

**Presenting  
debate on  
contemporary  
and emerging  
portfolio  
construction  
issues**



portfolio  
construction

CONFERENCE

15 & 16 August 2007 | AJC Convention Centre, Randwick, Sydney

[ Markets ]

**I've been thinking about...  
the movement of markets**

Presentation

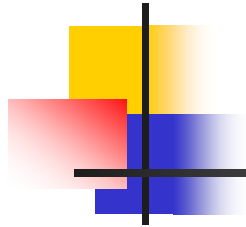
**I've been thinking about...  
tomorrow's India, the risks and  
opportunities**

Speaker

**Dr Anand Sethi, MD, Applied Technology  
Services**



**CONFERENCE**



# INDIA-AHH !



**ANAND K. SETHI**

**I've been thinking about...  
tomorrow's India!**

**PRESENTATION TO PORTFOLIOCONSTRUCTION CONFERENCE 2007**

**GREETINGS ON INDIA'S 60<sup>TH</sup> INDEPENDENCE DAY !**  
**15<sup>TH</sup> AUGUST, 1947 – 15<sup>TH</sup> AUGUST, 2007**





## THE ELEPHANT BEGINS TO DANCE

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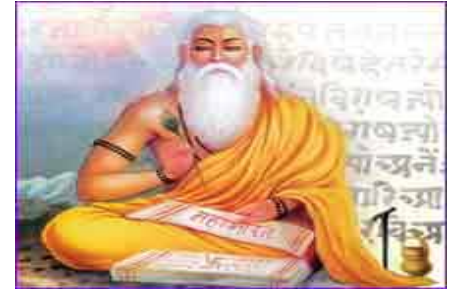


***" WHO SAYS ELEPHANTS CAN'T DANCE? – LOU GERSTNER, EX CHAIRMAN - IBM***



## THE ELEPHANT BEGINS TO DANCE

**IN 1616 , THE YEAR THAT DIRK HARTOG OF VOC,  
THE DUTCH EAST INDIA COMPANY LANDED IN  
SHARK BAY (W.A.), A CERTAIN THOMAS ROE ESQ.,  
ARRIVED IN AGRA (THE CITY OF THE 'TAJ MAHAL') AS  
BRITAIN'S FIRST AMBASSADOR TO THE MUGHAL  
COURT OF INDIA.**



## THE ELEPHANT BEGINS TO DANCE

**- SIR THOMAS ROE BECAME A DRINKING COMPANION TO EMPEROR JAHANGIR.**

**-THIS FRIENDSHIP CULMINATED IN THE WORLD'S FIRST BILATERAL TRADE AGREEMENT.**

**-OUR 'POMS' HAD ARRIVED. THE REST AS THEY SAY IS HISTORY!**

***" Those who do not learn from history are condemned to repeat it"***  
**- Santayana**



# INDIA : BUSINESS HISTORY

## IN PERSPECTIVE

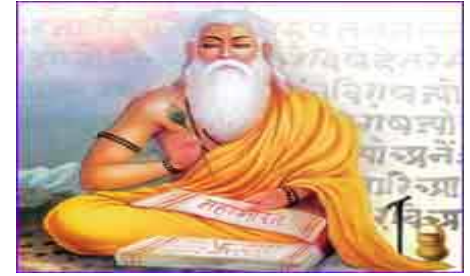
### INDIA - PERCENTAGE SHARE OF WORLD GDP

<u>YEAR (A.D.)</u>	<u>%</u>
1000	28.90%
1500	24.50%
1700	22.60% (Higher than all of Europe)
1913	7.60%
1947	3.80% (At Independence)
1998	5.0%
2050	15.0% (Est.)**

\*\* - Goldman Sachs estimate.

