CBI

STERLING ASSETS INDIA 2

UK INVESTMENT CREATING INDIAN JOBS

FEBRUARY 2017

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UK INDIA BUSINESS COUNCIL

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UK India Business Council

The UK India Business Council believes that the UK-India business partnership creates jobs and growth in both countries and UK businesses have ideas, technology, services and products that can succeed in India. The fact that the UK is the No 1 investor in India among G20 countries reinforces this.

The UK India Business Council supports UK businesses with the insights, networks, policy advocacy, services, and facilities needed to succeed in India.

The organisation's first-hand experience of helping enter and growing businesses in India makes it uniquely qualified to help others achieve success whether they are well-established in India or in the early stages of their engagement.

Working with the UK government and other influential and connected partners, the UK India Business Council ensures that business interests are conveyed to India's Union and state legislators and seeks to influence decisions that will make it easier for UK businesses to operate in India.

For those seeking practical advice, its talented team provides a range of sector-specific research, market entry and expansion services that help businesses understand and access the opportunities.

For those setting up operations in India, the UK India Business Council provides a home away from home with a network of business centres in major cities, and an unrivalled network of government and business contacts, service providers, as well as a team of specialist staff to support business success.

The UK India Business Council's network is at the heart of its support. Through its wide variety of events and its member-only sector policy groups, the UK India Business Council enables business people to meet each other, identify potential partners, suppliers and customers, and to learn from top business leaders and commentators, including those on its Advisory Council.

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Foreword

In partnership with PwC and the UK India Business Council (UKIBC), the CBI is delighted to introduce the second edition of 'Sterling assets India' – a study on the impact of the UK's foreign direct investment in India.

Just a few months ago, in November 2016, we were proud to be involved in Theresa May's first visit to India as British prime minister. During the meetings that took place between business and politicians in those few days we were pleased to hear data from the first edition of *Sterling assets India* quoted regularly. The report – and the data it contained – has become a strong source of information on the extent of the UK-India business relationship, and we hope this second edition helps to build on that by further showcasing the richness of British investments, with data and case studies from businesses of all sizes and sectors.

This year we have widened the scope of the research, taking into account FDI received directly from the UK, investments from companies of British parentage through third countries and re-investment by British companies in India.

We are happy to report that the UK remains the largest G20 investor in India. Indeed, one in every ten jobs created by FDI in India between April 2000 and September 2016 was created by British FDI. As of today, 788,000 Indian private sector jobs are supported by British investments, retaining the UK's position of creating one in every twenty jobs in India's organised private sector.

The facts and figures in this report demonstrate the strength of the relationship and the strong business eco-system that the UK's private sector has built in India. This reflects the fact that the relationship between these two great nations has stood the test of time.

Britain's changed situation after the Brexit referendum and the bold economic initiatives taken by India's prime minister Narendra Modi such as the introduction of the Goods and Services Tax, demonetisation, and digitalisation of the economy are opening up new avenues for further enriching the relationship.

While there are new opportunities, there will be new challenges too. In particular, British investors will be looking for further progress to secure investor protection under the model Bilateral Investment Treaty (BIT), greater momentum in reducing corporate tax rates and further improvements in the ease of doing business – as increasingly recognised by India's rise up the World Bank's Ease of Doing Business Index.

But despite these challenges, we have no doubt that the UK-India business relationship will continue to go from strength to strength, harnessing the huge shared enthusiasm and passion.

Carolyn Fairbairn
Director-general, CBI

Patricia Hewitt
Chair, UKIBC

Kevin Burrowes
Clients & markets
UK executive board
PwC

EXECUTIVE SUMMARY

Indian subsidiaries of British firms play a vital role in the Indian economy. While many larger British companies investing in India are well-known names like BP, Vodafone, G4S, HSBC, Rio Tinto and Unilever, several medium-sized businesses (MSBs) from the UK are also doing business successfully and generating jobs in India for several years.

The UK remains the largest G20 investor in India, having invested US$24.07bn in the form of equity FDI between April 2000 and September 2016. It is the third largest investor in India after offshore international financial centres like Mauritius and Singapore.

