



INDO-US BUSINESS

THE NEWS MAGAZINE OF INDO-AMERICAN CHAMBER OF COMMERCE

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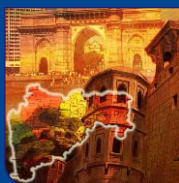
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IACC President at 37th AGM

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Managing Editor: Satya Swaroop

Director: B.K. Sinha

Group Editor: Dev Varam

Consulting Editors:

Prabhoo Sinha, Umesh Luthria & Rajiv Tewari

Editorial: Ekta Bhargava

Head-Busi. Dev. : Veerendra Bhargava

Manager: Sunil Kumar

Head Projects: Prachi

Member Publishing: Uday Kumar

Account Asst.: Vrunda Gurav

Circulation: Jawaharlal & Santosh Gangurde

Art Director: Santosh Nawar

Visualizers: Maya Vichare & Sagar Banawalikar

DTP: Nilima Kadam

Photographer: Bilal Khan

BRANCHES:

Kolkata:

Anurag Sinha, Branch Manager, A-7/1,
Satyan Park, 2nd Lane, Near 3A Bus Stand,
Thakurpukur Kolkata- 700 104
Tel: 098300 15667, 033-24537708
Email: anurag@newmediacomm.biz

Ranchi:

Dr. Sambhu Prasad, 22 Anjuman Plaza,
2nd Floor, Main Road, Ranchi- 834001.
Tel: 0651-3095103, Telefax: 2246742

Pune:

Jagdish Khaladkar, Regional Director,
Sahyog Apartments 508, Narayan Peth,
Patrya Maruti Chowk. Pune 411 030.
Telefax: 020 24454642
Email: pune@newmediacomm.biz

Thiruvananthapuram:

Murugan, Branch Manager,
TC-27/1749(3), PERA - 70, Vanchiyoor,
Thiruvananthapuram
Tel: 09447555222, 0471-5540888
Email: murugan@newmediacomm.biz

Australia Office:

Bandhana Kumari Prasad, 129 Camboon Road,
Noranda, Perth, W.A. 6062 Tel: 0061 892757447
Email: bandhana@newmediacomm.biz

International Marketing:

G. Biju Krishnan
E-mail: biju@newmediacomm.biz

New Media Communication Pvt. Ltd.,

B/302, Twin Arcade, Military Road, Marol,
Andheri (E), Mumbai - 400 059 India
Tel: +91-22-28516690 Telefax: +91-22-28515279
E-mail: enquiry@newmediacomm.biz
www.newmediacomm.com

Indo-American Chamber of Commerce
Vulcan Insurance Building, Churchgate, Mumbai 400020.
Tel: +91-22-22821413/15

The news items and information published herein have been
collected from various sources, which are considered to be
reliable. Readers are however requested to verify the facts
before making business decisions using the same.



A Tribute: We salute you, Mr. Chairman



It is with profound grief and deep respect that we bow our heads to your memory. Unassuming and without fuss, you oversaw the growth of New Media, the sapling you helped plant and nurture. You had seen it blossom into India's largest publishing house of bilateral trade magazines. Stunned as we are at the suddenness of your demise, we rededicate ourselves to work for the values you had cherished and the standards you had laid down for the publications. You'll forever remain an inspiration for us.

New Media Staff

R.K. Prasad
26/06/1932-12/10/2006



EDITORIAL

Dear Reader,



Greetings. It is heartening to note that events aimed at enhancing Indo-US bilateral trade have been happening swiftly and efficiently. Decision-makers and top officials of both the United States and India have been exchanging visits, ever since they received a mandate from President George Bush and Prime Minister Manmohan Singh that they better follow up the joint agenda worked out at the highest level. The hectic efforts carried out at the official and corporate levels in the last few months have ultimately culminated in putting together a US business mission, the biggest-ever to visit India, which is arriving towards the end of November, 2006. Led by Franklin L. Lavin, US Under Secretary of Commerce for International Trade, the mission comprises as many as 238 business leaders from the US from 186 companies. These delegates are expected to meet their counterparts in India to explore opportunities and enter into tie-ups. We carry a report on Lavin's observations about what he expects from this Mission. We at Indo-US Business, who have been contributing in our own humble way to the promotion of bilateral trade between the two countries, are extremely excited about the prospects of its growth and wish the Mission a success. One of the bilateral events that has gained in importance has been the annual Indo-US Economic Summit, the third edition of which was organized by the Indo-American Chamber of Commerce in New Delhi recently. We cover the summit proceedings extensively as these form guidelines for framing trade policies by both the US and Indian governments. Apart from these two major events, the issue carries other regular features.

Wish you happy reading

Satya Swaroop
Managing Editor
satya@newmediacomm.biz



My Dear Fellow Members,

A paradigm shift is taking place in the US political landscape. Democrats have taken control of both Congress and Senate. But the good news is that changing political equations are not going to affect the Indo-US Nuke Treaty and more importantly, expanding economic relations. Happily, there are some positive signals that corroborate this thinking. Rules have been liberalized for students who are desirous of pursuing their education in the US. Indian students, who have the largest presence in the US, are naturally the beneficiaries. The strides India is making to open up the education sector will help many US universities to open overseas campuses in India. These proposed centers of excellence can cater not only the Indian students, but also from near and far countries.

The US has posted an array of "wish lists" to the Indian authorities. Upshot among them is opening up of the financial sector, particularly banking and insurance. Aviation, telecom, real estate etc are very much there in the pecking order. IACC has been taking up these issues and urging the Government to follow an incremental policy in opening up. Results are there to see. Foreign Direct Investment is allowed in real estate, though with certain restrictions. Greater leeway has been granted to the overseas joint venture partner to invest in new projects by amending the Press Note 1. The recent case of Guardian of US is a case in point, wherein the Government of India has allowed them to set up a new project despite not getting the no-objection certificate from the existing Indian joint venture partner.

Interestingly, the Indo-US aviation landscape is poised for further change. Close on the heels of the signing of the Aviation Agreement between India and the US, the two Governments have progressed well in mooted an Aviation Cooperation Program (ACP), an umbrella agreement to enhance the partnership between the two countries in areas like aerospace architecture, pilot training, modernization of airports, airport safety etc. The Union Cabinet, it is reliably learnt, will approve the Pact shortly that will bring about qualitative changes in the commercial and strategic aviation scenario. In this regard, we had the opportunity to host Marian C Blakey, US, Federal Aviation Administrator, recently in New Delhi. She had interacted with a select panel of aviation industry representatives such as Boeing, Honeywell, Fedex, Bratt & Whitney, GE Aviation etc. Many contemporary issues of the Indian aviation scene were

discussed. She had sought the help of IACC for successful organization of the Aviation Summit 2007 in New Delhi tentatively scheduled for end April 2007, which will bring together a large contingent of aviation players and experts from the US. Importantly, IACC has offered its service as the nodal organization for the implementing the ACP and will actively take part in the Summit

I am also delighted to share with you that IACC is hosting US Under Secretary for International Trade Franklin L Lavin, who is heading the largest ever Business Development Mission to India on 5th December 2006 in New Delhi. I deem it a privilege and construe as the growing importance of our organization that we are called upon to host this high profile event. We will be getting another platform for taking up issues and challenges of the Indo-US economic co-operation. I look forward to your gracious presence at this event.

We have to emerge as the most powerful mouthpiece of Indo-American businesses in India by articulating challenges to catch the attention of both the Administrations. We have already focusing on preparation of policy papers on contemporary economic issues. One such issue that we had aired in the recent days is on the need for double taxation avoidance treaty between India and the US in Social Security, popularly known as Totalization Agreement. Once this treaty is in place, the growing number of Indian professionals working in the US on short term visa will be exempted from paying hefty social security tax in the US, which eventually they have to forfeit upon returning to India before the stipulated time for taking advantage of the scheme.

Let me assure you that we will be alive to these bilateral issues. Next in our pecking order are the inputs for the Union Budget, highlighting the fiscal problems that are relevant to the Indian and US businesses. Last but not the least, such commitments from us can bear fruits only with your timely feedback and critical suggestions. We are eagerly looking forward to your considered views and perceptions. Let us work towards to achieve our shared agenda.

Deepak Pahwa

National President, Indo American Chamber of Commerce



Bringing the Best of Businesses Together

November 2006 may usher in a new era for economic relations between India and the United States in general and bilateral trade in particular. The biggest-ever Business Development Mission from the US is arriving towards the end of the month, led by Franklin L. Lavin, US Under Secretary of Commerce for International Trade. With 238 business leaders from 186 companies from the US scheduled to meet a large number of their counterparts in India for discussions as well as one-to-one meetings, this mission may lead to scores of business collaborations between the two countries in the near future.

Lavin said his department had worked hard to build this mission and praised the Indian economy but for whose strength and its increased openness, "we would not have seen this historic level of response. With this mission we are bringing the best of American business to meet with the best of Indian business," he added.

Earlier this month, the US Senate passed the US-India Nuclear Cooperation Bill. Hailing the passage of the Bill, President George Bush said, "the US-India Civil Nuclear Cooperation agreement will bring India into the international nuclear non proliferation mainstream and

will increase the transparency of India's entire civilian nuclear program." The US President said he appreciated the Senate's leadership on this important legislation and would look forward to signing this Bill into law soon.

Events bringing India and the US have been continually happening ever since Prime Minister Manmohan Singh and President Bush set agendas for the two countries to follow up on various fronts, leading to the holding of meetings and exchange of delegations.

The latest mission from the US is the culmination of efforts by the commerce departments of the two countries at the highest level.

A notable annual event that has become a milestone in the economic relations between the two countries is the Indo-US Economic Summit, the third edition of which was held on 13 and 14 September 2006. US Ambassador David Mulford did not mince words when he said that India should not pause in its efforts at continuing the reforms process. He identified three areas energy, infrastructure and agriculture as the areas in which the US and India could collaborate to push the bilateral trade between the two countries to \$40 billion by 2008



from \$32 billion at present.

Franklin L. Lavin, Under Secretary of Commerce for International Trade, is leading the biggest-ever business delegation from the United States to India towards the end of November, 2006. As many as 238 business leaders representing 186 companies involved in a vast range of manufacturing and trading activities are participating in the trip. Addressing a meeting of the India Business Council, the US Chamber of Commerce, in Washington ahead of the business Mission's visit, Lavin said the US-India economic relationship and India's opportunities for a more prosperous future fitted in directly with the goals of the mission. Following is the text of Lavin's speech.

Thank you for having me here today. This is my third meeting with the USIBC over the past year, and I always value the open exchanges here. I particularly appreciate the invitation at this time, as I prepare to lead a business development mission to India next week.

I would like to take a few minutes to discuss the US-India economic relationship and India's opportunities for a more prosperous future. This fits in directly with the goals of the mission.

1. Mission

Our economic policy and trade promotion activities go hand in hand. When President Bush and Prime Minister Singh met in March, the Department of Commerce was given a mandate: improve the policy framework and promote business. The primary policy tool for doing this is called the Commercial Dialogue, chaired by Secretary Pillai on the Indian side, and by me on the US side.

This mission is in direct response to that mandate. I am pleased to report this business mission will be the largest ever led by the US government. We currently have 238 business leaders representing 186 companies participating on the trip. With this in mind, let me congratulate the Government of India for their support and economic leadership. The US Department of Commerce has worked hard to build this mission, but if it were not for India's strong economy and increased openness, we would not have seen this historic level of response. With this mission we are bringing the best of American business to meet with the best of Indian business.

Inclusion of Every US Business Sector

The participants in the mission come from every sector and corner of America. Small entrepreneurs alongside



some of America's leading companies are participating, from sectors including infotech, healthcare, industrial machinery, telecoms, chemicals and more. It's a delegation as diverse as the US economy, but what the members have in common is an interest in the Indian market - a multifaceted market full of potential, but with its share of challenges as well.

The statistics almost shout as to the potential. For some 15 years India has enjoyed high rates of economic growth. For the past three years, India has been one of the top performing economies in the world with annual growth rates of about 8 percent. Here's another way of looking at this growth: The growth in India's economy last year (\$719.8 bn @ 8.4 percent= \$60.4bn) is the equivalent to an entire Indian economy of 35 years ago (\$57.6bn 1970@ 1995 current USD-Source World Bank).

Or look at trade. India's trade with the world is booming and has more than doubled in the past three years. Trade with the US has grown at more than 20 percent this year, with American exports up by nearly 25 percent. Trade with the United States this year (about \$32 bn) is more than India's trade with the entire world in 1987 (\$28.1 bn, source: CIA World Factbook).

This economic transformation is good news for the



average Indian citizen. In Gurcharan Das's recent article in Foreign Affairs, he cites per capita income gains of more than 250 percent since 1980 (at purchasing power parity).

II. Good News and Good Progress

Much of this success is due to the policies of the Indian government. We also should credit Indian businesses and groups such as USIBC, which play a vital role as a voice for reform. Thank you for your hard work.

Let me give a few examples of the reforms that have been made:

- 1) In civil aviation, we signed an open skies agreement that has increased the number of flights and passengers traveling between the US and India by more than 60 percent in a little more than a year.
- 2) India has begun to make the right moves by lowering tariffs on industrial goods from 15 percent on average to 12.5 percent this year.
- 3) In 2005 India extended patent protection to pharmaceuticals, agricultural chemicals and various food products.
- 4) And in the past two years, India relaxed investment caps in areas like telecommunications, single brand retail and civil aviation.

III. Challenges

These reforms suggest additional steps that could be taken to help India's economy continue to grow and benefit all Indians. Let me give you three examples.

- 1) First, lifting ownership caps and opening the Indian economy to international participation will bring greater efficiencies to the Indian economy. For instance:
 - The Indian government recently began to open India's retail sector by allowing foreign majority ownership in



single brand retail outlets. Significantly greater benefits will come through allowing foreign multi-brand retailers to compete for Indian consumers. This will increase efficiencies across the entire supply chain. For example, more than 30 percent of India's agricultural output spoils before it gets to market. With improved supply chains and more efficient retailing, this waste will be significantly reduced.

- Similarly, eliminating foreign equity caps in the financial services, banking and insurance sectors will allow investment to flow into the areas where it is needed the most. Right now investment caps are very low. In insurance, it is 26 percent, and foreign companies are prohibited from participating in the pensions sector. More open markets will lower borrowing and premium costs, increase the volume and effectiveness of capital allocation, and enhance the breadth of product offerings Indian consumers deserve.

As of 2005, India had received \$45 billion in foreign direct investment, with \$8 billion of that from the United States. Compare that to tiny Singapore, which as of 2005 received more than \$186 billion in FDI, with \$48 billion coming from the United States.

- 2) Second, India's tariffs are still high compared with the rest of the world, and exceedingly high in some areas. India's tariffs average a high 36 percent and in some cases with cascading tariffs are more than 100 percent. Although the tariff on industrial goods has been lowered from 15 percent to 12.5 percent, this is still higher than the Indian government's stated goal of 10 percent. And even at that point, India's tariffs will still be 250 percent higher than the 4 percent average in the US
- 3) Third, the creation and enforcement of laws that protect the rights of patent and copyright holders will encourage Indian entrepreneurship and creativity by protecting innovations and brands. Robust intellectual property rights protection will encourage the investment of foreign technology into India's markets, and give India an edge in technology rich environments such as healthcare, energy and aerospace over countries that don't meet international standards.

I have spoken of some positive statistics earlier, now let me give you some more concerning statistics. It gives me no joy to report that in the World Bank's Ease of Doing Business study India ranks right at the bottom-173 of 175 countries in the area of enforcing contracts. Right now an estimated 74 percent of software in use in India is pirated, and India is one of the world's leading manufacturers of counterfeit pharmaceuticals. Even the entertainment



industry in India has suffered as the result of the inability to adequately protect its movies and music. My impression is that Indians are an endlessly innovative people, and when they invest in creative pursuits they deserve to benefit from their hard work.

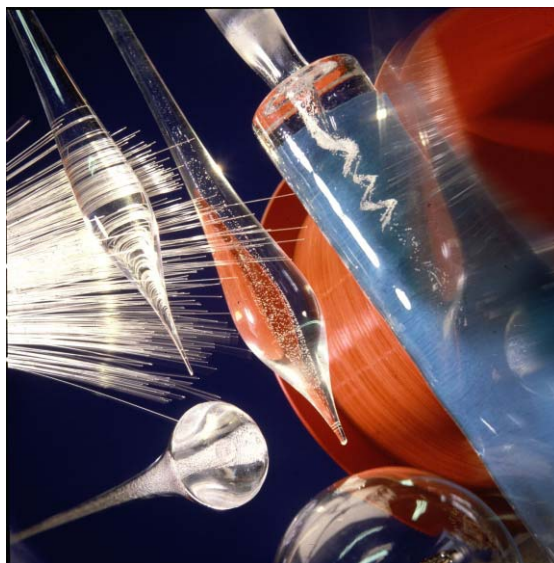
There are other areas where we can work together to improve the US-India economic relationship including:

- Allowing more US investment in broadcasting and telecoms;
- Ensuring common sense postal reform to allow continued competition from express delivery companies, like UPS and FedEx;
- Creating and enforcing clear, consistent and transparent laws and regulations;
- Eliminating non-tariff barriers to trade in areas such as medical devices.

IV. Conclusion

The question in front of us is this: we have seen reform in India and India is reforming today, however, is India on a long-term path of reform, or are we simply looking at "the Indian moment?" Will these reforms continue, or will India pull back? The Indian people and their government will answer this question.

This business mission, and in a larger sense, the Commercial Dialogue, are designed to fit into this process. The United States supports India's reform efforts, and on a business basis we want to see both of our economies continue to expand and improve. What I would like to see is for every Indian company to have access to the American market as possible, and for every



American company to have as much access as possible to Indian consumers.

I leave on this mission with a sense of optimism. I know the companies that will be joining me are serious about doing business in India. Indians tell me regularly they want to do business with Americans and are just waiting for the right opportunity. To them I say: your wait is over. Your opportunity is today. We are prepared to work with you, and we are ready to be your partner in a world that is getting smaller and is within reach right now. ■

ConverDyn specializing in Uranium conversion services

ConverDyn, a general partnership between Honeywell International Inc., and General Atomics, markets uranium conversion services, a vital step in nuclear fuel production. ConverDyn's Denver, Colorado, office is supported by Honeywell's Metropolis Works located in Metropolis, Illinois, with 25 percent of the world's conversion capacity. It is one of only four such facilities worldwide.

ConverDyn, through its association with the fully-integrated operation at Metropolis Works, offers uranium conversion services, as well as:

- Secure storage of uranium ore concentrates.
- State-of-the-art sampling techniques.
- Strategic UF₆ inventories at enrichment facilities to ensure efficient customer deliveries.
- A specially developed, integrated dry fluoride conversion process that is the most environmentally sound process in use worldwide and yields a 99.99 percent pure final product.

To learn more about ConverDyn and about clean and safe nuclear power generation, please visit our web site at: www.converdynam.com ■



Pranab asks US tycoons to explore newer growth areas of collaboration

Invest in India's Defence Research & Production

Pranab Mukherjee, India's Defence Minister, had once been a popular Finance Minister of this country. He knows what are the most promising areas that ensure higher returns. In his inaugural address to the Third Indo-US Economic Summit held recently in New Delhi, Pranab Mukherjee identifies defence research and production as attractive areas for investment for US businessmen. Defence is also an enormous field for cooperation and collaboration between India and the US, he says. Here is the text of the address.

I am delighted to be here to address this august gathering of Indian and American Corporates, policy makers and thinkers. I congratulate the Indo-American Chamber of Commerce for this initiative that brings the businessmen of the two countries face to face and facilitates trade between the two countries.

Small & Medium Businesses

The Chamber is unique in having not just large enterprises but also small and medium businesses amongst its members. The small and medium businesses, after all, are the backbone of any economy. The summit provides an important forum for not just businessmen of all hues to talk to each other, but also to get their views and perspectives across to government. Many of you have literally travelled half-way across the globe to attend this summit. I urge you to make good every opportunity to catalyse joint ventures and partnerships. That we take this summit seriously is evident from the presence of so many of our premier economic thinkers, financial experts and policy makers amongst the audience.

The theme for this year is "Accelerating Growth". That, I

think, amply reflects the current state of Indo-US economic relations. According to available statistics, US exports to India registered a growth of 23.3 percent during January-May 2006. India's exports to the United States in the same period registered a growth of 19 percent. In just the first five months of this year, Indo-US bilateral trade amounted to approximately US \$ 12 billion. It is well set to overtake last year's figure of \$26.8 billion, which itself was up from \$21.6 billion in 2004. Our aim is to double bilateral trade to \$60 billion within the next three years. It is an ambitious target. But not a difficult task, given the range of opportunities that abound in India, the new areas opening up for investment literally by the day, and reduced government restrictions on Foreign Direct Investment.