*The world's richest country in 1500 to near bankruptcy in 1947.*

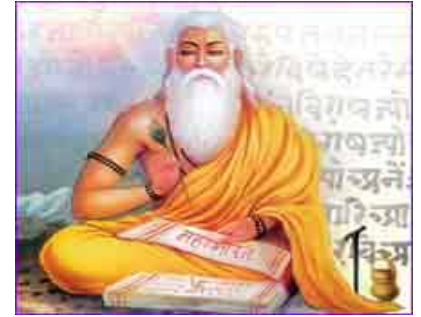




# INDIA : BUSINESS HISTORY

## RELATIONSHIP WITH THE WEST

- **India was trading with the Phoenicians in 2<sup>nd</sup> millenium B.C.**
- **King Solomon's trading ships voyages start in 950 B.C.**
- **Alexander the Great invaded in 327 B.C.**
- **Establishment of four trading cities (Alexandria's).**
- **Roman trading fleets arrive in 45 A.D.**
- **St. Thomas arrives in Madras in 52 A.D.**
- **Arabs traded by the overland route for West.**
- **Marco Polo arrives in 1292.**
- **Columbus however took a wrong turn. Finds 'other Indians'.**



# **INDIA : BUSINESS HISTORY**

## **RELATIONSHIP WITH THE WEST (contd.)**

- **Portuguese arrive in 1498 in quest of spices, textiles.**
- **1604 : The Dutch arrive.**
- **1608 : The British arrive.**
- **1618 : The Danes.**
- **1666 : The French.**
- **1784: U.S. trading ships arrive.**



# **INDIA : BUSINESS HISTORY**

## **RELATIONSHIP WITH ASIA**

- **After 250 B.C., Buddhism goes from India to Asia.**
- **Trade and Knowledge interchange follow.**
- **78 A.D.-Kushans (of Chinese Han dynasty) ruled India.**
- **Exchange of scholars, 2<sup>nd</sup> thru 5<sup>th</sup> Century.**
- **India China trade flourishes after 400 A.D.**
- **1405 A.D. – Chinese Trading Fleets under Zheng He arrive.**



# **INDIA : BUSINESS HISTORY**

- **CLEARLY, INDIA WAS THE FIRST GLOBALIZED ECONOMY.**
- **IN 17<sup>TH</sup> CENTURY INDIA'S GDP: \$90.8 BILLION, ALMOST 25% OF GLOBAL GDP. PER CAPITA INCOME \$ 550. HIGHER THAN U.S.A.**
- **HOME TO THE FIRST MULTINATIONAL : DUTCH V.O.C.**
- **FIRST INTL. PROTECTIONIST BARRIERS – THE BRITISH.**
- **THE FIRST CORPORATE WARS : BRITISH / FRENCH E.I.C.'s.**

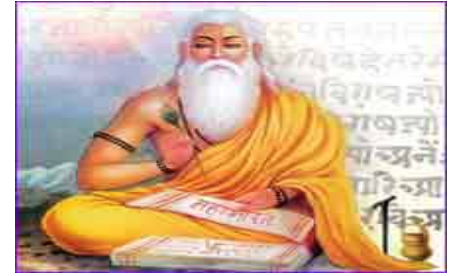


# THE DAYS OF THE BRITISH 'RAJ'

## THE BRITISH EAST INDIA COMPANY AND 'THE CROWN'

*"The Government of an exclusive company of merchants is perhaps the worst of all governments for any country whatsoever" – Adam Smith.*

- **Pillage of India's wealth pays for the Industrial Revolution.**
- **Massive corruption .**
- **Full British Control of Trade / Industry.**
- **Penal Taxation.**
- **Bengal Famine.**
- **Indian resources pay for World War participation.**
- **RESULT: 1700 A.D to 1947 A.D – India's share of world income reduces from 22.6% to 3.8% only.**

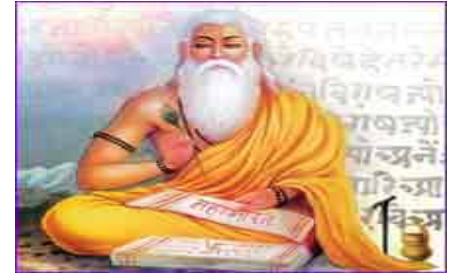


# THE DAYS OF THE BRITISH 'RAJ'

## UNDER THE BRITISH CROWN

*" At the time of Independence (1947), after decades of subjugation, its land and people were a picture of distress, removed from great events of its past glory." - Abid Hussain*

