to Vadodara Section of 102.3 km by Dec 2015 and Chennai - Tada (Six lane) of 43.4 km to be done by Dec 2014

- **Other Projects:** NH Connectivity to ICTT to Vallarpadam by Dec 2014, 2-laning with paved shoulders of Multai-Chhindwara-Seoni section & Narsinghpur-Amarwara-Umaranala-Saoner section to be completed by Oct 2014

Further, the government has lined up several key investments to help India's highways meet international standards. These include widening of 20,000 km of less than two-lane National Highways to two-lane standard under the EPC mode and six-laning of four-laned roads, expressways. Besides, the proposed trilateral highway covering India, Myanmar and Thailand and the Build Operate Transfer (BOT) concession contracts with an estimated value of USD 9.2 bn both are expected to be operational by 2015-16. Moreover, the GoI is also making sure that new roads and routes are well equipped with Intelligent Transportation Systems (ITS) including round-the-clock CCTV surveillance for monitoring real-time traffic data and ensuring safety and security of users.

**Railways: Rapid economic growth and increasing industrialization will accelerate growth of railways in the coming years**

Growing urbanization along with increased domestic industrial activity is expected to accelerate growth of Indian railways during the next few years. According to the Ministry of Railways’ estimates, demand for passenger and freight services would increase, which would require expansion of 25,000 kms of new lines by 2020. During 2014-15, the railways loading target had been scaled up to about 1052 MT as compared with 1047 MT in 2013-14. However, the average lead of freight traffic has been dipping, and is likely to be 622 km against budgeted 644.5 km in 2013-14. Further, considering the expenditure and earnings in the railways, the revised outlay plan stood at ₹ 643.1 bn in FY15.

**Government to seek foreign investment in giant, creaking rail network**

Presently, FDI is allowed only in mass rapid transport system which stood at ₹ 21.36 bn during the period from Apr 2000 to Dec 2013. In order to help development of infrastructure for industrial purposes, Department of Industrial Policy and Promotion (DIPP) has proposed 100% FDI through automatic route in the sector. The government plans to invite foreign business to help expand its railways by way of offerings new services in suburban areas, high speed tracks, and connections to ports, mines and power installation. It also plans to allow 100% FDI in suburban corridors, high-speed train systems, and freight line projects implemented through public-private partnership (PPP). The FDI in railways would garner an estimate of around USD 10 bn investments in the coming five years.

**Railway Budget FY15 (Highlights)**

Government of India have come forward with various initiatives such as development of high-speed rail corridors, dedicated freight corridors, multimodal logistics parks, redevelopment of stations, multifunctional complexes, port connectivity projects, etc. to modernize the Indian railways. Few highlights undertaken in the budget are as follows:

- Proposed outlay of ₹ 643.05 bn with a budgetary support of ₹ 302.23 bn

- 72 new trains to be introduced: 17 premium trains, 38 express trains, 10 passenger trains, 4 MEMU and 3 DEMU and 19 new lines to be taken up for survey in FY15

- Arunachal Pradesh, Meghalaya on railway map 2014
• Emphasis on attracting higher investments from private sector
• An independent Rail Tariff Authority to be set up to advise the GoI on fixing fares and freight charges
• State governments of Karnataka, Jharkhand, Maharashtra, Andhra Pradesh, and Haryana have agreed to share cost of several rail projects in their respective areas

Aviation

Air transport in India comprises 125 airports mainly controlled and managed by the Airport Authority of India (AAI). It is also responsible for providing air traffic services in the country. The AAI has undertaken the development of 35 non-metro airports identified based on regional connectivity, tourist destinations, and potential business development hubs. Moreover, the government identified five green field airport developments at Navi Mumbai, Goa, Kannur, Chandigarh, and Kota.

Indian aviation growth story is intact in long term

The long term outlook for the Indian Civil Aviation industry looks positive, despite near-term challenges. It is estimated to grow at around 5-8% during FY14. Growth during 2014-15 would be marginally better if the new government introduces structural reforms. Some initiatives to be executed during FY14-15 are:
• As per the Defence Ministry, aircraft equipped with the satellite based augmentation system will now be able to use GPS-Aided Geo Augmented Navigation (GAGAN) signal in Indian airspace for en route navigation and non-precision approaches without vertical guidance by the end of 2014.
• The Government of Haryana plans to establish a cargo airport in the state by taking up PPP mode for the green-field project at Meham in Rohtak.
• To address shortage of skilled labour, government has passed a bill for establishing a National Aviation University.
• Government plans to ease norms for domestic airlines to operate international services without restrictions in fleet size and operational experience. Existing rules require Indian carriers to be in operation for at least 5 years and have a fleet of 20 aircraft to be eligible to fly on international routes.
• Joint Venture between Tata Sons Ltd and Singapore Airlines to launch a new full service private carrier aims to operate services from early fiscal 2015.
• Post the ban on Airbus 380 superjumbo, a clear bilateral Air Service Agreements (ASAs) with different countries including India is to be launched in 2014-15. Airlines such as Emirates, Lufthansa and Singapore Airlines may all commence A380 operations in 2014-15.

