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India-U.S. collaboration – Natural alliance for mutual growth and inclusive prosperity

FICCI-IIFA Global Business Forum

July 2017

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Foreword

As Prime Minister Narendra Modi's meeting with President Donald Trump has reinstated the confidence in the bilateral relations with United States, the two countries have lot to achieve in terms of their numerous shared interests. Trade, commerce and investment are key areas for collaboration between the two countries, apart from cooperation in support of defence, space and countering global terrorism.

India today is at the cusp of an unprecedented transformation and has reported a 7.1 per cent growth in 2016-17 and this makes it one of the fastest growing economies globally. The Government of India has made efforts to address some of the long-standing challenges and create a more conducive business environment for investors. The launch of flagship programmes such as 'Make in India', 'Skill India', 'Digital India', and 'Smart Cities Program' have enabled the country to realise its long-term growth potential. This has attracted the attention of governments and companies across the world who are looking forward to invest in India.

With India becoming the global engine of growth, the partnership with the U.S. becomes the top-most priority of the Government of India. We have been investing in this relationship as a result of which the collaboration between two countries has been established in sectors ranging from defence and security, education, science and technology, cyber security, high-technology, civil nuclear energy, space technology and applications, clean energy, environment, agriculture and health. Vibrant people-to-people interaction and support across the political spectrum in both countries nurture our bilateral relationship.

We are delighted to work with KPMG in India as our knowledge partner for the FICCI- IIFA Global Business Forum 2017. This paper highlights bilateral relations of India and United States as well as the converging interest in sectors such as aerospace & defence, media & entertainment, energy, information and communication technologies, pharmaceuticals, agriculture and food processing and retail.

We hope this report in form of a snapshot will be informative for readers who are interested in understanding India-U.S. bilateral commercial relations.



Pankaj Patel
President
FICCI

Foreword

The India - U.S. relationship has evolved due to the calibrated efforts made by both the countries over the last decade. The bilateral ties have assumed a more broad-based and multi-sectoral outlook than ever before at the back of shared strategic objectives, values, and interests. The emergence of a new global geopolitical order in recent times has also led to an unprecedented convergence of interests between India and the U.S.

The Strategic and Commercial Dialogue that was initiated in 2015 was a step in the right direction in not just recognising business and commerce as the heart of this relationship, but, helped in creating a conducive climate for progress in bilateral relations in all spheres.

Business and trade between the two countries is on a high growth trajectory and the U.S. today, is the largest partner for India in technology and financial services sector. Bilateral business ties have moved beyond the traditional frontiers of technology and outsourcing to cover infrastructure, defense, aviation, clean energy and education.

The Indian government's forward looking trade agenda through liberalisation of regulations to increase Foreign Direct Investment (FDI) inflows has sent out a clear message globally and to the U.S that we are open for business. The U.S. companies today clearly recognise and value the potential of India's consumption story especially with the rising Indian middle class, available and talented workforce.

With the growing presence of the U.S. companies operating in India along with an increasing footprint of Indian companies in the U.S, the private sector, including small and medium enterprises, is expected to play a pivotal role in defining the future of this bilateral relationship.

Indian Prime Minister's recent visit to the U.S has reaffirmed this growing convergence of interests and has set the stage for robust growth to achieve 'prosperity in partnership'. There is a dire need for both the nations to work towards expanding and balancing the trade equilibrium, while further strengthening the Strategic and Commercial Dialogue.

KPMG in India and the U.S. have a robust programme of collaboration, that reflects the growing importance of trade and commercial relationship between the two countries. We are committed to serve our clients both in the U.S. and India seamlessly and play our role in this exciting and rapidly growing business relationship.

KPMG in India is proud to collaborate with FICCI as its knowledge partner for the FICCI-IIFA Global Business Forum and share an industry perspective on India's economy, the India-U.S. business dynamic and outline the opportunity landscape in some of the key sectors.



Nitin Atroley
Office Managing Partner, Delhi
KPMG in India

Overview of the Indian economy



India - at a glance

Form of state
Federal republic, with 29 states and 7 union territories

Land area
3.3 million sq. km

Population
1.32 billion, second most populous country

Second largest english speaking country after the U.S.

Literacy rate
72.2 per cent (2015, UIS estimates)

Unemployment rate
3.5 per cent (2016, ILO Estimates)

Economy size
USD2.2 trillion, third largest in PPP terms

GDP Share*[1]
- Services: 53.8 per cent
- Industry: 28.8 percent
- Agriculture:17.4 per cent

FDI[2]
USD484 billion from April 2000 to March 2017

Forex reserves[3] (As at 23 June 2017) USD382.5 billion

Total internet subscribers[4] (Dec 2016): 391.5 million

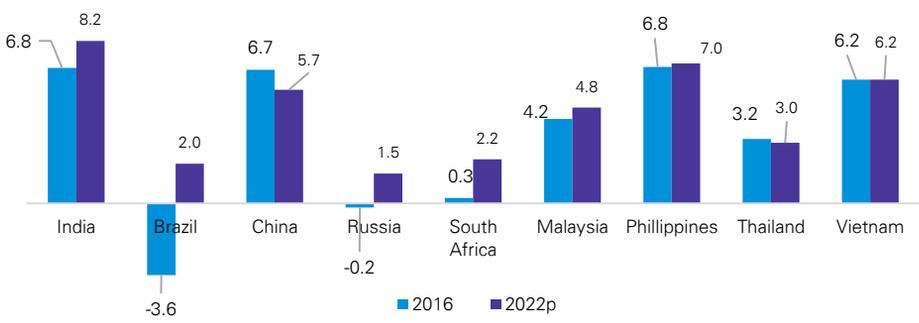
3rd largest start-up ecosystem across the world – 10,000 +

Budgetary allocation for infrastructure during FY18 - USD 59.2 billion

	Brazil	Russia	India	China	South Africa
Private consumption est. 2030 (USD billion)	2,240	1,172	5,989	16,571	426
Population (2016) Persons (millions)	207	144	1,324	1,378	559
Land million km^2	8.5	17.1	3.2	9.6	1.2

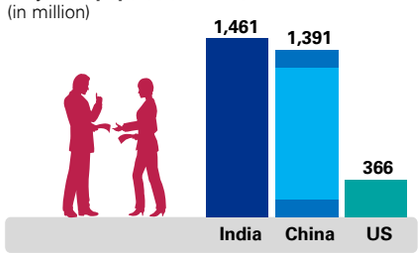
Source: DataBank, The World Bank, accessed on 3 July 2017; India Soars High, KPMG in India, February 2016

GDP growth rate (in per cent)

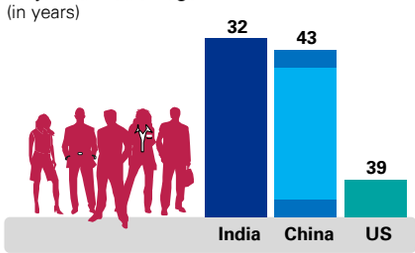


Source: World Economic Outlook Database, International Monetary Fund, April 2017

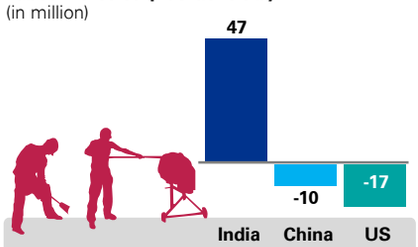
Projected population in 2030
(in million)



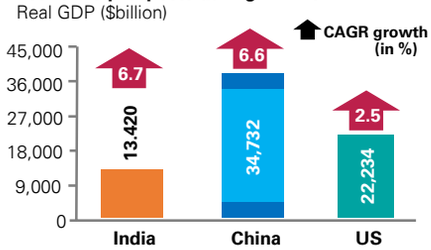
Projected median age
(in years)



Labour force surplus/deficit by 2020
(in million)



Economic prospects during FY12-30
Real GDP ($billion)



New age entrepreneurs	Increased women participation
Favorable ecosystem to spur innovation	Rising rural and middle class market
Approx. 1.5 million engineering passouts every year	Fourth largest base for young businesses

* - Contribution as per value added; UIS – UNESCO Institute of Statistics; ILO – International Labour Organisation

Sources
1: "Data Bank", The World Bank, accessed on 3 July 2017
2: "Quarterly Fact Sheet", DIPP, April 2017
3: "Weekly Statistical Supplement", Reserve Bank of India, 30 June 2017
4: "The Indian Telecom Services Performance Indicators", TRAI, October – December 2016