- **Thus, at independence, India was a bankrupt nation, although on the winning side in WW II.**
- **There were strict exchange and export / import controls.**
- **Marginal local industrial production.**

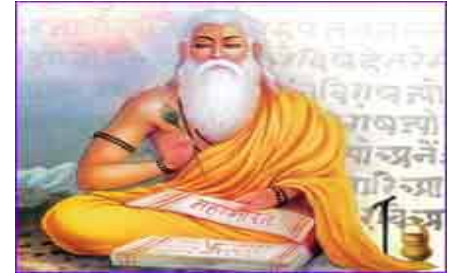


# THE DAYS OF THE BRITISH 'RAJ'

## UNDER THE BRITISH CROWN

- **Mercifully the British left some positives:**  
*English Language, Good Legal System,  
Working Bureaucracy, Modern Education  
System, Scientific Establishments, and.....*





# POST INDEPENDENCE INDIA

## ADVENT OF 'SOCIALISM'.

- **DUE TO BANKRUPT ECONOMY, LEADING INDUSTRIALISTS PROPOSE STATE LED REVIVAL ( 'BOMBAY PLAN').**
- **NEHRU, IMPRESSED BY FABIAN SOCIALISM AND USSR, INTRODUCES CENTRALISED PLANNING AND CONTROL.**
- **CONCEPT OF 'MIXED ECONOMY' INTRODUCED.**
- **DUE TO COLONIAL PAST, FOREIGN ENTITIES MISTRUSTED. BLAME ALL PROBLEMS ON FOREIGNERS, CIA, KGB, MI-6. FOR CRICKET LOSSES - GREG CHAPPELL.**
- **MOTTO BECAME 'SELF RELIANCE AT ANY COST'.**



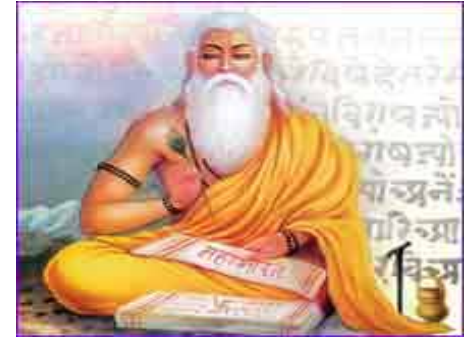


# POST INDEPENDENCE INDIA

## ADVENT OF 'SOCIALISM'

- **THE INDIRA GANDHI YEARS BROUGHT FURTHER PROBLEMS, *NATIONALISATION OF BANKS, RESTRICTION ON GROWTH OF PRIVATE BUSINESS HOUSES, THE EMERGENCY.***
- **DUE TO BORDER PROBLEMS, DEFENCE EXPENDITURE SPIRALS.**
- **BY 1990, ECONOMY ONCE AGAIN **NEAR BANKRUPTCY.****
- **1991- MANMOHAN SINGH INTRODUCES REFORMS, 12 YEARS AFTER THE CHINESE REFORMS.**

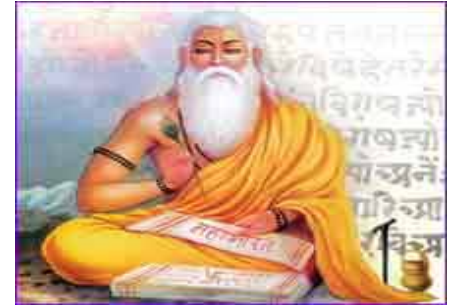
# TODAY'S INDIA



## A PROUD NATION

### **A FREE AND OPEN DEMOCRATIC SOCIETY**

- **1947 TO 1991, INDIA LARGEST RECIPIENT OF AID.**
- **TODAY IT IS A NET PROVIDER OF AID.**
- **MOST AID DONORS (DANIDA, NORAD etc.) CLOSED.**
- **DOES NOT TAKE AID FOR NATURAL DISASTERS (e.g.Tsunami).**
- **SEEKING U.N. SECURITY COUNCIL SEAT.**



