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India Profile

Demographics

2007

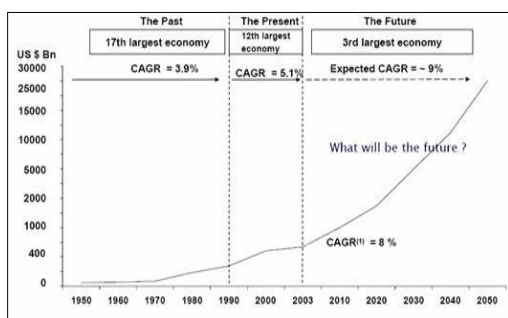
The Indian Economy is coming of age on the world stage and is emerging as a driver for global economic and financial engines.

Based on current growth projections, India is primed to become an economic superpower.

The economy is booming, and has grown at an average of 5.8 percent annually over the last 5 years. GDP growth has averaged 8.1 percent.

This growth has resulted in India becoming the world's twelfth largest economy worth, in real terms, US\$3.63 billion in 2005, or the fourth largest in terms of purchasing power parity.

The structure of the economy also changed, with non-traditional sources driving growth. Between 1994 and 2003, the share of agriculture dropped from 35 percent to 26 percent; and manufacturing's share dropped from 14.8 percent to 13.6 percent.



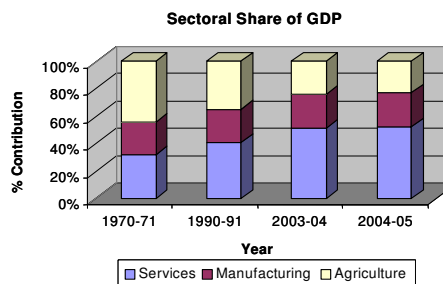
Increase in per capita income levels are likely to fuel increased consumption, which when combined with the growing population, is likely to make India one of the worlds largest consumers of goods and services

Growth in GDP per capita has accelerated in the last two years. GDP per capita is still relatively low at \$572 (in 2004-05, at current prices), but is growing at one of the fastest rates in the world (5.4 percent vs. 2.9 percent globally).

Per capita income is also increasing rapidly, growing at a compound rate of 9.6 percent per annum in rupee terms between 1995-96 and 2004-05, and is projected to grow to \$17,500 by 2050.

The Services sector has been the main driver for the Indian economy and will continue to provide impetus for the future.

The last three years have seen a milestone, with the share of services accounting for more than half of GDP.



The services sector (tertiary sector) constituted 52 percent of GDP, and contributed 65 percent to GDP growth (2004-05). Share of services increased from 40.6 percent in 1990-91 to the present value of 52 percent.

Agriculture (primary sector) accounted for 22 percent of GDP, and contributed 7 percent to overall GDP growth (2004-05). The share of agriculture has dropped from 34.9 percent in 1990-91 to the present value of 22 percent.

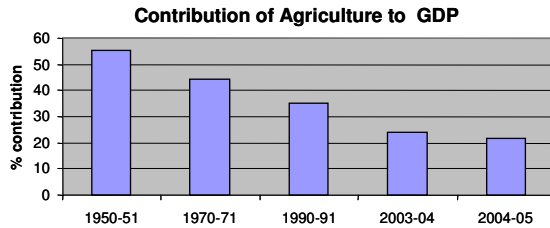
Industry (secondary sector) constituted 26 percent of GDP, and contributed 28 percent to GDP growth (2004-05). The share of industry increased from 24.5 percent in 1990-91 to the present value of 26 percent

The share of agriculture in total value added to the economy is high, and the sector will remain a priority, both for policy makers as well as businesses, in the next five years.

Agriculture currently contributes Rs.6200 Billion (US\$ 137.1 Billion) to the GDP, up from Rs.4000 billion in 1991, a compounded annual growth rate of about 4 percent per annum.

As the economy has matured, the importance of agriculture has declined, with its share of GDP dropping constantly, from 55.4 percent in 1950-51 to 21.8 percent of

the GDP in 2005. However, it still employs 57 percent of the population.



India is a global-scale player in specific segments of the agricultural basket. It is the world's largest producer of milk, fruits, pulses, tea, jute; the world's second largest producer of rice, wheat, tobacco, sugar, fresh vegetables.

The country is poised to become world's food basket due to recent government reforms in the areas of investment and incentives.

Agricultural production totaled 710 million tonnes for the year 2003-04.

Between 2001-02 and 2003-04:

- Production of oil of oilseeds and cotton showed the greatest increase at 6.6 percent and 11.4 percent annually respectively.
- Production of Pulses has grown at 4.3 percent annually
- Production of tea and coffee has remained constant over this period while that of cereals, jute and sugar cane has declined slightly.

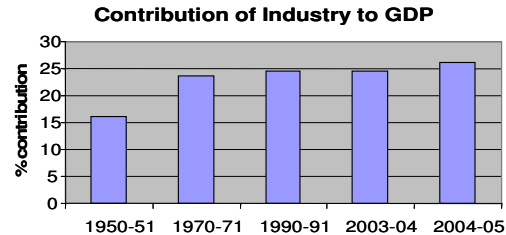
In recent years there has been increased emphasis on crop diversification toward horticulture, plantation crops and allied activities. Horticulture production totaled 150.2 million tonnes in 2003-04. This segment grew relatively slowly over the past 3 years. Annual growth in fruit production between 2001-02 and 2003-04 was estimated at around 3.3 percent, while that of vegetables was only 0.52 percent. Coconut production has shown the largest increase in production at 12.4 percent.

The industrial sector of the Indian economy is expected to continue along its present growth rate, driven by strong manufacturing performance.