Indians on the move

India reported a 6.8 per cent growth in 2016, which is much higher than the global growth of 3.3 per cent in 2016.[1] While strong domestic consumption continues to remain the major contributor to this growth, a slew of reforms, such as Goods and Service Tax, new bankruptcy code, relaxation of FDI policy, the overhaul of power distribution firms, and the simplification of tax regime, initiated by the government have bolstered long-term economic prospects of the country. Strong growth ambitions have made India one of the most favoured destinations for investment, with the country finding its place in the United Nations Conference for Trade and Development's list of top 10 destinations for foreign investment.[2]

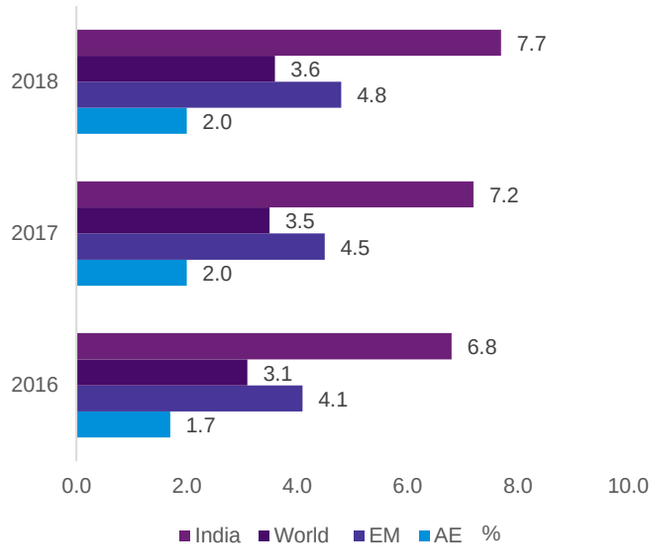
Today, India is at the cusp of an unprecedented transformation and powering this transformation are 2-3 undeniable factors that are quite unshakable.

India is believed to become the world's youngest country by 2020 and that more than 60 per cent of its population would be in the working age group.[3] This demographic potential is one of the biggest advantages of India and has the potential to contribute significantly to GDP.

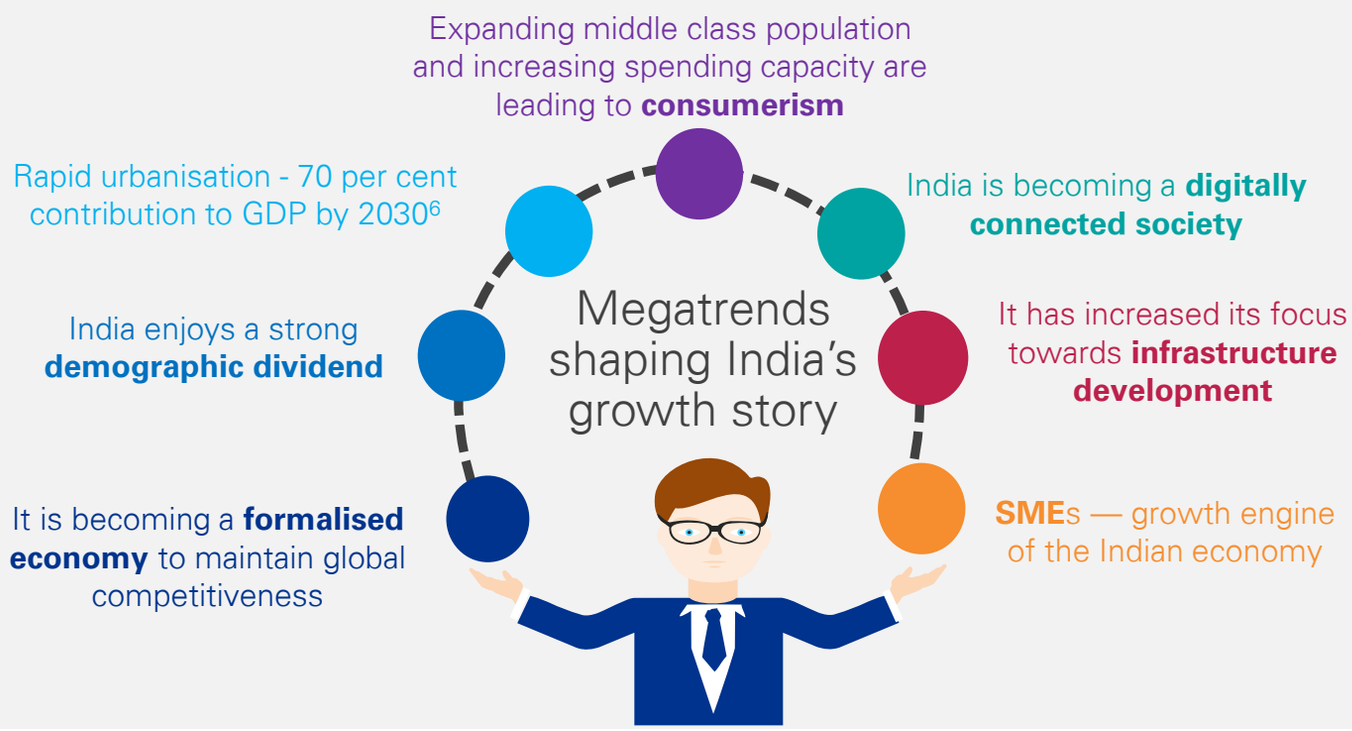
The country today is in the midst of rapid urbanisation, which is likely to gain further momentum in the coming decades. The key drivers for India's urbanisation are population growth and migration. It is believed that one out of every six persons urbanising globally is an Indian.[4]

There are approximately 46 million Micro, Small and Medium Enterprise (MSMEs') across industries, employing 106 million people. Overall, the MSME sector accounts for 45 per cent of Indian industrial output and 40 per cent of exports. While most of the sector is unorganised (approximately 94 per cent), informal and unregistered, initiatives to have more enterprises registered are well underway.[5]

Strong economic fundamentals make India a standout



Source: International Monetary Fund (IMF) forecasts
EM: Emerging Markets, AE: Advanced Economies



Sources
1: "The World Economic Outlook, International Monetary Fund", April 2017
2: India ranks 10th in FDI inflows: UNCTAD report", Live Mint, 21 June 2016
3: "India is set to become the youngest country by 2020", The Hindu, 17 December 2013
4: "Urban India Real Estate", KPMG, August 2016
5: "The new wave Indian MSME - An action agenda for growth" , CII_KPMG report", March 2016
6: "Urban India Real Estate", KPMG, August 2016