# TODAY'S INDIA

- **EMERGING AS A MAJOR ECONOMIC POWER.**
- **4<sup>th</sup> LARGEST ECONOMY ON BASIS OF PURCHASING POWER.**
- **By 2035, 3<sup>rd</sup> LARGEST ECONOMY IN THE WORLD.**
- **2<sup>nd</sup> FASTEST GROWING ECONOMY IN THE WORLD.**
- **INCREASINGLY DOMINATING KNOWLEDGE SECTOR.**
- ***BY 2025 – 120 MILLION HIGH INCOME HOUSEHOLDS,  
580 MILLION MIDDLE CLASS.***

# TODAY'S INDIA



- **4<sup>TH</sup> HIGHEST FOREIGN CURRENCY RESERVES.**
- **GDP GROWTH RATE > 9%. GROWTH, BASED ON DOMESTIC MARKET *NOT* EXPORTS.**
- **CONTRIBUTION TO GLOBAL GROWTH : 8%+**
- **SHARE OF GLOBAL GDP (PPP TERMS): 6%+**
- **3<sup>RD</sup> IN INVESTOR CONFIDENCE – A.T. KEARNEY**
- **HIGHEST RETURN ON INVESTMENTS AMONGST EMERGING MARKETS.**
- **WILL OVERTAKE CHINESE PACE OF GROWTH BY 2013\***

**\* PRICE WATERHOUSE COOPERS**



# TODAY'S INDIA

- **EXPORTS OF I.T. /I.T. SERVICES = \$ 50 BILLION p.a.  
(TARGET = \$ 60 BILLION BY 2010.)**
- **400 OUT OF 500 FORTUNE 500 COMPANIES HAVE INVESTED.**
- **OVER 200 OF THEM HAVE DESIGN AND/OR BPO CENTRES.**
- **INDIA QUALIFIES ANNUALLY:**
  - **3.5 MILLION GRADUATES**
  - **1 MILLION POST GRADUATES****GROWING AT 10 – 15 % PER ANNUM.**



# TODAY'S INDIA

- **NO. OF CELLPHONES (2005) : 47 MILLION.**
- **NO. OF CELLPHONES (2007) : 150 MILLION.**
- **New Subscribers : 7.35 MILLION PER MONTH (JUNE `07)**
  
- **NO. OF COMPUTERS (2005) : 15 MILLION.**
- **NO. OF COMPUTERS (2010) : 75 MILLION.**
  
- **INTERNET CONNECTIONS (2007) : 30 MILLION.**
- **INTERNET CONNECTIONS (2010) : 50 MILLION.**
  
- **NO. OF AUTOMOBILES p.a. (1992) : 160,000.**
- **NO. OF AUTOMOBILES p.a. (2007) : 1,150,000.**



# TODAY'S INDIA

**GROWTH PREDOMINANTLY DRIVEN BY INDIAN COMPANIES AND NOT FOREIGN COMPANIES USING BASE FOR LOW COST HIGH VOLUME EXPORTS.**



# TODAY'S INDIA

- ***LESSON: GROWTH AND PROGRESS ARE INDEED POSSIBLE IN A FREE, DEMOCRATIC SOCIETY, WORKING WITHIN AN EQUITABLE AND TRANSPARENT LEGAL SYSTEM!***

## CONTRASTING MODELS

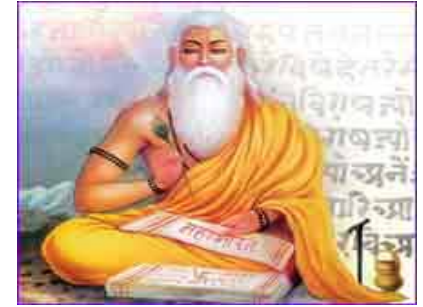


Simple Living , High Thinking!



"To be rich is glorious!"





## TODAY'S INDIA

“ INDIA’ S SUCCESS WILL RENEW HUMANITY’S FAITH IN LIBERAL DEMOCRACY, IN THE RULE OF LAW, IN FREE AND OPEN SOCIETIES.”