Wharton Report

As far as the conditions for doing business are concerned, a recent article from Wharton Business School concluded that India is a better place for business compared to China in the long run because of the solid underpinnings for economic growth, including "a democratic government, a strong education system, widespread knowledge of English and a deep pool of expatriates experienced in Western businesses." To that, I would add a vibrant press which keeps the government on its toes. There could be minor hitches in the process of reforms, but as you know only too well, democracy is about checks and balances. Decisions can be taken only after debate and due consideration. Hasty decision-making can have its own negative repercussions.

The good news is that mechanisms are in place to identify bottlenecks and removing them. Since the year 2000, when the Indo-US Economic Dialogue was established, a number of commissions and fora have come into existence with the goal of putting business relations onto a higher trajectory. Revitalising economic relations is a priority issue for both the countries as reflected in the Joint



Statement signed between our Prime Minister and the US President in July 2005. The objective of setting up a Indo-US CEO Forum, as envisioned in the Joint Statement, was to bring private sector input to government-to-government deliberations. The Forum submitted its report in March of this year during the visit of President Bush.

Trade Policy Forum

Another important initiative announced by our two governments last year was the establishment of a Trade Policy Forum. The Forum facilitates dialogue in the areas of tariff and non-tariff barriers on industrial products, agriculture, intellectual property rights protection, investment and services. In the year since its inception, three ministerial level meetings and one secretarial level meeting have been held. In the last one, held in Washington in June 2006, it was decided to create a senior-level private sector advisory group to allow for greater interaction between government and private sector trade experts, including from corporations, associations, think tanks and other organizations. The Trade Policy Forum has proved to be a useful mechanism for removing irritants coming in the way of trade. No doubt, it will become even more effective, with the creation of the advisory group. If trade figures are any indication, you are already reaping the fruits of these initiatives, with sales of American scientific equipment, coal, silver jewelry, fibre-optic cable, almonds, and power generation equipment sharing a growth of more than 30 percent in 2005.

Defence Research & Production

Another sector where there is ample scope for joint ventures is in defence research and production. The Joint statement of July 18, last year, provides for the United States and India to work towards concluding "defense transactions, not solely as ends in themselves, but as a means to strengthen our countries' security, reinforce our strategic partnership, achieve greater

interaction between our armed forces, and build greater understanding between our defense establishments." And just before the July 18 agreement was reached, I had signed an important defence cooperation agreement with the US government on the above lines. The defence ministry has taken a number of initiatives to energise defence co-production, including opening up of defense production to the Indian private sector with the option of foreign direct investment upto 26 per cent in these companies. There has sometimes been criticism that our defence procurement procedures are time-consuming and opaque. I initiated a policy reforms process two years ago.

Defence Procurement Procedure

Defence Procurement Procedure 2006 is now a comprehensive document with clearly stated norms and guidelines on 'Buy', 'Buy and Make' and 'Make' procedures. It also includes shipbuilding procedure and Fast Track Procedure for acquisitions. The Offset Policy which was introduced in 2005, is now firmly in position. The long pending request of the Indian industry for a level playing field has also been addressed and necessary orders providing a level playing field have been issued and are now a part of these two documents. With these measures, we have effectively opened the doors for the Indian industry to participate in defence research, development and production. The acquisition of defence equipment is a complex and intricate process. This is necessarily so as defence equipment is expensive involving commitment of substantial public funds. Defence acquisitions, owing to its special features and characteristics, involve a long and deliberate process. This process is to ensure that the country gets best value for money. To achieve this objective, it is essential that proper procedures for acquisition are laid down and adhered to. These procedures provide the guidelines and norms that would govern the selection of an equipment and its subsequent acquisition. They provide the template against





which all steps taken in the acquisition process can be examined for their correctness. Strict adherence to laid down procedures, therefore, ensures the highest degree of probity and public accountability. It creates the conditions required for transparency, free competition and impartiality. Now all major decisions would be taken simultaneously in a collegiate manner by the Defence Acquisition Council. The generic requirements of the three Services would be placed on the website of the Ministry of Defence to enable vendors to register themselves on the internet. There would be increased transparency in the conduct of field trials. It will be mandatory to sign a pre-contract integrity pact in all contracts over Rs. 100 crores. In 2005, the government came out with a new offset policy which requires that 30 percent of the value of foreign defence contracts over Rs. 300 crores would need to be offset by purchases, investments and transfer of technology to India, to run concurrently with the main contract. That policy has been further amplified in the current set of procedures a potential vendor now has many more options for fulfilling his offset obligations. He can either carry out direct purchase of goods or execute export orders for defence products, components and

services provided by Indian defence industries.

Foreign Investment in defence industry

Alternatively, offset requirements could also be satisfied through direct foreign investment in Indian defence industries, and even by direct foreign investment in Indian organizations engaged in defence research and development. Roadmap for indirect offsets is also under our consideration. A Defence Offset Facilitation Agency has been set up, as a single window agency, to facilitate the implementation of the policy. One of the briefs of this Agency will be to assist potential foreign vendors in interfacing with their counterparts in the Indian defence industry for the purpose of identifying potential offset products and projects. With these new and transparent policies in place, my hope is that you will find the defence sector an attractive arena to collaborate and invest in. It is true that the implementation of new policies brings up many problems, and the defence sector has problems that are unique to it, given its size and structure. You have my assurance that timely corrective measures will be taken to smoothen the roll out of the new policy framework. I will welcome suggestions from the industry in this process.

Cooperation in N-energy

Pre-existing barriers and mindsets that came in the way of economic co-operation are in the process of being removed on both sides. The passage of the Bill on co-operation in the field of civilian nuclear energy by the US Congress would, I believe, benefit the business communities on both sides. Firstly, India is largely





dependent on imported oil and gas to meet its energy needs. Our energy consumption levels are going to increase very significantly if we are to maintain a high rate of economic growth of 8-10 per cent. Conversely, our growth levels could flag if we don't have access to more than one source of energy. If that were to happen, that could have tremendous side-effects since India is poised to be one of the engines of the world economy in the years ahead. Secondly, there is a large body of restrictions on the US side related to the nuclear issue that forms an invisible barrier to trade and investment on the part of both Indian and American businesses. Particularly so in the areas of high-technology trade and co-operation, so vital to the advancement of the economies of our two countries in the 21st century. The benefits of co-operation, not just in trade, but on the other important issues of our times, are brought home to us day after day, and the governments of the two countries owe it to our two peoples to remove those barriers that come in the way of a better quality of life. Once the US Congress passes the Bill, in the form reflecting the understanding between the two governments, it is my belief and hope that Indo-US economic co-operation will finally come into its own.

Bilateral Trade

Current bilateral trade between our two countries is one tenth of the trade between the United States and China. There is no reason why levels of trade between our two countries shouldn't rise to, and even surpass, those levels. It is my hope that the



3rd Indo-US economic summit will provide a useful forum bringing about awareness of the opportunities for trade between the two countries. I wish the summit all success. Thank you." ■

US nutraceutical major NBTY eyes Indian market

Chanchal K. Chadha, Vice President International, NBTY Inc. said that India as the world's fastest growing free-market democracy represented lucrative opportunities for Nutraceutical products.

The Indian market, and its one billion plus population, offered lucrative and diverse opportunities for NBTY with the right products, services and commitment,

"India has become an attractive destination for large Nutraceutical companies and we are looking for potential business opportunities," Chadha said, adding, "With the Indian market set to grow and consumer health consciousness increasing by the day, we firmly believe that this is the appropriate time to enter the market." NBTY, \$ 1.8-billion company based in New York, USA. Fortune magazine has named NBTY among 100 fastest growing companies in America.

NBTY Inc. is a major nutraceutical player in the US, which excels in Vitamin, dietary supplements and sports nutrition, has a keen interest in the Indian market. NBTY Inc. would also evaluate strategic downstream

investment in Indian companies in related fields of operations, Chadha, said. NBTY is a leading vertically integrated manufacturer, marketer and distributor of a broad line of high-quality, value-priced nutritional supplements in the US and throughout the world. Under a number of NBTY and third party brands, the Company offers over 22,000 products, including products marketed by the Company's Nature's Bounty®, Vitamin World®, Puritan's Pride®, Holland & Barrett®, Rexall®, Sundown®, Met-Rx®, Worldwide Sport Nutrition®, Osteo Bi-Flex®, American Health®, GNC(UK)®, DeTuinen®, LeNaturiste™, SISU®, and Solgar®. The company has 484 Vitamin World and Nutrition Warehouse stores in the U.S., 98 LeNaturiste in Canada, 496 Holland and Barrett stores in Britain, 68 DeTuinen health stores in Holland, 33 GNC stores in UK and 19 Natures Way stores in Ireland. NBTY products are selling in 106 countries worldwide. NBTY manufactures 90 percent of the products it sells. NBTY operates manufacturing facilities in New York, Illinois, New Jersey, California and Florida. ■



Output base in India gives US firms a cutting edge

Dr Ashwani Kumar, Minister of State for Industry

Dr. Ashwani Kumar, Minister of State for Industry, In a key note address to the Third Indo-US Economic Summit, argues very analytically at the advantages that the US companies can derive by leveraging onto the low-cost high quality manufacturing capabilities of Indian firms.

Despite shared values of democracy, freedom and human dignity that ought to have made India and US inseparable partners in pursuit of common values, the compulsion of real politik in the cold war era prevented the relationship to blossom in the fullness of its potential. It remained, for the new realities of the 21st century, viz, the rise of India as an emerging economic power, transnational challenges of globalization, threat to the stability of the global order through heightened acts of International terrorism, pandemics, natural disasters, environmental degradation and the rise of other actors such as the EU, Russia, China and Japan, to ensure a convergence between principle and pragmatism culminating in a comprehensive strategic partnership.

We are no longer 'estranged democracies'. The many complementarities whose relevance is heightened by contemporary history have finally led us to become 'engaged democracies' in pursuit

of common-goals. The historic Indo-US Civil Nuclear Agreement is a clinching testimony of a transformed relationship. The convergence of economic interests in the wake of challenges and opportunities thrown up by the forces of globalisation has been the single most important factor in this relationship.

The opening of the Indian economy since 1991, the process for which had started earlier, ensured India's integration with the global economy with the attendant imperatives and opportunities for expansion of the Indo-US economic relationship. The establishment of US-India CEO Forum, US-India Trade Policy Forum, Knowledge Initiative on Agriculture, the ITER initiative or fusion energy, Agreement on India's participation in FutureGen and, the Integrated Ocean Drilling programme, reflect a recognition of the vastly expanded opportunities for trade and investment between India and the United States. Some more initiatives taken by the two countries such as the India-US Economic Dialogue, the bilateral India-U.S. Energy Dialogue, establishment of the India US Global Issues Forum, High Technology Cooperation Group (HTCG), the India-US Cyber Security Forum (IUSCSF) and the two Memoranda of Cooperation, one on Transportation Science and Technology and other on Maritime





Science and Technology have indeed elevated our strategic and commercial relationship as never before.

In this backdrop of the solid foundation established for expansion of the possibilities of a multi-dimensional economic engagement, Indian and American businesses are expected to leverage their complementarities and competitive advantages. Let me hasten to add, that for India, skill-based design, engineering and manufacturing remain a primary focus, the case for which is compelling.

Indian-manufacturing firms are aiming at global markets and many of them are considered global challengers. The manufacturing sector is providing opportunities to leading MNC's to leverage India's manufacturing and knowledge infrastructure to their advantage.

Contrary to general perception, India's economic advancement does not rest on call centers and software development alone. MNCs are looking towards India as a potential source of quality products, for example, John Deere and LG Electronics have recently built factories turning out tractors and color television sets for sale in India and for export to the United States, the Essar Group is making steel to be used for ventilation shafts in Philadelphia, high-rise structural beams in Chicago and car engine mountings in Detroit.

India's annual growth in the manufacturing sector, at 11 percent, and accelerating, is close to catching up with growth in services. Exports of manufactured goods to the United States are now rising faster in percentage terms than China's, albeit from a much smaller base. Although manufacturing forms only 17 percent of India's GDP, it contributes about 53 percent of exports and receives more than two-thirds of the total foreign investments. It accounts for 11 percent of the workforce of about 45 million.

Apart from labour cost advantage and quality of skilled manpower, both technical and managerial, India also provides capital



cost advantage to companies thinking in terms of a long-term presence in India. Studies have shown that a full-fledged manufacturing facility in India including roads, power and buildings can be set up at about 60-80 percent of the cost in a developed market. This advantage is due to savings in material cost, equipment and construction services.

Investments in India have had attractive returns. A majority of US firms have reported double-digit year-on-year growth. Indian arms of two American banks, Citibank and Bank of America are more profitable in India than their global average. General Electric did \$1 billion worth of business here three years ago, and continues to maintain a rapid pace of growth. It has so far invested US \$600 million in India; this money has brought domestic earnings of US\$1 billion and exports worth another \$1 billion. In other words, GE has recouped more than three times its investments.

Some may argue that money spent to buy services or products abroad is a loss to the U.S. economy, but this view stands disproved. Companies move their business services offshore because they can make more money, which means that wealth is created for the United States as well as for the country receiving the jobs. A McKinsey Global Institute study reveals the extent of mutual benefits. As the study shows, for every dollar that was previously spent on business processes in the United States and now goes to India, India earns a net benefit of at least thirty three cents, in the form of government taxes, wages paid by U.S. companies and revenues earned by Indian vendors of business-process services and their suppliers. For every dollar of spending on business services that moves offshore, U.S. companies save 58 cents, mainly in wages and many Indian offshore service providers are in fact U.S. companies that repatriate earnings. Such companies generate approximately thirty percent of the revenues of the Indian offshore industry. Studies have revealed that most of those who lost jobs in the American manufacturing firms due to outsourcing have found it easy to locate jobs in other areas, such as educational and health services. These service jobs, on average, pay more than the manufacturing ones they replaced. The same will happen for jobs in call centers, back-



office operations and repetitive IT functions going offshore. Opportunities to train labour and invest capital to generate opportunities in higher-value-added occupations such as research and design will appear. For all these reasons, President Bush took the much appreciated stand against an upsurge of protectionist forces in the United States which will eventually ensure the continuing competitiveness of the American economy.

Note also the following:

- A number of Indian companies have received the prestigious Deming Award for quality;
- The latest Global Competitiveness Report by the World Economic Forum ranks India at No. 1 as destination for availability of skilled scientists and engineers; India is second in the list of global challengers as 21 Indian companies feature among the top 100 emerging global challengers from the rapidly developing economies (RDEs). Bharat Forge is the world's second largest forging company. Tata Consultancy, Wipro, Infosys, Larsen and Toubro, VSNL, TVS Motors, Tata Tea, Ranbaxy, Dr. Reddy's Laboratories and ONGC are among the Indian companies pursuing global leadership strategies. Hindalco continues to be Asia's largest producer of finished aluminum. Hero Honda is the largest manufacturer of motor cycles in the world. Mahendra & Mahendra ranks amongst the world's three largest tractor manufacturers and TISCO is the world's cheapest producer of steel. Ranbaxy (India) is among the top 10 generic companies in the world while Wipro (India) is the world's largest third party engineering services company.
- The cost of manufacturing of auto-components in India is acknowledged to be 20-30 percent lower as compared to the United States.
- Bharat Forge, for example, engineers a new product in 3-4 weeks, compared to 6-12 weeks that its competitors might take. India's pharmaceuticals industry is the fourth largest in the world. Volume-wise, the Indian pharma market accounts for about 8.0 percent of the global market
- With labour cost arbitrage being a major issue in terms of attracting the global IT outsourcing pie, India retains its advantage over emerging offshore outsourcing bases such as the Philippines, China and Malaysia.
- Engineering goods exports have registered a growth of 30 percent in 2004-2005. Indian exports averagely are currently valued at about \$101 billion and imports at \$140 billion.



- Most manufacturing companies are reported to be operating at 80-90 percent levels of capacity utilization.
- Recognizing its strength in skill based manufacturing companies such as. Toyota, Cummins, Daimler Chrysler, Degussa, Rohm & Haas, ABB, Siemens, Honeywell etc. are shifting production bases to India
- India's growth rates of 6 to 8 percent over the past two decades have been achieved with half of China's level of domestic investment, demonstrating a more efficient use of financial resources.
- Overall, industrial growth rate was 8.3 percent in 2004-2005. In July, this year (2006), the highest ever industrial output at 12.4 percent was recorded as per Reuters data. Manufacturing, which represents three quarters of industrial output, rose by 13.3 percent from a year earlier.
- 50 percent of Indian population is below the age of 25 years and 75 below 36 years.
- From 56000 knowledge workers in 1990-1991 to 1.3 million in 2005-06 and it is expected to cross two million soon.
- India has achieved levels of European productivity at 20 percent of the cost. It continues to remain competitive vis-a-vis its South Asian neighbours in labour costs. In 2003, the average labour cost in India was USD 1.2 per hour of production worker below most of the low cost countries' average at USD 2.10 per hour. A Japanese auto maker realised that its equipment designing is at least 20 percent in India when compared to any other developing country: A US based auto component manufacturer would increase its potential return on sales by 3 to 6 percentage points by shifting its manufacturing to India. Through in-house redesigning, Maruti (India)



could reduce the weight of its Alto's steering by 15 percent introducing higher fuel efficiencies.

- In terms of A.T. Kearney's Business Confidence Report, India is the 2nd most attractive investment estimation and its foreign exchange reserves are at an all-time high of about \$162 billion.
- At current levels, India is a \$775-billion economy and if the present growth rates are retained, it will be a \$1.2-trillion economy in the next seven years.
- It is the fourth 4th largest economy in the world measured in terms of purchasing power parity and,
- Indian universities produce about three million graduates and 700,000 post-graduates every year.

At the core of the transformation of Indian economy is the competitiveness of its manufacturing sector. The National Manufacturing Competitiveness Council (NMCC) has been established by the Government to provide a continuing forum for policy dialogue so as to energize and sustain the growth of manufacturing in India.

The Prime Minister has recently constituted a High-Level Committee on Manufacturing (HLCM), which has marked six areas to be taken up on priority while implementing the National Strategy for Manufacturing (NSM) prepared by the National Manufacturing Competitiveness Council (NMCC) that seeks to ensure a 12 percent annual growth in manufacturing. This would generate an additional 1.6 million jobs annually. The HLCM has constituted an empowered subcommittee to prepare a strategy for promoting manufacturing in six areas. These sectors include textiles & garments, food & agro-processing, IT hardware & electronics, leather & footwear, skill development and small & medium enterprises including cluster development. The HLCM also adopted the NSM at the meeting for implementation

as recommended by the NMCC in its report submitted to the government earlier this year. The NMCC will also be working in co-ordination with the Investment Commission in food processing, textiles & garments, IT hardware, chemicals & pharmaceuticals, auto & auto components, steel and minerals & metals. The reason for selecting these sectors is that these are employment intensive. Other areas that are likely to be taken up by the council in the coming months include biotechnology, fertilizers, cement, industry co-ordination, offset policy and technology transfer issues.

The Government is actually considering a policy framework for setting investment regions covering areas between 100 to 250 sq. km which could serve as world class manufacturing hubs in addition to developing Petroleum and Petrochemical Investment Regions over large areas in regions to be selected. All these initiatives would enable India to optimize the potential of its economy.

Hoping to have done at least partial justice to today's deliberations, allow me to submit that in the midst of uncertainties of the markets and the inherent volatility of economic indicators the lasting basis of Indo-US engagement will remain the shared core values of our two countries. A shared vision of a world that can guarantee a life of dignity and freedom to all places us on the same side of history. Like the United States, India's commitment to democracy is reinforced by its embrace of diversity and multiculturalism, which is integral to our civilizational ethos. In the final analysis it is the vision of Mahatma Gandhi and Henry David Thoreau, of Pt. Nehru and Martin Luther King that would define the future of Indo-US engagement.

Skeptics on both sides still ask in hushed tones: Will the passage to India be easy and how long will the embrace

last? In times historians will doubtless answer the skeptics but in the meanwhile, we will do well to heed the advice of President Eisenhower who nearly half a century ago, on his visit to India advised the two great democracies thus: "We who are free - and who prize our freedom above all other gifts of god and nature - must know each other better; trust each other more; support each other well". The moment in history has arrived when India and the US must shed the baggage of history to move forward and embrace the exponential opportunities that are theirs to be seized.





India's reforms must continue Indo-US N-Deal on right course

Infrastructure, agriculture, energy, most vital for Tie-Ups

- US Ambassador to India
David Mulford

US Ambassador to India David Mulford does not mince words. In a very focused address to the Third Indo-US Economic Summit, he urges the Indian government to persevere with economic reforms and identifies three critical structural areas – energy, infrastructure and agriculture – for collaboration between India and the US. Following is Mulford's full speech.

The United States and India are building the foundations of an historic partnership. President Bush's India policy is premised on the belief that no other relationship will be more important in shaping the world of the 21st Century. It is a relationship based on shared interests and shared values and touches a wide variety of areas.