Focused development oriented reforms agenda

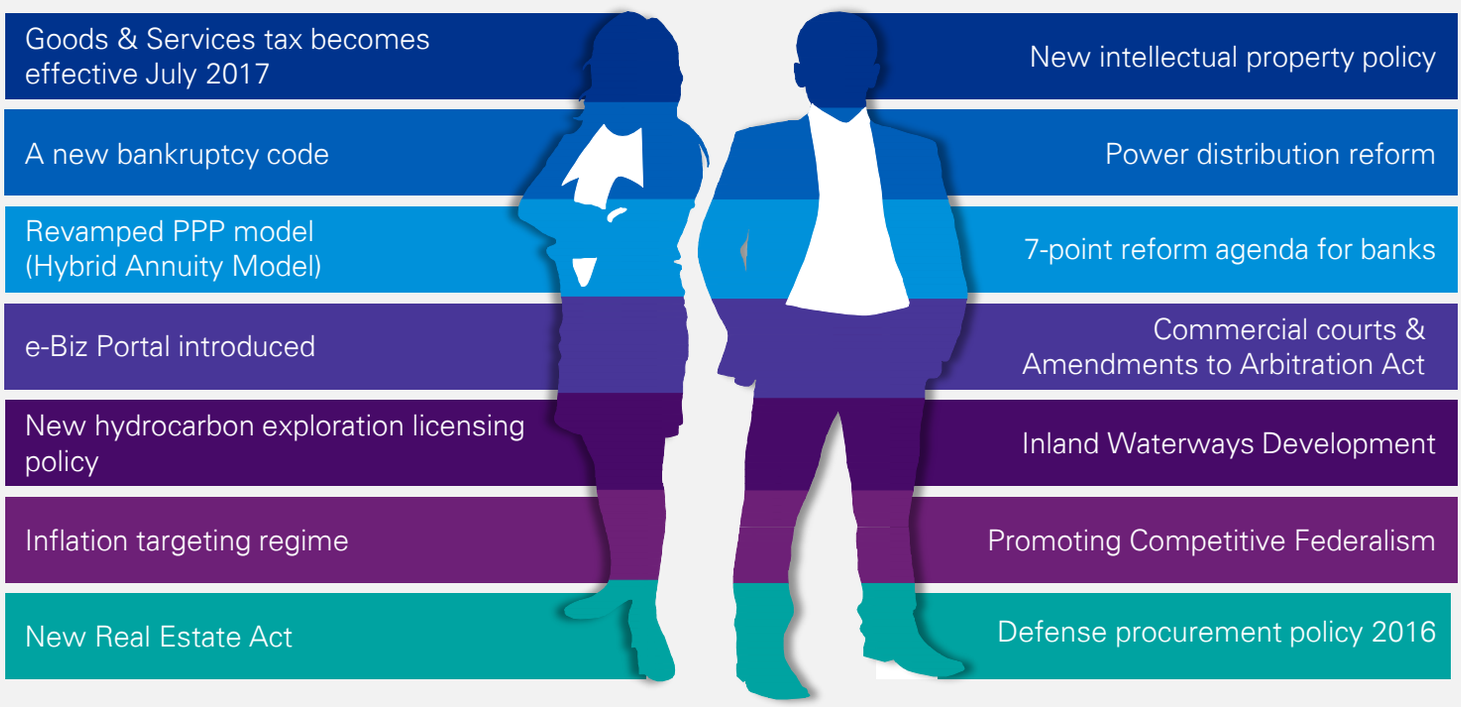
In order to maximise the impact and reach of India's transformation, there is a concerted effort by the government to address some of the long standing challenges which have hindered the growth of an otherwise strong entrepreneurial class. The structural reforms have been pursued in right earnest, thereby creating a more conducive business environment. While the government's commitment to maintain fiscal discipline bodes well for investors' sentiment, its flagship programmes such as 'Make in India', 'Digital India', 'Smart Cities Program' and 'Skill India' are significantly contributing to the country to realise its long-term growth potential.

The passage of Goods and Services Tax (GST), which subsumes various indirect taxes, would not only stimulate investment demand but also improve the government's revenue. GST is undoubtedly a major indirect tax reform, aimed at creating a single national market by replacing multiple indirect taxes levied at different levels. GST is expected to set the stage for increased digitisation, enhance logistical efficiency in supply chains. Given it's in-built incentive to pay tax, it marks India's most comprehensive push towards formalisation and organisation of its economy. Focus would now be on making the transition seamless and effective.

Additionally, allocation of natural resources through a transparent auction process, transfer of subsidies using the Direct Benefit Transfer (DBT) scheme, and streamlining of the approval process by setting up the single window clearance mechanism, are some significant reforms that have been introduced. Regulatory hurdles prevailing at the state level have been addressed by promoting competitive federalism through annual ranking of states through Ease of Doing Business.

Creating a simple and time-bound insolvency process, enabling speedy resolution for commercial disputes, and simplifying laws in order to make compliance easier are vital to develop a more investor-friendly business environment. In India, steps (such as phasing out of exemptions) have been initiated to make the tax regime simple, predictable, which could in turn make compliance easier. 'Arbitration and Conciliation Act' was amended with an aim to make arbitration a preferred mode for settlement of commercial disputes, and the new Bankruptcy Code, which seeks to consolidate multiple laws governing bankruptcy proceedings and achieve a speedy resolution, is likely to be a game changer in the country's insolvency regime.

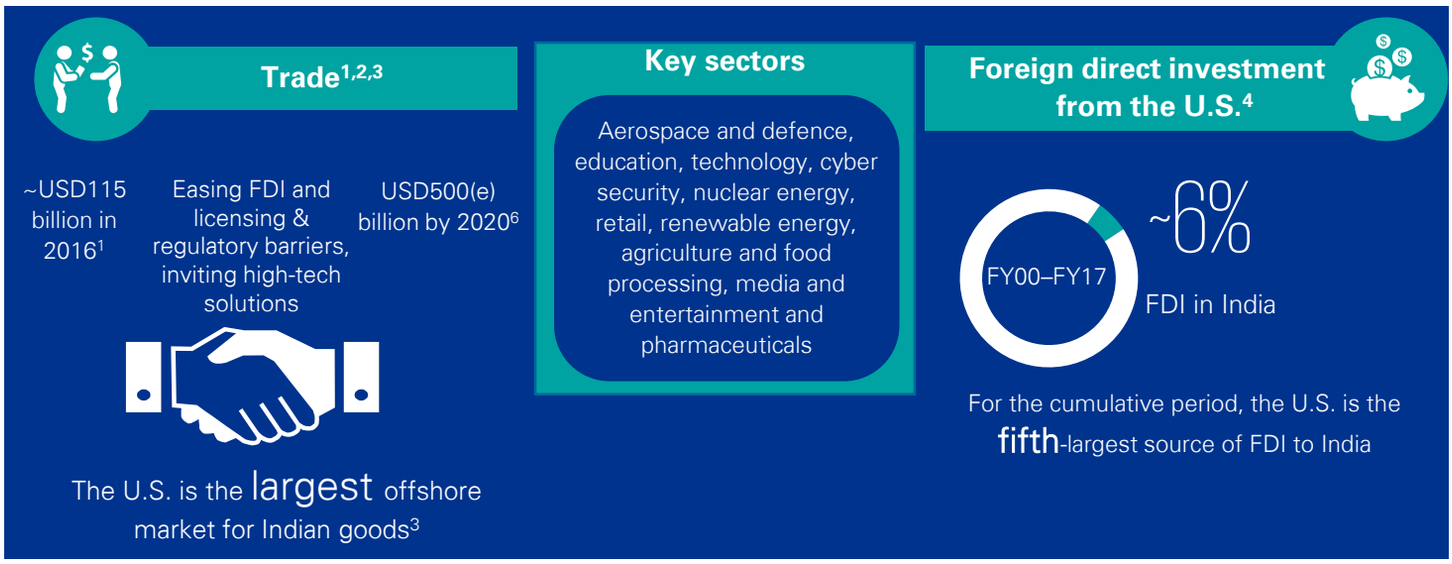
To conclude, India is experiencing an accelerated reform momentum, and the positive effect of the above structural reforms is likely to be felt in the coming years, which will lead the economy to grow even stronger. With Asia expected to be the growth engine of the world in the coming years and the power balance moving towards the east, India will be one of the fastest growing large economies contributing to this growth. The recent reforms have certainly put India on a high growth trajectory and the country is steadily embracing this transformation ground up and as a result creating massive economic opportunities at every levels.



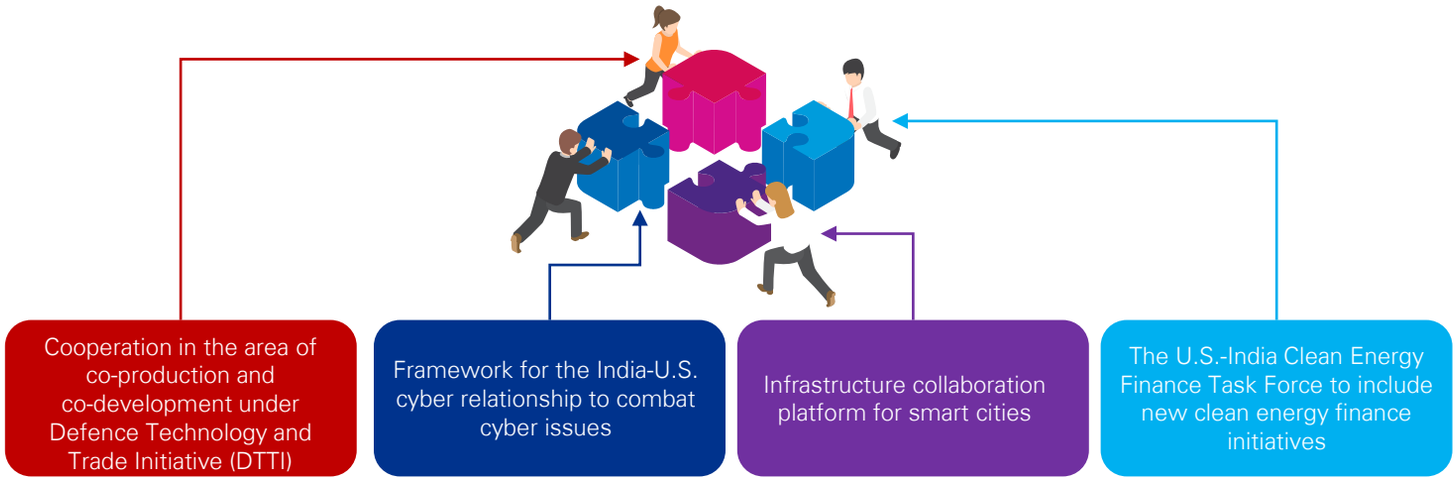
India-U.S dynamic - prospering together

Today, India and the U.S. exemplify a global strategic partnership. Both the countries have over the years engaged in an effort to increasingly consolidate this strong and strategic partnership in key sectors such as aerospace and defence, banking, financial services and insurance, chemicals, dedicated freight corridors, energy and infrastructure. The re-invigorated high powered government to government exchanges, increasing recognition of the role of the Indian American diaspora and gradual convergence of strategic interest on regional and global issues has stepped up the momentum of bilateral cooperation between both the countries.