- PRIME MINISTER MANMOHAN SINGH



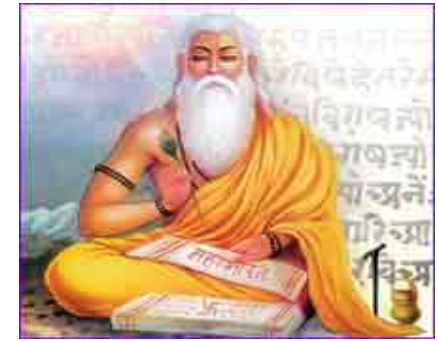
# TODAY'S INDIA

**IS IT FOR REAL OR IS IT THE SNAKE CHARMER'S TUNE?**



Corel Professional Photos

# TOMORROW'S INDIA



## THE DEMOGRAPHIC DIVIDEND

*" One of the oldest civilisations in the world is one of the youngest in this century." – Arvind Singhal, 'Technopak'.*

**-65% OF INDIA IS BELOW 35 YEARS OF AGE**

**-50% OF INDIA IS BELOW 25 YEARS OF AGE**

**-2025: IN CHINA 15% WILL BE OVER 65**

*As societies everywhere else begin to age, India will be providing the workers to the global society.*

- 20 Million + additional workers every year
- Millions of young Indian workers will become consumers.
- Prime age labour force will start saving more leading to further prosperity. Already savings as a % of GDP up to 32.4% from 23.1% in 2000.



## TOMORROW'S INDIA

### EMERGENCE AS THE WORLD'S R&D & DESIGN HUB

- \*Some of the companies with major R&D in India:  
*Google, Yahoo, Intel, IBM, Adobe, Microsoft, Nokia, Daimler Benz (for biodiesel cars), Seabird Aviation (Australia), SAP, Oracle, Siemens, GE, Eli Lilly, Bayer, Motorola, DuPont, Astra Zeneca etc. etc.*
- \* India has in excess of 100 chip design firms. The IPOD chip was designed here. Most DVD player chips are designed here.
- India already draws 25% of global R&D spend.
- 'DESIGN' TOWNS AND SPECIAL ECONOMIC ZONES NOW BEING SET UP ('NERD TOWNS')*



# TOMORROW'S INDIA



***INDIA – THE WORLD'S 'RENT-A-BRAIN' SUPERMART***

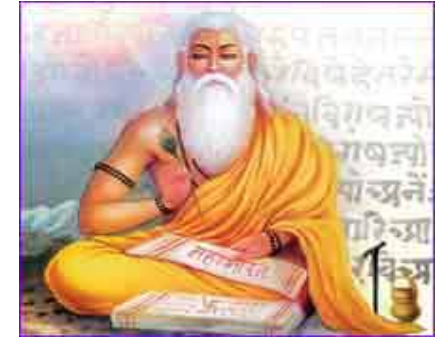
## **KNOWLEDGE PROCESS OUTSOURCING (KPO)**

**YEAR 2010: US\$ 17 BILLION PER ANNUM**

### **EMERGING AREAS**

**LEGAL SERVICES, INSURANCE, EDUCATION ,  
TRAINING, DRUG DISCOVERY, CLINICAL TRIALS,  
SHIP AND AIRCRAFT DESIGNING, BIOTECH,  
NANOTECH, PRESCRIPTION OPTICS, **RADIOLOGY**,  
MOVIE ANIMATION / TRANSLATION / SUBTITLING,  
PUBLISHING, ARCHITECTURAL DESIGNING etc. etc.**

***Think of a subject , it's already being done!***



# TOMORROW'S INDIA

## INDIANS GO GLOBAL

- **Sabeer Bhatia – Hotmail**
- **Amartaya Sen – *Nobel Laureate***
- **L.N. Mittal**
- **Indra Nooyi – Pepsico**
- **Ajay Banga – Citibank**
- **Arun Sarin – Vodafone**
- **Farid Zaqaria – Newsweek**
- **Mira Nair – Film Maker (“Monsoon Wedding” etc.)**
- **M.S. Banga – Unilever**
- **Amal Bose – ‘Bose’ Speakers**
- ***Roopa Purushothaman – BRICS :1 Report.***
- ***Tushar Poddar – BRICS : 2 Report.***



