

**Presented by Mr. Pinak Maitra, Group CFO, KIPCO to  
the Indian Delegation on their visit to Kuwait**



## **How to make India an attractive Investment Destination**

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# Disclaimer

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# India an attractive investment destination...

## Tail Winds Strong fundamental factors

- **Strong economic growth potential**
  - India growth story continues (@6.5%-7% growth estimates) is the second best after China
- **Domestic demand driven growth model:**
  - Massive and growing domestic market
  - Emerging middle class playing a catalyst role
- **Great demographics profile:**
  - India will have one of the highest percentage of working age population by 2030
- **Investors full on their risk budgets:**
  - For China & Brazil

## Head Winds Hurdles

- **Current unresolved tax issues – unfriendly policy framework**
- **Corruption** (ranked 95 on the corruption index<sup>^</sup>) **and slow pace of economic reforms**
- **Inadequate Infrastructure and logistics**

***Tail winds are stronger and sustainable, but the head winds are impairing investors confidence that must be addressed soon to sustain attractiveness...***



# Potential Investors for India



**Institutional Investor, Foreign Investors and Corporate Bodies**



**Non-resident Indians (NRIs)  
Person of Indian origins (PIOs)**

## **Institutional Investors: Sector Focus**

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# Sectors with most potential ...

## **Possible frame work & Pay off**



### **Infrastructure**

- ✓ Project operational time line to be broadly consistent with global standards
- ✓ Tremendous competition globally for investor \$
- ✓ Basel 3 & Solvency 2 issues add to complication
- ✓ Predictability & consistency of policy and action - key drivers to success



### **Education**

- ✓ Investment in K-12 will have most long term pay off for India
- ✓ Currently most preferred by global investor
- ✓ K-12 quality had diminished globally
- ✓ Opportunity to develop global leadership



### **Middle Markets**

- ✓ Help deepen economy
- ✓ Sector has solid employment generation potential
- ✓ Middle market funds globally have done well
- ✓ Investors will bring a different dimension of management insights

# India: Infrastructure Sector

## Infrastructure is core to economic development

“The link between infrastructure and economic development is not a once and for all affair. It is a continuous process; and progress in development has to be preceded, accompanied, and followed by progress in infrastructure” Noted Indian Economist \*

## Large capital investment requirement, but inadequate return potential

### ▪ Strong investment need and demand

- Budgeted investment in India Infrastructure is USD 1+ trillion from 2012-17

### ▪ Large number of PE's have already invested in the sector

### ▪ Inability to deliver/ provide access to key input material (land allotment, energy linkage, etc)

### ▪ Too many non productive fingers in pie

### ▪ Non Clarity of regulation / policy reversal (Vodafone tax issue) , lack of transparency

### ▪ Longer gestation period than global norms, compounds the problem

### ▪ Options to enter other competitive markets (Middle east etc)

***Infrastructure sector has a huge investment requirement, however, other markets are strongly competing for the same***

***Need of the hour is quick and drastic policy actions...***

# Education Sector India

## Education Key to Future of 'Golden Generation'

- Future belongs to the Creative and the Innovative
- India ranks low on education ranking (89<sup>th</sup> in World Prosperity Index 2010)
- Considerable progress required despite the well publicized presence of the educated elite

## Strong Potential for growth in the Sector

- World's largest population in age group of 0-24 years
- Increasing willingness to pay for quality education
- K-12 sector to reach US\$50 bn by 2015 (14% CAGR) & higher education to reach US\$52 bn (18% CAGR) till 2020
- Increasing demand for skilled professionals

### *Currently low level of investment*

- ✓ Non-profit requirement for schools & colleges
- ✓ Restrictions on FDI in higher education
- ✓ General lack of clarity on policy issues
- ✓ Corruption and bureaucracy

### *What can India do better*

- ✓ Target to be global leader in sector by leveraging existing ecosystem
- ✓ Allow investors a reasonable return
- ✓ Provide a simple regulatory framework
- ✓ PPP model that is best suited for promoting private sector participation?



# Middle Market Sector India

## **Middle Market Sector...core to the Indian economy**

### **Economic Contribution**

- ✓ 17% to GDP
- ✓ ~40% to exports
- ✓ ~45% to industrial production

### **Social Contribution**

- ✓ Provide boost for growth, employment
- ✓ Contribute to geographical & social equity
- ✓ Employ ~60 million skilled and unskilled workers
- ✓ Generate ~1.3 million jobs every year



With such a scale this sector has tremendous growth opportunities and represents significant untapped potential



Government should take initiatives to promote new enterprises /entrepreneurs to drive future economic growth (1/3\* of over \$14 tn US economy came from new enterprises)

***Only an SME-driven entrepreneurial ecosystem with the appropriate scale, scope and relevance can catapult India into the higher orbits of socio-economic prosperity***

# Capital Availability: Status Check

## Debt Funding



**Not an issue;  
Various options like bank  
finance, ECB borrowings etc  
available**

## Growth Capital



**Not enough Options**

**International investors  
currently not there; huge  
untapped potential**

***International investors need to be tapped to ensure no funding roadblocks for the sector***

# How to attract foreign fund?

## Investor specific



- ❖ Well defined, clearly established systems & framework for:
  - ✓ Identifying role model profile of entrepreneurs to create initial success
  - ✓ Easy availability of accurate, certified and timely information
- ❖ Predictable and consistent execution of policy

## Industry specific



- ❖ Education needed for issuers & investor
- ❖ Cost effective platform to communicate with investors
- ❖ Organize trade shows, facilitate the internal platform
- ❖ More proactive role of Indian bodies, chambers etc to identify & build pool of companies to support momentum
- ❖ Promote professional management and adoption of best practices

***Creating an overall business-friendly policy framework and platform to support and grow the SME sector in India***

## **NRI/PIO : What they are looking for?**

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# Importance of NRI/ PIO Community

## ***Remittances***

**USD 58 billion:  
Highest in the World**

## ***Brand Ambassadors***

**NRI/ PIOs  
are the biggest  
brand ambassadors for India**

***India has the 2<sup>nd</sup> largest Diaspora in the World.***

***The Question Remains "Are We Exploiting the Full Potential?"***



# Increasing NRI Investments in India

## Investment Considerations

### **Financial Factors**

- ✓ Financial attractiveness has declined on account of corruption, slow economic reforms, etc

### **Emotional Factors**

- ✓ There is a strong emotional attachment that NRIs have for India which helps in attracting investments

## Touching the Emotional Cord

- Incentivizing development of NRI communities that can cater to the:
  - ✓ Ageing parents: Security, living and health considerations. Create “ Young community ”
  - ✓ Attract family Members: Facilities to cater to their professional and personal needs
- This would attract investments from the NRI community and further strengthen the emotional bond

## Other Steps to Promote Investments

**Investment vehicles exclusively for NRIs**

**Real Estate Investments in Tier II/ III Cities**

***Need to Benchmark Best Practices to improve the investment climate for NRIs from both the financial and emotional perspective***



***Thank You***