Vast presence of the U.S. companies operating in India and the increasing footprint of Indian companies in the U.S. market signifies the growing prominence of the private sector in developing the trade relationship between the two nations. There is a clear focus towards fostering the growth of small and medium technology enabled enterprises which will drive the next wave of economic partnership.



India-U.S. collaborations through multiple dialogues and alliances[5,6]



The future definitely looks promising and holds immense opportunities for the U.S companies who recognise the diversity and potential that Indian markets offer. Yet, there will be an expectation from the present Indian government to continue its efforts towards further simplifying it's overall tax ecosystem, regulatory policies and ease of doing business reforms. There is also a need to fasten the pace of infrastructure development and direct the much needed attention towards cybersecurity which will in turn unlock massive commercial opportunities for India and foster greater collaboration with the U.S companies.

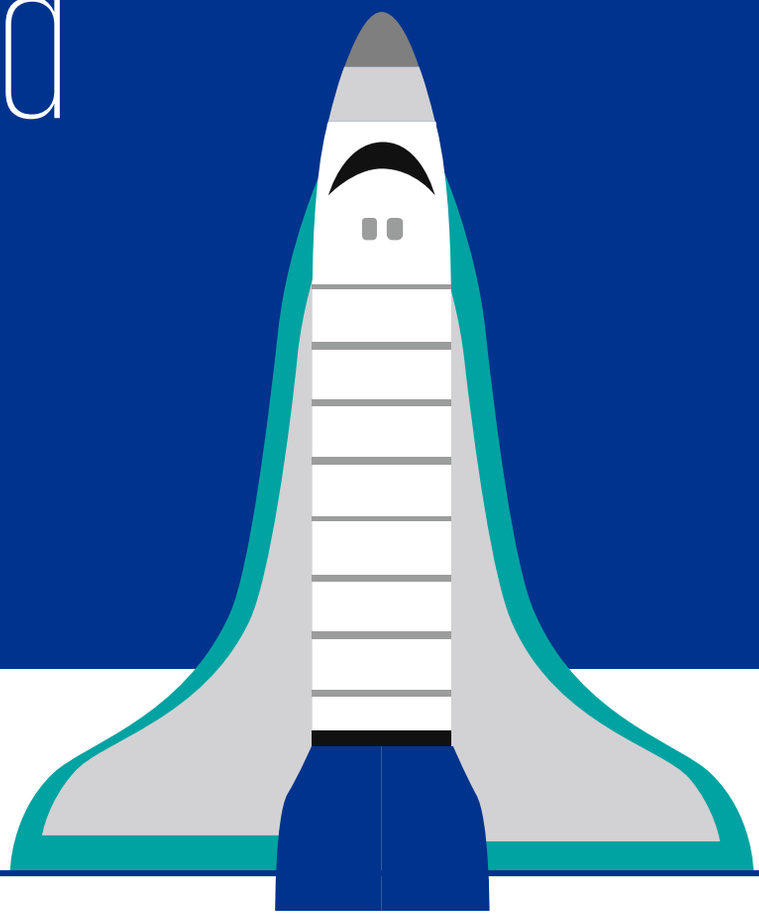
The time is right for the two democratically evolved economies to trace the next paradigm of growth for their engagement and thereby enable mutual growth and prosperity.

Sources
1: "U.S.-India Bilateral Trade and Investment", Office of the United States Trade Representative, accessed on 02 June 2017;
2: "Growing dependence on USA no good", Millennium Post, 22 November 2016;
3: "India-US relations to be among top priorities of Trump administration", Business Standard, 11 November 2016;
4: "Brief on India-U.S. Relations", Indian Embassy, accessed on 02 June 2017;
5: "Joint Statement: Second India-U.S. Strategic and Commercial Dialogue ", U.S. Embassy and Consulates in India, 30 August 2016
6: "US-India relationship never been stronger: Trump administration", The Economic Times, 24 May 2017;