# TOMORROW'S INDIA

## INDIANS GO GLOBAL (contd.)

- **Sam Pitroda – World Tel**
  - **Vinod Dham – Father Of The Pentium Chip**
  - **Vinod Khosla – Founder, Sun Micro**
  - **Padmasree Warrior – CTO, Motorola**
  - **Zubin Mehta – Maestro**
  - **Deepak Chopra – New Age 'Health Guru'.**
  - ***'Raj Patel' – New 'Archies Comics character etc.***
- 
- ***(LATE) MS. KALPANA CHAWLA***
  - ***MS. SUNITA WILLIAMS\****
  - ***-U.S. ASTRONAUTS.***



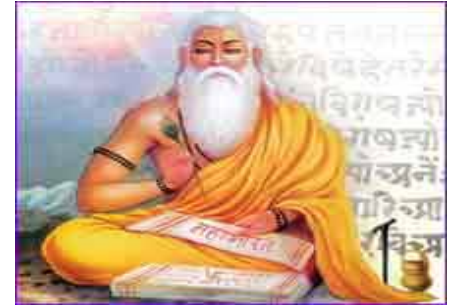
# TOMORROW'S INDIA

## INDIA GOES GLOBAL

**Arcelor Steel, Corus Steel(UK), Daewoo Trucks(Korea), Natsteel (Singapore), Tetley Tea (UK), Philips OM&T, Pacific Paints (Australia), Mt. Gordon Copper and Lyell Copper (Australia), Straits Nifty (Australia), WinWind (Finland), Botnia Hightech (Finland), Sinvest (Norway), Betapharm (Netherlands), Novelis Copper (Canada & USA), Whyte & Mackay, Unza(Singapore) etc.**

*All above are entities recently acquired by Indians.*





# TOMORROW'S INDIA

## INDIA GOES GLOBAL (contd.)

**-INDIA'S OUTBOUND FDI HIGHER THAN INBOUND**

**-OUTBOUND FDI:**

**2005-06 US\$ 5 BILLION**

**2006-07 US\$ 23 BILLION**

**2007-08 US\$ 35 BILLION (est.)**

**-THIRD HIGHEST INVESTOR IN UK**

**-OUTBOUND FDI NOW IN MOST COUNTRIES INCL.**

**USA, UK, CANADA, AUSTRALIA, IRELAND, DENMARK, FINLAND,  
NORWAY, SWEDEN, NIGERIA, BOLIVIA, INDONESIA, SINGAPORE,  
THAILAND, RUSSIA, UZBEKISTAN, CHINA, GHANA, KENYA etc. etc.**



# TOMORROW'S INDIA

## INDIA GOES GLOBAL (contd.)

***"WE NO LONGER DISCUSS THE FUTURE OF INDIA,  
INDIA IS THE FUTURE !"***

***- Mr. Kamal Nath, Indian Minister of Industries & Commerce***



# UNDERSTANDING INDIA

- **1 BILLION PLUS PEOPLE.**
- **18 MAJOR LANGUAGES.**
- **1600 MINOR LANGUAGES / DIALECTS.**
- **WORLD'S LARGEST:**
  - **DEMOCRACY** (largest electorate, fully electronic voting).
  - **PRODUCER OF MILK.**
  - **NUMBER OF UNIVERSITY GRADUATES.**
  - **RAILWAY NETWORK.**
  - **CIRCULATED NEWSPAPER.**
  - **NUMBER OF POST OFFICES.**