Further, expansion of commercial operations by four global airlines - Etihad, Air Asia, Singapore Airlines and Tiger Airways along with their Indian partners have paved the way for future growth in the aviation sector. Besides this, FDI in existing deals, establishment of a civil aviation policy, rationalization of taxes on jet fuel and growth in the regional aviation space will bring in global best practices, greater competition, better choices for passengers and lower fares in the aviation industry.

Indian port sector: Growth plans ambitious but uncertainty hangs over implementation

The port sector plays a pivotal role in the Indian infrastructure sector as it handles 95% of India’s external trade by volume and 70% by value, and therefore, directly impacts the country’s positioning in global trade. India has a long coastline of 7500 km, which has 13 major ports and 60 operational non-major ones. India’s ports which account for about 58% of the total cargo shipped through the country’s ports, handled 277 MT of cargo during Apr-Sep 2013, marking an increase of 2.3% over the corresponding period last year. The breakup of traffic handled in 2015 from various commodity include container demand to about 21 million TEUs, crude oil imports and petroleum product shipments to grow by 310 MT, dry bulk cargo at 390.4 MT and others such as iron & steel, LNG, edible oil etc. at 161.70 MT.

According to Maritime Agenda 2010-2020, various project details to be undertaken for ports during 2015 are:
• Deepening of channel to increase draught from 16.0 m to 18.5 m to handle 1, 85,000 DWT Vessels at the Paradip port trust to be completed by June 2015.
• 1 LNG Re-gassification Terminal - Phase II and land development at Puthuvypeen SEZ at the Cochin port to be completed by 2015
• Development and capacity addition for development of Iron Ore Terminal at West of Breakwater at MPT at the Mormugao port trust
• Up-gradation of 4th oil berth and development of berthing facilities for offshore vehicles at the Mumbai port
• Development of 4th Container Terminal - Phase II of the Jawaharlal Nehru Port Trust to be completed by Nov 2015
• Barge handling facility within Kori Creek at the Kandla Port
• Capacity addition for Development of Iron Ore Terminal at West of Breakwater at MPT at the Mormugao Port Trust

Further, the government has undertaken various initiatives for expansion of ports such as approving ₹176.30 bn projects to augment the capacity of major ports by about 151 MTPA and to invest more than USD 9.07 bn by 2015 for 111 shipping sector projects.

**Power**

The demand for electricity in the country has been growing at a rapid rate and is expected to increase further in the years to come. In order to meet the increasing requirement of electricity, massive addition to the installed generating capacity in the country is required.

**Installed capacity and electricity generation**

India’s installed generating capacity has grown continuously registering CAGR of 10.8% during FY09-FY13. During Apr ’13-Feb ’14, generation capacity stood at 237741.9 MW registering a growth of 6.1% as compared to its corresponding year ago period. Out of this, thermal energy contributes majority of the total installed generating capacity of the country with 69% share followed by hydro at 16.9%. Electricity generation in India has grown from 723.29 BU in FY09 to 911.65 BU in FY13, growing at a CAGR of 5.9% during FY09-FY13. Electricity generation in India saw decelerated growth of 4% in FY13 compared with 8.1% in FY12, mainly because of shortage in coal supply and delays in regulatory approvals among others.

During Apr ’13-Feb ’14, electricity generation stood at 881.79 BU with thermal power plants, the conventional energy source, accounting for the highest share in India’s total electricity generation at 81.6% followed by hydro plants during the same period.