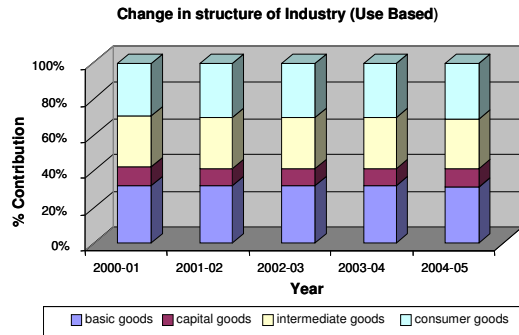
The industrial sector comprises 26.1 percent of GDP (Rs.7422.6 million or US\$164.9 Billion), and employs 17 percent of

population. The country is ranked 14th world wide in terms of factory output.

The rate of growth (based on the Index of Industrial Production) was an impressive 7.8 percent, driven largely by the manufacturing sector which grew at 8.9 percent.



The manufacturing segment is the largest contributor to the industrial sector, and also exhibits the largest rate of growth at 6.6 percent (between 2000-01 and 2004-05). As a result, the share of manufacturing increased from 81.9 percent in 2000-01 to 83.9 percent in 2004-05



(Other sectors - mining and electricity - grew at about 4.4 percent each (between 2000-01 and 2004-05). The share of Mining decreased from 8.4 percent in 2000-01 to 7.9 percent in 2004-05. The share of the electricity sector decreased from 9.7 percent in 2000-2001 to 9 percent in 2004-05.)

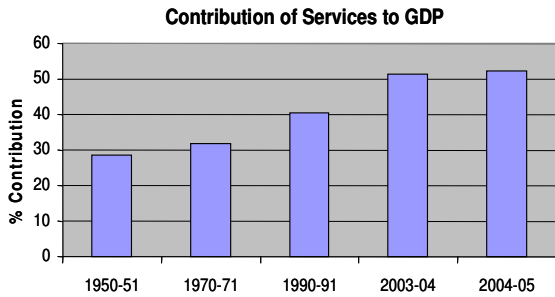
Capital goods and consumer goods industries showed the highest growth rates at 8.4 percent and 8 percent respectively (between 2000-01 and 2004-05). The share capital goods and consumer goods therefore increased from 9.5 percent and 29.2 percent in 2000-01 to 10.4 percent and 31.4 percent of total respectively in 2004-05).

The growth rate for basic and intermediate goods averaged 4.5 percent each between 2000-01 and 2004-05. This slow growth resulted in the share of basic goods and

intermediate goods decreasing from 32.4 percent and 28.9 percent of total in 2000-01 to 30.8 percent and 27.3 percent of the total in 2004-05, respectively.

Current trends indicate that the services sector will provide the main impetus for growth and continue to increase its share of GDP

The Services sector comprises 52.2 percent of GDP (Rs. 14788 Billion, \$ 328.6 Billion), and was responsible for 65 percent of GDP growth over the last 6 years.



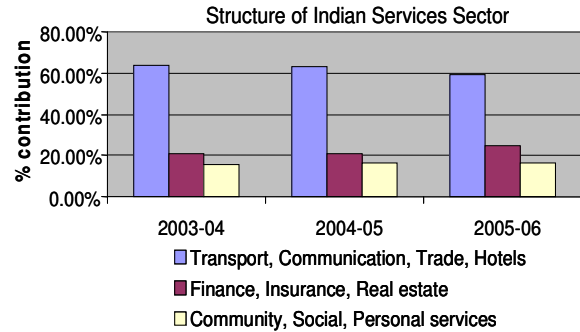
As many as 18 service sector segments of the Indian economy are projected to clock "excellent growth" levels (in the range of 20-60 per cent) in 2005-06. The estimate for the overall growth rate in that year is a record 9.2 percent (CMIE estimates) compared with about 5 percent for the global services sector in same period (Mckinsey Global Institute).

Transport, communication, trade and hotels are by far the largest contributors to this sector accounting for approximately 60 percent of value (2005-06). However, the collective share of these segments fell from 63.8 percent in 2003-04 to 59.4 percent in 2005-06.

The finance and real estate segments showed much faster growth, at about 6.1 percent (compounded annually, between 2003-04 and 2005-06), resulting in their collective share increasing from 20.65 in 2003-04 to 24.6 percent in 2005-06.

The community and personal services industries have not shown significant increases over the past 3 years exhibiting a growth rate of only 1 percent (compounded annually, between 2003-04 and 2005-06). The share of community, social and personal services increased marginally from 15.6

percent in 2003-04 to 16.1 percent in 2005-06.



Summary

The economy is expanding and is increasingly based on a manufacturing and services base, rather than agrarian. The services sector has shown the greatest increases in growth rates over the past 6 years and is the primary driver of growth in GDP.

Transport, trade, hotels and restaurants make up a large portion of the service sector, providing increasingly attractive opportunities for development.

The regional break-up of the economy shows the northern region to be particularly strong in the agricultural segment. This provides excellent opportunity for transport and storage providers to service the demand for agricultural products for the rest of the country.

Economic growth driven by reforms which started in 1991, and resulted in growth of the technology sector, is now seen in all sectors of the economy.

This growth has been sustained over the last 15 years and is largely devoid of bubbles. The same trends are seen to be long-term, and are likely to continue over the next decade.

About the Author

Atul Vaid has extensive experience in new strategic initiatives, industry assessment and market-entry consulting.

With over 15 years of consulting and corporate experience, he has handled a large number of cross-border assignments involving marquee clients in India and the Middle East.

Currently at Trianz, Inc., Atul anchors the India-Entry Services of Trianz Consulting as a Director.

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