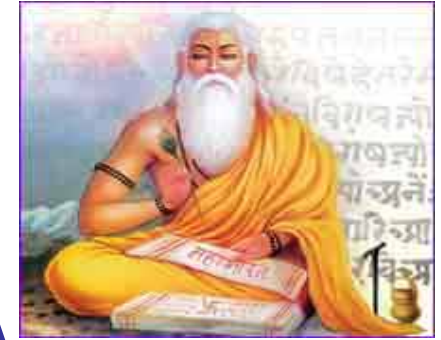
# UNDERSTANDING INDIA

***" ANYTHING YOU CAN SAY ABOUT INDIA, THE  
OPPOSITE IS ALSO TRUE".***

***- SHASHI THAROOR; Former Under Secretary, United Nations***



# UNDERSTANDING INDIA



## **CONTRASTS AND CONTRADICTIONS:**

- **GREAT SPACE AND NUCLEAR PROGRAMME BUT NO POWER IN SOME RURAL AREAS.**
- **WEALTH OF THE METROS /POVERTY IN VILLAGES.**
- **WORLD CLASS HEALTHCARE IN CITIES / ONLY TELEMEDICINE AT BEST, IN RURAL AREAS.**
- **WORLD CLASS HOTELS AND AIRLINES /ONLY BASIC TRANSPORTATION IN VILLAGES.**
- **My favourites: The following photos of India's Space program.**

# UNDERSTANDING INDIA



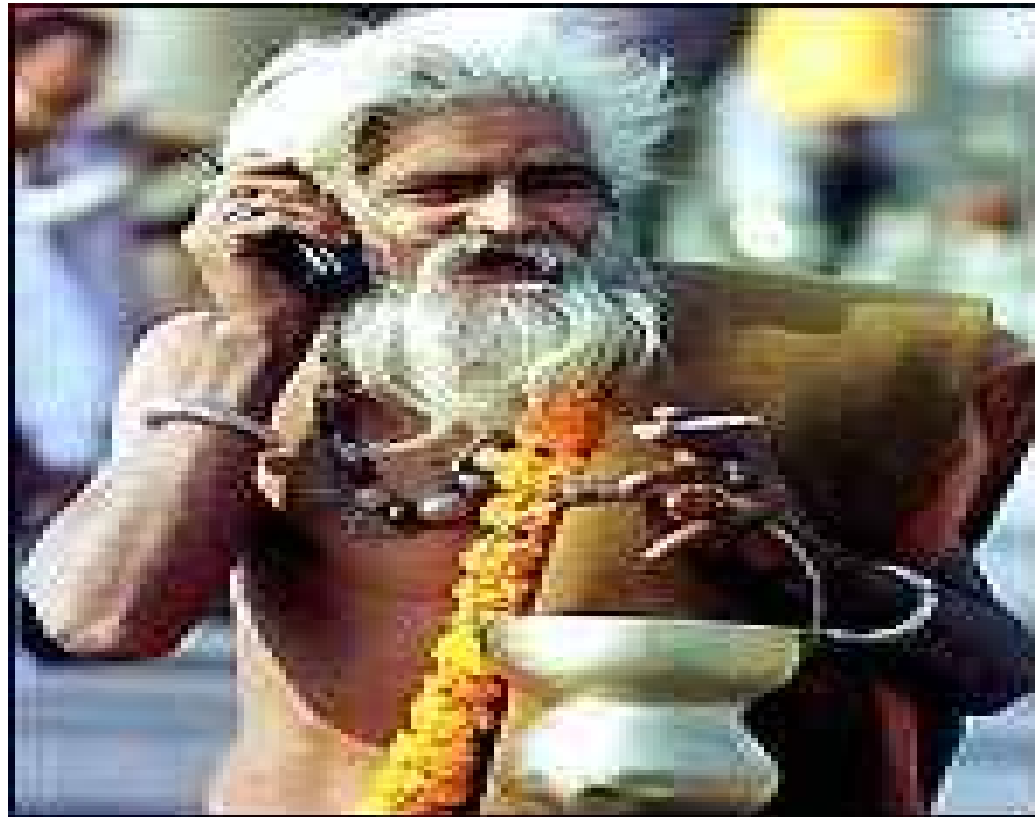
# UNDERSTANDING INDIA

OFF TO THE MOON – 2010 !