Sector snapshot



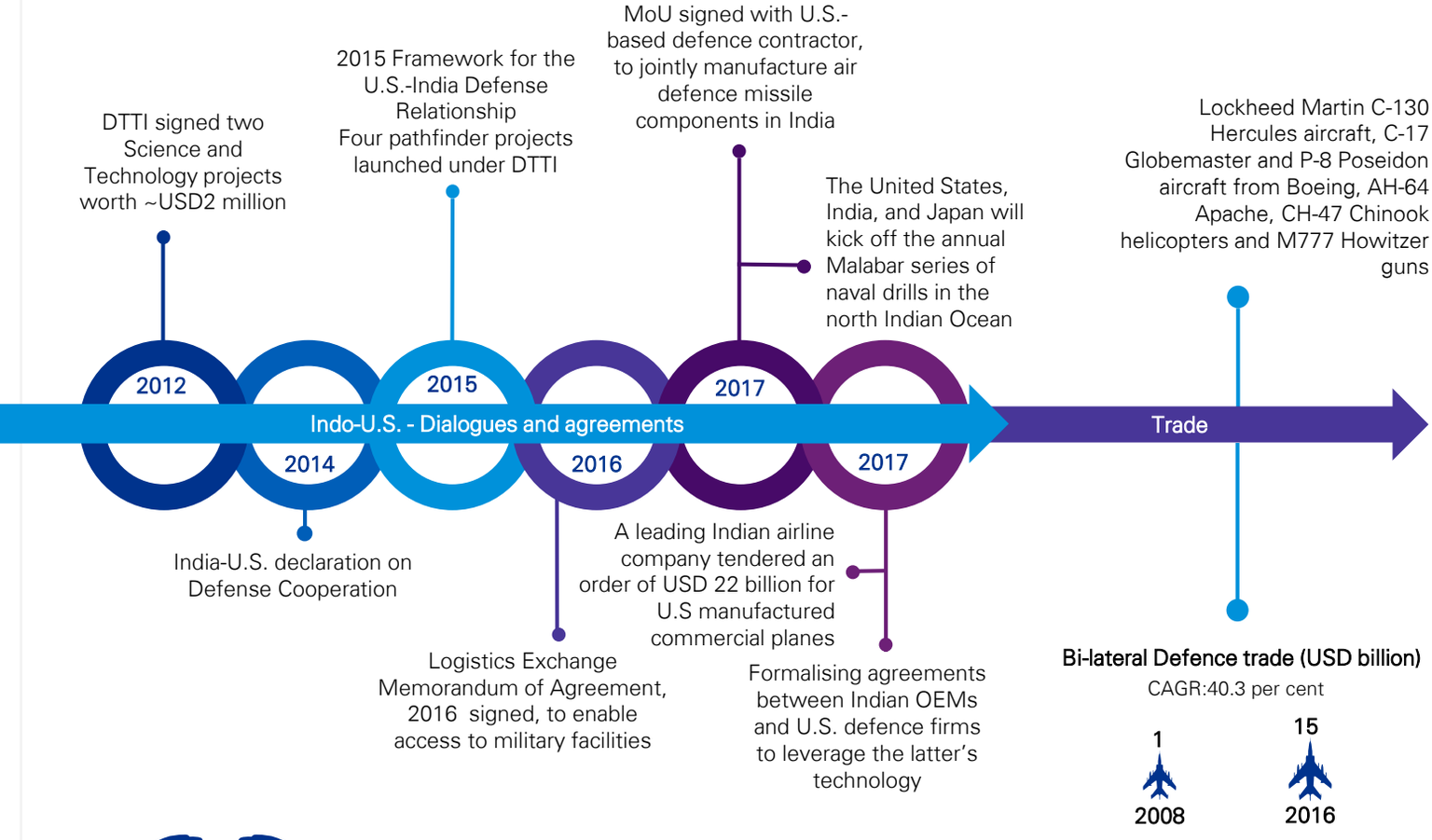
Aerospace and Defence



Sector factfile

Parameters	India
Contribution to GDP (FY17)[1]	2.3 per cent - defence budget to GDP
Market size and CAGR %[2]	India's defence equipment segment is likely to grow at a CAGR of 5.7 per cent to USD15.1 billion* in 2020, from USD12.1 billion in 2015
FDI (Apr 2000 – March 2017)[3]	FDI equity inflows worth USD5.1 million
Key government reforms[4,5,6,7,8,9]	• 49 per cent FDI is permitted under automatic route and 100 per cent under approval route in the defence sector • New defence 'Make' procedure promulgated to promote research and development in Aerospace and Defence (A&D) • National defence manufacturing policy with focus on technology tie-up underway • Plans to introduce the Strategic Partnership (SP) model within the Defence Procurement Policy (DPP), to boost the private sector manufacturing of defence equipment
Opportunities[5,6,7,8,9]	• Increased demand for capital equipment for aircraft and allied products • Tax concessions in the aerospace clusters/ Special Economic Zones • Strategic Partnership model to develop defence industrial base • Government's ambition plan to modernize armed forces • Contractual offset obligations worth USD4.5 billion expected over the next five to six years • Provisions for foreign OEMs to select the Indian production agency of choice • Regional connectivity and monetisation of land assets
Claim to fame	• India's civil aviation market set to become the world's third largest by 2020 and expected to be the largest by 2030 • Ranked fifth in the world for military expenditure as of 2016[10]

India-U.S. relations[11,12,13,14.15]



Outlook

- Increase in defence spending, liberalised FDI norms, and introduction of the SP model expected to create more business opportunities for private players
- The government's plan to set up a Defence Procurement Organisation (DPO) is expected to streamline the process of acquisition for defence equipment
- It is also expected to build a robust defence manufacturing base in the country
- Focus areas going forward should include increasing technological adoption and advancement in order to enhance competitiveness of the sector
- New private players in this sector are keen on manufacturing in India with the help of partners in mature market such as the U.S.
- Plan to double the number of airports under the Regional Connectivity Scheme in the next five years provides huge public private partnership (PPP) opportunity for U.S. companies

Sources
1: "India's Defence Budget 2017-18: An Analysis", IDSA, 08
2: "Trends in world military expenditure, 2015", Sipri Factsheet, April 2016;
3: "FDI_FactSheet_January_March2017 - DIPP
4: "100% FDI in defence: What does it mean?", The Hindu, 20 June 2016
5: "India in advanced stages of formulating defence manufacturing policy: Arun Jaitley", The Economic Times,
6: "Unlocking defence R&D in India - Do we have the skill?", First Post, 08 April 2016
7: "Govt decision on 'strategic partnership' in defence procurement after Parliament session", Business Line, 05 April 2017
8: "Defence Manufacturing", Make in India website, accessed on 08 June 2017
9: "Achievement Report June 2014-September 2016", Department of Defence Production, April 2017;
10: "Military expenditure: India ranked fifth in the world behind Saudi Arabia – The Financial Express, 25 April 2017;
11: "Fact Sheet: U.S.-India Defense Relationship", U.S. defence government,3 June 2015;
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Media and Entertainment

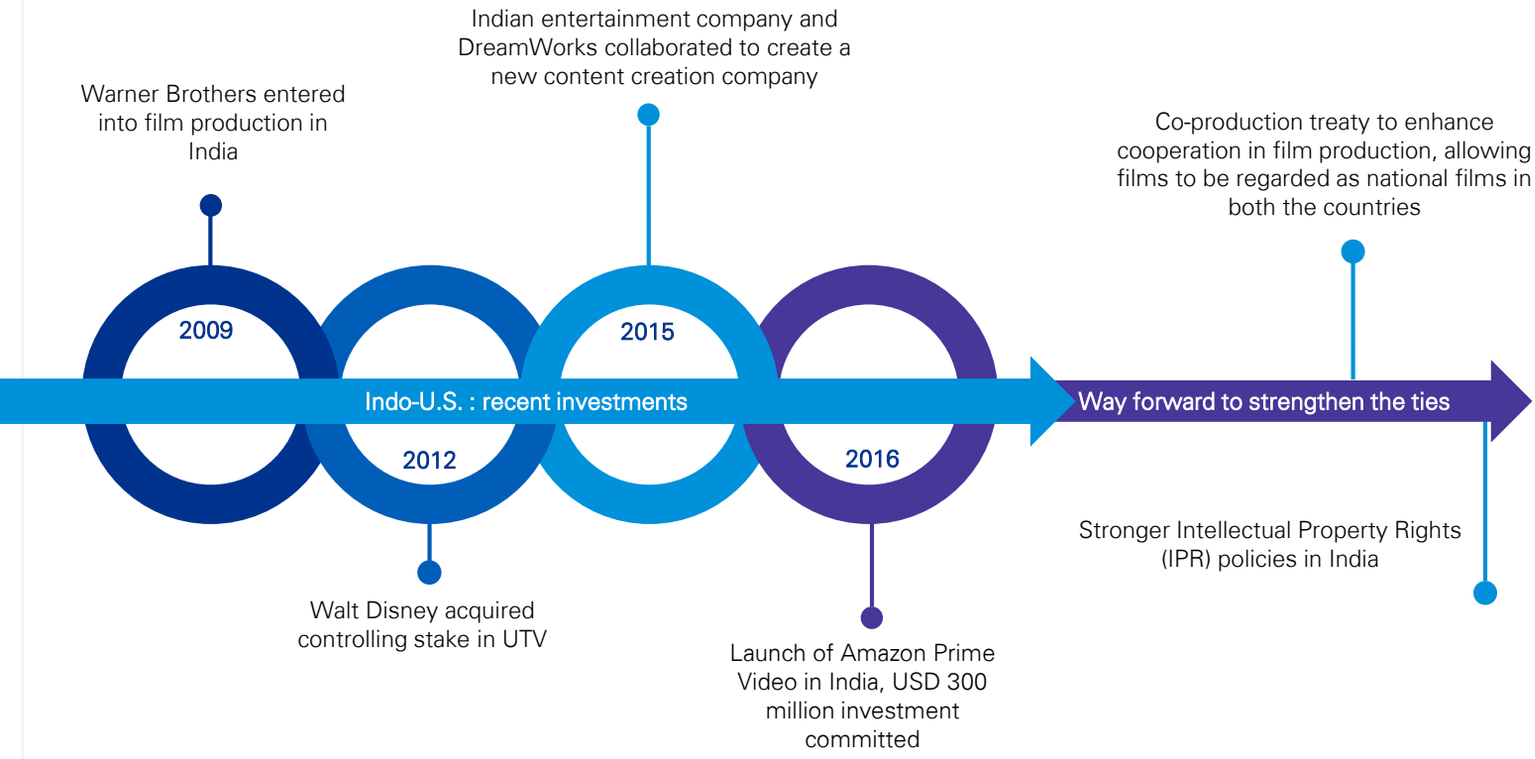


Sector factfile

Parameters	India
Contribution to GDP (FY17)[1]	1 per cent
Market size and CAGR %[2,3]	USD 19.5 billion (as on Dec 2016), estimated to grow at a CAGR of 13.9 per cent to USD37.2 billion by 2021, driven by rapid growth in Digital advertising and sustained growth in Television
FDI (Apr 2000 – March 2017)[4]	FDI equity inflows worth USD6.5 billion
Key government reforms[5,7,8]	• 'Digital India' and 'Make in India' provide due impetus with emphasis on local content creation • Guidelines by TV regulator (TRAI) to help boost profitability across the TV segment • FDI limit for cable and DTH satellite platforms increased to 100 per cent; liberalization of limit in print from 26 per cent to 49 per cent, and enhancement of 49 per cent limit in radio, envisaged • National IPR policy being drafted, expected to prominently impact digital advertising segment • The Skill India program envisages creating a skilled media workforce of more than 2 million by 2022 • Industry status to the film industry allows easy access to institutional finance and 100 per cent FDI
Opportunities[7]	• Proliferation of high speed enabled smartphones leading to explosive growth in data consumption, bodes well for Over the Top (OTT) Video players and original Content creators • Increasing Cable TV penetration, completion of digitization and TRAI guidelines positive for the entire TV Value chain • Continuing demand for cutting-edge Indian talent in Animation and VFX services • Radio market opened for global players, with e-auctions in untapped Tier 2 and 3 markets planned • Gaming and Music expected to ride the digital wave, with monetization models expected to evolve in the next 3-4 years
Claim to fame	• India is the second largest smartphone market in the world after China, with ~325 million+ smartphones and 400 million+ wireless internet connections • India is one of the largest producers of films – producing 1,000 to 1,500 films (across various languages) every year