Our defense relationship has expanded dramatically in just a few years and we are working together to combat terrorism, a threat to both our countries; the bombings in New Delhi, Varanasi, Mumbai and Malegaon underline the urgency of this task.

India is rising even faster than many expected. Economic growth remains consistently strong; new investment is coursing in; our growing trade relationship has expanded 22 percent so far this year alone and 20 percent last year. Most recently,





a key element of our cooperation is the U.S. - India Civilian Nuclear Agreement.

US - INDIA CIVIL-NUCLEAR AGREEMENT

This will:

- Help India meet its long term energy needs and manage its rapidly growing demand for hydrocarbons;
- Regularize India's relations with other nuclear regimes and position India to play an enhanced role in the international system;
- Stimulate opportunities for U.S. and Indian businesses; and
- Enhance our scientific cooperation.

India's recent debates in Parliament and the legislative process in the U.S. Congress show the power of democracy in forging an initiative that will so fundamentally alter our relations. The Prime Minister's Parliament speeches reflect India's growing confidence to become a leader in international relations and a major player in civilian nuclear power.

Implementing this agreement requires a change in U.S. law. Legislation is moving through the U.S. Congress. Both the House and Senate have marked up bills and voted them out of Committee for floor action by large majorities from both parties. The House has had its floor vote - 359 "for" versus 68 "against." We hope the Senate will vote this month. If there is Senate action, we believe there will again be a large majority. The two bills must then be reworked in a Conference between the House and the Senate and the final bill must be passed by both Houses for signature by President Bush.

We are working with the Congress to produce an Act that reflects the spirit and terms of what the Prime Minister and President agreed. Our leaders came to this agreement in

partnership and they intend to proceed in partnership. President Bush understands the Prime Minister's concerns about certain aspects of the draft legislation and has indicated to him our intention to complete the process. In the meantime, in order for the change in law to become effective the U.S. and India must complete negotiations on a bilateral Agreement for Peaceful Nuclear Cooperation (known by U.S. lawmakers as a Section 123 Agreement). Ultimately, this must be approved by the Congress in an "up or down" vote which will come after the law has been changed. We both need to move forward on this legal framework expeditiously, working hard to complete the process before the present Congress completes its term this year. The changes in U.S. laws will bring about a cascade of revisions in India's international status - opening the nuclear market not only for American companies, but also for the entire international community. This will require the Nuclear Suppliers Group to alter its rules to allow civil nuclear commerce with India. In addition, India will conclude a safeguards agreement and an Additional Protocol with the International Atomic Energy Agency (IAEA), a sign of its commitment to nuclear nonproliferation.

The bottom line here is that India's isolation would end and it would be able to pioneer a new era for its energy needs. The Prime Minister has stated that nuclear reactors could generate up to 40,000 megawatts by the year 2020, an enormous increase in generating capacity that will help India meet its growing demand for electricity without relying on dirty, carbon-emitting coal - improving India's economy and the lives of all Indians.

Economic Cooperation and Reform

While the civilian-nuclear agreement may symbolize the growing cooperation between India and the United States, it is only part of the accelerating partnership between our two countries. The fundamentals of this partnership are people-to-people and company-to-company based, and it is of profound significance.

An indication of the strength of our ties is the fact that more than 80,000 students have chosen to study in the United States this year. A growing number of American scientists, academics and students are also choosing to focus their research and studies in India.

Other strong indicators of the health of our partnership are measured by the long-term business alliances you are forging with your





of a pause in the reform process in recent months. Privatizations have stopped, and political reality suggests that reform of other key sectors and policies of central interest to investors will take longer than envisioned. It is important to bear in mind there are serious economic costs to any loss of momentum on the reform front. The Prime Minister has expressed his hopes for even higher than 8.0 percent growth per annum for India. But he has also indicated that higher growth requires continued reforms.

The World Bank still ranks India 134 out of 175 among countries for the difficulties of establishing or operating a business, and U.S. firms have many unresolved legacy issues involving prior investments in India.

Indian or American partners, customers or clients every day. Now, investments happening throughout India illustrate the synergies that occur when each economic actor truly benefits.

Examples of such collaboration extend throughout India and across most sectors of the economy. U.S. businesses long active in India's Services, IT, and Manufacturing sectors such as Boeing, GE, IBM, and Ford are making significant new investments.

New companies - and not just established multinational companies - are seeking the Indian market as well. Our Embassy's Foreign Commercial Service office was ranked number one in the world last year in helping close new deals and we expect the same result this year.

We are in the planning stages of a U.S. trade mission in November that may be the largest such overseas mission ever to any country - U.S. business is looking to India and an impressive array of corporate leaders will be coming for that event.

These breakthroughs reflect in part the results of the new policies embraced since 1992 and supported by successive Indian governments. Today's business environment in India is more favorable to trade and investment. But there are signs

We know that there is a substantial body of capital waiting to be invested in India if the right conditions materialize. One needs only to think of the positive impact on the future rate of economic growth from large-scale retail and financial liberalization to appreciate India's potential. While many of you can tell me tales of your battles with the bureaucracy, you would not be in this room if you did not also have impressive success stories to share.

India has one of the most rapidly growing stock exchanges in the world, attracting large FII inflows that reflect portfolio investor interest in India's near-term performance. Slow growth of FDI, on the other hand, "bricks and mortar" investment, effects continuing





investor concerns about governance issues and India's reform process. The U.S. is the largest Foreign Direct Investor in India, a considered bet on this country's future. US investment here continues to grow, and we want to accelerate it.

You are certainly part of the reason that U.S. - Indian trade has already increased by 22 percent this year. Due to your efforts we are well on target to achieve our goal of doubling Indo-U.S. trade in three years.

Three Critical Structural Areas

You will certainly be part of the solution if India is to advance in the three critical structural areas that are necessary to sustain the growth rates of recent years, create jobs and improve the lives of average Indians. These are:

- Energy • Infrastructure • Agriculture

American firms can help India meet these structural challenges. In energy, India has set an ambitious goal of almost doubling energy production over the next six years. American firms are world leaders in clean coal technology, power transmission and electricity production and can help India meet its future energy needs.

The U.S.-India energy dialogue and its five working groups - civil nuclear, coal, oil and gas, power, and renewable energy - are working toward the end goal of encouraging private sector participation in energy development.

A sound physical infrastructure, whether in roads, industrial and office buildings, housing, telecommunications, or simply moving documents and products quickly, is essential for India in the 21st Century.

The solution to attracting much greater private sector investment in energy and infrastructure development is a blend of policies that includes better governance, market sensitive regulatory regimes, continued liberalization of the financial sector that enables foreign and domestic private capital to finance major projects, and the timely resolution of investor-state disputes.

The next meeting of the U.S.-India CEO Forum will take place in New York on October 25 to review progress made by both governments on the recommendations presented last March to the Prime Minister and the President targeting significant blockages to greater economic activity between our two nations. Both Governments need to demonstrate tangible progress if the Forum is to remain relevant. Ultimately, the pace of future growth in India will hinge upon the continued sound economic policies of the Indian government, and of those state governments who are seriously committed to attracting foreign trade and investment.

Our two countries have come a long way together in the past two years - and there is so much more to come. This progress is due to the vision of our two leaders but also to the vision and energy of people like you.

On the civilian nuclear deal, I want to leave you with this: The procedural movements and debates in American politics are often baffling to our friends around the world, but we will honor the agreement that has been reached. The goal posts are not being moved; it is a civil nuclear agreement and when finally implemented will mark a new level of trust and cooperation in our partnership.

On economic policy, I want to emphasize that India is drawing more serious attention from international capital than ever before in its history - a tribute to the ingenuity

and dynamism of its people and institutions. To sustain the growth of trade and investor confidence, it is important for the government to stay the course with the reforms the Prime Minister and his team have mapped out. America will be your partner here, too. That's the bottom line and this has to be good news for both of us. ■





V. Govindarajan

Strengthening India's knowledge-based manufacturing skills

Boost Investment in R&D for advanced innovations

India is emerging as a manufacturing base for a variety of industries. But the country is lagging behind in developing knowledge-based manufacturing skills. V. Govindarajan, Member-Secretary, National Manufacturing Competitiveness Council (NMCC), points out that investment in Research and Development

is essential to raise India's capability in especially in knowledge-based manufacturing. Excerpts from his address at the Third Indo-US Economic Summit

India is increasingly seen as a potentially major knowledge-based manufacturing destination. The importance being attached to knowledge-based development is evident from the outstanding presentations I have heard today.

I am not a practicing technologist nor am I a manager of a knowledge-based manufacturing company. We in this NMCC are concerned with the competitiveness of Indian manufacturing sector. Needless to say that technology has an overwhelming role in improving competitiveness.

In the history of economic development, technological breakthroughs have invariably contributed to improving competitiveness, which enabled leapfrogging of companies in size at one level and rapid growth of the economy of the country concerned at another level. Competitiveness of manufacturing sector is achieved through improvement at two levels. The first is the firm level competitiveness and the participants of this session are the experts and you have explained so well. The second level is what is generally known as the National competitiveness. It deals with creation of necessary

business climate through appropriate policy regimes by both the Central and the State Governments. It is here that I would consider that we in the NMCC have done some study and my remarks will elaborate on them.

I would like to approach the subject in four parts. They are:

- first, the role of knowledge in the development of an economy;
- second, is India a knowledge-based economy and where do we stand?
- third, what is it that we need to do to make India a knowledge-based economy; and
- fourth, the recommendations of the





NMCC in respect of knowledge-based manufacturing.

The Role of knowledge

Increasingly modern economists have come to recognize knowledge as the fourth dimension of economics which enables wealth creation in addition to the three traditional factors of production, viz., land, labour and capital. In fact, in the recent years, these economists have been stressing that knowledge is even more important than the conventional three factors of production for the growth of the economy. Starting with the seminal paper of Robert Solow "A contribution to the Theory of Economic Growth" in 1956 economists have come a long way in recognizing the role of knowledge as an important factor of production. In fact, Paul Romer of Chicago University created a model of growth with knowledge as a fourth factor of production. He propounded in the 1990s that "new ideas, more than savings or investment or even education are the key to prosperity, both to private fortunes, large and small and to the wealth of nations." This was further elaborated by David Warsh in his book "Wealth of Nations". He said that knowledge and new ideas affect economics of everyday life through knowledge related activities like designs, practices, intellectual Property rights etc. These economists feel that benefits from growth of knowledge are so huge which can be widely shared for the welfare of the people at large. They argue that Governments should accord high priority to knowledge development as a part of their quest for growth and equity. Any modern economy therefore has to be driven by knowledge-based productive activities.

Is India a knowledge-based economy & where do we stand?

Is India really somewhere there as a knowledge economy. We have become an outsourcing hub for the BPOs and the KPOs and we are exporting a lot of IT and ITES products. Does it make us a knowledge-based economy? I do not believe it is so.



More than 97 per cent of the software developed in India is exported and which in turn makes the importing country that much more competitive. It is common knowledge that the embedded software in many IT and Electronic products is made in India and the revenues the Indian software developers realize is just a small fraction of what the final product maker charges from the customer for that part. The knowledge base of the country is thus not getting used to add value domestically or improve the competitiveness of our own manufacturing or services.

How do we change this?

A knowledge-economy as I said earlier is one where the strength of knowledge contributes to creation of wealth in the economy. Such an economy creates, disseminates and uses knowledge as a tool to enhance growth and improve welfare. The knowledge economy is not merely IT and communication technology or high technology industries. It is the economy which uses the knowledge to improve the productivity across the board in all the three sectors, viz., the agriculture, industry and services and ensures wealth creation all the way.

In India we have a great opportunity to use our strengths in improving productivity in agriculture, in our manufacturing industries and services, by turning them into more productive and modern sectors. Our advantages are that we have a critical mass of skilled English speaking people especially in the field of sciences and technology. We have through our Non-Resident Indians a valuable knowledge linkage. Our economy is fast growing and we have many institutions that are required for development of knowledge. The list goes on. Despite shortcomings such as infrastructure, it is these strengths that have attracted several skill based modern industries in the fields of electrical and electronic components, specialty chemicals, Automobiles and Auto Components etc. However, we are still a small player in the world map when it comes to the exports of all types of knowledge-based



industries.

The United States has imported in the year 2004, US\$ 238 billion worth of 10 Advanced Technology Products (ATPs) according to a paper prepared by Manufacturing Policy Project on US-China Advanced Technology Trade. Imports from China constituted close to 20 percent of this. The imports from what the report calls "China Sphere" which consists of China and 10 other countries surrounding China form as much as 59 percent of the total ATP imports into the United States. The European Union on the other hand managed only about 21.5 percent of these imports to the US. India does not figure at all in the report being an extremely small player. What are these 10 ATPs? They are Biotechnology, Life Sciences, Electronics, Optoelectronics, Information and Communications, Flexible Manufacturing, Advance Materials, Aerospace, Nuclear Technology and Weapons. We have a wealth of skilled and knowledgeable people in most of these sectors. What this statistic reveals is that while India can be proud of its mass of skilled manpower and its development of IT and ITES sectors, we are clearly unable to convert this advantage into developing and manufacturing high value Advanced Technology Products that can be exported. Now let me turn to my third part.

What is it that we need to do to make India a knowledge-based economy?

This situation I described above needs to be seen both as a challenge and as an opportunity for the Indian companies. The opportunity is clear. The challenges posed are several and cover various aspects of economy

in general and some specific to the knowledge economy. These are:

- availability of adequate number of educated and skilled persons
- creation of an innovation system which delivers
- develop information infrastructure
- ensure basic economic infrastructure is in place.

Of these, Research and Development and innovation in particular are extremely important. In India, only about 0.8 percent of GDP is spent on R&D as against 1.2 percent in China, 4.3 percent in Sweden and 2.7 percent in the US. Nearly 70 percent of the R&D in our country is by the Central and the State Governments and 27 percent by the enterprises (both public and private) and less than 3.0 percent by the Universities and other higher educational institutions. This is in contrast with most of the developed countries where the private sector spends 50 to 60 percent of the total R&D expenditure. Universities in these countries also undertake research to a much larger extent and have stronger linkages with the corporate world. We need to ensure that more funds are spent on R&D and Innovation. Industry must also realize it is in their long-term interest to invest in R&D and innovation for maintaining competitiveness. A start has been made and the Pharma Industry is taking the lead in investing more and more in R&D.

In order to strengthen the innovation system, we need to look at the following policies.

- (i) supply of technologically trained people of high quality for R&D;
- (ii) improving Physical Technical Infrastructure;
- (iii) Incentives for encouraging Innovation; and
- (iv) encouraging technology-based ventures through Venture capital funds.

Both the Government and industry should together work towards achieving these goals. Now let me move to the last part.

Recommendations of the NMCC in respect of knowledge based manufacturing

The NMCC has submitted to the Government the National Strategy for Manufacturing (NSM), which essentially contains recommendations for making Indian manufacturing competitive. The goal set in the NSM is to achieve an average long-term growth rate of 12 percent in manufacturing as against the 7.0 percent achieved in



the last two decades of the 20th century. This can be done only through improving the competitiveness of our industry and competitiveness cannot be improved unless we modernize our production and innovate to improve efficiency as well as create new products. The NSM recognizes this imperative its recommendations deal with it exhaustively. Among its recommendations, the NMCC has gone into the issues relating to the quality of personnel and all the aspects that would contribute to develop India as a knowledge-based economy. These include -

- strengthening education and skill building; investment in innovations;
- increasing the usage of Information and Communications Technology in manufacturing sector; and
- encouraging Intellectual Property Rights (IPRs) in the manufacturing sector.

Some important recommendations relating to knowledge-based manufacturing are creating Centers of Excellence in Manufacturing, setting up a group to study the potential for manufacture and export of Advanced Technology Products, establishment of Technology Parks around institutions of higher learning apart from fiscal and other incentives etc. The report has also dealt with in detail the increased use of Information & Communications Technology in the Indian manufacturing sector. A number of recommendations on

all these aspects have been made. Recommendations have also been made in respect of increasing the awareness of IPRs among the manufacturing companies.

A question is often asked whether the host of recommendations and good intentions in such reports as the NSM would be converted into actions. Skepticism is understandable since many reports and expert recommendations get bogged down in procedural rigmarole and are implemented very slowly. In order to ensure that the recommendations of the NMCC are implemented at a quicker pace, the Government has constituted a High Level Committee on Manufacturing (HLCM) Chaired by the Prime Minister and consists of the Ministers concerned as members to take speedy decisions on the recommendations of the NMCC in respect of the Manufacturing sector. The first meeting of this Committee took place in the month of August 2006 at which the Committee identified four manufacturing sub-sectors, namely, Textiles and Garments, IT Hardware and Electronics, Food and Agro Processing and Leather and Footwear Industries for priority attention. In addition, two generic issues namely Skills Development and problems of Small and Medium Industries including Cluster Development will also be taken up on priority. The NMCC in consultation with the Ministries and the stakeholders is in the process of preparing the papers for the Committee. ■



'PPP' model crucial for road & port development

Advisor and Former President, Larsen & Toubro A. Ramakrishna has advocated a strong Public-Private Partnership model to take advantage of the avenues thrown up by the India-US engagement in this crucial area of infrastructure.

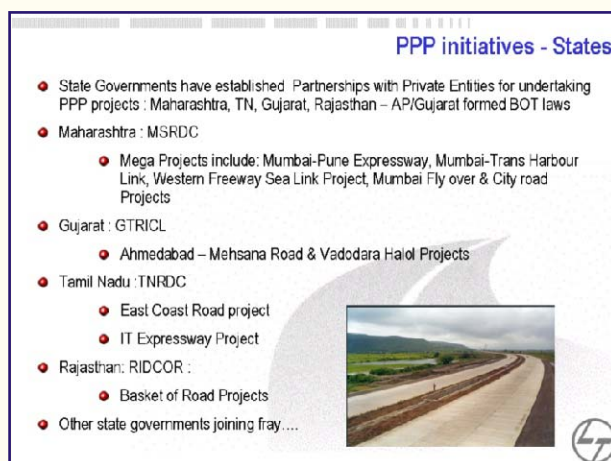
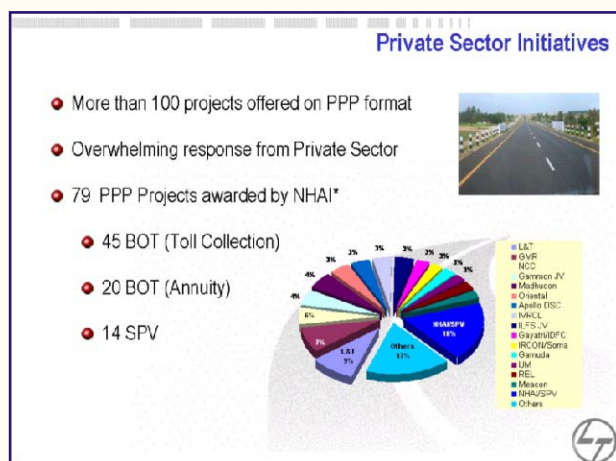
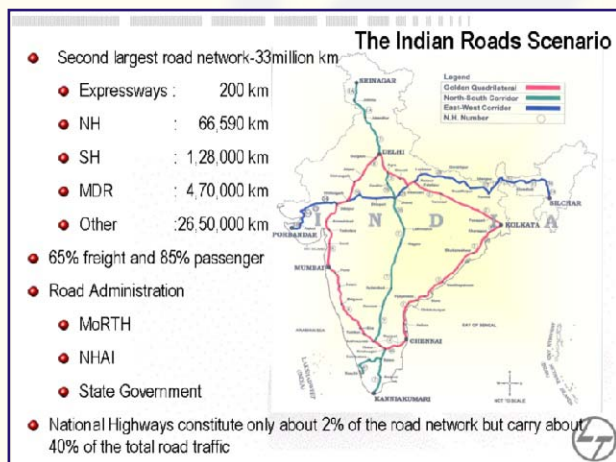
Presenting a paper on the theme, at the Third Indo-US Economic Summit, "Experiences and Opportunities in the Roads & Ports Sector" Ramakrishna talked about the Indian port scenario, which under the 10th Five-Year Plan, envisaged an additional cargo handling capacity of 125 million tonnes.

This required an investment of Rs 11,000 crores and called for increased containerization of cargoes in line with international standards, Ramakrishna said, adding, "India should urgently develop gateway ports, as transshipment through the country's ports could save up to Rs 1,000 crore per annum. He said there was also need to build ports with deeper drafts to cater to the

international requirements in dry bulk trade.

Ramakrishna said India's road network, the second largest in the world with an estimated length of 33 million km, opened up huge opportunities for Public-Private Partnerships.

