

INDIA

EASTERN PROMISE

INTRODUCTION FROM DANIEL CHARLES MOUAWAD

"The world is getting smaller, and it is becoming more and more important for advisers to look outside their city, their region and even their country for the best opportunities. For years, India has been hailed as the rising star of international business and it looks now as if it is really starting to live up to its promise.

"There is no doubt that India is on its way up. Foreign investment is growing by the day and we are seeing more and more Indian

companies expanding into Europe and the US.

"But despite its recent successes and burgeoning economy, many UK businesses still worry about the risks involved in dealing with India, and the general perception is of a difficult market. However, Manchester's financial and professional services sector has recognised the importance of promoting itself in Asia and foreign companies are beginning to realise that there is more to the UK's business advisory scene than just London.

"pro·manchester recently joined forces with MIDAS to take 12 delegates to Mumbai and New Delhi, intending to demonstrate

how our advisers can help aspiring Indian businesses to internationalise and raise finance on UK markets like AIM. The mission was a huge success and has helped to facilitate partnerships between Manchester advisers, their Indian counterparts and potential clients, to develop mutually beneficial business opportunities.

"India is poised to become the world's third largest economy and Manchester is already developing strong business relationships with some of the country's most dynamic companies. Through a strategy of effective communication, Manchester can play a part in India's future success, and India can do the same for us."

FACTS AND FIGURES

- India has a population of 1.12 billion according to 2007 estimates.
- India's financial year follows the same course as that of the UK, beginning on 1st April and ending on March 31st.
- There are 22 main and regional languages recognised in India's constitution. However, English is the principal language for business, commerce and legal matters and the Official Languages Act provides for continuing use of English in official work.
- In 2006-2007, India exported £65 billion worth of goods - up almost 22.5 per cent on the previous year. Imports rose by nearly 28 per cent to £98.2 billion.
- India was the second most attractive foreign direct investment (FDI) destination in the world, according to the latest survey by AT Kearney, with a total of £28 billion of investment from 1991 to 2007.
- UK-India bilateral trade was worth £8.74 billion in 2006 - up £7.9 billion on 2005. UK exports of goods to India stood at £2.69 billion and service exports at £1.42 billion, while UK imports of goods were worth £3.34 billion and service imports £1.49 billion.
- The UK has the third largest share of inward investment into India at £1.9 billion, after Mauritius and the USA.

Doing business with India

The Indian economy is among the fastest growing in the world. From 2006 to 2007, GDP grew at a rate of 9.4 per cent and is worth around \$778.7 billion. The country boasts the world's largest labour force, with 509.3 million people working largely in agriculture and increasingly in the service sector and in industry.

India has 23 stock exchanges and more than 9000 listed companies. The Bombay Stock Exchange is second only to the NYSE, based on the number of companies listed, and the country has the third largest investor base after the USA and Japan.

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Of particular interest to the North West business scene is the dynamic engineering sector, particularly in the Bengal region, which holds around 70 per cent of the country's coal, iron ore and bauxite reserves. The aerospace and automotive industries are also growing, both in size and sophistication, as are biotechnology and pharmaceutical, construction, financial and legal services, power, transport and water.

However, according to Mark Green, a commercial partner in the Manchester office of law firm, Cobbetts, much of the UK is yet to take full advantage of the

potential opportunities that exist in India. He says: “Historically, India was a country that stood still, experiencing a slow growth rate, underdeveloped infrastructure, small consumer markets and a bureaucratic society.

“However, after years of investment and development, India now has one of the world's fastest growing economies, proactive industries, sectors open for investment and promising consumer markets, with around 350 million middle-class consumers.

“Despite India's immense potential as a trade and investment partner for the UK, only a small percentage of our total exports are to India. While interest in India is growing and the North West is making some progress, we need to be more active to maximise that potential. Indian companies are globalising fast,


generating promising FDI prospects for the North West, but without a strategic business development strategy in place, the region will achieve only limited success.”