While the first edition of *Sterling assets India* in 2015 prepared by India-based market research firm Kantar IMRB dealt with FDI coming directly from the UK and the number of jobs created between April 2000 and March 2015, this study attempts to widen the scope of research. This research endeavours to calculate foreign direct investment inflow into India between April 2000 and September 2016 from the UK. Calculations this year are a sum of three categories of UK funds inflow:

- Equity FDI that came from the UK directly
- Through re-investment[1] from British firms already in India
- Through firms of UK parentage, a majority of which are the top 25 investors from offshore financial centres like Mauritius and Singapore.

This research estimates that UK companies re-invested US$7.9bn between April 2000 and September 2016.

It is estimated that one in every ten jobs created by FDI in India between April 2000 and September 2016 were created by UK FDI. This takes the number of jobs created by UK FDI to 371,000 between April 2000 and September 2016,[2] against a total estimate of 3.6 million jobs created in India by FDI during this period. Currently the total number of people employed by UK companies in India stands at 788,000[3] which forms 5.3% of total organised private sector jobs in India. Hence the UK has maintained its significant role in providing one in every 20 organised private sector jobs in India.

In eighteen months between April 2015 and September 2016, India received FDI from the UK to the tune of US$1.87bn, while FDI from Mauritius and Singapore was US$5.85bn and US$4.68bn respectively. Roughly 38,000 jobs were created by UK FDI in these 18 months.

India remains something of an investment magnet to British companies. As Asia's third largest economy, India has attracted FDI from the UK into both industry and services sectors between 2000 and 2016. The main reasons why UK companies are attracted to India are a growing market, easy talent availability, a stable political system, new business-friendly policies by state and central governments, use of English as the language of business, saturation of western markets and similar legal and educational systems.

Exhibit 1: Why UK companies find India an attractive place to invest (%)

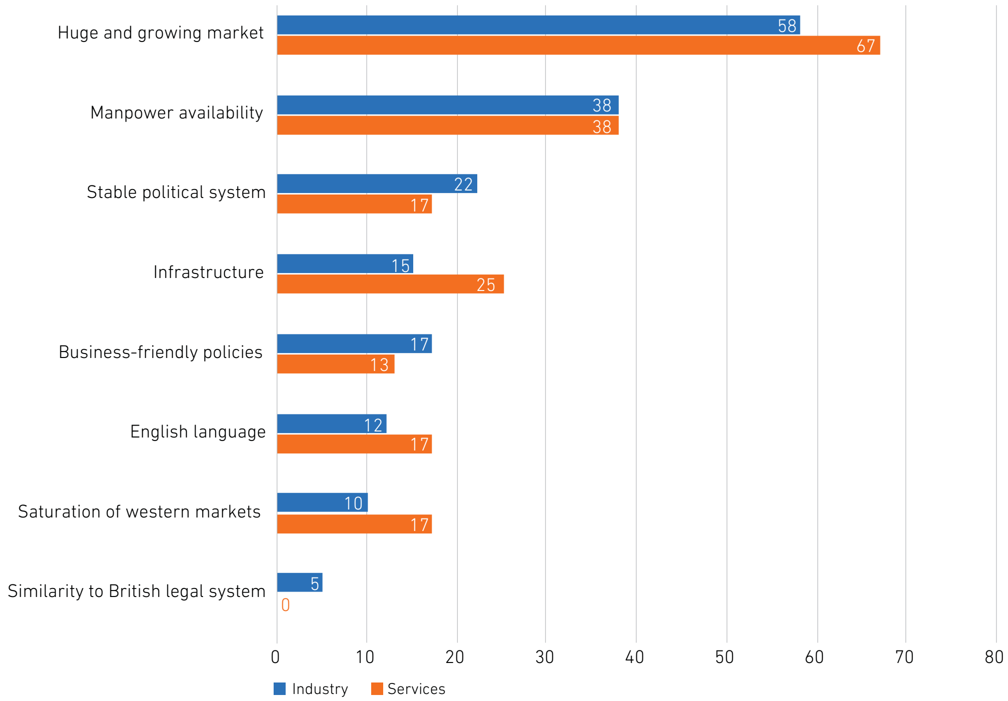


Exhibit 2: Equity FDI in India by G20 nations, Apr 2000-Sept 2016 (US$m)

Rank	Country	Cumulative inflows (Apr 2000-Sept 2016)	% of total inflows
1	Mauritius	101,760	33
2	Singapore	50,560	16
3	UK	24,072	8
4	Japan	23,760	8
5	USA	19,380	6
6	Netherlands	18,929	6

Source: Department of Industrial Policy and Promotion, government of India

In 2016, Japan emerged as a tough competitor for the UK. Japanese firms invested US$5.46bn between April 2015 and September 2016. This has brought the Japanese FDI into India during the 16-year period to US$23.76bn, just marginally short of the UK FDI figure. The UK and Japan now both hold 8% share each of global FDI into India. Japan had invested US$18.3bn between April 2000 and March 2015.