As per the Ministry of Power, key plans to be implemented during 2015 include:
• Madhya Pradesh plans to target 1.4 GW of solar power generation capacity.
• Bihar is likely to get 5000 MW power by 2015 thereby making the state self-sufficient in power.
• India’s first 700 MW pressurized heavy water reactor at Kakrapar Atomic Power Project (KAPP) in Gujarat is expected to be commissioned in 2015 by Nuclear Power Corporation Limited.
• Under the SAARC grid power from various HEPs such as in Bhutan, 400 kV double circuit (D/c) line from Punatsangchu-I HEP (in Bhutan) to Alipurduar (in India) is under implementation and expected to be completed by 2015.
• NTPC Project - Bongaigaon TP of 3x250 MW in Assam envisage commissioning of the project in June 2014, May 2015 and Oct 2015 for Unit - 1, 2 and 3 respectively.
• Post completion of nearly 30% of the works, activities of the Tuirial HEP is scheduled to commission in Feb 2015.

The government has taken several initiatives for the growth and development of the sector such as setting up of ultra-mega power projects, encouraging private sector participation through PPPs rural electrification program and allowing foreign investments up to a limit of 49% in power trading. It promotes increasing use of renewable energy sources for sustainable development. The investment climate is very positive in the power sector with government permitting 100% FDI through the automatic route. Due to surge in the sector, the power sector has witnessed higher investment flows than envisaged. As per DIPP, the power industry attracted FDI worth ₹404.18 bn during April 2000 to Jan 2014.

Source: CEA
The sector's contribution to the domestic GDP is estimated to rise to around 8.0% in FY13 from 1.2% during FY98. Further, the IT services and BPO segment is estimated to employ around 3.0 mn people directly and nearly 9.5 mn people indirectly as on FY13.

According to Nasscom, India continues to be a premier destination for global sourcing of IT and ITeS (Information Technology enabled Services), accounting for around 52% share in the global sourcing market during FY13. In order to sustain its leadership position, the Indian IT and BPM vendors must focus on developing end-to-end value proposition, building and maintaining customer relationship and adopting innovative business strategies.

IT-BPM revenue is estimated to grow at a higher pace during FY15, primarily driven by exports

According to Nasscom, India’s total IT-BPM is estimated to increase by around 9.3% to ₹ 118 bn in FY14. During FY15, the total IT-BPM revenue is likely to grow by around 12%. This growth will continued to be primarily driven by exports, which is anticipated to grow between 13%-15% y-o-y, while domestic market is expected to grow between 9%-12% during FY15. The growth in exports market is expected to be fuelled by India’s ability to offer solutions that integrate new business models such as SMAC (Social, Mobile, Analytics and Cloud) with traditional offerings and improvement in demand scenario with signs of revival in the global economy. However, concerns around US immigration bills, currency fluctuation and impending general elections in the country will need to be addressed by collaboration and efforts of all stakeholders involved.

Big data analytics represents huge growth opportunities

Big data is increasingly evolving as an indispensable tool to manage and run the business efficiently. India is well-placed to tap this opportunity due to its proven IT strengths and analytics capabilities. As per NASSCOM, India’s big data industry is estimated to grow and reach US$ 1,000 mn by 2015, increasing at a remarkable CAGR of over 70% from US$ 200 mn in 2012.

SMAC based technology platform is expected to fuel growth of the IT and ITeS industry

SMAC based integrated offerings is expected to change the way companies do business in the near future. Increasing number of companies are exploring innovative methods to attract customers and allocate & manage resources by employing SMAC based platforms. In the near-term, it is expected to emerge as the major growth driver of the entire IT and ITeS industry, as foreign firms are expected to increase their budget on outsourcing of SMAC based software and services. This represents an attractive opportunity for India IT vendors. As per Nasscom, the combined potential of SMAC based technologies is estimated to be between US$ 70 bn to US$ 200 bn over the next three years.
Healthcare offers tremendous growth potential
In developed countries, healthcare accounts for a major share in household's expenditure. In order to control cost, these nations are considering for cost-effective technological solutions which will help in reducing healthcare cost of its citizens. This is expected to offer newer collaboration opportunities to Indian IT vendors in the areas of insurance claims, medical billing data entry, data processing, medical transcription and analytics. Further, provisions such as the mandate to maintain electronic health records, can act favorably for the Indian IT vendors. The Indian healthcare system has also been undergoing several developments. There has been growing demand for superior healthcare services, This will offer immense growth opportunities to the Indian IT vendors going forward.

Increasing focus on tapping unconventional markets
Indian IT & ITeS vendors are increasingly looking to tap beyond the established markets of the US and European region and enter into newer mass markets such as China, Japan and Latin America. As per NASSCOM’s estimates, Japan is presently estimated to account for less than 2% of the Indian IT services exports. However, penetrating one of the largest IT services market such as Japan, China and Latin America, is a challenge for the Indian IT vendors due to cultural differences and regulatory uncertainties.