India-U.S. relations[5,6]



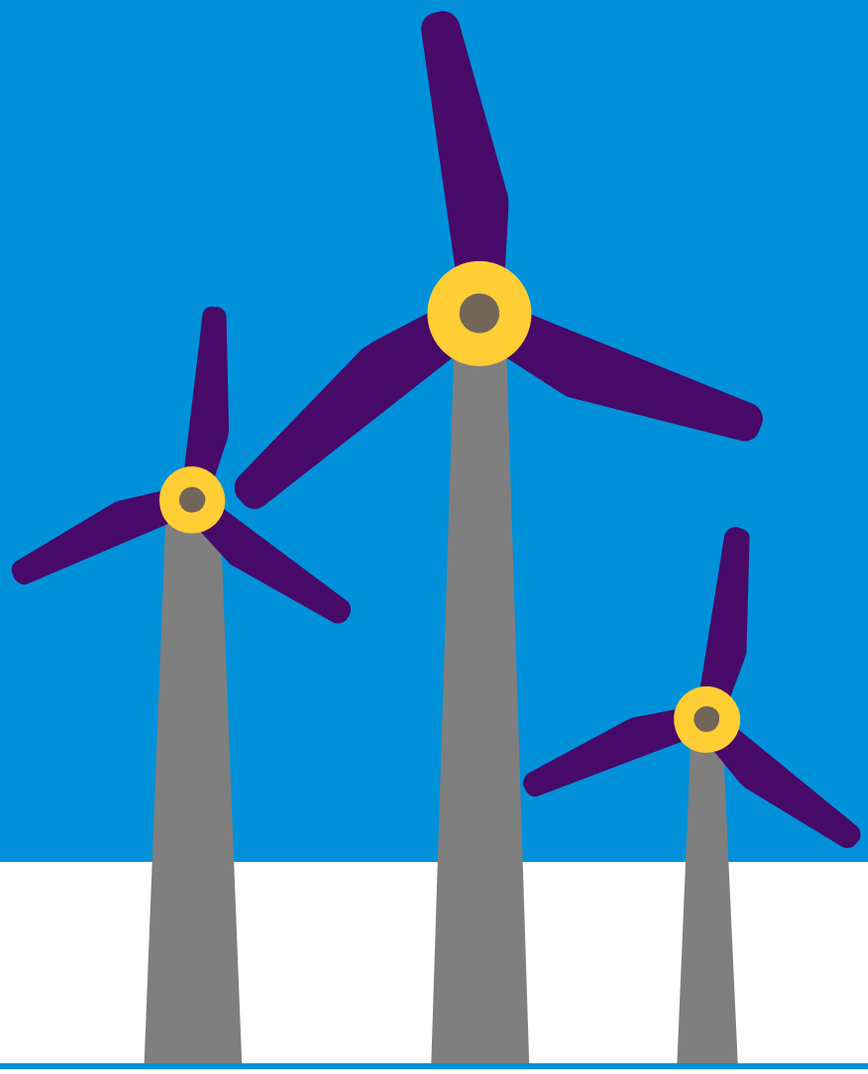


Outlook[2]

- The 4G revolution in India is expected to drive consumption of media across devices, regional markets and socio-economic classes, leading to a rapid growth in digital advertising. Digital is also likely to positively impact associated segments like Gaming and Music
- Increasing digital consumption is likely to result in content being the king, with content creators in the spotlight
- Television growth in India likely to remain robust due to strong consumption growth and subscription revenues showing strong momentum on the back of digitization process completion
- India would continue to be the destination of choice for Animation and VFX services in the near future, with various state Governments looking to rollout specific Audio Visual training centers
- The films and print segments would continue to achieve steady growth on the back of growth in regional markets
- Consolidation in the sector likely to continue in TV distribution and Radio, with vertical integration of Distributors and content creators a trend to watch out for

Sources
1:"Media Industry Contributes 0.5% To GDP", Indiatimes, 13 March 2014
2: Indian Media and Entertainment, Industry Report, 2017, KPMG India – FICCI , May 2017
3: "Indian media industry likely to touch Rs2.26 trillion by 2020", Livemint, 31 March 2016
4: "FDI_FactSheet_January_March2017 – DIPP
5: "Foreign investment and the Indian media and entertainment industry", Lexology, 30 June 2016
6: "Warner Brothers Makes Foray Into Film Production in India", Voanews, 02 November 2009
7: "2016 Top Markets Report, Media and Entertainment" U.S. Department of Commerce | International Trade Administration, October 2016
8: "Govt to abolish Foreign Investment Promotion Board: Finance Minister", Business Standard, 1 February 2017

Energy



Sector factfile

Parameters	India
Contribution to GDP (FY17p)[1]	5 per cent
FDI (Apr 2000 – March 2017)[2]	FDI equity inflows worth USD23.6 billion (Power, Petroleum & Natural Gas and Non-Conventional Energy)
Key government reforms[3,4]	• Increasing focus on providing electricity to all by 2020 and diversifying India's energy mix • Focus on decarbonising the Indian energy sector by adopting clean energy sources • Phase two of the Solar Park Development programme underway, for an additional capacity of 20,000MW • Public Utility (Resolution of Disputes) Bill introduced to increase the effectiveness of the public-private partnership (PPP) model • Power sector lending agencies allowed to raise additional financing through bonds
Opportunities[5]	• High investment potential in power generation, distribution, transmission, following the rising demand for energy • Solar panel, turbine and tower manufacturing, as well as Engineering, Procurement and Construction (EPC) • 96 trillion cubic feet of recoverable shale gas in India, presents high shale gas extraction potential. Refineries to be upgraded, to comply with the emission norms - BS-VI - by 2020 • Significant opportunity in electrical energy storage, driven by increased focus on renewable energy and frequent power outages • Need for modernisation of electricity disbursal using smart grids • Increasing adoption of IoT, Data Analytics in both upstream and downstream companies is a growing opportunity for foreign players
Claim to fame[6,7]	• Fastest growing in the world - 26 per cent increase in output from renewable power projects in FY17 • India is the world's third-largest energy consumer with fifth largest power generation capacity

India-U.S. relations[8,9,10,11]

2005: U.S.–India Energy Dialogue launched to increase trade and investment in the energy sector

2008: Civil Nuclear Agreement signed, allows U.S. companies to build six reactors in Andhra Pradesh

2009: Partnership to Advance Clean Energy (PACE) launched. Joint Clean Energy Research and Development Center (JCERDC) established with a joint funding of USD50 million

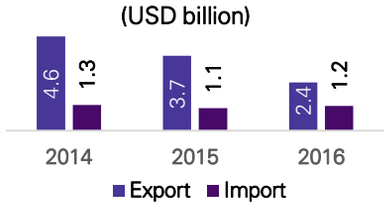
2011: 20 year sales agreement signed to import 3.5 million tonnes (MT) per year of Liquefied Natural Gas (LNG), from the U.S.