Exhibit 3: Employment generated by foreign companies in India (Apr 2000-Sept 2016)[4]

Country	Numbers (000)
UK	280
Japan	276
Germany	107
France	62
US	226
Mauritius	1185

Significantly, the UK remained the largest job creator in India via direct FDI. Around 280,000 jobs were created from a combination of equity that came directly from the UK, re-invested earnings by British companies and other forms of FDI between April 2015 and September 2016. Another 91,145 jobs were created through firms of UK parentage who invested via other destinations during this time period.

Exhibit 4: British investment in India by sector

Micro-sector	Apr '00-Sep '16 (million)	Apr '15-Sep '16 (million)
Petroleum & natural gas	2,455.71	189.95
Chemicals (other than fertilisers)	6,134.59	474.51
Drugs & pharmaceuticals	4,166.25	322.26
Food processing industries	3,235.65	250.28
Services sector* (includes finance, banking, insurance, non-finance/ business, outsourcing, R&D, courier, technical testing and analysis, other)	3,156.12	244.13
Unclassified	4,923.98	380.87
Grand total of equity FDI	24,072.30	1,862.00

According to data from Department of Industrial Policy and Promotion (DIPP), the chemicals sector received the lion's share of FDI from the UK at US$6.1bn (25%) followed by unclassified sectors at US$4.9m (20.35%), drugs and pharmaceuticals at US$4.1bn (17%) and food processing at US$3.2bn (13.29%).

Exhibit 5: British Investment by region (all values US$bn)

States receiving equity FDI	All countries	UK		
	Apr '00-Sep '16	Apr '15-Sep '16	Apr '00-Sep '16	Apr '15-Sep '16
Maharashtra (includes Dadra & Nagar Haveli, Daman & Diu)	92.85	19.73	7.47	0.60
Delhi NCR (also includes NCR districts of UP and Haryana)	65.56	16.15	1.80	0.42
Tamil Nadu (includes Pondicherry)	22.16	5.15	0.33	0.03
Karnataka	21.32	5.20	0.26	0.01
Gujarat	13.65	2.61	0.50	0.07
Andhra Pradesh	12.65	2.63	0.42	0.04
West Bengal (includes Sikkim, Andaman & Nicobar Islands)	3.97	0.99	0.28	0.00
Other states/union territories	77.92	9.11	13.01	0.67
Total FDI (US$bn)	***310.08***	***61.57***	***24.07***	***1.84***

Significantly more UK firms are investing in the Delhi National Capital Region. In the 18-month period between April 2015 and September 2016, 22.35% of investments from UK firms came to Delhi. The region received 7.5% of UK investments between April 2000 and September 2016.

Maharashtra received the maximum investment from the UK at US$7.47bn between April 2000 and September 2016. In the eighteen months between April 2015 and September 2016, it attracted around US$600m UK FDI which is 32% of the total FDI from the UK during this time period. States of eastern India led by West Bengal received no investment from the UK in this period.

"One in every ten jobs created by FDI in India between April 2000 and September 2016 was created by UK FDI."