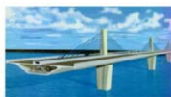
Larsen & Toubro Limited (L&T), a technology-driven engineering and construction organization, and one of the largest companies in India's private sector, has been actively involved in undertaking the PPP model projects. L&T has additional interests in manufacturing, services and Information Technology. A strong, customer-focussed approach and the constant quest for top-class quality have enabled the Company to attain and sustain leadership in its major lines of business across seven decades. L&T has an international presence, with a global spread of offices. A thrust on international business over the last few years has seen overseas earnings growing to 18 per cent of total revenue.





Regulatory Framework

- **Private sector promoters look for:**
 - Protection from Arbitrary Political Risks
 - Facilitate Speedier Dispute Resolution
 - Transparent regulatory mechanisms
- **Regulatory framework required immediately:**
 - To protect users from Monopolistic Policies
 - Regulate Tariffs
 - Facilitate Competition / Efficiency in Service
- **Authority with powers / laws will improve the investor confidence – Will bring in more Investments**
- **Provide more freedom to Design – Standardisation – Mechanisation – Construction technology - Performance standards for Maintenance**
- **Government to be a facilitator than Implementor**
- **State Highways – Laws to be amended for Private Sector Participation**



OPPORTUNITIES IN PORTS

- **Coastline > 8,000 Km**
- **11 Major and 163 Non – Major Ports**
- **Traffic projected to go up to 900 Mio MT by 2012**
- **Development of New ports through Private Sector Participation**
- **Special Economic Zones - Inland Waterway – Rail / Road connectivity**
- **Corporatization of Ports**
 - Mechanization, De-bottlenecking & Operational Improvements
 - Development of Specialized Ports - Container Terminals & Bulk Cargo Ports



Indian Port Scenario

- 10th plan envisage cargo throughput of 565 Million Ton
- Capacity addition expected - 125 million tons
- Investment from private sector projected at Rs 11,000 Cr
- Increased containerization of cargoes in line with international standards
- Urgent need to develop gateway ports - Trans-shipment through Indian ports likely to save around Rs 1000 Cr PA.
- Requirement to build ports with deeper drafts to meet the international trend in dry bulk trade and ships



Opportunities for Indo-US partnership

- **Mega Infrastructure Development on way in India**
- Opportunities available for Joint Ventures on...
 - Investment Partnership
 - Technology partner - Construction & Asset Management
 - Project Management / Safety / Quality
 - Concept Designs / DPRs / Feasibility Studies
 - Long Term – Low Cost Funds



Dhamra Port



Aviation in India An Area of High Growth

William Blair, Country Director, GE Aviation has said that India's industrial participation in the aviation sector covered the areas of material sourcing, maintenance repair and overhauling, training, technology transfer and infrastructure.

Making a presentation on the theme, "Indian Civil Aviation Emerging Opportunities at the Third Indo-US Economic Summit, he said an increase of just 1.0 percent in air traffic led a 0.05 percent rise in the country's GDP and a 1.6 percent of CAGR (compound aggregate growth rate) pushed up GDP growth by 8.0 percent which was equivalent to \$265 billion a year.

Blair said air passenger growth in India recorded 24 percent in 2005, compared to 16 percent in China and 7.0 percent in Europe and the US. However, India was the

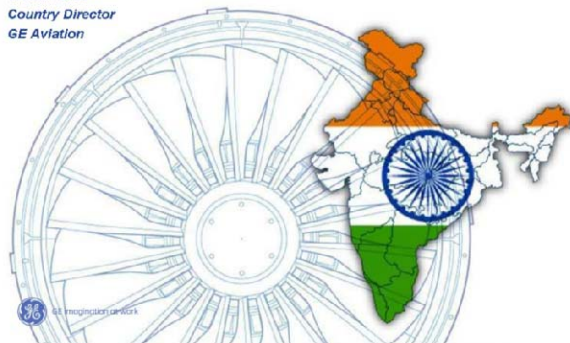
most under served country in terms of aircraft available, he said. India had only 200 aircraft serving its 300-million strong middle and upper classes against 1,125 aircraft in China with population of 400 million which could afford to fly.

GE - Aviation is the world's leading producer of large and small jet engines for commercial and military aircraft. GE - Aviation's technological excellence, supported by continuing substantial investments in research and development, has been the foundation of growth, and helps to ensure quality products for customers. GE began servicing jet engines more than 50 years ago. Today, GE is the world's leading provider of aviation services, providing customers with the experience and resources the require to keep their aircraft flying.

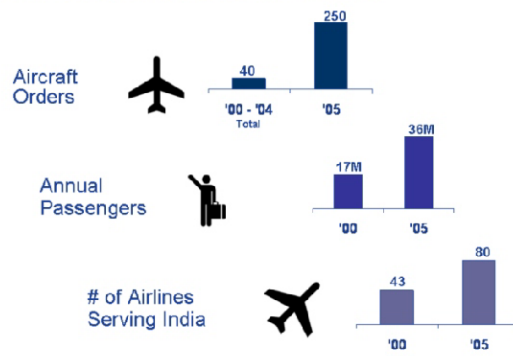
Indian Civil Aviation – Emerging opportunities

3rd Indo-US Economic Summit – 13 Sept 2006 – New Delhi

*William Blair
Country Director
GE Aviation*

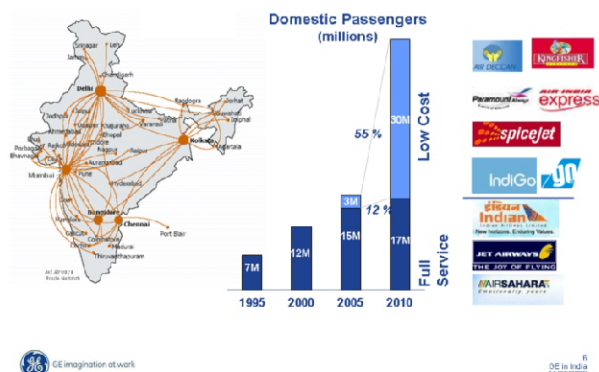


Aviation growth indicators in India

 GE imagination at work

OE in India
11/26/2003

Domestic growth ... expanding the network



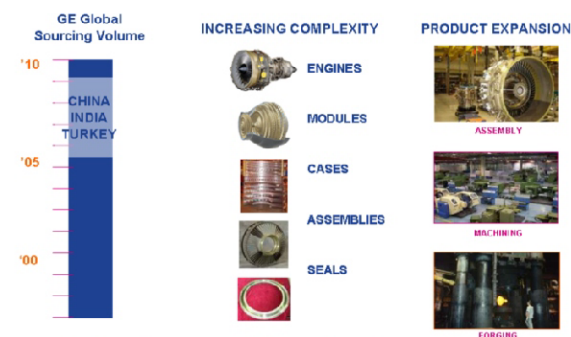
GE in India
11/26/2016

Engine MRO Opportunity ... expand capability at AI and Indian

 GE imagination at work

OE in India
11/26/00

Moving Up the Value Chain



Continued Investment & Expansion ... Focus on Asia

 GE imagination at work14
OE in India

India Aviation Growth...Challenges & Opportunities

 GE imagination at work

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India can become global hub for aircraft component production

Dr. Vivek Lall, MD, Boeing India & Chairman, National Committee on Civil Aviation and Aerospace

India is uniquely placed half way between the West and the Far East. This geographical advantage can be utilized to develop the country's aviation component industry into a manufacturing hub, argues Dr. Vivek Lall, Managing Director, Boeing India and Chairman, National Committee On Civil Aviation and Aerospace, in his observations during a panel discussion at the Third Indo-US Economic Summit.



The other day, I heard some one expressing the view that civil aviation sector never had so exciting a time ever before. His arguments were simple and straightforward. Now, there is an expanding number of air travelers, increasing number of airline operators including low cost ones, private-public partnerships at work for airport modernization and building of green fields projects after being dogged by controversies and delays, better options for financing the operations including FDI and the like. But what caught my attention was his remark that the civil aviation sector is on a roll despite the fact that policy makers are empowered to make rules based on the Aircraft Act 1937, which was enacted almost 70 years back. We look forward to the new civil aviation policy. Friends, we have to have a transparent and forward-looking legislation to provide sustained growth to this vital sector, which is a pre-requisite for accelerating our growth impulses, stimulating the commercial activities and for creating thousands of gainful jobs in wide ranging industry and services segments.

The growth estimates for the civil aviation sector leaves behind a trail for hectic action by all stakeholders. Let me give a synoptic view of such estimates. Domestic air passenger traffic is estimated to grow between 20 to 25 per cent, international passenger traffic growth is pegged at 20 per cent, and domestic cargo traffic is bound to pick up quite solidly so also in and out bound international cargo traffic. Importantly, more domestic destinations are going to be air linked in the coming years. There will be more frequency of flights carrying passengers and cargo between the existing destinations. Growth creates its own necessities. We require more aircrafts, airports, handling and storage facilities both at the stuffing and de-stuffing centers, more facilities at the existing airports to make travel more comfortable. We in Boeing are very buoyant about predictions on India. We have raised our 20-year market forecast for India for aircraft purchases to US\$ 72 billion. The strong forecast is supported in part by a robust economic growth, an increased demand for point-to-point domestic and international air travel, and growth of the India-based cargo market.

We have to think of innovative ideas to finance such hectic activities in the civil aviation sector. Matching allocation from plan outlay will be difficult to come through. We have to depend on meaningful private-public partnerships, foreign direct investments, borrowings from





multi-lateral and institutional sources to finance such activities, which require billions of dollars. Let me at this instance flag mark some of the recent initiatives taken by the Governments of India and the United States in the aviation sector. The Indian Union Cabinet recently approved the signing of Agreement between India and the US to enable the Indian civil aviation bodies to get US assistance in modernizing aviation sector. The Agreement will provide for assistance by the US Federal Aviation Authority (FAA) in developing and modernizing airports and other infrastructure in managerial, operational and technical areas. FAA would also provide assistance for developing improving and operation of aviation infrastructure, standards, procedures, policies, safety operations, calibration of equipment and training. I only hope that the proposed Umbrella Agreement will be a springboard to catalyze the co-operation between our two countries in the aviation sector.

As growth stimulus is fast catching up in the civil aviation sector, we have to address to some of the vital issues that can trigger higher growth in the segment. Foremost amongst them is the need for constitution of an Airport Economic Regulatory Authority (AEA) on the lines of the Telecom Authority of

India (TRAI), that will pave the way for a transparent and balanced growth of the civil aviation sector in India. I understand that the Ministry of Civil Aviation is seized up with the matter and soon a bill will be introduced in Parliament.

During the last decade, the civil aviation sector has opened up considerably in India. FDI norms has been progressively relaxed. FDI in airport infrastructure has been encouraged allowing even 100 per cent by foreign airport authorities. In domestic airlines, FDI is allowed up to 49 percent and in the case of NRI's, 100 per cent is allowed. But the catch is no direct or indirect equity participation by foreign airlines is allowed. I am sure that the distinguished panel of speakers will throw some light on whether the Indian aviation sector is matured enough to allow competition from foreign airlines. There are arguments for and against such a policy. Protagonists for more liberalization in the sector say that foreign airlines can bring in resources, technology, safety norms and experience that can bring about paradigm shift in the aviation sector preferably through joint ventures with Indian airlines companies.

Aviation infrastructure is critical not only for pressing more airlines into service, but also to give a boost to the heightened business activities in the country. To my reckoning, there is an immediate need to develop more green field airports in the country through private-public partnerships, particularly in the major industrial belts. That makes the movement of materials more swifter. Let us have a vision to have a major airport for every 500 miles in the country by 2020, the cut off date for heralding ourselves into a developed world

India may not be a hub for commercial aircraft manufacturing, but it is still in the radar of many aircraft manufacturers for sourcing components. Our company is sourcing many components including aircraft doors from India. This has the potential to grow into a big business like auto components. Sourcing standards for aircraft components are very stiff and a few companies in India are meeting such standards. I am sure many more companies in India can join that elite group by conforming to the standards that are laid out. Equally significant is the vast market that is still untapped for software systems for aircrafts and back office operations of the airline companies.

Integration of the civil aviation policy with tourism and hospitality sectors calls for imagination and pragmatism. I understand, there are more than 120 airstrips spread across the country. Some of them are situated close to the tourist spots and pilgrim centers. Most of these airstrips can be made navigable to helicopters and small aircrafts with very little investment. That will not only air link these far-flung centers but also help the airlines sector to initiate a hub and spoke scheme, which can help catalyze the tourism sector in the country.

We have to have strategies in place to take advantage of the geographical position of India. We are halfway between western countries and Far- East and is the ideal center for physical distribution amongst the SAARC Countries. Cargoes destined for Europe, US, far East and SAARC can use India as a stop-over. Of course, we have to develop freight cities to provide facilities for stuffing and de-stuffing of goods and road haulage of these goods to the neighboring countries. That will help India to emerge as a re-exporting Centre. ■



Manufacturing: Advantage India - BEC, a case study

India clearly enjoys an advantage in terms of contract manufacturing. The example of the Indian foundry and forging industry justifies it. First, it has a cost advantage over its rivals. It boasts the availability of skilled workers in large numbers who could handle intricate jobs at relatively lower wages. The industry has over the years, acquired well-developed commercial knowledge and experience regarding transportation and shipping logistics.

Of course, there are a few drawbacks affecting the industry, such as the high cost of energy, unavailability of credit at affordable rates of interest, especially for small and medium enterprises and inadequate, proactive global marketing.

There are companies which have surmounted these problems and gained a niche market for themselves, especially in the United States. Bhilai Engineering Corporation (BEC) is one such company. Making a presentation at the Third Indo-US Economic Summit, BEC Managing Director Arvind Jain, said the corporation had all the key facilities under one roof. These included design and separate foundry, fabrication and machine shops.

He said India also enjoyed the advantage of sufficient capacity. Nearly 4,500 foundries with an installed capacity 7.5 million tonnes, of which only 55-60 percent was utilized as against 74-94 percent in the United States. The Indian industry had the capability of manufacturing products of internationally accepted standards.

BEC has evolved over four decades into a





company, manufacturing core sector industries - Steel, Mining, Railways, Cement, Process Industries, Defense & Port Equipment.

Products made by the BEC Group have won markets around the world. The high quality of engineering products and special steel castings made by BEC for Steel Plants, Railways, Mining and Cement Plants have won the confidence of industries in Japan, Russia, Middle East, Africa, Egypt, Iran, the US and Britain. ■

BEC caters to

- Steel Plants
- Railways
- Mines
- Power Plants
- Cement Plants
- Defence
- Process Industries
- General Engineering



Indian foundry and forge industry

Strengths

- Large base and spread all over the country.
- Availability of huge and low cost and skilled English speaking manpower.
- Sixth largest producer of castings in the world.
- Availability of vast natural resources.

Some more advantages

Communication

- Manufacturing destination is in the communication skills
- English is an easily understood language and communication by electronic mail and telephone
- Prompt reply on E-mails has once again increased the customer confidence

Investment Potential / Climate

- increased availability of banking loan facilities

BEC's Experience in US Market

The path undertaken

- Extensive survey of different customers
- Meeting different accredited agencies and standard committees like the Association of American Railroads, etc.
- Studying their requirement w.r.t. sample preparation, quality system, maintenance of quality records, etc.
- Modifying our offering to meet required standards

More advantages

Adhering to the International norms

- Quality systems to International standards and has been following Japanese model of different quality standards to improve their working
- This has started in automobile sector but now percolated to a great extent in other areas like Foundries
- Most of the companies have adopted modern manufacturing techniques and also are following internationally accepted material management system like ERP

To conclude

- I will say that India has all the advantages.
- There are only a few perspective changes required.
- The Indian industry needs to go out of the way to meet the demand and requirement of the American customer.
- Once the capability is established and a relationship is developed, it is a win-win proposition for both.



India next manufacturing hub for auto, electronic companies

Sachin Danave, principal Consultant, Infor Global Solutions, in his presentation reiterated that India would be the next manufacturing hub and cited the examples of Nokia and Dell which had announced their fresh investment plans for this country. Apart from the electronics sector, a number of auto companies, including Suzuki and General Motors too were making India their next manufacturing destination.

Danave said contract manufacturing operated within the parameters such as limited number of customers, tight schedules, close quality controls, engineering change management, highly integrated supply chain, logistics management and cost control. ■

Implementation Strategy

- ⇒ Clear Expectations and Goals
- ⇒ Close Knit Project Management
- ⇒ Solution Fit
- ⇒ Knowledgeable, Young Team
 - ⇒ Client
 - ⇒ Consultants

Key Components

- ⇒ Enterprise Resource Planning (ERP) Systems
 - ⇒ Internal Functional Integrations
 - ⇒ Business Process Optimization
 - ⇒ Prepares for Structured, Clean Data
- ⇒ Product Lifecycle Management (PLM) Systems
 - ⇒ Engineering Change Management
 - ⇒ Data Storage and Retrieval
 - ⇒ Integration with Engineering Drawing Systems

IT Systems

- ⇒ Bring in Integration across all the functions as well as Supply Chain
- ⇒ Automate Routine Tasks
- ⇒ Ensure Timely Communication
 - ⇒ Engineering Changes
 - ⇒ Price Revisions
- ⇒ Business Intelligence

Key Components

- ⇒ Warehouse Management Systems
 - ⇒ Storage of a Large Number of Parts
 - ⇒ Automated Fast Retrieval
 - ⇒ Inventory Control
- ⇒ Logistics Optimization
 - ⇒ Full Truck Load Deliveries
 - ⇒ Cargo Combination Strategies

Key Components

- ⇒ Supply Chain Management
 - ⇒ Optimization of schedules across customer – production floor – suppliers
 - ⇒ Inventory Control
 - ⇒ Reduction in Procurement Costs
- ⇒ After Sales Service – Part of Customer Relationship Management (CRM) Systems
 - ⇒ Parts Tracking (recalls)

Objective Parameters

- ⇒ Inventory Turns
- ⇒ Order Turnover Time
- ⇒ Product Cost
- ⇒ Sales Volume
- ⇒ Indirect Costs
- ⇒ Manpower Costs



Hexaware Technologies acquires US-based FocusFrame in \$34m deal

Hexaware Technologies has acquired a US-based software testing company, FocusFrame, valued at \$34.3million in an all-cash deal. Hexaware, a Mumbai-based IT and BPO services provider, will make an upfront cash payment of \$25million to the founders/owners of FocusFrame. The balance \$9.3million will be paid out as earnouts over 24 months to the FocusFrame founders and management team if they meet projected revenues and margin.

FocusFrame is a pure play software testing company with revenues of \$24million. Hexaware seems to be paying a cash equivalent to the revenues of the company, which makes it a relatively cheaper acquisition.

"The acquisition will help us strengthen our software testing service vertical," Hexaware chairman Atul Nishar said. Hexaware has around 400 employees working in its software testing division, which is done manually. FocusFrame testing services are automated. The deal means a larger service offering capability - manual and automated - for Hexaware.

Hexaware has 15 clients on the testing side and earns 7.6 percent of its total revenues or around \$12million from its testing business. "There has been no equity dilution and the deal amount is funded by the cash surplus generated

by Hexaware," said Nishar. The deal will be completed in six weeks and profits from FocusFrame will start accruing from 2007.

FocusFrame has a delivery centre in Mexico, which Hexaware plans to convert into a global delivery centre (GDC) because of its proximity to the US market. The Mexico delivery centre employs 75 people, but Hexaware plans to add 200-300 people in the next 12 months.

"This is going to be our sixth GDC after Delhi, Mumbai, Chennai and Germany," said Nishar. FocusFrame has partnerships with Mercury Corporation and SAP. "Hexaware will benefit from these partnerships as this will give them easy access to the SAP market also," Nishar said.

Post-acquisition, Hexaware is targeting revenues of \$100million software testing in three years. FocusFrame will become a subsidiary of Hexaware and will continue to function as a separate profit centre.

While the acquisition was done by Hexaware India, the company will be managed by Hexaware North America. FocusFrame's founders - Suri Chawla and Vaughn Paladin - will continue to run the company from the US.



'Investment in Healthcare gives high returns to nation's economy'

- Suneeta Reddy, Executive Director, Apollo Hospitals Group

Healthcare is one area in which India has been supportive to the US, indirectly. Doctors, nurses and other paramedics have been migrating to the US for years. Ms. Suneeta Reddy, Executive Director, Apollo Hospitals Group, in her address to the Third Indo-US Economic Summit, says India and the US must support each other now to treat the rest of the world as a huge healthcare market.

Every economic activity requires strategy and healthcare is no exception. Strategic thoughts and intent are perhaps the most important factors in healthcare delivery. The rest follow from this cardinal principle. Resources are scarce. Starting from managerial talent, which is the scarcest, doctors, nurses, paramedical technicians, capital healthcare requires the most prudent principles and practices. In other businesses, the only consequence perhaps is loss of capital. In healthcare, it is health and perhaps life itself.

Therefore, to create an alchemy of service, we need to integrate and re-orient the current trend of specialization and super-specialization 180 degrees back to where it originally began - to care and respect human life and health. It is very easy to become compartmentalized and get lost in components and lose sight of the whole. This is evident

from the current language used by various CEOs of the need to be customer-centric or patient-centric.