2017: Deal signed for U.S. to supply 0.8MT of LNG to India

Indo-U.S. - Dialogues and agreements

Trade details

India-U.S. mineral fuel and oil trade (USD billion)



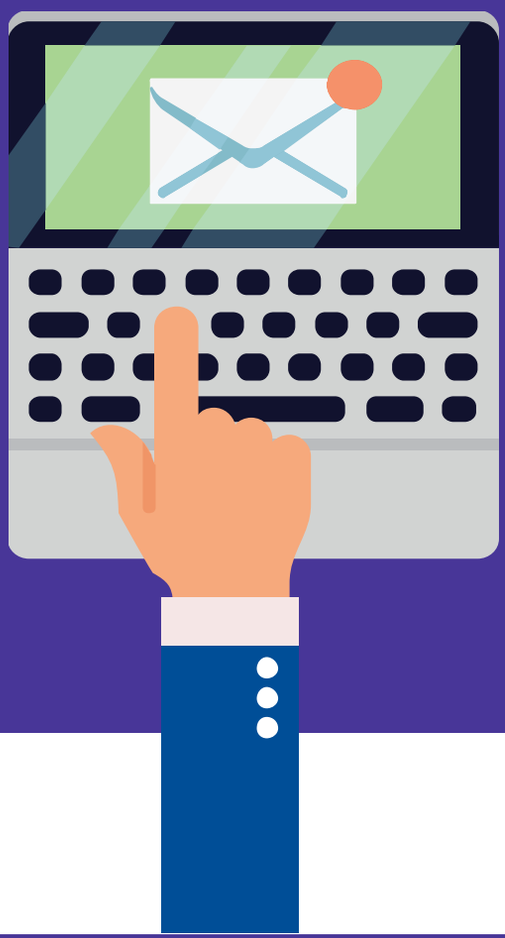
Outlook[12]

- India ranks among the top-ten countries in the world for investing in renewable energy, reflecting its attractiveness as an investment destination for the renewable energy (RE) sector
- Avenues such as solar energy and wind energy are expected to emerge as some of the brightest investment avenues within the RE sector in the near future
- Coal is expected to make the largest contribution to electricity generation in India until 204012. The country is also predicted to drive global demand for coal in the decades to come
- Digitisation is one of the most potent tools for driving accountability and efficiency in utilities. Global utilities have evolved to become more smart and agile and India is rapidly adopting data analytics, IoT and other technological advancements to respond to consumer needs
- With the government's focus on modernising the country and curbing the losses due to electricity theft, India is expected to invest USD 45 billion in smart grid infrastructure in the next 10 years, creating a huge market for smart products such as smart meters, appliances, etc.

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Information and Communication Technologies

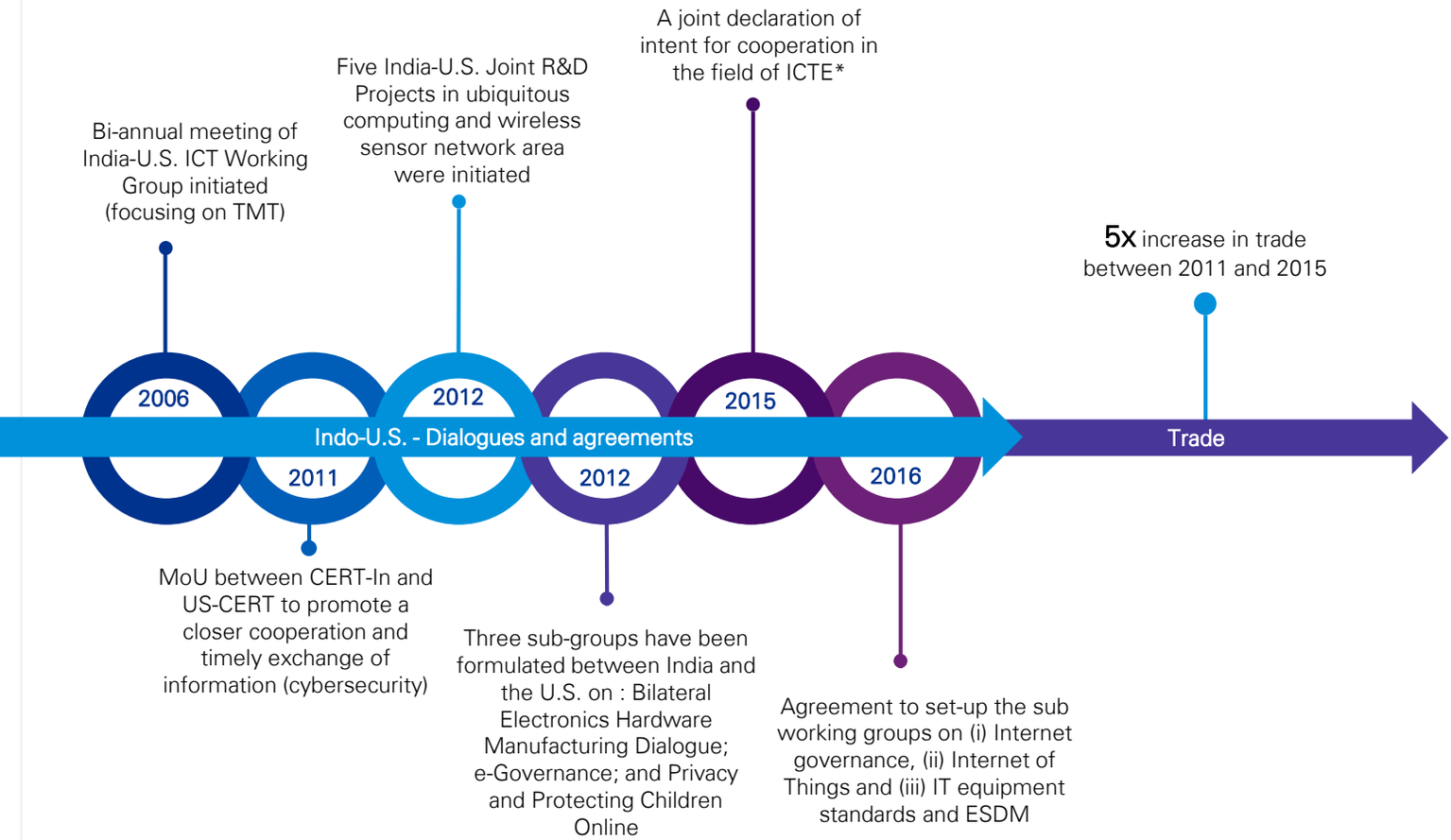


Sector factfile

Parameters	India
Contribution to GDP (FY17E)[1]	7.7 per cent
FDI (Apr 2000 – March 2017)[2]	FDI equity inflows worth USD24.7 billion (Computer Software & Hardware)
Market size and CAGR %[2,3,4]	IT – BPM (Business Process Management) industry accounts for 56 per cent of the global outsourcing market IT industry (including hardware) share in the global market stands at 7 per cent largely on the back of increasing exports IT sector revenue estimated to increase to USD200-225 billion by 2020, growing at a CAGR of 9.1 per cent between 2017 and 2020
Key growth drivers[2,3,4]	Increasing disposable incomes, growing penetration into rural markets, tier II and tier III cities, online and digital marketing, the e-commerce boom and the government's push towards 'Digital India' and 'Make in India' programmes have all been major growth drivers
Key government reforms[7,8,9]	• Enabled e-filing for service tax/ excise duty registration • Increase in domestic transfer pricing threshold • Support to 'Start Up India' involving tech start-ups with innovation promotion and techno-financial programmes • Special incentive and viability gap funding for setting up BPO/ITES
Opportunities[7,8,9,10]	• Digital economy likely to reach USD1 trillion by 2022 – will provide opportunity to sell high-tech products and services in India • Increased focus on adoption of new technologies driven by Internet of Things (IoT), analytics and automation • Growing opportunities for companies developing local language applications and websites, video streaming, search interfaces, among others • It is estimated that IT spending by banking and securities firms in India is likely to reach USD 8.9 billion in 2017, an increase of 9.7 per cent over 2016.6. The Indian banks are investing to enhance their customer platforms and tools • Formation of Cybersecurity clusters to improve overall security standards in the country



India-U.S. relations[5,6]





Outlook[7,8]

- Despite the current slowdown in growth, Indian IT sector is likely to receive an impetus owing to the evolution and adoption of analytics and automation across most other sectors
- The rise in e-commerce provides an attractive avenue for IT companies to develop products and services to cater to the rapidly growing consumer segment .