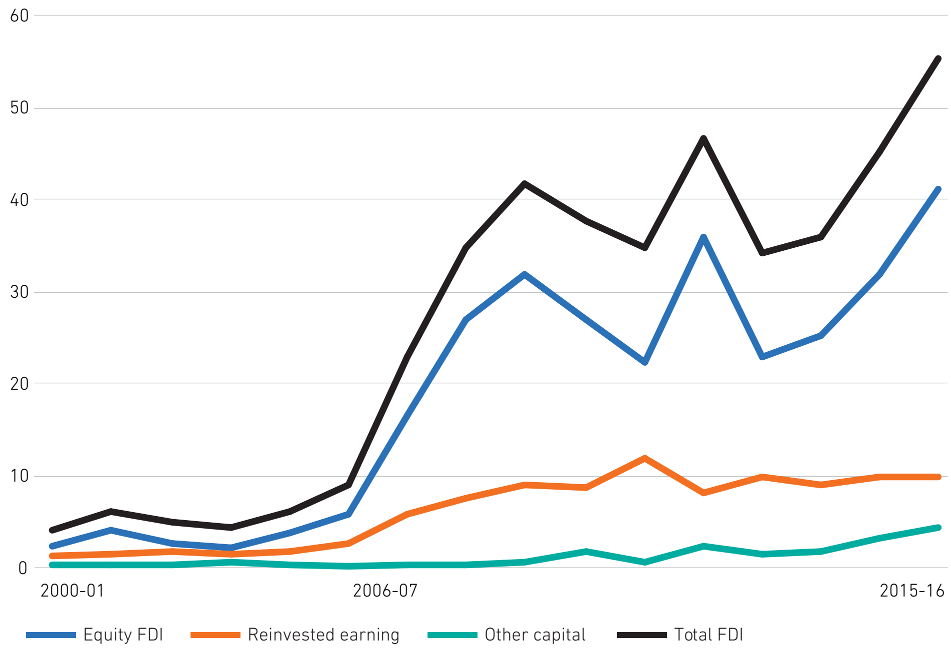
SECTION 1

Share of British investment in India – investment and reinvestment

According to the World Investment Report 2016, published by UNCTAD,[5] India is considered the tenth most attractive FDI destination (in terms of FDI Confidence Index) in the world. According to the fDi 2016 report on global greenfield investments of the Financial Times, India overtook China to become the top destination attracting FDI, with nearly 3% share of global FDI of US$1.76trn. In the year 2015-16, total FDI inflow in India was around US$55bn in data published by DIPP.[6] This was an increase of 23% over 2014-15 (US$45.15bn).

It is worth mentioning that FDI in India hit the 'take-off' stage in the year 2006-07 and has been consistently increasing thereafter. The largest contributor to this inflow is from equity FDI – ie equity inflow through FIPB[7] route, the Reserve Bank of India's automatic route and mergers and acquisitions.

Exhibit 6: FDI's decade of growth in India, 2006-16 (trajectory of FDI inflow in India, US$bn)



Since 2006-07, FDI has grown at a rate (CAGR) of around 10%. However, this period has also seen wide fluctuations in the inflow with the years 2009-13 (barring the year 2011-12) experiencing sharp drops in FDI inflow.

UNCTAD's World Investment Report states that India ranked fourth in terms of receiving FDI during the year 2006-07, which amounted to US$22.8bn with a growth rate of 155%.

FDI inflow into India surged in 2006-07 due to two major reasons – the first is purely methodological but the second is real:

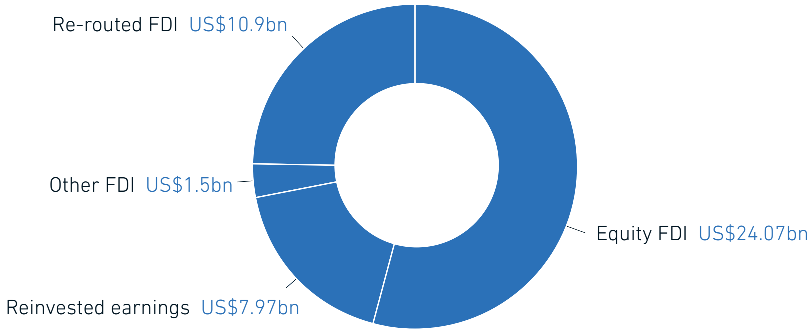
- The government of India modified the guidelines for calculation of foreign investment. The mechanism for arriving at overall FDI figures was modified leading to rise in FDI figures. Before 2006, the foreign equity component of India joint venture partner was not calculated as FDI[8]
- In a bid to attract more FDI, the government in 2006-07 had increased the cap on FDI on several sectors (see annexe, page 32). Most notable was relaxing of FDI norms in the telecom sector from 74% to 98% leading to a surge in investments in that sector. Some significant investments received that year included Vodafone UK which invested US$801m and Matsushita Japan which brought in US$342m.