Innovation in pricing and engagement models
Indian IT vendors are increasingly looking for innovation in the engagement and pricing model to establish their distinct value proposition. The transforming business scenario has led to a shift from initial FTE (Full-Time employee requirement) to fixed price or subscription based pricing models and now towards non-linear models such as hybrid based, gain-share, transaction based, outcome based and pay-per use models. In the near future, the industry is expected to witness increased acceptance of these new-age pricing and business models, which are customised as per client’s needs and help in controlling cost and leveraging the benefits of resource pooling.

Future growth to be driven by verticals of energy efficiency and sustainable energy
Companies around the world are increasingly looking for ways to control energy cost and adopt energy efficient solutions which can reduce their operational costs. Over the next few years companies are expected to increasingly deploy energy saving solutions. Accordingly, Indian IT vendors are gradually taking measures to deliver green IT solutions, which can help in reducing the environmental hazard and maximizing value to their clients.

Efforts on strengthening cyber security
The increasing penetration of internet and boom in the e-commerce business in India has led to exponential growth of cyber space. As a result, Indian companies have increased their focus towards securing their data. Companies are taking proactive measures in protecting their data and systems by employing superior technological solutions. They are also looking for external IT vendors, who can manage their cyber security infrastructure needs. The Indian IT vendors have realized this requirement and are offering solutions to enterprises to secure and manage their data. Further, several initiatives have been rolled out by the Indian government to keep India free from cyber threats and ensure data security. NASSCOM in alliance with DSCI (Data Security Council of India) has launched several initiatives to endorse data security and set privacy standards. Some of them include, ‘Cyber Labs Programme’, which is creating capacity of LEAs (Law Enforcement Agencies) by training police officers in cyber-crime investigations and cyber forensics, spread awareness about the issue through seminars and workshops and setting up alternate dispute resolution mechanism among others. In the near future, India is expected to increase its expenditure on cyber and data security to bring it at par with other developed nations and maintain its lead as a key destination for outsourcing.

ER&D services offshoring to India is expected to continue to grow at a healthy pace
India is now placed in the ER&D (Engineering and Research & Development) services exports, driven by India’s competence and vast availability of talent pool. Outsourced engineering services have gradually moved up from offering low and medium complex work such as basic drawings and computer aided design assignments to highly skilled and complex work such as conceptual design, digital models, complete product responsibility and system architecture development. Indian IT companies are increasingly developing capabilities, reducing time taken to design and market a product and controlling client’s cost. As per Nasscom, software products and ER&D segment together is estimated to contribute around 15% to India’s total IT-BPM revenues during FY14, increasing by around 11% y-o-y. This growth will be fuelled by domain-specific solutions focusing on convergence, customisation, efficiencies and localization.
Data service to emerge as the next growth driver in Indian telecom sector

Drop in data service tariff, introduction of innovative data plans, increasing consumption of 3G services and impending pan India roll out of high speed 4G network points to growing prominence of data services in Indian telecom space. In FY15, telecom sector is set to witness 4G roll out by all three leading players – Bharti Airtel, Vodafone and Idea Cellular – as well by the new entrant Reliance Jio.

Total number of subscribers accessing internet through mobile devices reached 188 mn by end of 2013. This count increased by 28% during the six month period March – September 2013. As on quarter ending September 2013, revenue from data usage accounted for approximately 10.2% of total revenue from subscribers.

Likelihoods of much needed consolidation happening in the coming year is slim as new M&A policy fails to stimulate the sector

Much anticipated Mergers & Acquisition (M&A) policy, announced earlier this year is not expected to help in the consolidation drive. Indian telecom sector is highly fragmented, with 10 -12 players operating in each of the 22 telecom circles. The draft M&A policy was expected to create an environment conducive for consolidation, instead the policy measures announced created more hurdles.

As per the new policy, a merged entity cannot have more than 50% market share in terms of both subscriber as well as revenue in any of the circle it operates. This creates hurdles for any merger plans for both Bharti Airtel and Vodafone – two of the largest telecom companies in the country – which together have more than 50% revenue in 15 of the 22 circles.

Further the condition that the acquiring company needs to pay the price differential for spectrum (difference between current market price and government allotted price of ₹ 16.58 bn for pan India license) makes any mergers a costly affair.