Why healthcare ?

One of the key factors driving the US economy was its foresightedness in creating world-class infrastructure from transportation to telecom power, but education and healthcare were given the most importance. Today, it accounts for 15 percent of the US GDP at \$ 1.6 trillion. GM alone spends \$5.6 billion in 2005 more than its advance budget.



Lee Iaccocca of Chrysler acknowledges that more is spent on healthcare than on steel in the making of a car. Clearly, we cannot manage the future of an organization without managing the welfare of its people. Healthcare is therefore crucial. The ripple effect that it has on GDP is considerable. Hospitals accounting for \$560 billion of GDP are economic catalysts by providing a constant source of well-paying jobs and stimulating multiple business opportunities from buying local goods to contributing to the tax base at the State and Central levels.

As healthcare increases or decreases in size, the medical and economic health of the



countries will be greatly affected. Today, healthcare accounts for 5.6 percent of GDP. As we grow, healthcare will continue to grow at a compounded rate of 12 percent each year.

The knowledge economy of the US has been leading the world for the past 100 years. The Indian economy is categorized by a large population; half of the Indian population is below 25 years and will continue to be so till 2020. In a rough economic sense, India is today what the US was in the 1930s. India is therefore on a major growth trajectory.

The synergies between the US and India are the following US to India

1. Knowledge export of technology from the US to India
2. Migration of knowledge used in medical manufacturing facilities from the US to India as in the case of the automobile industry
3. The good health education system - basis of good health
4. Learning from the US in respect of various health care practices
5. Adoption of the latest standards and protocols from the US

We will see the creation of new economic cycles as knowledge flows from the US, and capital in the form of investments in India, and capital in the form of purchasing power shifts as India becomes a consumer of medical products just as the US consumes services from the East.

However, a word of caution is in place here as India needs to invest more heavily in Preventive Health Care than in Curative Health Care. Economists estimate a \$ 7 return to the economy for every dollar spent on technological innovation in heart attack care.

Improvements in health from 1970 to 2000 were worth US\$ 95 trillion. During the same time period, the US invested \$ 200 billion in the National Institutes of Health. Making a conservative estimate that 10 percent of the overall health savings (\$ 9.5 trillion) resulted

from NIH-funded research, this investment in medical research has provided a 50-fold return to the economy. Knowledge and capital flows will be most evident in the following areas:

India to the US

1. Availability of large talent of skilled, English-speaking manpower both in healthcare, software and allied fields.

2. Entire gamut of healthcare support services such as nursing, paramedical, managerial, administrative, being made available for mutual interest.

3. A great investment opportunity. Compare the 10 percent EBIDTA margins (and still declining) for health service companies in the US versus 20-25 percent EBIDTA margin in India. India presents a potentially US\$ 200-250 billion healthcare opportunity for US companies. Compare the US\$ 1.6 trillion spent on healthcare in the US for 300 million population versus \$ 25 billion for 1 billion population in India. The potential is tremendous. The areas include :

- a. Research and Development
- b. Contract manufacturing
- c. Clinical trials
- d. Health care services
- e. Medical device manufacturing
- f. Consumables
- g. Home health care

Some of the above mentioned initiatives have already started with Indian organizations like Apollo Hospitals' partnership with Johns Hopkins Medicine International and Apollo's IT services that cater to the needs of the US hospitals.

WHO has identified 15 low cost procedures which, if done in India, can save \$ 1.5 billion.

4. Educational institutions being formed in India in collaboration with US educational institutions in the areas of nursing and allied healthcare courses.

5. The US and India can collaborate using a "rest of the world" approach as US companies





are generally inward looking as far as healthcare is concerned. Therefore, the rest of the world offers tremendous opportunities for the US healthcare institutions and pharmaceutical companies to access diverse market such as China, Russia etc with the Indian entrepreneurial spirit & talent.

6. What is required to capture this opportunity. As an immediate step, we need to form a healthcare engagement team consisting of industry stalwarts and policy makers across healthcare services, pharma, and biotechnology and start identifying mutually beneficial opportunities. US hospitals and health sector ranks among the triumphs of 20th century technology and organization and were the hall mark of the 20th century, today as the US market matures, India presents an excellent opportunity as the most attractive emerging market.

" In a few hundred years, when the history of our time will be written from a long-term perspective, it is likely that the most important event historians will see is not technology,



not the Internet, not e-commerce: it is an unprecedented change in the human condition. For the first time literally, substantial and rapidly growing numbers of people have choices. For the first time, they will have to manage themselves. And society is totally unprepared for it."

- Peter F Drucker

For many years, the US continues to drive cutting edge research in; both medicine and medical protocols. Today however, we talk of integrative medicine; a holistic mix of allopathy and ayurveda, "(more spent on prevention rather than on acute care). As this shift happens, the rest of the world will focus on India and its strength. We cannot let the rest of the world forget our contribution to science.

Today, just as Thomas Edison discovered the light bulb and lit the world; just as Da Vinci decoded the body ... From India Pathanjali's yoga is practiced by nearly 10 percent of the US population. The impact that India can have on preventive healthcare and in healing the world than on health engagement policy that touches on all aspects of health as a behavioral science could produce synergies that could heal the world. But to do so, we must begin now. What we do will be determined not by the differences in the past, but by the common challenges that we face the future. ■





Maharashtra

Powering National Economic Growth



Maharashtra occupies a pride of place in India's economic growth. In fact, the state is referred to as the economic powerhouse of the country. The statistics justify such an assessment. Maharashtra contributes more than 13 percent of the National GDP and its per capita Income is 39 percent higher than the country's average. The state's population of 96.88 million constitutes 9.4 percent of country's population and accounts for about 19 percent of the country's national output. In tune with the country's liberal economic policies, the state government, with its proactive policies, has turned Maharashtra into an engine of growth. The State continues to occupy the dominant position amongst the industrially advanced states within the country. It has been in the forefront of economic development and has been sustaining industrial growth and in creating environment conducive to investment inflows.

Maharashtra's Investment-friendly industrial policies, excellent infrastructure and a strong and productive human resource base have made it a favoured destination for manufacturing, export and financial service sectors. It has achieved 7.1 percent average growth in the last decade. The State's economy has shown increasing signs of maturity. Its Services Sector contributes 61 percent and its Industry Base contributes 26 percent of the Gross State Domestic Product (GSDP). The State contributes 40 of the National Fiscal receipts. Furthermore, it has the largest share of public funds for the development of industrial and social infrastructure.

The State offers excellent infrastructure - road length of 246,000 km and railway lines of 5,987 km. Endowed with a coastline of 720 km, Maharashtra has several natural ports. The two principal ports, the Jawaharlal Nehru Port, and the Mumbai Port are located in Mumbai and together handle the largest proportion of the country's foreign trade. It has three international airports and domestic airports at all major cities. Additional international airports have been planned at Navi Mumbai and Pune. Most major international destinations are linked to Mumbai by direct flights. Maharashtra has the highest power generating capacity of 15,210 MW, reliable, cost effective telecom connectivity, abundant water availability and over 250 industrial parks spread over 52,000 hectares.

The State's well diversified and highly productive human resource with positive work culture, excellent educational facilities, quality infrastructure thriving partnership with enterprising entrepreneurs, backed by continuity and consistency in Government policies on investments have made Maharashtra "First Choice Destination" of the Domestic as well as Foreign Investors. The State has attracted highest FDI in Country (22 percent) between 1991 and March 2006 with 3893 proposals having committed investment of Rs. 56628 crore or \$ 13 billion.

In addition 13366 IEMs have been filed between 1991 and June 2006 for industrial investment of Rs. 3,03,749 crore. Of these, 6012 projects with capital outlay of Rs. 93294 crore are operational and have employed approximately 5.89 lakh people.

Thriving IT industry

Maharashtra's forward looking IT policy has been well received in the IT sector. 25 percent of the top 500 software companies in India are based in Maharashtra. 10 of the top 20 Software and Services Exporters in India have operations in the State. Maharashtra has 30 Public

IT Parks and 177 Private IT Parks, which provide employment to 30 percent of the country's IT, professionals. Maharashtra accounts for 32 percent of Internet subscribers, 35 percent of national market for PC and peripherals. Maharashtra contributes over 20 percent of the total software exports from India.

Banks & Financial Institutions

Maharashtra also occupies the leading position in respect of institutional finance with a multitude of scheduled commercial banks, co-operative banks and non-bank financial institutions (NBFCs) and has the head quarters of the Reserve Bank of India and almost all the Public and Private Sector Banks and Financial Institutions.

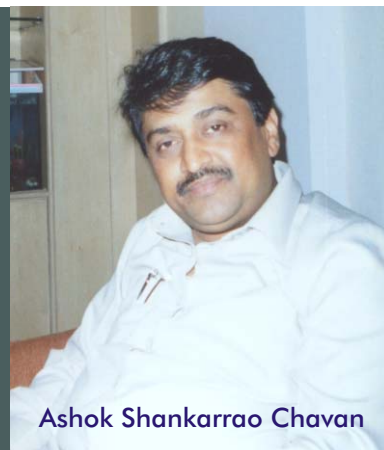
Maharashtra stands first in the country in respect of both aggregate bank deposits and gross bank credit. Mumbai occupies a unique place, not only in Maharashtra but the entire country as the financial and commercial capital. Mumbai houses the two largest stock exchanges of the country and 70 percent of all stock market transactions take place here. This city alone contributes over 33 percent of the country's Income Tax and accounts for over 5.0 percent of the country's GDP. This city of 15 million people is also the entertainment capital of the country. Globalization has brought increased business opportunities to Mumbai from foreign companies, which want to reap the benefits of India's large talented and highly knowledgeable workforce and access its capital, commodity and financial markets. This trend supports Mumbai's emergence as a Regional Financial Hub on the global map.

The State has entered into the next phase of economic reforms, with emphasis on structural changes in addition to fiscal incentives for the promotion of industry and balanced regional growth. This has coincided with increasing global competition and rapid technological changes, which pose new challenges for industry. The Industrial, Investment and Infrastructure Policy 2006 therefore aims at ensuring sustainable industrial growth through innovative initiatives for development of key potential sectors and further improving the conducive industrial climate in the State for providing the global competitive edge to the State's industry.

The state's industrial policy envisages a growth rate of 12 percent for the service sector and an additional employment Generation of 20 lakh by 2010 and growth rate of 10% by 2010. ■

India's Most Favoured Investment Destination

Maharashtra's youthful Minister for Industry and Mines **Ashok Shankarrao Chavan** is happy the state has regained its top slot as the best destination for investment. The state has signed a spate of MoUs, as many as 33 in that one year for an estimated investment of Rs 33,000 crore. The global players that have come include General Motors and Volkswagen. But Chavan is also aware of the drawbacks that the state is grappling with, namely power shortage, inadequate infrastructure in the face of the fast growing industrial activity to mention a couple of them. The state, of course, is gearing up to overcome them. In a detailed interview, with Dev Varam, the Minister in a hurry spells about his priorities.



Ashok Shankarrao Chavan

As India's most industrialized state, what are the industrial policy initiatives that Maharashtra has been taking to induce investment, especially foreign direct investment?

Maharashtra has retained its Number One position in investment because of its pro-active policies. As far as Indo-US economic relations are concerned these are much better than they were earlier. The two countries are getting more closer with the Indian Prime Minister, Dr. Manmohan Singh and the US President George Bush working together to promote the mutual interests.

As far as trade and business are concerned, India has opened up its economy through far-reaching economic reforms. Today India is easily accessible for investment. Foreign investment is permissible. In Maharashtra, we have a separate cell in the state secretariat which deals with Foreign Direct Investment (FDI).

One important thing is that myself and the Chief Minister visited the United States last year and met a number of businessmen with whom we held one-to-one meetings. We met top executives from the Boeing Company and held discussions. These discussions have ultimately

been transformed into action. As a result, Boeing has come to Nagpur. We also held discussions with Microsoft, which is expected to come up with major investment decisions that could benefit Maharashtra. Similarly, we had meetings with Chambers of Commerce there. We had meetings with real estate developers, who are keen to come to Maharashtra. Generally these meetings require a closer follow up. I feel once we have a strong one-to-one dialogue things materialize. Besides the policies, which are helpful to investment growth, the one-to-one approach is helping the state in getting more attractive proposals.

What about the mega projects?

As far as the major projects and the FDI is concerned, we have a number of policy measures governing investment, depending upon the industry. For instance, an investment of Rs. 500 crores and above providing job opportunities

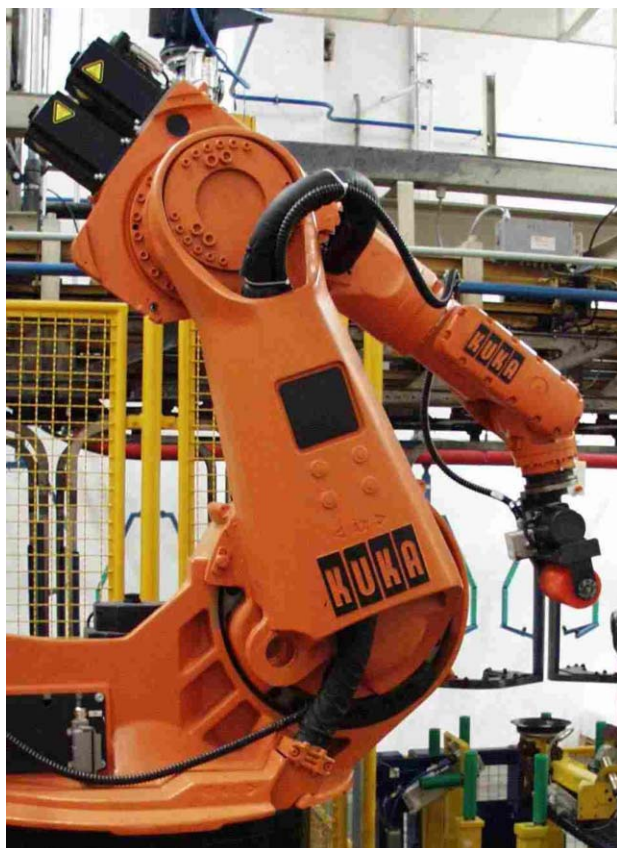
for about 1,000 people is a mega project. The slab can be lowered for investment of Rs. 250 crore and employing 500 people. The investors in these projects are entitled to customized, special packages, depending upon the category of industry. This sort of approach has resulted in investment coming into the



state in a big way. Yesterday there was a MOU signed with a large Chinese company which is into building big infrastructure networks works such as bridges and roads. It also manufactures construction equipment. The Chinese President Hu was in Mumbai with the Chief Minister, and we signed the MoU with the Chinese company. So conditions are very conducive to foreign investment. If such opportunities are tackled and handled properly, I don't think there will be any problem.

Can you quantify the amount of foreign investment that is coming into the state in the next five years or so?

It is difficult to quantify how much money will be coming in. In the past one year, we have signed 33 MoUs, amounting to an aggregate investment of about Rs. 33,000 crore, a part of which is foreign direct investment, which will be coming into the state. I feel there is a tremendous boom in the market here. There is craze for Maharashtra. I see the atmosphere is very conducive to the growth of industry in Maharashtra. We will have to see that the state is geared up to handle such a sort of situation because the infrastructure is the one thing that we are trying to focus upon and streamline. We have good infrastructure but we need to make it better. We are concentrating on that.



US Ambassador to India David Mulford, in his address to the Indo-US Economic Summit recently had identified three critical areas in which India and the US could step up investment. These are infrastructure, energy and agriculture. In all these three areas, Maharashtra is a leader but still there is a lot more to do. Do you have anything to say about it?

I fully agree that as far as the agri-processing industry is concerned, Maharashtra's potential has not been exploited to the full extent. Maharashtra is basically an agro-economy state. But today we are concentrating more on service industry and other industries. But with the changing scenario, and the change in the APMC Act, bigger players are going into setting up malls and hypermarkets without any middlemen. The agricultural produce is going to be sold in the mall at a very good price and the farmer is going benefit from it. So agro-based industry requires more attention. The Maharashtra Industrial Development Corporation has been introducing food parks. These are yet to pick up nicely. But I see very good potential for agro-based and food processing industries. We have a wine policy. We have very good wine parks, which are also exporting wine. These are at Nashik, Sangli and other areas. The wine industry is getting tremendous boost. We have a lot to concentrate more on agro-industry, as I have said.

Let's talk about energy, the weak point.

I don't think it is a weak point. It is an opportunity. I look at the energy crisis as an opportunity. Whenever a crisis comes, we should take it as an opportunity. That is why MIDC has gone into power generation encouraging the private sector. There is a change in the legislation. Any private sector player can go into power generation now.

What about public private partnerships?

Yes, we are encouraging them. For instance, MIDC has called for tenders in two areas, Thane and Butibori. The combined power generation from both places is going to be 600 mw. This which will be generated by a private party to be pumped into MIDC areas. We are encouraging such type of private power generating companies to enter the field and cater to the industry's requirements. So in the next two to three years there will be no problem. There is a shortage of 2,000 mw, I will admit that. To overcome this problem, we have taken some decisions. But it will take some time before they are implemented.

What about developing self-contained townships?

The concentration of industry is more around Mumbai

and Pune. There are other towns too, where there is a concentration of industry, Kolhapur for instance. Sindhudurg district in Konkan. Towards Marathwada it is Aurangabad, Nanded and Latur. If you go towards Vidarbha it is Nagpur and Amravati. Maharashtra has eight or nine such districts which require good growth. Not only industrial growth but social infrastructure growth, in terms of good housing, recreational centers, shopping malls, etc. These are part of social infrastructure. For any district, I feel, social infrastructure is very important. It should be developed hand in hand with industrial development. And of course we need to provide connectivity. By air, road and rail. We are focused on these issues and SIDCO, the state-owned corporation is doing excellent job in the Mumbai area but is also developing townships in the rest of Maharashtra. In the next two three years you will see drastic changes.

You have four well-developed industries in which Maharashtra can emerge as a regional or even global hub. One is the automotive industry.

Maharashtra already has some good players in the automotive industry. General Motors is one of the biggest achievements that Maharashtra can boast. Its project is coming up in Pune district. We are also talking about Volkswagen. We are signing a MoU soon. Bajaj Auto is already there and is expanding. We have Skoda in Maharashtra. Mercedes Benz is another. Now component wise also there is a lot of scope for ancillary industries. Auto clusters are one area on which we are focusing on. Pune has an auto cluster and so has Aurangabad. Wherever there is a cluster development, we are giving all the help in terms of infrastructure so that they can develop into proper industries and can meet the requirements of these auto giants.

Could you say the same thing about the pharma industry? Mumbai is the cradle and home to the Pharma units.

There is a problem because industries are going to states like Uttaranchal as the government of India is giving special concessions to them. We are trying to hold them. I think Special Economic Zones are an answer to this problem. They can survive in special economic zones because these are tax free. The pharmaceutical units can do well because they can export from there.

What about gems and jewellery? Mumbai again is the leader. How about developing it into a manufacturing hub?

The gems and jewellery industry provides large employment. The government of India has announced



special packages and schemes for the gems and jewellery industry. Whatever help is expected, I will see to it that it is given. Things are moving quite nicely in that area.

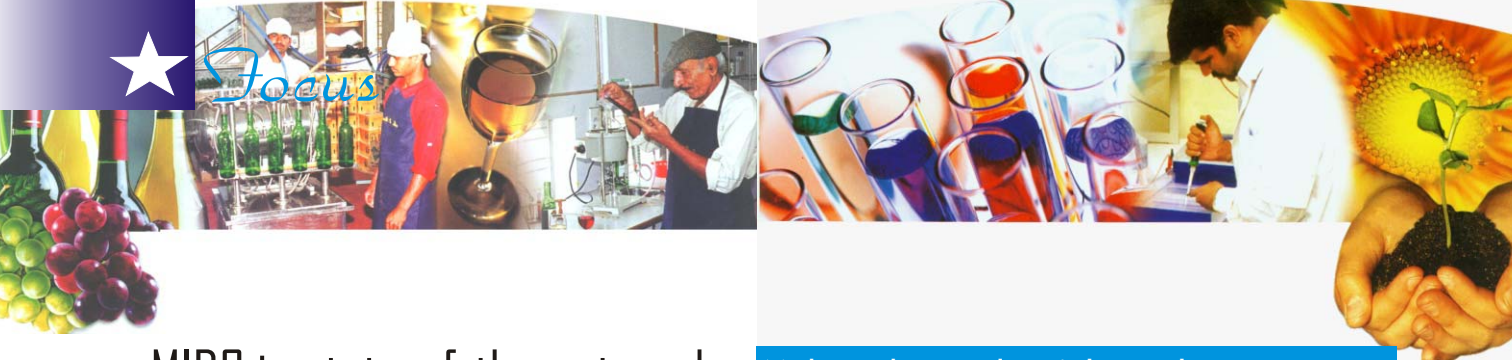
What about Mumbai being developed into a global financial centre? Finance Minister P. Chidambaram is very keen on it. What are the government's initiatives in this regard?