It is clear that Manchester and the North West as a region cannot afford to ignore the Indian market. It is the seventh largest country in the world and boasts the tenth largest economy - but experts predict that it could

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become the third largest within the next ten years. This means that the UK will have an excellent opportunity to increase trade - currently, only one per cent of our total exports go to India.

Alan Rigby, North West head of corporate banking at HSBC, says: “India's buoyant economy makes it a good prospect for North West companies seeking to grow their



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business abroad, and there are a number of ways they can enter its marketplace. A joint venture with Indian partners can provide easy access and negates cultural differences and the associated costs of establishing a foreign operation.

“In the past, India's lack of industrialisation drove many into entrepreneurship simply to survive. A lack of jobs meant that creating one's own employment was the only available option for many. Such national entrepreneurship has developed India into a country that now boasts 12 million small-scale industries, which form 95 per cent of its industrial enterprises. The strength of this business community provides clear opportunities for North West businesses seeking a strategic alliance.”

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A major British company thought to be planning a possible joint venture in India is BAE Systems, which is believed to be in the early stages of talks with Hindustan Aeronautics Ltd (HAL), which would manufacture its Hawk training jets in India for export around the world. BAE already has a long-standing relationship with HAL, which began in the 1900s when the latter began making Jaguar fighter jets in India.

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Another important joint venture is Virgin's link up with Tata Teleservices, following in the footsteps of BT and Vodafone.

However, a joint venture is not the only option for businesses looking to expand into India. Rigby explains: “Alternatively, businesses can establish a wholly owned subsidiary, which is treated as a domestic company (limited liability) for tax purposes. This provides greater flexibility in running the company, but requires a detailed understanding of the Indian

economy and approach to business.”

It is, therefore, vital that any company looking to invest in India researches the market first. It is necessary to have top level management commitment and adequate resources to manage business relationships in India. An understanding of the business culture is also hugely important -

for example, relationships play a far greater role in the way business is conducted in India than is the case in the UK.

Manchester businesses or service providers looking to sell their products in India have a great opportunity, but they face stiff competition both from within the UK and from countries like Germany, France, Japan and Australia, all of which are forging strong business links with India. If Manchester is to establish itself as a true player in India, now is the time to start building bridges.

CASE STUDY DWF

Manchester law firm, DWF, has advised a number of Indian companies who wish to do business in the UK and Europe, and fee earners in its Corporate & Commercial team have particular expertise in advising companies involved in the country's booming pharmaceutical sector.

Various Indian pharmaceutical companies are involved in the production of 'generic' drugs once the 'innovator' products have come to the end of their patentable lives - a novel process, which has been exploited by a number of Indian businesses with great success. When a patent for a particular drug expires and its chemical formula is no longer protected by the patent, other manufacturers are able to produce it and sell it at a significantly reduced price to medical practices around the world. This is facilitated by the patent system operated by Member States of the European Union, which in exchange for the grant of a 20 year monopoly to the patent owner, requires the patent owner to publish details of the 'invention' on a public register which is freely accessible to all.

Many pharmaceutical products which are available in Europe are manufactured in India. The importation of such products into Europe is subject to a sophisticated testing and licensing regime. Fee earners in DWF's Corporate & Commercial team have advised companies involved in the Indian pharmaceutical sector on their European agreements relating to the supply of generic pharmaceutical products.

Rob Sheldon, an Associate in the Corporate and Commercial team at DWF, explains: "Trading with Europe can be highly lucrative for Indian companies, but they need people who have the right know-how to help them negotiate the relevant contractual documentation.

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"Manchester has a long and proud history in the pharmaceutical sector and so it makes sense for Indian businesses to come here for advice on supply agreements and their contractual documentation."

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The law firm is optimistic about future partnerships with Indian companies. Katharine Mellor, a corporate partner, says: "We have been approached by an Indian business organisation with a number of clients who value the level of expertise we have in our city. India's star is most certainly in the ascendant, and Manchester's financial and professional services sector is well placed to provide the top quality advice its businesses need."