Similarly there was another surge in FDI into India in the last couple of years. Since the government led by Narendra Modi came into power, two major FDI-related sectors were opened up – namely insurance and defence manufacturing. Foreign investors who could only invest up to 26% were allowed to invest up to 49% in joint ventures with Indian partners. Also, the country opened up to 100% FDI in railway-related infrastructure, health and construction.

Around 18-20% of the total FDI, in 2015-16, came from re-invested earnings. However, this mode of FDI has been stagnant over the years witnessing a growth (CAGR since 2006-07) of only 6% (as compared to the double-digit growth of total FDI during the same period).

Exhibit 7: Growing hand in hand: FDI's impact on GDP (equity FDI & GDP trajectory, 2000-17)

Exhibit 8: UK FDI in India, the break up – equity, re-investments and re-routed investments (Apr 2000-Sept 2016)



Source: data interpreted by Kantar IMRB from DIPP and RBI

In the period between April 2000 and September 2016, total UK FDI into India was US$44.37bn. This included equity of 54.15% (US$24.07bn), re-invested earnings of 17% (US$7.9bn), of other forms of FDI constituted 3.37% at US$1.5bn and investments routed through other destinations constituted 24.52% (US$10.9bn).

However, UK FDI fell marginally when we compare the two periods April 2000-March 2015 and April 2000-September 2016. While the average per year FDI into India was US$1.48bn between April 2000 and March 2015, the corresponding figure for the period between April 2000 and September 2016 fell to US$1.45bn.

> *UK firms re-invested US$7.9bn between April 2000 and September 2016 in India, generating around 66,000 jobs through re-investment.*

SECTION 2

Economic impact of British investment

One of the key impacts of FDI is creation of jobs. It is estimated that close to 3.6 million jobs have been created in India, from April 2000 to September 2016, as a direct result of FDI influx (which includes equity FDI as well as re-invested earnings and other sources of FDI). While global FDI created as much as 70% of the jobs in the manufacturing sector, the services sector is steadily catching up. Between April 2015 and September 2016, around 36% were created in the services sector alone.

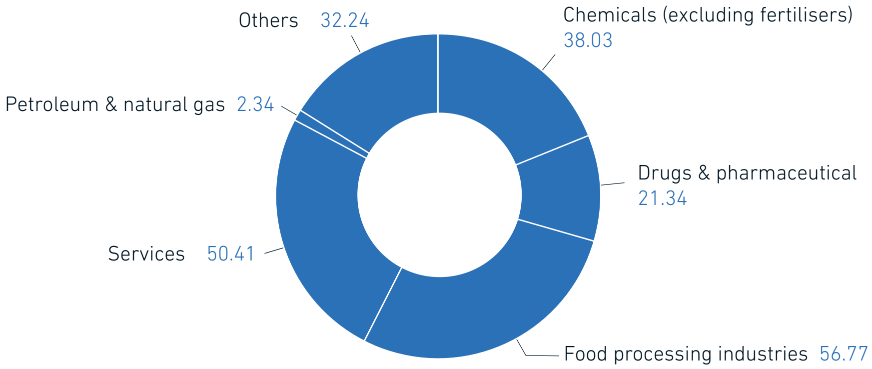
The UK remains the largest G20 investor and job creator, having created 10% (371,000) of total jobs created by FDI in India between April 2000 and September 2016. British companies currently employ around 788,000 people in India, thus making the account for 5.3% of total organised private sector jobs in India.

Exhibit 9: Employment generated in India through total FDI, by sector

Sector in DIPP report	Total jobs ('000) All FDI		
	Apr '00-Mar '15	Apr '00-Sep '16	Apr '15-Sep '16
Services sector	950.93	1,248.52	297.59
Construction development	372.74	375.62	2.88
Computer hardware & software	264.38	388.20	123.82
Telecommunications	300.32	372.69	72.38
Automobile industry	184.07	234.75	50.69
Drugs & pharmaceuticals	93.65	103.42	9.77
Trading	186.48	308.96	122.48
Chemicals (other than fertilisers)	89.31	107.42	18.11
Power	12.68	14.64	1.96
Hotel & tourism	30.34	37.37	7.03
Metallurgical industries	30.74	33.58	2.84
Others	1,029.53	1,279.29	249.76