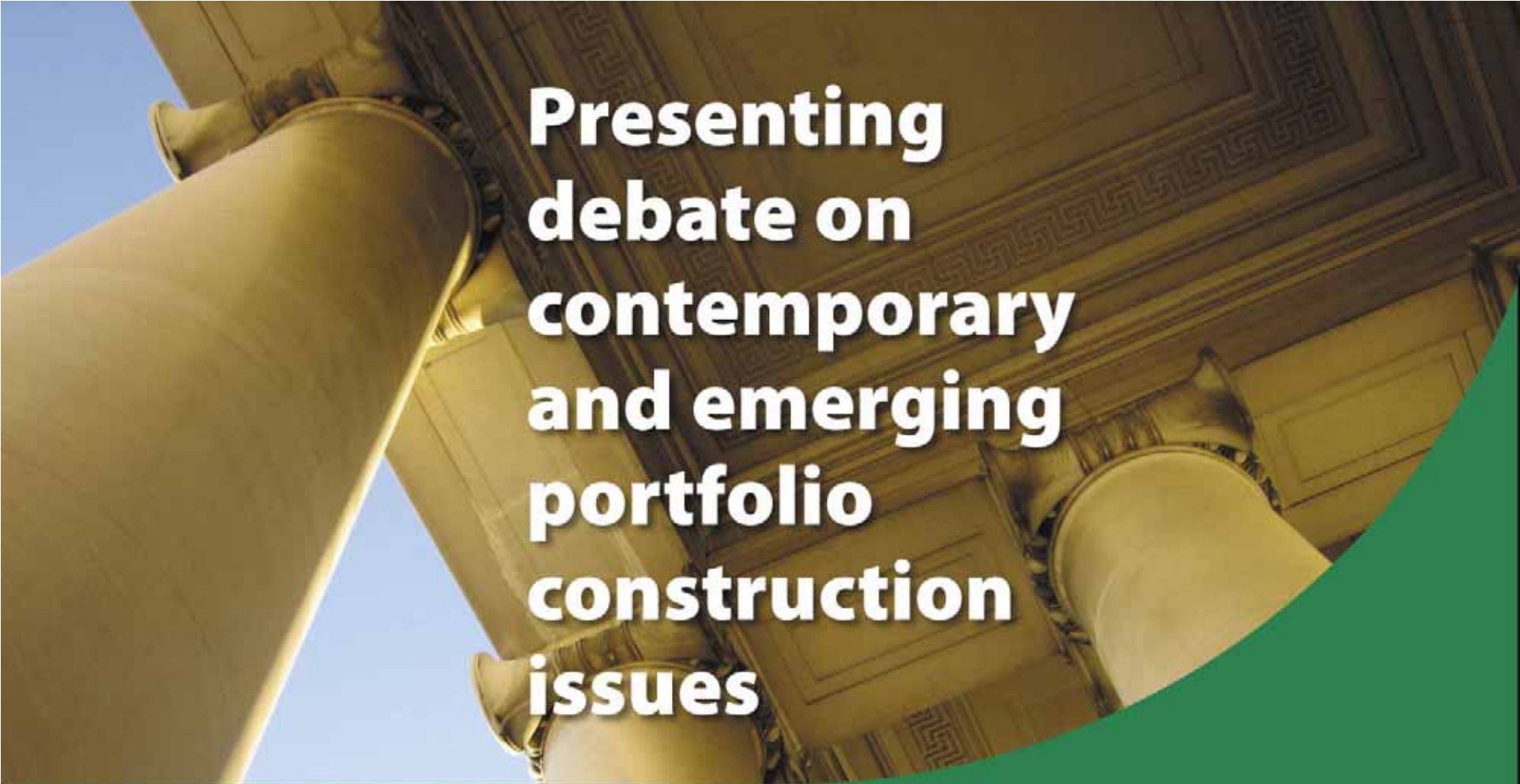
# UNDERSTANDING INDIA



DOES THIS SUM IT ALL?

(From BBC)





**Presenting  
debate on  
contemporary  
and emerging  
portfolio  
construction  
issues**



portfolio  
construction

CONFERENCE

15 & 16 August 2007 | AJC Convention Centre, Randwick, Sydney