

**INAUGURAL ADDRESS AT CRESCITA-2006**  
**BY**  
**MR.N.KUMAR, VICE-CHAIRMAN, SANMAR GROUP**

**INTRODUCTION**

It is indeed a pleasure and privilege to inaugurate **CRESCITA 2006 - "Abhivridhhi"**. Trichy is well known for education and industry. It is also topical that you have chosen "Abhivridhhi" as the theme for your conference as this is not only applicable for Indian Industry but for the entire nation!

From the time India got independence till 1991, we were a deeply regulated economy stuck to governmental regulations. A crisis in 1991 made the then Prime Minister, Shri P V Narasimha Rao take a bold decision and risk of opening the economy and things started changing. A lot of due credit is given to Dr Man Mohan Singh but a forgotten man is Shri P V Narasimha Rao. He took the decision of supporting his Finance Minister's views. As leaders of tomorrow it is indeed a key lesson that it is not 'one man' who makes for destiny of growth but a team of people with the leadership at the top that can make growth happen. This is even true when we give credit to people like the Late Dhirubai Ambani, The Tata's or the Bharti's because behind these names there is a team of outstanding individuals who not only wrote the plan but also executed it.

Now moving to Growth (Abhivridhhi), India is on a huge growth trajectory and India Inc is running fast to stay at the same place. There are many Sachin Tendulkars in India to score centuries continuously to be constantly recognized and respected by the Stock Market.

In the last 5 years, the metrics of global industry has been transformed. Two trends, I believe, have contributed significantly to this transformation.

First, **Knowledge** leading to technology and connectivity has changed the manner in which economic activities are being conducted. World production centers are increasingly disaggregated, global supply chains are rapidly developing and intensive interdependence of economies is emerging. More and more, nations are able to adhere to the tenets of liberal trade and economic specialization as envisaged by early economists.

Second the emergence of large-sized economies onto the global trade platform. The BRIC countries, Brazil, Russia, India and China, are projected to grow into the world's largest economies by 2050 on the strength of anticipated growth based on huge workforce and consumer base. India and China have now taken over as the main market place from the previous decades where Europe and North America used to be the main consumers.

## WHERE DO WE SEE INDIA IN THIS SCENARIO?

India has embraced globalization with open arms after a slow start. This is reflected firstly in the renewed commitment to trade negotiations under both bilateral and multilateral formats and secondly India's position as a key spokesperson on the WTO platform is testimony to India's position. In spite of the roadblocks at WTO we are still confident of progress.

## IS INDIA SHINNING AND IS INDIA EVERYWHERE?

In the current year India has hosted the Saudi King, King Abdullah Bin Abdul Aziz, the French President, Jacques Chirac, The American President, George Bush, the Prime Minister of Australia, John Howard and many others which goes to show the interest and importance world leadership gives India. This single fact underpins the importance that India is becoming an important global player. This also reiterates the fact that India is being thought, spoken, discussed and analyzed everywhere - therefore India is everywhere and shinning. A leading economist mentioned yesterday that the Wall Street Journal used to carry an occasional article about India and only about snakes and potholes in the last 30 - 40 years but in the last 2 years they carry regular articles on India and on success stories.

Another pointer to India's shinning is:

I had a meeting with Dr. Eswar Prasad who is a Senior Economist at IMF and an expert on China. This gentleman is going to head the Tolani Chair at the Cornell University for International Trade from January 2007.

There are two more lessons for us to take note of:

- i) This gentleman is from Chennai, DA V School, and Vivekananda College and he is now going to lead a Chair at a young age of 38.
- ii) This chair is supported by a leading Indian Shipping Company but may not very well known in the Corporate World.

This particular incident tells us India has arrived and the Indians are being recognized.

This was also very evident at the last annual meeting of the **World Economic Forum in Davos**, where global political and business leaders congregate each year to ponder the fate of the world. By all accounts, discussions about India and China figured prominently at the forum, undoubtedly in view of the countries' growing role in the world economy. Some **110 Indian business leaders** and

government officials attended this year, participating in more than **200 meetings** and **speaking in 60** sessions.

## IS INDIA EVERYWHERE FOR REAL AND SUSTAINABLE?

THE SHORT answer is "YES".

The Finance Minister in his budget speech mentioned that the economy grew at 7.5 per cent in 2004-05 and the estimate for the current year is > 8 per cent. The underlying bullishness has led to a view that the country is entering a 10 per cent growth path.

But, the moot question is: **will we actually walk the talk?** Is the current groundswell of confidence sufficient to create sustainable growth orbit for 2007 and beyond?

I would like to share **SEVEN SPECIFIC HIGHLIGHTS** in the Indian economy, which I believe are the factors that will make this 'ABIVRIDDI' trend irreversible and can position India as eminently fit for leadership in the global economy.

- 1) **In India we have seen a tremendous evolution of the Indian services sector;** India's knowledge economy is making inroads throughout the world. Our large and talented pool of human resources, our huge skilled workforce, our scientists, technicians and engineers are transforming the dynamics of global trade. India adds 3 million graduates, 700,000 postgraduates and 1,500 doctorates each year to its knowledge capital.

In the knowledge-based future, India has a distinct advantage. Already, IT and IT enabled services exports are projected to cross \$60 billion in the next three years, moving beyond BPO and up the value chain. 100 of the Fortune 500 companies have research bases in India.

Other services sectors such as Healthcare and Hospitality are the new growth drivers of the Indian economy. In Healthcare, India is fast emerging as a low-cost high-quality medical destination. Centers of medical excellence in the private sector are opening up. The hospitality sector is also booming with over 5 million overseas visitors to India expected this year. Biotechnology, another rapid-rise sector and is expected to cross the 5 billion US dollar mark within the next five years.