The government has already taken initiatives, the results are seen. The Mumbai Metro Regional Development Authority of which the Chief Minister is the Chairman, is actively involved in it. Under the new railway policy work has been awarded to people on a BOT basis.

In terms of air connectivity, a new airport around new Mumbai is being planned. New railway lines are being laid in Mumbai to ease traffic, the roads are being widened and all these things are going to turn Mumbai into global city, a beautiful city.

What is your message to the business community in the US?

My message to them would be, come to Maharashtra, Maharashtra means business. You are welcome to Maharashtra. ■



MIDC in state-of-the-art mode

A Catalyst Fast Catching Up With Clients' Growing Needs

MIDC has developed more than 250 industrial parks across Maharashtra to facilitate industrial growth. In view of the growing competition from other states, what cutting edge facilities within the existing infrastructure that MIDC is offering to attract further investment, especially from foreign investors?

MIDC, as a key facilitator of the State Government's industrial policy is striving towards strengthening and further improving infrastructure to ensure that Maharashtra as a whole achieves an industrial growth rate of 10 percent by the year 2010. As you are aware, MIDC has created more than 250 industrial parks across the state to ensure a well-distributed industrial growth.

So, the emphasis now is on improving the infrastructure within the existing facilities. This means ensuring adequate and uninterrupted power supply, and providing better connectivity in terms of telecommunications and transport facilities. Transport connectivity by road, rail and both air and sea ports is vital for the development of commerce and MIDC's endeavour is to extend highly efficient and satisfactory services to its industrial clients all over the state.

In addition, MIDC's policies are pro-active and conducive to attract investment, especially foreign direct investment (FDI).

Maharashtra Industrial Development Corporation (MIDC) has been an engine of the state's economic growth since its inception in 1962. With the state government's pro-active industrial policies in place, MIDC has risen to the occasion to build and offer state-of-the-art infrastructure to its growing number of clients. MIDC CEO **Rajiv Jalota** talks to **Veerendra Bhargava** about MIDC's role and responsibility as a catalyst of the state's industrial growth.

Congratulations, Volkswagen is coming to set up a plant at Chakan near Pune. Which other major players are coming to Maharashtra and in which lines of manufacturing?

We are extremely happy, the German car manufacturer Volkswagen has chosen Maharashtra as its India base to set up manufacturing facilities. In fact, Maharashtra won this prestigious project against competition from several locations across the country. Volkswagen is the third European company to choose Maharashtra in under a month for its manufacturing base after Daimler Chrysler and Renault (with Mahindra and Mahindra). In August, American car maker General Motors had announced its decision to set up its plant in Talegaon, again near Pune. The state is already home to Italian car maker Fiat and Czech Auto maker Skoda, a subsidiary of Volkswagen, has its manufacturing unit in Aurangabad.

What is the estimated investment in these industries?

Volkswagen is expected to invest over \$300 million or nearly Rs. 1,400 crore in its project. Overall, the investment situation in Maharashtra is very encouraging. In 2005-06, Maharashtra has beaten all the states in attracting a total investment of Rs. 26,947 crore in 123 projects. The total foreign direct investment that the state has attracted since 1991 amounts to \$13 billion.





Have you identified any key industrial sectors for special focus, such as automobiles, pharmaceuticals, IT, gems and jewellery and textiles, which have very high export potential?

All these sectors are getting adequate focus. In fact, in Maharashtra there are key industrial hubs and specialized parks with facilities conducive to investment in a vast range of industries. The state government has declared Butibori near Nagpur, Badnera, Achalpur, Yavatmal, Ichalkaranji, Kolhapur, Solapur and Maldona as Textile Zones. Accordingly, MIDC has taken steps to develop Textile Zones and Parks providing state-of-the-art infrastructure as well as for promoting export related textile-manufacturing units. Maharashtra is also following a cluster development policy.

MIDC has developed Information Technology (IT) and Biotechnology Parks at various places. Besides these, there are specialized parks, which include Wine Parks near Nashik, a Floriculture Parks at Talegoan, a Silver Zone at Kigali Hatkanangale and a Textile Zone at Butibori, as mentioned earlier.

Tell us about quality of infrastructure facilities that MIDC is offering in terms of roads, power and water supply, road and rail transport within industrial complexes, supported by ports and airports.

Highly developed MIDC industrial areas exist in Mumbai, Pune, Nagpur, Aurangabad, Nashik and Kolhapur to name a few. MIDC has been constantly developing newer parks with most modern facilities. Described as MIDC's five-star industrial areas, these parks offer high quality infrastructure, such as roads, greenery, quality water supply, effluent treatment, etc. These parks are located at Butibori near Nagpur, Nandgaon Peth near Amravati, Kagal Hatkanangale near Kolhapur and Shendre near Aurangabad.

While developing special zones, especially for chemicals, pharmaceuticals, etc., what norms are you following to comply with environmental safety?

In fact, MIDC has set up Chemical Zones to meet the

special requirements of chemical units. To begin with, MIDC has taken due care in choosing their location besides providing common effluent treatment plants within these zones.

Some of these parks are located at Roha, Patalganga, Mahad, Taloja and Kurkumbh. In fact, MIDC has developed four hazardous waste treatment facilities. Two of them are going to use plasma technology which is being used in the US and Japan.

What about Special Economic Zones?

Maharashtra is in the forefront as far as Special Economic Zones (SEZs) are concerned. Of the total number sanctioned by the Centre, 73 are to be located in Maharashtra, the highest figure for any state. The total expected investment is estimated at more than Rs.30,000 crore. The developers alone are expected to invest up to Rs.42,000 crore for providing state-of-the-art infrastructure in the SEZs. Some of the SEZs are coming up at Kagal near Kolhapur, Chincholi near Solapur, Yavatmal, Butibori, Hinjawadi (for IT) near Pune, Ambarnath (for IT) near Thane, Jalna (for biotech), and Latur (for agro-processing). MIDC will provide state-of-the-art infrastructure facilities at all these places where SEZs are planned. MIDC is also setting up multi-product SEZs at Sinnar near Nashik and Nandgaon Peth near Amravati.

What about MIDC's modernization in its own working?

MIDC is making available on online, a common application form for all clearances required for setting up industrial units, which means paperless working. It is essential that prospective industrialists be also provided with systems of fast governance apart from quality industrial infrastructure. MIDC has also engaged Tata Consultancy Services for designing an enterprise resource planning (ERP) system which will be bringing further transparency, efficiency, and data upgradation at the Corporation. ■



Land for four IT Majors in West Bengal by March '07

The Information Technology (IT) department of the West Bengal government hopes to resolve the issue pertaining to land allocation to the country's four major IT companies - Wipro, Infosys, ITC Infotech and TCS by March 2007.

West Bengal Information Technology Minister Debesh Das told a press conference that he recently had a meeting with Industry and Commerce Minister Nirupam Sen and the officials of West Bengal Industrial Development Corporation (WBIDC). "We hope that we will be able to solve the problem relating to land price by March next year and would be able to provide them with required land to start their operations," he said.

Explaining the outcome of West Bengal's participation in an IT fair held recently in Bangalore, Das said, "We have got a very positive response there. A number of companies have shown interests to come and set up their units in the state. They include Avesthagen which is a bio-tech company, Max Healthcare that will set up an IT training centre within a year and employ 1,000 people an animation company and a chip designing company.

The West Bengal IT department has also been working on the lines of suggestions given by a few major high-end companies like Intel,

Wipro, Mindtree at the Bangalore event on how to attract some chip designing companies to the state. It is also planning to shape up an incentive package for the high-end solutions providers."

Das said, "We should have our rate card ready for the high-end companies. We are planning on that lines of what are the advantages we should give to those companies. In a word we want to do something which other states haven't attempted so far."

Furthermore, a high-level industry delegation from Queens land province of Australia is slated to visit the state in six months as a follow-up of the interaction with the IT delegation from the state in Bangalore. It has also confirmed its participation in the forthcoming Infocom event in the state.

"We are waiting to see how the proposed policy of the Union Ministry on chip manufacturing shapes up. We want West Bengal to be a chip-designing hub. This means that the software development will be done here and we will decide on the manufacturing part that creates pollution only after the policy decision is taken", Das said.

The delegation, which had been to the Bangalore IT event was led by state IT minister Debesh Das. He was accompanied by an eight-member business delegation. It included Siddharth, Principal Secretary of West Bengal IT department, Debanjan Datta, Managing Director, WEBEL, apart from the top IT infrastructure developers of the city including the likes of Unitech Metropolitan Group, TCG Real Estate, DLF, Infinity, Technopolis, Globsyn, United Credit, etc. The state took up a space of 120 sq. mt. at the venue to set up the 'Bengal Pavilion'.

Karnataka Chief Minister Kumaraswami Devegowda, as the guest of honour, along with West Bengal IT Minister Das inaugurated the fair. Das, in his keynote address, invited the IT companies of Karnataka to come over to West Bengal and see for themselves the IT scenario, the fast growing infrastructure developments, the talent pool, the power surplus situation and other advantages of the state. ■



W. Bengal takes up proposal to set up IIIT with Centre

The West Bengal government is keen to set up an Indian Institute of Information Technology (IIIT) in the state. West Bengal Chief Minister Buddhadeb Bhattacharya has already written to the Union Ministry in this regard.

Speaking on the sidelines of a seminar on 'IT East' organised by the Confederation of Indian Industry (CII), West Bengal IT Minister Debesh Das said, "The Chief Minister has written to Arjun Singh, recently for setting up an Indian Institute of Information Technology which would complement the growth of the state IT industry." The state government has primarily identified two



prospective locations for the said institute. "It might be Baruipur or Barrackpore", Das informed.

If the proposal gets an approval from the Centre, it would be the fifth IIIT in the country. This one will specialise on cyber security, according to the IT Minister. The Institute would be set up with funding from the Centre. According to state government sources, there is a likelihood of the fund getting approval from the Centre for setting up the IIIT in the beginning of the 11 Five-Year Plan.

The state is also keen to accommodate some high-end IT companies in the IT parks of the state. It is planning to allocate a separate building in Sector-V for those high-end solution providers. Indian Institute of Technology (Kharagpur) has been entrusted with the responsibility to make a concept paper on how to maximise the growth of the state IT industry.

Talking about a recent development, Das said that Wipro Chief Azim Premji had written to the Chief Minister recently for a plot in Rajarhat to set up its campus. The state was also in the process of acquiring land for Infosys which asked for 100 acres of land to set up its unit in the state, Das said. ■

CSI national convention comes back to Kolkata after five years

Computer Society of India (CSI) is organising a three-day convention from 23 to 25 November 2006 at Science City in Kolkata. The theme of the seminar for this year will be 'Affordable Computing'.

CSI is an organisation that works for promotion of computer usage among the masses as well as popularising computer education them. CSI has a network and branches all over the country. It has 63 chapters and a whopping 32,000 membership across the country. The convention is an annual feature of the society.

Subimal Kundu, former Chairman of the CSI Kolkata chapter and currently Chairman of Registration Committee of CSI-2006 said, "The last convention in Kolkata was held in 2001. After that we are organising this one which is the 41st convention in the month of November."

The seminar will be inaugurated by West Bengal Information Technology Minister Prof. Debesh Das. The seminar will throw light on how computer and its usage

can be made more affordable for the ordinary people. The speakers will include representatives from all the stakeholders of the information technology industry. Important speakers include S Ramadurai of Tata Consultancy Services, Nandan Nilekani of Infosys and Lakshmi Narayana of Cognizant.

Kundu said as many as 1,000 delegates were expected to attend the convention. CSI will also felicitate young IT Professionals of the Year during the three-day event.

Briefing about the activities of CSI, Kolkata chapter, Kundu explained, "We conduct workshops and seminars on a regular basis for the benefit of IT professionals and IT users. We organise lecture meetings on current IT-related topics, print monthly news letters (we call it Hard Copy), we try to promote computer education specially among the students of schools and colleges. We also campaign to make the village people aware of the benefits of usage of computer. This apart, we conduct several certificate courses in IT education at a comparatively cheaper cost. Members can also access the CSI library which has a good collection of books on computer learning." ■

ICSI meet puts focus on achieving global excellence benchmark

The Institute of Company Secretaries of India (ICSI) has recently organised its 34th national convention in Kolkata. The purpose of the convention was to plan to add skill sets and knowledge grounding to renew, reinvent and reshape the profession of company secretaries to reach the acme of excellence and competitiveness.

Nearly 800 delegates comprising corporate directors, company secretaries and other senior management executives in the corporate and financial services sectors participated in the convention.

Union Minister for Company Affairs P C Gupta inaugurated the convention and noted industrialist and ASSOCHAM President Anil Agarwal delivered the keynote address.

Speaking on the occasion H M Choraria, President, ICSI said, "Company secretaries are now equipped to render high value services to the corporate sector. The institute, through its continuous education and training inculcates appropriate knowledge and skills in company secretaries to add value to the corporate sector."

Choraria also mentioned of a few recent initiatives taken by ICSI. He said, "To globalise the profession, we have approached the Commerce Ministry to agitate at the WTO forum for inclusion of a new Head of Corporate

Governance Compliance and Secretarial Advisory Service under the Services Sectoral Classification List of the WTO". The institute has also sought support from parallel institutes in various countries of the world for this initiative to fructify at the WTO forum. "We are also in the process of developing country-specific knowledge and skill-base among the members to enable them to go global", he added.

Choraria also announced that the Institute was in the process of launching post membership qualification course in corporate governance for the members of the institute. "This is in line with our vision to be a global leader in the development of professionals specialized in corporate governance. The new course is benchmarked against the syllabi of noted institutes and universities from other countries", he added.

ICSI was also working on an online educational model through the Internet to bring students from far-flung areas into the company secretary courses. According to Choraria, the corporate environment is witnessing cross-border mergers, amalgamation and takeovers. New taxes such as service tax and VAT were emerging. Globalization of business was creating new challenges and knowledge callings among professionals. There were also other cross-border corporate governance

issues arising out of such mergers and takeovers giving rise to cross-cultural issues. WTO and other kinds of multi-lateralism were making corporate management and corporate governance tough. "To enable our members to add value to companies, ICSI is undertaking a review of syllabus. The new syllabus will educate and train company secretaries to enrich corporate affairs through their performance, education and skills in globalized environment", he said.

Choraria added, "When in the new environment, laws become simple and user-friendly, the emphasis in the syllabus will be on better corporate management and improved corporate governance". ■





Online GTF e-loan facility just a click away for SSI exporters

Global Trade Finance Ltd (GTF), India's leading standalone factoring company, has launched a web-based 'e-loans' sanctioning facility, the first of its kind, for exporters from small scale industries (SSIs).

Under the new facility, termed "SSIs - Sanction Your Own Loan", a SSI unit (which meets the requisite eligibility criteria) can get an export factoring limit sanctioned instantaneously by just making an application on the GTF website (www.gtfindia.com). This is the first time that a financial intermediary is extending export loans on an e-platform in the country.

A registered SSI unit having export relationship with an overseas buyer for at least one year can now seek approval of limits from GTF against its sales to various overseas debtors through GTF's unique web-based package.

Approval of requested limits is conveyed to the exporter instantaneously on submission of basic information pertaining to the SSI unit, details of factorable debtors, key financials, etc. The application form is user-friendly and at the same time designed to obtain all relevant information on debtors' financials and basic KYC details.

Reserve Bank of India Deputy Governor Shyamala Gopinath graced the launch event of the 'e-loans' facility as Chief Guest and T.C. Venkat Subramanian, Chairman & Managing Director, Export-Import Bank of India, presided over the function, which was attended by a large gathering of exporters, SSI Unit entrepreneurs, bankers, mutual funds, and others.

Each SSI could be sanctioned a maximum export factoring limit of up to Rs 2.5 crore (\$500,000) on open account terms under the 'e-loans' facility.

"GTF is focused on supporting exports by the SSI sector. The new service aims to harness the vast potential for growth in the SSI sector by alleviating their financing problems through easy, simple and fast availability of finance without compromising on our credit risk evaluation parameters", said S.R. Ra Chairman, Global Trade Finance Ltd., at the launch event.

There are 12 million SSI units in India, accounting for almost 34 percent of the country total exports. SSIs face constraints in terms of insufficient finance on affordable terms, quick turnaround time for their financing and cumbersome documentation. Other critical constraints being regulatory



hassles, inflexible labour markets and poor infrastructure.

"GTF has taken the initiative to remove the financial constraints faced by SSIs by launching 'e-loans'. This facility will enable GTF to position itself as a key lender institution supporting the growth of exports by SSIs using an interactive platform," said Arvind Sonmale, Managing Director & CEO, Global Trade Finance Ltd. Under the e-loans facility, SSIs can get loans at 9.0 percent per annum plus the cost credit protection provided by ECGC at 0.5 percent of the value of each invoice.

GTF's top-of-the-line trade finance products and services for exporters as well as importers have helped it win the loyalty of SME clients over the last five years. SMEs now account for almost 70 percent of the factored assets while the balance accounted for by large enterprises.

The non-banking finance company achieved a new milestone in July 2006 by crossing the Rs 10 billion mark in factored assets. The company has achieved the landmark on the back of over 100 percent year-on-year growth in assets since inception in 2001. As of July-end 2006, GTF's portfolio of factored assets stood at Rs 10.26 billion.



Deepak Pahwa elected IACC President at 37th AGM

Deepak Pahwa Managing Director, Bry-Air (Asia) Pvt. Ltd and the Group Chairman, Pahwa Enterprises, has been unanimously elected as President of the Indo-American Chamber of Commerce (IACC) for the year 2006-07.

The Executive Committee of the Chamber, at its 37th Annual General Meeting (AGM) held on September 29, 2006 in Mumbai, also elected President and Farokh T. Balsara and Ashok Aikat were elected Executive Vice Presidents of IACC.

IACC's outgoing President B. Prabhakar welcomed the members who were present for the AGM and mentioned some of the achievements of IACC during his tenure as President.

Dr. Ashok Ganguly, Chairman of ICICI OneSource Ltd., spoke on "Opportunities, Challenges and Issues". U.S. Consul General Michael Owen and Carmine D'Aloisio, Minister-Counselor For Commercial Affairs were also present at the meeting, attended by more than 70 people.

Pahwa's election as the President of IACC in the Chamber's 38th year assumes importance, at a time when the Indo-US economic relations are poised to register a qualitative change. As the only bi-national chamber exclusively dedicated to enhance Indo-US Economic relations and having 14 branches and an expanding direct membership of more than 2600 enterprises across the country, IACC is an effective vehicle for catalyzing track-two diplomacy with the US.

"The importance that has been assigned to the Indo-US Economic Summit- the third edition of it was just concluded in Delhi recently - by the Government of India, the US Administration and businesses of both countries pin a lot of responsibilities on IACC to take the Indo-US Economic relations to a higher orbit of growth. We will unfold a series of innovative measures and programs to achieve this objective," says Pahwa.



Out going President B Prabhakar greets Deepak Pahwa



Michael Owen US Consul General addressing the meeting



Audience in the AGM



Dr. Ashok Ganguly spoke on "Opportunities, Challenges & Issues" during AGM



Develop Innovative B2B Models to boost Two-Way Trade: Pahwa

Deepak Pahwa, the newly-elected IACC President, has called for innovative models of business to business (B2B) interface in order to boost two-way trade between India and the United states.

Pahwa, in his first communication to IACC members through the Chamber's electronic newsletter, said, "IACC recognizes that it has to play a qualitatively different role in the changed environment. A very important responsibility has been cast on us because US still continues to be the largest trading and investment partner."

"It is equally true that US is the hottest destination for the emerging Indian global investors. We have to create innovative concepts, ideas and frameworks to facilitate two-way trade and investment. New areas for co-operation have to be identified, new business models have to be propagated, business to business (B2B) interface have to be strengthened and importantly, both the Administrations and businesses have to be sensitized about the emerging opportunities and concerns of the industry," he said.

Pahwa said it was a happy co-incidence that he was taking over as the President of IACC at a time when the Indo-US economic relations were at an all-time high.

"India has become a hot destination for foreign investors riding on the back of its continental market size, capacity to absorb state-of-the-art technologies and sustained economic growth of well over 8.0 per cent," he said.

"Equally significant are the strides India Inc is making to globalize its operations. For the last five years or so, India Inc's investment abroad has aggregated to \$7 billion. Indians are taking over global corporations with a clear-cut objective to emerge as strong players. Examples abound in fields like steel, pharma, foundry, IT etc. This is a remarkable feat, which have very few parallels in the developing world," he said.

Pahwa said IACC would unfold a series of innovative measures to position the Chamber as the most proactive platform to take the Indo-US Relations to a higher orbit of growth. "We propose to create intellectual inputs for policy makers and businesses to discern the growth potentials and challenges in areas like manufacturing, agriculture, education, textiles, aviation, real estates, infrastructure etc in consultation with world renowned

consulting firms and experts," he said.