Source: interpreted by Kantar IMRB from data by DIPP

Exhibit 10: Jobs by sector created by UK FDI (thousands)



Source: data interpreted by Kantar IMRB from DIPP and RBI

Almost 58% of the jobs created by UK FDI between April 2000 and September 2016 were in the manufacturing sector. These include chemicals (excluding fertilisers), drugs & pharmaceuticals and food processing industries. Although the chemicals sector attracted the highest amount of FDI, the largest number of jobs were created in the food processing sector at around 56,774 jobs in the sixteen-year period ending September 2016. This was followed by the services sector at 50,410.[9] Jobs created in the chemical industries excluding fertilisers were estimated at 38,030 while 21,340 jobs were estimated to be generated in the drugs and pharmaceuticals sector.

Exhibit 11: Jobs created and sector job creation pattern, UK-specific perspective

Jobs created	Apr '00-Mar '15	Apr '00-Sep '16	Apr '15-Sep '16
Equity FDI	185,576.62	201,134.43	15,557.81
Re-invested earnings	64,567.73	66,019.82	1,452.09
Other FDI	11,043.70	13,175.76	2,132.06
Re-rerouted FDI	72,229.68	91,145.98	18,916.30
Total jobs created	**333,417.72**	**371,475.99**	**38,058.27**

Source: interpreted by Kantar IMRB based on data by DIPP

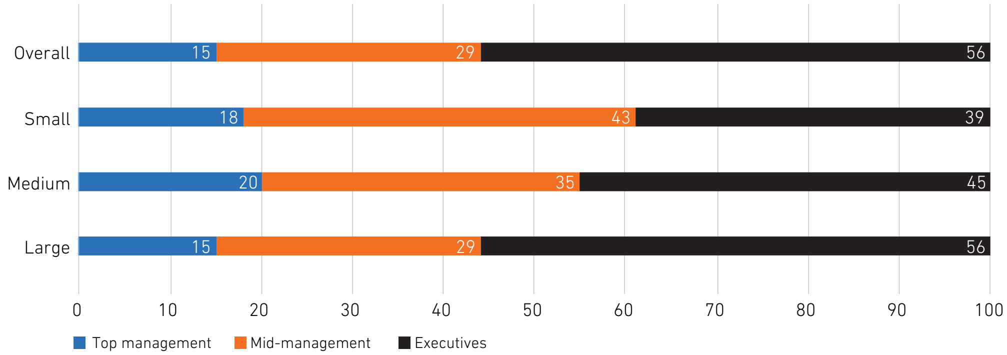
Employees breakdown

It was found that while larger UK companies employ more staff at lower or entry levels, small and mid-sized companies employ larger proportions at the top and mid-managerial levels.

On a sample of 127 UK companies operating in India, 19% were small (employing up to 50 employees). Twenty-one percent were medium-sized (employing between 51 and 500) and 60% were large companies (having headcount over 500 employees).

Around 15% of the employees in an organisation of British parentage are of the top management cadre while somewhat more than half (56%) are in executive-related jobs. The size of top and middle management shrinks as the organisation size grows.

Exhibit 12: Distribution of workforce by job cadre (%)



> *Almost 58% of the jobs created by UK FDI between April 2000 and September 2016 were in the manufacturing sector.*

Geographic impact of British investment

Major recipient states of equity FDI between April 2000 and September 2016 have been Maharashtra, Delhi NCR, Tamil Nadu and Karnataka. These states also receive maximum equity FDI from UK.

Exhibit 13 Jobs created by equity FDI as a percentage of total urban workers, by region

Maharashtra, Gujarat, Delhi

Karnataka, Tamil Nadu, Andhra Pradesh, Telangana, West Bengal

Rest of India

Maharashtra was the top recipient of UK FDI between April 2000 and September 2016

US$7.47bn

Exhibit 14: Jobs created by British companies in India, by state (Apr 2000-Sept 2016)

State	No of jobs (thousands)
Maharashtra (includes Dadra & Nagar Haveli, Daman & Diu)	62.38
Delhi NCR (also includes NCR districts of UP and Haryana)	15.07
Tamil Nadu (includes Pondicherry)	2.73
Karnataka	2.21
Gujarat	4.17
Andhra Pradesh	3.55
West Bengal (includes Sikkim, Andaman & Nicobar Islands)	2.73

Source: interpreted by Kantar IMRB based on data by DIPP

Proportionately, more UK firms are investing in the Delhi National Capital Region. In the 18-month period between April 2015 and September 2016, 22.58% of investments from UK firms came to Delhi. The region received 7.5% of UK investments between April 2000 and September 2016.