Rising popularity of chat apps and social media applications to pose a risk to revenue growth

Increasing popularity of web chat applications like Whatsapp has led to a drop in SMS services, one of the traditional revenue stream for the telecom companies. Further, rising popularity of free web based calling applications like Skype and Viber has the potential to impact the voice service provided by the telecom companies. Although the popularity of these applications translates into higher data usage, it would not compensate for the revenue loss suffered due to drop in call as well as SMS volumes.

Focus on subscriber quality as well as rural markets to strengthen

Year 2013 saw telecom companies shift their focus from subscriber volume to subscriber quality by disconnecting inactive connections. Reliance Communciation disconnected close to 10 mn inactive connections in 2013. Cutting down inactive customers not only saves on operating cost required to service these customers but also improves the service quality as it reduces the clogging of network infrastructure.

Telecom density in urban markets touched 144 per 100 person by quarter ending September 2013 reflecting the apparent maturity levels in the market. However rural density continues to be dismally low at 41.7 per 100 person by the same period, indicating the huge untapped potential existing in the rural market. However the market dynamic of urban and rural markets are entirely different. Innovative data and voice plans as well availability of higher regional language content would help telecom companies position themselves better in rural markets.
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Indian retail sector has grown by leaps and bounds post liberalization and has been evolving steadily both in terms of format and platform. The Indian retail sector has been transforming rapidly from unorganized to organized, providing path to modern retail format which gives unique shopping experience to the customer. Also, to cope with the changing market dynamics, even the traditional kirana shops are getting modernized.

Country’s favorable dynamics such as growing young population with access to higher disposable income, changing lifestyles, rising media penetration, greater product awareness and effective marketing strategy has fuelled the development of the Indian Retail industry. Further, easy availability of credit and use of ‘plastic money’ have contributed towards greater affordability and therefore has enhanced the potential customer base in India.

Some of the key dynamics that will continue to determine the growth trajectory of rapidly evolving retail sector in FY15 are:

**Outcome of the General Lok Sabha Election 2014 is likely to have a direct implication on the retail sector development**

Introduction of the 100% FDI in Single Brand Retailing and 51% in Multi Brand Retailing in September 2012 was the most awaited decision for the retailing industry which enhanced the sector attractiveness amongst the global investors. However, the decision to introduce 51% FDI in Multi Brand retailing faced huge resistance from majority of states. Till date, the new FDI policy has won the support of less than half of 28 states. States which have welcomed the introduction of FDI in Multibrand Retail include Maharashtra Jammu and Kashmir, Haryana, Uttarakhhand, Andhra Pradesh, and Assam. In case of retail development globally, India’s position has declined. This decline is largely attributed to the partial adoption of 51% foreign direct investment (FDI) in multi brand retail, where two-thirds of states are still against it. Thus, retail sector faces a significant political risk of unstable or coalition government post-election, thereby deterring investment climate amongst the foreign and domestic investor.

**Modest pick-up in domestic GDP growth expected during second half of FY15 augurs well for the retail industry**

Retail industry account for about 14-15% share in the country’s economic output and has closely mirrored the GDP growth trend. Retail sector in India has been growing at a multiple of 2.5-3x times of GDP. With the prevailing uncertainty in the domestic economic environment over the past few years, the retail industry performance too witnessed a sluggish growth.

**Relative growth trend**

During FY 2009-13, the industry is estimated to have grown by a CAGR of 16.1%. On an annual basis, as exhibited in the above chart, the retail sector growth slowed down to around 13% in FY13 & FY14 from the level of 20% plus growth in previous two fiscal years. However, implementation of few economic reforms along with financial stability of the domestic economy is likely to restore the attractiveness of Indian market amongst investors and boost investment climate. The higher expected GDP growth during FY15 is likely to translate in growing domestic consumption across various product segments.
Increasing personal disposable income to drive private consumption expenditure and retail sector growth

The consumer’s propensity to spend on discretionary or lifestyle products are strongly related to personal disposable income. With the services sector growth expected to spill over to Tier II and Tier III cities, the pace of urbanization would continue unabated. India’s strong growth fundamentals, demographic dividend along with increasing consumerism have opened immense scope for retail expansion. Improvement in economic activity and rising confidence among consumers in FY15 are expected to result in growing consumption spending and thereby result in the retail sector development.

Rising personal disposable income is expected to augment the expenditure on discretionary goods

In FY13 and FY14 so far, expenditure across all segment excluding the personal care product witnessed a declining growth in the wake of slowing GDP growth. Consumer durable segment growth was most badly hit by moderating GDP growth. Weak consumer sentiment, fear of job loss and rising interest rate impacted the buying decision of the Indian customer. With expected uptick in economic activity during FY15, spending across segment is likely to improve including the consumer durable.