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Pharmaceuticals



Sector factfile

Parameters	India
Contribution to GDP (2015)[1]	0.8 per cent
Market size and CAGR [2,3,4]	Indian pharmaceutical market to reach USD55 billion by 2020 growing at a CAGR of 12.9 per cent between 2015 and 2020
FDI (Apr 2000 – March 2017)[16]	FDI equity inflows worth USD14.7 billion
Key growth drivers	Domestic market to be driven by increasing health insurance coverage, rising prevalence of chronic diseases and growing focus of the government on rural healthcare programmes Export growth to be driven by increasing demand from emerging nations, such as Russia, Brazil and South Africa, impending patent expiries and increasing penetration of generics in regulated markets
Key government reforms[5,6,7]	• New drug policy to facilitate clinical testing underway to accelerate the process of drug development • The IPR policy is underway to bring transparency and foster innovation • GST to streamline supply chain and reduce production and distribution costs in India • 100 per cent and 74 per cent of FDI is allowed in greenfield and brownfield pharmaceutical projects, respectively
Opportunities[8,9,10]	• Higher government expenditure on healthcare and favorable government policies supporting growth of Indian pharma sector • India has the potential to become an outsourcing hub for the biosimilars which can be leveraged by global markets, such as the U.S. • India is low-cost manufacturing destination, with increased spending on R&D
Claim to fame	• Employed 2.6 million people (2015) • India holds 20 per cent share in global export of generics (2015) • To become 6th largest global market by 2020

India-U.S. relations[11,12,13,14,15]

MoU signed to support cooperation on cancer research, prevention, control and management

The U.S. set up its Food Drug Administration (FDA) office in India to facilitate food and pharmaceutical exports from India

2008 | 2014 | 2016 | 2017

Indo-U.S. - Dialogues and agreements

Statement of intent signed between U.S. FDA and Indian Ministry of health and family welfare, to enhance cooperation and transparency in the field of medicine

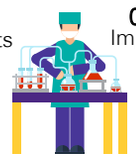
MoU signed between HPCUS and CCRH to promote cooperation in the field of homeopathic medicine

Trade

Pharmaceutical trade (FY17)

Total trade: USD5.4 billion

5.1 Exports | 0.3 Imports



Every 3rd pill sold in the U.S. is manufactured in India

Exports (in USD billion)

CAGR: 13.3 per cent

3.1 (FY13) → 5.1 (FY17)



U.S. accounts for ~40% share of total pharmaceuticals exports from India

Outlook

- The Indian pharmaceutical sector is expected to witness various growth trends which include an increase in R&D investments and increased collaborations and partnerships. This is expected to fuel the growth and evolution in the sector
- Rapid and increased technology adoption and global expansion, backed by several government initiatives are expected to enhance the global competitiveness of the sector
- In 2016, a new IPR (Intellectual Property rights) policy was launched, which could address some of the concerns raised by the U.S. pharmaceutical industry bodies in the past
- There has been an increasing demand for generics in the U.S. to reduce the overall healthcare cost. Further, the U.S. has been India's largest pharmaceuticals export partner over the past one decade. In FY16, India's pharmaceuticals exports to the U.S. stood at USD 5.5 billion, almost one-third of the total exports.

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Agriculture and Food Processing



Sector factfile

Parameters	India
Contribution to GVA (2016)[1]	Agriculture and allied activities 17 per cent Food Processing Industries 1.5 per cent
Market size and CAGR %[2,3,4]	Total output of FPI to reach USD34.3 billion in 2019, growing at a CAGR of 9 per cent between 2016 and 2019
FDI (Apr 2000 – March 2017)[17]	FDI equity inflows worth USD10.6 billion (Food Processing Industries, Agriculture Services, Vegetable Oils And Vanaspati and Agricultural Machinery)
Key growth drivers[5,6,7]	Government of India aims to double farmers income by 2022-23, by integrating new technologies in agricultural sector Growing focus on development of the food processing infrastructure to drive growth in the sector
Key government reforms[8,9,15]	• A special fund of USD307.7 million was set up in NABARD to provide affordable credit to food parks and agro-processing units • 100 per cent FDI permitted in the marketing of food products manufactured in India • Reduction in excise and customs duties on refrigerated containers, food processing and packaging machinery • Corpus of USD6.9 billion dedicated to develop long-term and micro irrigation funds • The coverage expansion of National Agricultural Market (e-NAM) to 585 APMC to provide better prices to farmers
Opportunities[10,11,12,13,14]	• Development of irrigation projects, has led to high investment potential in the manufacturing of modern irrigation equipment • India is a leading global outsourcing hub —during FY2011-15, India's exports of processed food products increased at a CAGR of 23.3 per cent • Focus on increasing availability of high-yield seeds and food processing capacity • Warehousing, especially cold storage is emerging as a critical investment area in promoting food processing infrastructure and ensuring improved food security in India • Immense opportunity for foreign players to collaborate with Indian public and private players to offer technical expertise in areas such as crop, weather and pest management, disease forecasting, biotechnology and climate-smart agriculture • E-marketing platform: While the platform allows farmers to sell their produce anywhere in the country by connecting directly with the buyer, it has the potential to open up opportunities for integrators and other produce handling companies to procure on the e-platform directly from farmers
Claim to fame	• India holds 2.3 per cent share in global agricultural exports (2015) • India's 54 per cent of population engages in agricultural activity and allied activities (Census 2011)

India-U.S. relations[5,6,7,8]

Launched Indo-U.S. knowledge initiative in agriculture to support agriculture education, research and capacity building projects

Agreement signed between the U.S. and India on public stockpiling of food, to facilitate the WTO trade deal

2006 2006 2016 2016

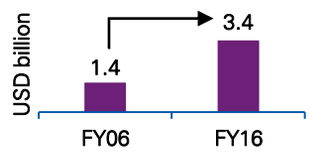
Indo-U.S. - Dialogues and agreements

MoU signed between USAID and NIAM to strengthen Indian agricultural marketing system

The Ministry of Agriculture and Farmers Welfare partnered with the USAID to launch Feed the Future India Triangular Training Programme

Trade

2.4x increase in bi-lateral trade



Agricultural Products

USD2.1 billion
Exports

USD1.3 billion
Imports

Leading import commodities:
Tree nuts, Cotton, Pulses

Outlook

- Rapidly changing lifestyles and growing per capita income are expected to drive the consumption of processed food in India
- The food retail sector is expected to experience globalisation, transformation and intense competition, as the 100 per cent FDI policy in retail trading including e-commerce would provide an opportunity for global retail majors to invest in India's food retail sector
- Technology such as soil sensors and applications for soil management should be adopted to help the farmers

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Retail



Sector factfile

Parameters	India
Contribution to GDP (2016)[1]	Retail sector contributes 10 per cent to GDP and 8 per cent to employment
Market size and CAGR %[2,3,4]	Indian retail sector to reach USD1,273.1 billion in 2021, growing at a CAGR of 12.8 per cent between 2016 and 2021
FDI (Apr 2000 – March 2017)[16]	FDI equity inflows worth USD988.6 million (retail trading)
Key growth drivers[5,6,7]	Retail market to be driven by factors such as favourable demographics, shift in consumer preferences, increasing disposable income, government reforms and increasing digitisation of the Indian economy
Key government reforms[8,9,14]	• 100 per cent FDI permitted in single-brand retail • 100 per cent FDI permitted for online sale of goods under the marketplace model • Players permitted to open retail outlets 24x7 will drive overall retail consumption and benefit food and beverage segment • The GST is expected to improve profitability of organised retailers • The government is considering to authorise foreign multi-brand retailers to open stores across India, for 'Made in India' products
Opportunities[10,11,12,13]	• Online retail segment in India is expected to reach USD70 billion by 2020 • Tier-II and Tier-III cities emerge as key destinations for retail investments • Various government policies and initiatives have simplified business environment for entering and operating in Indian retail market. As a result 50 global retailers are entering India, to open 3,000 stores
Claim to fame	• India, ranked as the most promising market for retail expansion, among 30 developing countries in 2017

India-U.S. relations[5,6,7,8,9,15]



A major **U.S.-based e-commerce player plans to invest USD5 billion** in India over the next few years



In 2016, an Indian clothing retailer signed an MoU with a U.S.-based fast-fashion retailer to **acquire its online and offline rights in India**

A leading U.S.-based multinational retailer plans to open **50 stores** in India over the **next 3-4 years**



Imports of garments from the U.S. increased from USD0.29 million to USD1.01 million between 2012-13 and 2016-17

Indo-U.S. - Investments | **Trade**



A leading U.S.-based Quick Service Restaurant (QSR), to expand its store presence b opening about **250 outlets,** in south and west India, by **2022**



A U.S.-based apparel brand, plans to **open 40 new stores** in India, over a period of **five years**



India competing with other low-cost destinations such as Bangladesh and Vietnam

- Exports of garments to the U.S. between 2012-13 and 2016-17 decreased from USD2.2 million to USD0.65 million

Outlook

- Currently, India has a significant share of unorganised market. It accounts for more than 90 per cent of the overall retail market and hence a major opportunity for foreign retailers both in terms of serving the organised market through organised cash and carry and building modern trade
- The long-term outlook for the industry is positive, supported by rising incomes, increasing acceptance of e-commerce, entry of foreign players and rising urbanisation

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