- 2) **An enviable structure of institutions,** vital to sustain growth, has been shaped brick by brick over the past six decades and six points to illustrate that.

- Democracy is, of course, our strongest foundation; the others are
- the independent legal institutions,
- the vibrant banking and financial infrastructure,
- the effective autonomous regulatory authorities
- The vociferous independent media.
- And finally, the judicial system may sometimes be late but always there

**3) Reforms** in the past fifteen years by successive Governments of different political colours have resulted in restructuring of Indian corporates to international levels of quality and competitiveness. We are currently witnessing the confident arrival of the Indian MNC into the international economic scene. Indian companies have also become big players in the global mergers and acquisitions business. Many companies such as Essel, Moser Baer, TVS and Bharat Forge are world market leaders in their respective products and recently Tatas with Corus in Europe and Natsteel in Singapore.

Today, 18 Indian companies figure in the Forbes list of top 200 companies outside the US. Thirteen Indian companies have been awarded the prestigious Deming Award for Quality by JUSE, the most outside Japan. More and more Indian companies are listing on the NYSE and LSE.

**4) Our demographic profile** is expected to play a major role in the future. India's median age is at 24 years and the working age population is expected to grow to 800 million by 2016. In fact, India is the only country where declining age dependency ratios are projected to continue till mid-century, filling vital global gaps. The Australian Prime Minister has said always that Australia is an ageing country and therefore will look towards India in the future for its requirements.

This not only alters the paradigms of factor supply and productivity as India increasingly ventures on to the global arena, but also constitutes a substantial consuming base. India already boasts of a 250 million strong middle class, a huge consumer market growing by 30-40 million each year.

The number of households earning over \$230,000 is going up rapidly and is expected to be seven times the 2001-02 figure by the end of the decade. Automobile sales last year crossed the one million mark and telephony notched up 100 million customers recently. For example we are the largest subscriber of mobile telecom as during the quarter ended September 2006 the add-ons overtook China. Therefore every mobile company and handset manufacturer will come to India.

**5) India's huge rural economy** is poised for substantial growth as liberalization touches the lives of those in the villages. Production for the rural markets is a phenomenon that has recently taken off. As the income levels in the

agricultural sector rise, a vast potential of demand will be unleashed. This has great implications for Indian companies, deepening linkages between the different sectors of the economy and opening new avenues such as biotechnology, food processing, rural infrastructure and others. ITC, HLL and other groups are making this into their mainstay of the future.

Look at three quick pointers that point to this phenomenon:

- Life Insurance Corporation sells more than half its policies in rural India.
- 50 per cent of BSNL mobile connections are in small towns/villages.
- There is twice the number of Kisan credit cards in rural India as compared to credit and debit cards in urban India.

**6) The evolution of the Indian manufacturing sector now following in the heels of the services sector, into highly competitive entities.** Manufacturing has experienced rediscovery in India, growing at 9% and in fact, this sector of India is emerging as a big-ticket investment destination.

The consulting firm McKinsey has forecasted that manufacturing exports from India could touch \$300 billion in the next decade. Most of these exports will come from the textiles, automotives, chemicals and pharmaceutical sectors. As mentioned earlier, we have Indian companies investing abroad. Companies like Tatas have invested in Corus and even medium size and small size companies are going international. McKinsey's presentation now to companies focuses about pitfalls in acquisition rather than strategies to grow with in.

**7) Indian industry is increasingly responsible of its role in the Indian economy.** The concept of the triple bottom line is drawing attention among Indian corporates. This involves a strategy of sustained business growth centering on the three objectives of Profits, People and Planet to incorporate financial goals, integration with the community at large and concern for the environment.

## CHALLENGES BEFORE INDIA

Everything I have said will not happen automatically. There are huge challenges facing India and India Inc. on an every day basis.

Three important issues face us when we talk of economics and growth of industry from a macro point of view:

- The most important issue is the political will for leaders to maintain the high rate of economic growth. Under this case the 2nd stage reforms like

labour, etc. Though I have mentioned earlier as this is one the reasons of India's growth and we need to keep this at the forefront of our vision.

- Inclusiveness of growth - to create jobs to enable the agricultural economy to grow and allow transformation into new economies.
- Infrastructure - today on account of our growth, infrastructure is creaking and need to be ramped up immediately. (I would like give the example of the Chief of Nokia warning of the problems faced by them in Sriperumbudur)

## CONCLUSION

Ladies and Gentlemen, I have tried to lay before you some important issues which I believe are important when we talk of growth. All this growth is real and having listened to the leaders, dignitaries visiting India, the only fear I have is whether they are expecting too much already.

I would like to repeat a story, which Suresh Krishna, and a global leader to whom many of us look up to, quotes often - a story that he said - "A man found an eagle's egg and put it under a brooding hen. A few weeks later the egg hatched. The eaglet grew up among the chickens. One day it saw an eagle flying high up in the air and admiring the eagle's flapless and graceful glide, asked its 'mother' if it could also fly like that beautiful bird. 'Well, that's an eagle, it can fly high. We are chickens, we cannot" the hen said. The eaglet therefore grew up believing that it was chicken and died without ever attempting to fly."

One is more convinced than ever before that in the years to come, the sustainability of India's growth story will come from Corporate India, and the fact that our companies will not think like chickens.

I am sure that this two-day seminar, where many of the leading professionals are going to share their views on growth and related areas with you, will help you to understand and appreciate Abhivridhi. I hope that the Management of BIM and similar institutions will help India realize its desire to become an Economic Global Superpower.

May I congratulate the students of BIM for having thought of such a theme and wish them the very best in their careers.

Thank you.

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