Rising interest rate & increasing rental cost are likely to pressurize the profit margins of the industry

The rising interest rate has adversely impacted the project financing cost for corporate on one hand and has also led to increasing loan rate for end customers and impacted the demand growth for various consumer goods adversely. Over the year, increasing rental cost are also eating up the margins of the organised retailers in India. During past three year, rental expense for the leading market players has increased in double digit creating constant pressure on the net profitability margin of the industry player.

Easy financing scheme & innovative marketing strategy to boost the consumer durable segment

High competition between the MNCs & home-grown companies has resulted in decline in product pricing resulting in increased affordability. Further, aggressive credit growth in disbursement of retail loans coupled with lowering of eligibility criteria for credit products has helped in increasing the overall consumer base. Loan disbursement to consumer durable sector has steadily increased since July 2012. The outstanding loan disbursement to consumer durable stood at ₹ 110 bn as on Jan 24 2014 compared to ₹ 80 bn as on Jan 25 2013, registering an annual growth of 37.5%. Innovative financing and promotion techniques like cash back offer, discounts, free gifts and exchange offers has again enticed customer to buy various consumer electronic product more particularly the smartphone. The aggregate net sale of leading market player in consumer durables segment improved by 4.1% during Q3 FY14 against 2% increase in previous fiscal during same quarter. On sequential q-o-q basis, sales improved by 4.1% in Q3 FY14 against sharp fall of 16.8% in Q2 FY14.

E-tailing to observe an exponential growth over the next few years on the back growing internet penetration

Growing internet penetration coupled with constant adoption of high end communication devices available with cheap data services has boosted the growth of online retailing business in India which as per Internet and Mobile Association of India (IAMAI) is growing at an annual rate of over 30%. Several factors that are driving the growth of India’s online retail market, including internet penetration are the convenience of purchasing products online, efficient customer servicing facilities offered by retailers like cash on delivery, good replacement etc. has boosted the trust and comfort of customer to opt for online shopping.

Source: MOSPI
Some Concerns to Growth
Highlighting some major risks to the growth prospects of the economy during 2014-15
There is no denying that things are looking bleak for India at the moment. Even if we are not as susceptible as we were during the 1990-1991 crisis, we are near the brink in many ways. Sluggish investment activity, frail domestic demand combined with policy and administrative uncertainty on the part of the government has placed severe strain on economic activity. We expect the streak of weak economic growth to get reversed by the second half of FY15. In spite of the expected acceleration in growth, we still see some downside risks to our forecasts.

• The largest downside risk to the growth outlook would be the prolonged loss of confidence in the event of political uncertainty prevailing even after the outcome of the election process.
• Bold structural reform measures would be needed to boost growth and revive investor confidence in the Indian economy. Policy inaction by the new Government could have much more severe consequences than the turbulence seen to date and jeopardise growth for years to come.
• Lack of visible improvement in the pace of implementation of various projects could stall capital formation and thereby dampen growth impulses.
• One of the key concerns for growth is related to inflation given the significant upside risks to inflation already visible. Delays in addressing supply-side issues could pose risk to our WPI inflation forecast. Any shocks to oil prices (in the event of geo-political tensions) could stoke price pressures on crude oil. Moreover, shocks in global oil prices could fan inflationary pressure in the domestic economy and lead to the deterioration of current account. Further, in the event of poor monsoons, agricultural growth will be impacted to a large extent. Apart from the significant (and lagged) effect on industrial sector performance, the monsoon effect could feed into WPI figures through higher food and primary articles prices. In such an inflationary environment, RBI is likely to hold policy rate at elevated level, thereby curtailing consumption and investment. The slowdown could thus turn steeper if interest rates remain high for a longer period of time.
• Concerns have intensified regarding the quality of fiscal adjustment. In FY14, the government has managed to stay on the path of fiscal consolidation following a substantial cut in capital expenditure. Capital expenditure for FY14 was 17% lower than the budget estimates. Curtailment in capital expenditure plans to ensure that the fiscal deficit remains in line has the potential to stifle the growth momentum.
• Changes in global liquidity in the event of a shift in the US Fed’s monetary policy stance - from gradual to aggressive tapering- coupled with investor risk aversion could adversely impact the size and direction of FII flows and thereby the exchange rate.
• Significant increase in restructured asset as indicated by higher CDR (Corporate Debt Restructuring) points towards worsening asset quality of Indian banks. Economic slowdown coupled with high exposure to projects in infrastructure and iron & steel sector has been the primary reason for higher NPAs for public sector banks. Asset quality of Indian banks could worsen in case the performance of the infrastructure and iron & steel sectors continues to remain tepid. Stubborn inflation, a spurt in lending rates and prolonged period of economic slack could also have a bearing on asset quality impairment.
• Non revival in corporate investment and infrastructure building could be a major hindrance to the resumption in the industrial activity.
Introduction
In its publication “India 2020”, D&B evaluates the prospects of the economy during the next five years based on the current fundamental strengths of the Indian economy. This report has been prepared with the idea of providing a forecast of key macroeconomic variables, which will determine the course of the business environment till FY20.