Pahwa said hand-holding of Indian and US businesses, particularly the small and medium enterprises, would be an important plank of the Chamber's activities. "Programmes have to be created for business-to-business interfaces, which can result in building sustained business relationships. We are in the process of appointing an experienced trade expert to spearhead that task. To bring out an image makeover, we are zeroing in a PR Agency with a pan-Indian presence to ensure wider media exposure not only in metros but also in stations where IACC has the presence," he said.

Pahwa referred to IACC's signature event, the Indo-US Economic Summit, would be holding its fourth edition during his tenure. "We are brainstorming about the innovative packages, knowledge and business contents that have to be built into the Summit to reflect the aspirations of the businesses of both the countries."

Pahwa was thankful to his predecessors, namely the past presidents and executive committees for bequeathing him a system, which had been continuously embellished and enriched with their experience. "Yet, we have to become ever futuristic chasing always newer ideas and concepts to make this august body a dynamic powerhouse of ideas and actions. I shall try my best to

A technocrat with over 26 years of experience in engineering & marketing of HVAC&R, Air engineering & Environmental Control Technologies and a Fellow of ASHRAE (*American Society of Heating, Refrigeration and Air-conditioning Engineers*), Deepak Pahwa has won several prestigious industry awards including the **"National Entrepreneur of the year award"** in the small medium enterprise category (1987). He has presented several technical papers on various aspects of Air Engineering at various international forums.

Pahwa Enterprises is a rapidly growing industrial group having core manufacturing strengths in air engineering and environmental control technologies. The Group has made strides in globalizing the operations riding on the back of stress on quality, technology innovation and branding and these have been very well acknowledged.

translate our collective vision into achievable realms. With your able support and guidance, I am confident that I can make a humble effort," he concluded. ■



West India Council

GOOS 06: Time Ripe for India to Tap KPO Avenues

The Global Offshore Outsourcing Summit (GOOS) 2006, organized by West India Council of Indo-American Chamber of Commerce (IACC) at the ITC Grand Central recently, has unveiled the future of the Knowledge Process Outsourcing (KPO) industry in India. In an engrossing day, the industry captains spelt out the mantras for success that

summit. He highlighted the need for better data security measures in companies and need for an Intellectual Property Rights (IPR) regime in India. Owen also unveiled an Ernst & Young Survey Report, titled 'Global Sourcing of Knowledge Services' concentrating on the supply side priorities for leadership.

The day was marked by presentations and discussions by Information Technology (IT) industry leaders, who touched upon the sensitive issue

of the KPO segment. In his keynote speech, Pramod Bhasin, President & CEO, Genpact, underlined the need for retaining talent at the top level to inspire confidence among customers.

Ms. Anita Ramchandran, CEO, Cerebrus Consultants, spoke about the need to review compensation packages and offer more training and expertise to generate more value within the organization.

Sandeep Baldava, Solution Leader, Fraud & Investigation, Ernst & Young, offered interesting insights into the most pressing issue at hand data security. He suggested a people-centric approach, apart from creating systems, "that will detect frauds at an early stage. "There is a need to conduct background checks of employees and create a strong culture in the company that has a top-down approach," he said.

During a panel discussion, called 'Learning from the Masters of the Game', Anand Desai, Managing Partner, DSK Legal, talked about Legal Process Outsourcing (LPO) in India, and gave an idea about the huge opportunities that exist in this segment of the IT industry. Increasingly recognizing English, and dispute resolution across countries had become the norm, LPO will help mitigate arbitration costs by leveraging on technology, he said.

Drawing a parallel between the American and Indian healthcare sectors, Divya Sehgal, COO, Apollo Health Street, shared his vision as to how India could become a hotspot for healthcare outsourcing, provided it acquired strong domain expertise. Terming it as a virgin territory, he said, "The US is a \$ 2 trillion market of which only \$ 200



Light of the Lamp at GOOS 2006. L-R Michael Owen, US Consul General, Mumbai, Atul Nishar, Regional President, WIC-IACC lighting the lamp, Sanjay Singh, President, HP BPO India, R K Chopra, Secretary General, IACC, Manish Modi, Conference Chair GOOS 2006

will enable India to transcend the boundaries from being a Business Process Outsourcing (BPO) destination and moving up the value chain to become a KPO hub.

"Achieving domain expertise, evolving a global delivery model, ensuring data security and retaining talent have emerged as the critical needs to make India a force to reckon with in the KPO segment," summed up Manish Modi, Conference Chair.

US Consul General Michael Owen, who was the Guest of Honour, inaugurated the one-day



million is outsourced to India. Clearly, this offers a lot of potential."

During a session that dwelt on Market Research & Analytics, Mihir Kittur, COO, Ugam Solutions, said, "Customers are always in search of holistic consumer insights that unfold several opportunities, especially the web." He also sounded a veiled warning that countries in Latin America and Sri Lanka, Costa Rica, Hungary, Romania, China and the Philippines, were likely to emerge as attractive destinations.

Prithvijit Roy, VP, Decision Support & Analytics, HP Global e-Business Operations, said that data analytics cannot be a stand-alone service, and can play a major role in improving agility and flexibility of companies without compromising on data security.

Avinash Vashishtha, Chairman & CEO, Tholons, underscored the need for the KPO industry to brand itself to create a visible differentiating factor.

At the round table conference titled, 'India's leadership advantages in KPO Challenges & Trends', industry leaders got together to identify trends and opportunities that India

needs to seize. Atul Nishar, Founder & Chairman, Hexaware Technologies, and Regional President, WIC-IACC, said, "It is expected that by 2010 out of \$17 billion global KPO business, India is likely to corner a significant market share like it did in the IT and BPO segment." They also predicted that Indian KPO industry would register a consistent growth of 30-40 per cent annually in the next few years. It will give rise to small entrepreneurs in niche areas across the country.

Overall, GOOS 06 highlighted the fact that there exist huge opportunities for KPO in India, and now is the right time to seize them.

The Summit, the first of its kind to lay focus on Knowledge Process Outsourcing (KPO) was sponsored by Hewlett Packard, Citigroup, Datamatics Technologies, Hexaware Technologies, Sitel India, Sutherland Global Services & Government of Tamil Nadu while Ernst & Young was the knowledge partner. Manish Modi was the chairman of IACC committee for GOOS 2006 and other members were: Raj Nair, Ashank Desai, Atul Nishar, Farokh T. Balsara and Gopal Jain.

Celebrating the Foundation day

IACC (WIC) celebrated its 38th Foundation day on the 10th November 2006 with the theme - Grand Las Vegas Nite - appropriately in the evening. US Consul General Michael Owen was the Chief Guest and Bollywood celebrity Urmila Matondkar, the Guest of Honor at the fun-filled event, electrified by the performances of Shveta Salve and Longi. A large number of IACC members, including the region's Past Presidents, besides top executives from trade and industry, attended function.





North India Council

To help short-term visa holders IACC moots pact with US to avoid double taxation

The North India Council of Indo-American Chamber of Commerce (IACC) has urged the Indian Government to take steps for signing a social security pact with US Administration on the lines of the recent treaty signed with Belgium, to give relief to increasing number of Indians working in the United States on short-term visa. This will eliminate double taxation towards social security and in the bargain save the Indian Taxpayers up to \$1 billion annually, according to unofficial estimates.

"The treaty should envisage avoidance of double taxation of social security both in the home and host countries for professionals working on short term visa. Once such a treaty is signed the professionals will be required to pay social security taxes only in home country, helping thousands of Indian professionals working in the US on short term assignments." said Deepak Pahwa, President IACC.

Alternatively, as in the social security pact signed by India and Belgium, Indian professionals working in the US for a specified time making mandatory social security tax payments to the host country should be allowed to export social security benefits, on completion of work contract/retirement and subsequent relocation to home country. The two countries, taking into consideration the average length of the contract, should mutually agree upon the length of the specified time. This will emulate the 'Totalization Agreement' that the United States of America has signed with several other countries.

Most Indian professionals working in US are on short term visa, up to a maximum of five years, and therefore are not able to meet the precondition of 10 years set by the US Government to accrue the benefits of this scheme. During this time, both employer and employee continue to contribute to the Provident Fund and Gratuity requirements in India.

'Not only does this lead to double towards social security, but the benefits of the taxation in the USA are not made available to the taxpayers," said Pahwa Unofficial estimates of this forfeit of resources on account of non-

claiming of social security benefits are close to one billion dollars.

Procedural mismatches have hindered the progress of India's debate with the US Administration on this subject.

Difference in semantics of taxation: In the US, any deduction from the salary of an employee for social security is termed as a tax. But in India, contributions towards Provident Fund, Gratuity and other superannuating benefits are not treated as taxes but as mere contributions, though the employees are the ultimate beneficiaries.

Principle of Reciprocity. As on today, there are more Indians working in the US than the US citizens working in India at a given point of time. But situation is fast changing. There is an increasing number of foreigners, particularly from US working in India for short durations. Their number is bound to go up in the coming years as more and more overseas investors are resorting to mergers and acquisitions and investment in green-field

- It is mandatory for any body working in the US (professionals employed with the firms or self-employed) to pay social security tax. This is over 12 per cent of the salary or their income.
- This is borne together by the employee and employer (in the case of people employed in firms).
- The benefits of this tax will accrue to the taxpayer only when he/she puts in specific length of service in the US, which is currently 10 years.

projects. In course of time, there will be a semblance of equanimity in the number of Indians working abroad and expatriates working in India, creating an ideal situation for complying with the Principle of Reciprocity. This would create a situation for both the US and India where revenue earned and foregone are more or less equal.



Working Together: An Interactive Session With US Embassy Officials

The IACC-NIC organized an interactive meeting on 'How do we work together' with US Embassy officials on November 3, 2006 at Hotel Taj Palace, New Delhi. The meeting was attended by Executive Council members, four Regional Presidents and past presidents of IACC.

From the US Embassy, the following officials were present at the meeting: Geoffrey R. Pyatt, Deputy Chief of Mission; Carmine D' Alosio, Minister Counselor for Commercial Affairs; Larry Schwartz, Minister Counselor for Public Affairs; Peter Kaestner, Minister Counselor for Consular Affairs; John Davison, Minister Counselor for Economic Affairs; Theodore G Osius, Counselor for Political Affairs; Randall Fiertz, FAA Representative; Ms Tejal Shah, First Secretary- Economic Affairs; Rajinder Singh, Economic Officer, Ms Marianne Drain, Commercial Officer; Yash Kansal, Senior Commercial Specialist and Ms Preetha Nair, Senior Commercial Officer.

IACC National President Deepak Pahwa welcomed the

participants and said that the Chamber was happy to welcome the new team of officials at the US Embassy. Since the objective of the US Embassy and the IACC was to expand business ties between India and the US, this interaction would identify the areas and means of working together.

Vinod Madhok, Regional President NIC, S. K Jain, Regional President, EIC; Atul Nishar, Regional President, WIC and Vinay Kumar, Regional President, SIC made presentations on 'How do we work together?'

Geoffrey Pyatt introduced his team of officials and requested Carmine D' Alosio, John Davison, Ted Osius, Peter Kaestner and Larry Schwartz to make brief observations on how the US Embassy and IACC could work together in the areas of commercial, economic, political, consular and public affairs.

At the conclusion of the interactive session, Vinod Madhok proposed a vote of thanks.



On the podium: John Davison, Minister Counselor for Economic Affairs.

Sitting L to R: Ted Osius, Counselor for Political Affairs, Carmine D' Alosio, Minister Counselor for Commercial Affairs; Vinod Madhok, Regional President, NIC; Geoffrey Pyatt, Deputy Chief of Mission, Deepak Pahwa, Peter Kaestner, Minister Counselor for Consular Affairs; Larry Schwartz, Minister Counselor for Public Affairs



Pahwa hosts dinner for new EC Members, Past Presidents



L to R Dr M K Modi, Vinod Chandiok, B Prabhakar, Ranjit Sen, Ramesh Dalal, Deepak Pahwa, Hemant Sonawala, R Veeramani, Dr V Rangaraj, A Mazumdar, M V Rajeshwara Rao

On assuming office as the newly-elected President of the Indo-American Chamber of Commerce (IACC) for the year 2006-2007, Deepak Pahwa hosted a dinner at his farm house in New Delhi on 2nd November, 2006 in honour of the Chamber's new Executive Council.

The dinner was attended by 11 past national Presidents of the Chamber and a large number of Executive Council Members. The Economic, Commercial and Visa Consulars, along with other officials of the US Embassy also attended the dinner.

Pahwa welcomed the EC Members and offered special salutations to the Past National Presidents with bouquets of flowers.

Orissa Chapter

Meeting with US Energy Official Mark Ginsberg in Bhubaneswar

The Orissa chapter of the IACC organized an interactive meeting for its members with Mark Ginsberg, Senior Executive Board Member, Board of Directors, Department of Energy, the United States, during his visit to Bhubaneswar on August 29, 2006 at Hotel New Marion.



The meeting was supported by the Federation of Indian Export Organizations (FIEO) and attended by as many as 75 people, comprising members of both IACC and FIEO, officials of the state government, power generation and distribution companies based in the state, representatives of the print and electronic (TV) media. The interactive session was very successful and was followed by cocktails and dinner.



East India Council

Interactive Session on Fast-Tracking Visa Applications & Interviews

An Interactive meeting was organized by the East India Council (IACC) on October 10, 2006. Peter Kaestner, Minister Councilor, American Embassy, New Delhi and Dr. Harry Harris, eminent economist were the Special Guest speakers.

Kaestner addressed the members on the US Visa status and formalities apprising them on the recent policy of fast-tracking the visa interview appointments and clearing up the backlogging before the end of the year. This news was heartening to the member companies having on-going projects, training programmes and regular business interactions in the US.

Dr. Harris, in his address on 'Globalization and Entrepreneurship in the 21st century', explained the concept and its impact on modern economy. He further defined 'entrepreneurship', its vision, challenges, essentiality of Public-private Partnership, success strategy and concluded by advocating the building-up of a dynamic support system.

The active participation of the members in the interactive session lent great success to the meeting.



EIC-Annual General Convention

On the occasion of the Annual General Convention, a meeting was organized on October 30 at the Bengal Club, Kolkata. The change of Regional Presidentship and the Regional Committee with the beginning of a new term was announced.

Rakesh Surampudi, Consular Office, US Consulate General, Kolkata was the special guest. The Chamber announced the membership increase by 20 percent reflected the growing presence of the US based companies in the Eastern Region. Surampudi and Ms. Aileen Crowe Nandi, US Principal Commercial Officer said that despite the imbalance in Indo-US trade there was considerable scope of expanding business volumes. It was acknowledged that lacking in significant visibility often proved to be a deterrent factor for the eastern region.

Ashok Aikat, Executive Vice President, IACC, felt that steps to promote prospective American investors in this region would create an

opportunity.

S. K. Jain, Managing Director, LMJ International took over charge from Vikram Swarup, Managing Director of Paharpur Cooling Towers Ltd., as the Regional President of East India Council, Sutanu Ghosh, Director, Ghosh & Associates and Shourya Mandal, Partner, Fox & Mandal became the two Regional Vice Presidents of the East India Council for 2006-07.





South India Council

Change of Presidentship at SIC

The South India Council (SIC) meeting was held on 19th October 2006 where Chella K. Srinivasan handed over the Regional Presidentship to Vinay Kumar.

The Guest Speakers at the programme were Peter G. Kaestner, Minister Counselor for Consular Affairs, American Embassy, New Delhi. He spoke about the new changes in the US Visa application process and encouraged the Chamber to make full use of the BEP facility.

Shiv Shankar - Associate Vice President & Head operations - Infosys Technologies Ltd, Chennai, gave an interesting insight on the experiences of Infosys in the US.

About 50 members and others participated in the event.



SIC Meeting, from Left Vinay Kumar, Regional President, SIC and Chella K. Srinivasan, Outgoing Regional President, SIC



From Left Peter G. Kaestner, Minister Counselor for Consular Affairs and Consul General, Embassy of the United States of America, New Delhi and N. Shiv Shankar, Associate Vice President, Head Software Development Centre, Chennai



Address by, Peter G. Kaestner. From Left, D. V. Venkatagiri, Regional Secretary, IACC, R. Anand, Chairman, IACC- Tamil Nadu Branch, N. Shiv Shankar, Chella K. Srinivasan, Past Regional President, SIC and Vinay Kumar, Regional President, SIC



Varanasi Branch

Blend of business & cultural events in Varanasi for Annual Day festivity

The Indo-American Chamber of Commerce (U.P. Branch), Varanasi, celebrated its Annual Day during on 5 and 6 November, 2006. A number of events were organised on both days in which senior officials from the U.S. Embassy in India, Larry Schwartz, Minister Counselor for Public Affairs, Richard Sherman, Counselor for Consular Affairs, Adnan Siddiqi, Counselor for Cultural Affairs and Ms. Maneep Kaur, Principal Programme Coordinator, Public Affairs Section participated.

Other prominent participants included IACC National President Deepak Pahwa, North India Regional President Vinod Madhok, past presidents and Executive Council members, besides Ashok K Gupta, Dr. Prasad Medury, K.N. Memani, Kisan Mehta, Ashish Mukherjee, Shyam Sethi, Ms. Pier Cerena and Atul Vyas.

November 5, 2006

On November 5, a press meet was organised where Deepak Pahwa and Vinod Madhok gave details of the celebrations. Members of Branch Committee had also interacted with the Press. Founder Chairman Ashok K Gupta briefly mentioned about the efforts of the IACC Varanasi Branch in coordinating with district authorities, such as the Commissioner, District Magistrate, Vice

Chairman of Varanasi Development Authority and others in improving the overall development of the holy city. In this regard Gupta especially mentioned the keen initiative taken by the Branch in developing a Cultural Centre in the city and promoting the idea of establishing a Special Economic Zone (SEZ) in the Varanasi region.

Past Chairman Ashok Kapoor said that though IACC, Varanasi has been receiving cooperation from the U.S. Embassy in India from the time of its inception but this is the first time that such a large contingent from the U.S. Embassy and senior office bearers of the IACC had visited the city. Many of these dignitaries were accompanied by their spouses. This amply testified the wide-range of activities that the Varanasi Branch was undertaking from time to time.

In the evening IACC, Varanasi, organised a boat ride to see one of the famous events of Varanasi - Dev Deepawali. Guests from the U.S. Embassy, IACC and members of Varanasi Branch were amongst hundred thousands of participants of this spectacular event. Larry Schwartz was respectfully received and honoured at Dashashwamedh Ghat by the organisers of the programme. The distinguished guests thoroughly enjoyed to be part of Dev Deepawali programme, which was followed by a cultural evening that gave a glimpse of classical Indian dance and music. The atmosphere became electrified as the wonder boy of Varanasi 'Rudra Shankar' gave a breath-taking performance.

November 6, 2006

Activities of this day were divided into two sessions: (1) Business Session and (ii) Interactive Session on Visa Issues.

Business Session

Welcoming the participants, members of the Chamber and the distinguished US embassy officials to the main





Business Session of the programme, IACC (U.P. Branch), Varanasi Chairman Puneet Raman said that the Branch had been contributing, in a humble way, all developmental activities of the region. In this endeavour, the Chamber had been sincerely cooperating with senior government officials and all sections of society, Raman said.

Newly elected IACC Executive Council member and Past Chairman Ashok Kapoor presented a brief account and activities of the Branch from the time of its inception till the present day. He acknowledged the support and cooperation received from the U.S. Embassy in the past and hoped that this trend would continue in the future as well.

Speaking on the topic - Tourism Scenario in Varanasi - Senior member of IACC, Varanasi, Upendra Gupta said that there was vast scope for developing tourism opportunities in Varanasi. Unfortunately owing to the absence of adequate infrastructure, unsatisfactory power supply, deteriorating law and order situation, tourism in this region was being adversely affected. Gupta said that there was an urgent need to upgrade the existing airport at Varanasi to an international level to develop tourism.

Dr. Vishwanath Pandey, Public Relations Officer of Banaras Hindu University talked about the topic "Kashi and Education". Pandey said that from time immemorial, Varanasi had been the seat of learning and renowned scholars had been visiting Varanasi to share and exchange their knowledge and scholarship.

Bholanath Baranwal, renowned industrialist, speaking on the topic - Business Scenario in Eastern U.P - made an audio-visual presentation on the gradual economic development of this region, underlining in particular, the contribution of small and medium industries in this regard.

Past Regional President of IACC K.N. Memani spoke about the topic - Sustainable Economic Growth - and said that GDP growth was like a double edged weapon that could bring prosperity, which could also widen the gap between the rich and the poor unless the right policies were adopted.