Sections Include:
India’s Macro-Economic Outlook 2020:
This section encapsulates the journey of the Indian economy till FY20 by providing forecasts of key macro-economic variables.

Economic Growth Drivers:
In this section, we have tried to identify major factors which will support the growth of the economy.

State-Wise Analysis:
This section highlights the potential and also provides forecast of the GSDP of ten leading Indian states that will contribute significantly to India’s growth story till FY20.

Moving ahead on the Reform Agenda – Need of the hour:
This section elucidates some of the major policy initiatives that would have significant implications for economic development.

Some Concerns to Growth:
This chapter highlights some key concerns that could pose downside risks to India’s growth prospects.

India 2020 scheduled for release in July 2014

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D&B's Key Macroeconomic Forecast

Dun & Bradstreet's India Outlook 2014-15
Snapshot of the forecast of major economic indicators for 2014-15 along with representation of dataset for major economic indicators for the past few years
### D&B’s Key Macroeconomic Forecast

#### Real Sector

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Nominal GDP (₹ Bn)</td>
<td>49871</td>
<td>56301</td>
<td>64778</td>
<td>77841</td>
<td>90097</td>
<td>101133</td>
<td>111853</td>
<td>124543</td>
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<td>Nominal GDP Growth (YOY%)</td>
<td>16.1</td>
<td>12.9</td>
<td>15.1</td>
<td>20.2</td>
<td>15.7</td>
<td>12.2</td>
<td>10.6</td>
<td>11.3</td>
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<tr>
<td>Real GDP (₹ Bn)</td>
<td>38966</td>
<td>41587</td>
<td>45161</td>
<td>49185</td>
<td>52475</td>
<td>54821</td>
<td>57398</td>
<td>60580</td>
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<tr>
<td>Real GDP Growth (YOY%)</td>
<td>9.3</td>
<td>6.7</td>
<td>8.6</td>
<td>8.9</td>
<td>6.7</td>
<td>4.5</td>
<td>4.7</td>
<td>5.5</td>
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<tr>
<td>Population (Mn)</td>
<td>1138</td>
<td>1154</td>
<td>1170</td>
<td>1186</td>
<td>1202</td>
<td>1217</td>
<td>1233</td>
<td>1249</td>
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<tr>
<td>GDP Per Capita ₹ (at constant price)</td>
<td>34241</td>
<td>36037</td>
<td>38599</td>
<td>41472</td>
<td>43657</td>
<td>45046</td>
<td>46551</td>
<td>48495</td>
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<tr>
<td>Agriculture (₹ Bn)</td>
<td>6551</td>
<td>6557</td>
<td>6610</td>
<td>7178</td>
<td>7538</td>
<td>7645</td>
<td>7936</td>
<td>8190</td>
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<td>Agriculture Growth (YOY%)</td>
<td>5.8</td>
<td>0.1</td>
<td>0.8</td>
<td>8.6</td>
<td>5.0</td>
<td>1.4</td>
<td>3.8</td>
<td>3.2</td>
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<tr>
<td>Industry (₹ Bn)</td>
<td>11200</td>
<td>11697</td>
<td>12769</td>
<td>13733</td>
<td>14807</td>
<td>14949</td>
<td>15039</td>
<td>15460</td>
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<tr>
<td>Industry Growth (YOY%)</td>
<td>9.7</td>
<td>4.4</td>
<td>9.2</td>
<td>7.6</td>
<td>7.8</td>
<td>1.0</td>
<td>0.6</td>
<td>2.8</td>
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<tr>
<td>Services (₹ Bn)</td>
<td>21216</td>
<td>23333</td>
<td>25782</td>
<td>28274</td>
<td>30130</td>
<td>32227</td>
<td>34418</td>
<td>36931</td>
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<td>Services Growth (YOY%)</td>
<td>10.3</td>
<td>10.0</td>
<td>10.5</td>
<td>9.7</td>
<td>6.6</td>
<td>7.0</td>
<td>6.8</td>
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#### Inflation Rate (Average %)

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<td>WPI- All Comm</td>
<td>4.7</td>
<td>8.1</td>
<td>3.8</td>
<td>9.6</td>
<td>8.9</td>
<td>7.4</td>
<td>5.9*</td>
<td>5.8</td>
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<td>WPI-Manuf</td>
<td>4.8</td>
<td>6.2</td>
<td>2.2</td>
<td>5.7</td>
<td>7.3</td>
<td>5.4</td>
<td>2.9*</td>
<td>3.9</td>
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<td>CPI-Combined</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-10.2</td>
<td>9.5*</td>
<td>7.9</td>
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#### Monetary (End Period)

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<th>Monetary (End Period)</th>
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<td>15-91 days’ Treasury Bill (yield)</td>
<td>7.0</td>
<td>4.5</td>
<td>3.9</td>
<td>7.1</td>
<td>8.9</td>
<td>8.1</td>
<td>8.9*</td>
<td>7.9</td>
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<tr>
<td>10 Year G-Sec (yield)</td>
<td>7.6</td>
<td>7.0</td>
<td>7.8</td>
<td>8.0</td>
<td>8.6</td>
<td>8.0</td>
<td>8.8*</td>
<td>8.3</td>
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<tr>
<td>M3 (Growth Rate %)</td>
<td>21.4</td>
<td>19.3</td>
<td>16.9</td>
<td>16.1</td>
<td>13.2</td>
<td>13.8</td>
<td>13.5*</td>
<td>15.0</td>
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<tr>
<td>Bank Credit (Growth Rate %)</td>
<td>22.3</td>
<td>17.5</td>
<td>16.9</td>
<td>21.5</td>
<td>17.0</td>
<td>14.1</td>
<td>14.3*</td>
<td>16.5</td>
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#### External Sector

<table>
<thead>
<tr>
<th>Exchange Rate (USD/₹) (End Period)</th>
<th>39.99</th>
<th>50.95</th>
<th>45.14</th>
<th>44.65</th>
<th>51.16</th>
<th>54.39</th>
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<tr>
<td>Exchange Rate (USD/₹) (Average)</td>
<td>40.24</td>
<td>45.92</td>
<td>47.42</td>
<td>45.58</td>
<td>47.92</td>
<td>54.41</td>
<td>60.50*</td>
<td>60.00</td>
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<tr>
<td>Exports-BOP (US $ Bn)</td>
<td>166.2</td>
<td>189.0</td>
<td>182.4</td>
<td>256.2</td>
<td>309.8</td>
<td>306.6</td>
<td>318.8</td>
<td>360.3</td>
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<tr>
<td>Exports (YOY Growth)</td>
<td>28.9</td>
<td>13.7</td>
<td>-3.5</td>
<td>40.4</td>
<td>20.9</td>
<td>-1.0</td>
<td>4.0</td>
<td>13.0</td>
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<tr>
<td>Imports-BOP (US $ Bn)</td>
<td>257.6</td>
<td>308.5</td>
<td>300.6</td>
<td>383.5</td>
<td>499.5</td>
<td>502.2</td>
<td>467.1</td>
<td>537.1</td>
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<tr>
<td>Imports (YOY Growth)</td>
<td>35.4</td>
<td>19.8</td>
<td>-2.6</td>
<td>27.6</td>
<td>30.3</td>
<td>0.5</td>
<td>-7.0</td>
<td>15.0</td>
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<tr>
<td>Trade Balance (US $ Bn)</td>
<td>-91.5</td>
<td>-119.5</td>
<td>-118.2</td>
<td>-127.3</td>
<td>-189.8</td>
<td>-195.7</td>
<td>-148.2</td>
<td>-176.8</td>
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<tr>
<td>Current Account Balance % of GDP</td>
<td>-1.3</td>
<td>-2.3</td>
<td>-2.8</td>
<td>-2.8</td>
<td>-4.2</td>
<td>-4.8</td>
<td>-2.0</td>
<td>-2.3</td>
</tr>
</tbody>
</table>

### Fiscal Deficit

| Fiscal Deficit                     | 2.5     | 6.0     | 6.5     | 4.8     | 5.7     | 5.2     | 5.1       | 4.5       |

Source: MOSPI, RBI, Ministry of Commerce & Industry, DGCI&S, D&B Research
Note:- * Actual
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