IACC National President Deepak Pahwa and North India Regional President Vinod Madhok said that the Chamber was working out synergies for bringing about greater awareness of the investment potential and trade opportunities for US Companies in India particularly in Uttar Pradesh in food processing, tourism and power sectors to put the state on the fast development track.

Both Pahwa and Madhok said IACC was identifying industries and services that were suitable to Uttar Pradesh. It was necessary to have private public partnership for developing infrastructure, promotion of tourism and in enhancing the quality of education across the State. Uttar Pradesh, being the largest State in the country and having a large member of unemployed youth should give importance to industries which were employment intensive. Traditional sectors like gems and jewellery, textiles, food processing, should be given focused attention since there was an overwhelming presence of such industries in the state, he said.

Speaking on the occasion, Chief Guest Larry Schwartz, Minister Counselor for Public Affairs, said that relations between India and the U.S. were touching new highs. "Many prospective investors are keen in initiating their activities in India," Schwartz said, adding that there was a large number of Indians making their significant contribution to economic, social and educational fields of the U.S.

"Now the U.S. is seriously considering India as its future partner at par with England, Germany and France," he said.

Speaking on the topic, Indo-US Educational Relations, Adnan A. Siddiqi, Counselor for Cultural Affairs said that educational relations between the two countries were radically changing. Earlier this was one-way activity where only Indian students go to the U.S. for obtaining higher education whereas at present American students were also approaching Indian institutions for study of Indian languages, culture and religion.

"This amply shows that a healthy partnership is developing that would be equally beneficial to both the countries," Siddiqi said, adding that it was essential to accord wide sanction to educational and cultural exchange activities for better understanding between the two countries.

Past Chairman and Executive Council member Ashok Kapoor coordinated the session. Vice Chairman Debashis Mukherjee thanked participants and guests.

Interactive Session on Visa Issues.

In the second session of the programme Richard Sherman, Counselor for Consular Affairs, explained the recent changes that have been introduced for obtaining a US visa. Sherman said these changes have been made in view of terrorist activities that America and other parts of the world. Past Chairman Anurag Chandra thanked participants of the second session. ■



Pune Branch



Shekhar Agharkar, Chairman, IACC, Pune branch, addressing the gathering at the seminar



Shekhar Agharkar greets Citibank presenters Rishabh Saxena and Shrikant Bhat [seated]

Seminar on Forex Market & Hedging Opportunities

The Pune branch of the Indo-American Chamber of Commerce, supported by CITIBANK, organised a seminar on "Forex Market Update & Hedging Opportunities" for its members at Hotel Le Meridien in Pune on 6th October 2006.

About 40 participants, from member companies, attended the seminar. Shekhar Agharkar, the incoming Chairman, IACC, Pune Branch, while addressing the gathering, elaborated on numerous one-on-one business meets arranged by the Pune Branch for its members vis-à-vis visiting US companies looking for Indian collaborators, during the past six months.

Rishabh Saxena, Citibank, dealt with the technical aspects of 'Forex Markets' while Shrikant Bhat, Citibank, presented the 'Opportunities in Hedging' using forward contracts and derivatives in the 'Forex Markets'. Their presentation evoked interest from the audience, as was evident from questions put to the presenters and one-on-one interactions during the informals. The event was followed by cocktails and dinner.

Seminar on 'US Immigration Strategies'

The Pune Branch of the Indo American Chamber of Commerce (IACC) organized a Seminar on 'US Immigration Strategies' at Hotel Sun-N-Sand, Pune on 10th October 2006.

The strategies were, presented by Thomas Joy, Immigration Attorney, Visapro, US. The seminar evoked a strong response from IACC and STPI members with about 200 people attending the seminar.

'Visapro' offered a special discount in delegate fee for the IACC members. Many members expressed their satisfaction about arranging such a seminar.



US Embassy, Consulate officials get a glimpse of Pune high tech facilities

The Pune Branch of IACC arranged a day packed with action for the two visiting dignitaries, Ms. Tejal Shah, 2nd Secretary, Economic Affairs, US Embassy, New Delhi and Mr. William Klein, Consul, Economic and Political Affairs, US Consulate General, Mumbai, on 9 October 2006.

The distinguished visitors were taken to the 'Infotech Park' at Hinjawadi to be briefed by the Joint Director of STPI, Ms. Sonal Bhatawadekar about the park and benefits enjoyed by its members. A lunch meet followed at UGS India Pvt. Ltd, where Pramod Pawar, Vice President and General Manager of the company, gave a presentation on UGS and the visitors were taken around the facility. A visit to Cognizant Technology Solutions Pvt. Ltd. in the Hinjawadi Park and interaction with Debashis Chatterjee and his aides at this facility gave a complete picture of developments at the Park to the visitors.

Thereafter Shah and Klein were taken to the Biotech Park where Shimon Samuel, Project Manager, briefed them

about the infrastructure made available and showed around the incubation facility at the Park.

Back at the Hotel Pride a meeting was arranged with Jayesh Anjariya, M.D., Jakap Metind Pvt. Ltd., and committee member, IACC, Pune branch to enlighten Ms. Shah and Klein on the views of the manufacturing sector vis-à-vis proposed SEZs.

The visit concluded with 'Cocktails and Dinner' arranged by Technographics India Pvt. Ltd. at their beautiful facilities at the ICC Towers, Pune. The event attracted about 35 members drawn from the IT and Manufacturing sector for informal interaction during the cocktails. Klein informed the audience about the measures taken by the Embassy making US visa appointments possible easy or as quick as a week's time at the Mumbai Consulate. He also said that the Consul General was actively considering offering the Chamber, a BEP facility to help its members for more efficient processing of their US Visa.

Gujarat Branch

Forex & Concepts of Hedging

The Gujarat Branch of IACC and Citibank organized a highly successful seminar on "Forex & Concepts of Hedging" by Ms. Anuradha Banerjee (Head, Citibank Western Operations) on September 2, 2006. The seminar was extremely well received and appreciated by members, associates of the Chamber and other guests. Concepts of foreign markets, international finance and hedging were discussed and the interactive session also proved a great success.



Globalization & Indo-US Trade

Dr. Harry Harris, a global management consultant, spoke on "Globalisation & Indo - US Trade Opportunities" at a lecture organized by IACC Gujarat on 22 September 2006. Discussing the global issues of economic growth and market trends during the breakfast meet, Dr Harris stressed on the strong Indo-US relations prevalent currently and urged the IACC members to take advantage of the same.



Presentation on US Visa Process



Frederick Brust, Vice-Consul, US Consulate Mumbai, spoke on the "US Visa Process: Business/Tourist/Student)" at the presentation and Interactive Session organized by IACC Gujarat for its members on 27 September 2006. The entire Visa process was explained and Brust enlightened the delegates regarding proper procedures, approach and documentations during the highly informative and rewarding interactive session. The seminar was much appreciated by members and delegates, with repeated requests for more such programs.

Meeting with Dr Elizabeth Kauffman

The Gujarat Branch of IACC had a breakfast meeting with Dr Elizabeth Kauffman, the new Director of American Center on 8 September 2006 to foster further ties and evolve a stronger working relationship between IACC and the American Center. This was a positive step towards delivering value to IACC members. In times to come, this translates into more interactive programs, lectures and meetings, giving impetus to Indo US ties.





Target \$ 40 billion

The US Embassy is bracing itself to meet the US government's business objective of increasing Indo-US bilateral trade to \$40 billion by 2007-08. Enhancement of bilateral trade is getting priority. Four new positions have been moved from Washington to India, include specialists in Civil Aviation, Defence Co-operation, Intellectual Property and Treasury.

Dialogue on opening legal sector

The Indian government has set up two working groups of legal experts to commence a dialogue with their counterparts countries in US and UK for opening up the legal sector. The objective of forming the groups was to allow lawyers to participate in talks and find out the problems and areas of convergence before a final decision was taken on opening of this sector. There is a proposal to amend the partnership act to allow law firms to be multi-disciplinary and have more than 20 partners.

US Tech spend to slow down

The tech spending in the US will slow down in 2007 owing to current account and budget deficits and rising interest rates. However, this will be for a short period and with mild effect. Indian firms will not be affected by this phenomenon. The recession in technology spending, will be followed by fourth wave in technology trends, which will begin in 2008-09.

Praj plans to acquire US engg. firm

The Pune-based Praj Industries Ltd, a global leader in setting up alcohol and ethanol plants has created a fund of Rs 20-25 crore for acquiring an American engineering company. Apart from US acquisition, Praj industries would be setting up a new R&D Centre and two port-based manufacturing workshops. It would also be expanding its engineering center at Pune. Each of these investments will be entailing an investment of Rs 20-25 crore. Three US based companies have already selected Praj Industries for supply of technologies for ethanol projects. Total order size is Rs 50 crore.

Infotech US arm, IBM Sign Pact

Infotech Enterprises Ltd, through its subsidiary Infotech Enterprises America, Inc has signed up with IBM to accelerate the deployment of product life cycle management (PLM) and engineering solutions for the manufacturing industry. The new agreement provides a framework to offer consulting, solutions and integration services. The combination of IBMs global manufacturing industry knowledge, large middleware portfolio and customer relationships along with Infotech's engineering and consulting expertise, will enable them to offer professional consulting, solutions and PLM implementation and integration needs.

US-based Mylan buys stake in Matrix for \$530 mln

The US-based Mylan Lab has acquired a majority stake in Hyderabad based Matrix Laboratories for US\$ 530 million. Mylan, the third largest generic drug maker in the US, will make a mandatory open offer to acquire an additional stake taking the total acquisition cost to US\$ 736 million, making the biggest healthcare deal in India. Mylan paid Rs 306 per share for a 51.5 per cent stake in Matrix.

Sona Group to set Up US Plant

Automotive steering systems maker Sona Group will set up a gear manufacturing plant in North America. The venture, which is expected to come up next year, will entail an investment of \$10 million and will be made by the joint venture company Sona Okegawa Precision Forgings. Initially, the plant will have a capacity of 5 million units per annum.

Pharma Joint Research

The US based pharma company Creative Choice Group (CCG), which has assets over \$500 million will set up country's first outsourced pharma research, with an initial investment of \$500 million in Gujarat or Maharashtra. The CCG facility will be used to develop new drugs for the domestic as well as the international pharmaceutical industry with the intent of cutting costs and time spent on research.

Protiviti Enters India

Protiviti Inc, a US-based global internal audit and risk consulting services provider will enter India with the opening of its offices in Mumbai and New Delhi. The company will give independent risk consulting services to both Indian and foreign companies. The company also will provide services to private equity firms for acquisition of stake in companies. It will also offer both pre and post acquisition assistance in terms of risk management.

US cheese Co to buy 10 pc in Himalaya

Pennsylvania-based American cheese major, Castle Gourmet, cheese and food processing distributor in North America is set to pick up a 10 percent stake in Himalaya International, the largest producer of specialty mozzarella cheese outside Italy

US cuts time for Visa appointments

The US Embassy has relaxed visa appointments schedule, which allows applicants to advance their appointments through the website. Visa applicants will be able to avail of the new appointments schedule from the Embassy as well as the US Consulates in Chennai, Kolkatta and Mumbai.

Huge Engineering Export Avenues in US Await Indian Players



Eminent speakers participating in an engineering industry conference in Mumbai recently have repeatedly stressed on the huge opportunities waiting to be tapped in the United States by Indian players.

The conference was organized by the WIC, Indo-American Chamber of Commerce in association with Engineering Export Promotion Council.

In her presentation, Harshbeena Sahney Zaveri, President, NRB Bearings Ltd, who was the Conference chairperson, said India was emerging as one of the top global economies and would be a key player in the future.

Ms. Zaveri said India was one of the top five automotive markets and Indian auto suppliers were gearing up for exports with the Compound Aggregate Growth Rate (CAGR) projected at 34 percent to touch \$25 billion by 2014.

Brian Brown of Citigroup said the US market was generally considered to be the largest with a huge high-end demand and companies desiring to enter it needed a clearly well defined strategy.

Brown, who is Managing Director & Head of Equities of the Citigroup Global Markets India, talked about the front-end opportunities and a large number of partners existing in the United States. Besides a strategy, prospective entrants needed a thorough understanding of the concerned industry and its major players in order to get started, he said in a presentation.

According to Brown, the parameters for getting started will also depend upon:

- What the foreign company brings to its US partner in terms of skills, front-end and back-end
- A study of Cost/Benefit on going alone or partnering
- How well-versed you are in various laws governing joint ventures
- Details provided by search engines, sector associations and resources such as the American Centre, Mumbai.

Rafique Somani, Regional Director (India), Parametric Technology Corporation (PTC) said product development was the next frontier for globalization.

He said product development was now moving offshore and significant advancements in IT infrastructure enabled collaboration and process control across geographic and corporate boundaries.

Somani said large pools of highly skilled and competitively priced engineering talent were available in low-cost regions. He referred to a study conducted by PTC, a global leader in product development systems, which showed that 90 percent of manufacturers planned to offshore approximately 10-30 percent of engineering within three years.

He said product development was moving aggressively towards a new global paradigm that mandated flexibility and effective information management.

Talking about the attractiveness of various offshore destinations Somani listed India at the top followed by Czech Republic, China, Russia and others. Besides PTC, a number of reputed companies were doing product development in India, he added.

Zia Sorabjee Mody, Partner, AZB & Partners, in her



Harshbeena S. Zaveri, at Engineering Industry- Doing business with American Conference

presentation on legal and regulator issues involved in doing business with America referred to two routes available to Indian companies investing in the US, namely automatic and approval, and said the former required a total financial commitment of up to 200 percent of net worth.

On the other hand, Mody said, the approval route required the application to be routed through the Reserve Bank of India (RBI) and

the factors considered included the viability of the joint venture, contribution to the external trade, financial position and the business track record and experience and expertise in joint venture business.

Talking about key legal considerations involved, she said these included litigation risks, employment issues, approvals and permits concerning environment zoning, acquisition issues, bankruptcy code, investment agreements, warranties, indemnities, shareholders' rights, etc.

In his presentation, Joe Mansour of CSM Worldwide provided a market analysis of the automotive sector, saying that the US offered a robust market with demand driving sales to touch 17 million units by 2008.

"The outlook is driven by upbeat economics, a new wave of products, and favourable demographic trends," Mansour said. Saying that passenger demand was stymied by crossovers, he said, mini cars, full-size cars and luxury cars comprised the segments of opportunity and the conventional small and mid-sized sedans were cannibalized by crossover vehicles.

Mansour said the crossover vehicles were driving the demand for trucks and the segments of opportunity included multi-activity vehicles (MAVs) and crossover utility vehicles (CUVs).

He said the US population was projected to expand by 9.0 percent to 300 million this decade and to 325 million by 2020 and a new generation of drivers would reshape the automotive market.

Summing up his presentation, Mansour said:

- Global sales outlook is optimistic
- Challenging times are ahead for Japan
- All eyes are on China and India
- US is undergoing a transition period
- Opportunities are plenty in segments with global appeal



L to R: Deepak Malaviya, Dy. General Manager Marketing, NRB Bearings Ltd, Kamal Master, Asst. Regional Director, WIC- IACC, Harshbeena Zaveri, Conference Chair, President NRB Bearings Ltd, Zia Mody, Partner, AZB & Partners, Brian Brown, Vice President, WIC-IACC, Ashank Desai, President, WIC-IACC, Joe Mansour, Sales Director, Global Sales & Marketing(USA), R.K. Chopra, Secretary General, IACC, Chris Skiba, Account Manager, Global Sales & Marketing, USA, Rafiq Somani, Regional Director India, Parametric Technology Corporation



Be Lean & Do More - Key to Business Excellence

By Rai Chowdhary



Today's hyper competitive world has business organizations racing with each other and the finish line is only the horizon. Regardless of location and size this phenomenon is putting relentless pressure on organizations to improve or perish. In this environment one has to aim for Business Excellence in a dynamic sense. So what does this really entail? Let us begin by a brief look at history.

When we look back at the significant events of the industrial age and consumerism, we see that mass production as initiated by Ford during the 1920s ushered an era of affordable automobiles; to be later imitated and remarkably improved upon by the Japanese, most notably Toyota. The mass production idea of 'you can get any car you want as long as it is black' (Ford Model T), gave away to a highly customizable car by the 1980s. It was widely believed that the strengths of nations lay in manufacturing prowess a notion that has been challenged by the dawn of the information age. Services have now become the larger part of the economy in many countries to the point that many manufactured products are given away for free, just to win contracts for the services such products can deliver (cell phones are one example of this trend). We had taken a few steps towards business excellence in manufacturing when the world changed again!

Regardless of the nature of the business excellence

remains as "something to strive for." Yet if you were to ask any business owner / professional what is really meant by excellence you would probably get a vague answer, and hardly any two answers may be alike. So how is one to aim for something that has a fleeting definition? At the same time it is wise to ask if we should even try and provide a very crisp definition for doing so may limit what gets accomplished in the name of excellence. Although somewhat philosophical in nature these questions have larger implications in terms of shaping the future of humanity.

So, I will attempt, although with reservation, to provide some framework around this, while keeping in mind it needs to be dynamic and adaptable. Excellence - as a state of being - therefore will be defined as comprising several key things an organization needs to do:

- Be a responsible citizen - this in the context of serving society and mankind. While the aim of business is profit and the latter is not a dirty word in the absence of thinking and behaving as a responsible citizen, short-term gain and myopic capitalism takes over, causing harm that often cannot be reversed. The efforts invested towards being a responsible citizen automatically focus on the question: "What is the right thing to do."
- Become a Lean organization which enables organizations to do more with less. In other words eliminate waste both the one that is visible and the one



that is not. Doing so enables organizations to become efficient which in turn support being a responsible citizen.

- Focus on perfection. This requires one to strive to deliver continual improvement in quality of products and services. The unfortunate reality is although the manufacturing world had begun realizing what quality really means - things have changed significantly as the service economy has become a reality. The understanding of quality in a service context is severely lacking at this time.

- Build expertise in Smart Risk Management. The pace of change fueled by the information age has outpaced natural human capacity to deal with change. An inevitable outcome of this is increase in the types and magnitude of risk we face, and must take. A different way of thinking needs to evolve - one that enables us to become more pro-active rather than reactive. Only then we can hope to get ahead of the curve.

- Bring innovation to serve mankind on a wider scale. The gap between haves and have-nots continues to widen; communism as a form of government that aimed at leveling wealth distribution did not live up to its promise. Capitalism has its own perils when taken to the extreme. So, innovation (not just in products/ technology) is sorely needed to support excellence and all its associated elements. This means the content of education, and the modes of the same need re-examination and overhaul, which is no trivial task.

The changes yet to come it seems will dwarf what we have seen in our life times. This is obvious when one looks at what is going on with stem cells, cloning, and other technologies that promise to impact the way we live. Coupled with changing life styles, continuing migration of populations to cities, nuclear families, and wide access to all kinds of information, we as a human race are taking turns who's outcomes are becoming harder to predict. One



cannot rely on governments to rise to the occasion and do it all. Business enterprises will need to rise to the occasion and fill the gap. Here is why; friendships and relationships revolving around work play a bigger role than biological relationships. So business organizations will need to take on extra responsibilities than what they have done in the past; a way to get moving in the right direction would be to focus on Business Excellence anew! It is not luxury to think and act in these terms it is imperative that we do, especially businesses in India, since the rest of the BRIC countries (Brazil, Russia, and China) have their own aggressive growth plans.

(Author Rai Chowdhary is Lean 2006 Examiner Texas Award for Performance Excellence)

Manugraph to buy Dauphin Graphic Machines of US for \$19.2 mln

Manugraph India Ltd, the country's largest manufacturer of web offset printing machines, will acquire Dauphin Graphic Machines Inc (DGM), Pennsylvania, US, which is in a similar line of production, for \$19.2 million, the company said at a press conference.

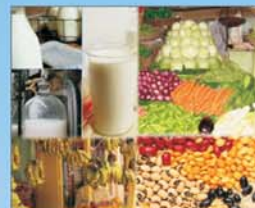
The combined entities will continue to maintain their manufacturing and assembling operations in three facilities - two in India and one in the US. Post acquisition, Manugraph will offer a full-fledged product range to its customers.

The new company, styled Manugraph DGM Inc, will be the world's largest single-width press manufacturing company. Manugraph enjoys a 70 percent market share in India while that of DGM in the US is 60 percent.

Manugraph India will raise \$2.2 million through preferential allotment to sellers with the rest being debt. "We have already invested heavily in the latest facilities, machining capabilities and engineering resources. With DGM, we look forward to launching a new range of products globally," said Sanat Shah, Chairman, Manugraph.

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- Churns out about 1,70,000 technical personnel per year



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Head Office : "Udyog Sarthi", Mahakali Caves Road, Andheri (E). Mumbai 400093. Tel : 2687 0027 / 52/54/73, Fax : (022) 26871587
Fort Branch : "Orient House", 5th Floor, Adi Marjaban Street, Billard, Fort, Mumbai 38. Tel. : 2261 6547, Fax : (022) 22616548