Maharashtra received the maximum investment from the UK at US$7.47bn between April 2000 and September 2016. In the eighteen months between April 2015 and September 2016, it attracted around US$600m UK FDI which is 32% of the total FDI from the UK during this time period. States of eastern India led by West Bengal received no investment from the UK in these eighteen months.

Karnataka, West Bengal and other states and Union territories showed a decreased share in receiving UK FDI in the eighteen months ending September 2016 compared to their share in the sixteen years ending September 2016. All remaining states reported a marginal increase in share in the last eighteen months, with Delhi showing a significant jump in share from 7.5% to 22.35% in these two time-frames.

1 in 20

The UK has maintained its significant role in providing one in every 20 organised private sector jobs in India

SECTION 4

Success stories – MSBs in India

Medium-sized businesses (MSBs) are the driving force behind the UK's growth. According to the CBI report 'Life in the fast lane', it is estimated that despite accounting for less than 2% of businesses, MSBs (firms with 50-499 employees) are responsible for one in six jobs and generate nearly a quarter of private sector revenue in the UK. Here are some select UK MSBs which are scripting a success story and generating jobs in India.

Turner & Townsend

Turner & Townsend established its India business in 2007. It started with a promise to support global clients wherever they are, and quickly gathered momentum by an appointment with one of India's largest corporates – Airtel – providing cost and project management services on the Unified Network Operating Centre (UNOC) project in 2008. In India, it offers a full range of services including programme management, project management, cost management and project controls. It has also been working with private equity real estate firms offering consultancy on their due diligences.

Turner & Townsend has since firmly established itself in the country with a highly qualified strong professional team of 125 people between three offices – Mumbai, Delhi and Bangalore. These locations have serviced projects across India in cities such as Pune, Kolkata, Chennai, Hyderabad, Chandigarh and Lucknow.

Turner & Townsend continues to support global clients and has been engaged in India by many local and global firms. Infrastructure is high on Turner & Townsend's India agenda. It is actively looking to support the Indian government's 'Make in India' campaign by integrating consulting capability with a proven delivery management capability. The company recently announced it expects to double the size of its Indian business by 2020 with new offices in Chennai, Hyderabad and Pune in the pipeline.

Randox

Randox has a significant presence in India for over a decade and has continuous year-on-year growth in its diagnostic products and medical devices business. The watershed development for Randox in India was the opening (below) of its state-of-the-art manufacturing facility in Bangalore, the capital of Karnataka state. The 30,000-square-foot plant is equipped with internationally acclaimed machines, including the Adelphi filling machine with an extremely high output capacity.

The company now employs over 100 people nationwide and boasts a loyal customer base in India. Randox has successfully navigated the complex regulatory landscape of the Indian market and secured several key contracts. Among such deals, one of the most notable wins for Randox is the contract with the Rajasthan state government to provide clinical instruments for the state's free healthcare programme.

Randox has also tapped into the pulse of the Indian consumer. It understands the cultural side of the Indian consumer and continues to seek to strengthen this relationship with the Indian market through music. World-renowned pianist Barry Douglas was invited to perform with the Symphony Orchestra of India to celebrate the strong partnership between Randox and the Indian market. Randox's success in India cements the company's position as a global market leader in the diagnostics and medical devices industry.

Renishaw

Renishaw Metrology Systems Limited was established in 2002 in India and operates from office locations in Gujarat, Delhi, Bangalore and Chennai in addition to the established manufacturing and head office facility in Pune. At present, more than 350 people are engaged in the manufacture of precision-engineered systems, development of software solutions and sales and marketing activities.

Renishaw's investment in India has continued to accelerate as the business levels and market potential have grown. Recently, the company unveiled its first additive manufacturing solutions centre in India. This facility contains access to all required technologies to reduce risks and remove barriers to entry into the field of metal-based additive manufacturing (3D printing).

Recognising the growing influence of India in the global economy, additional future investment in India is planned – with additional manufacturing capacity, increased software development and growth in the local sales operations in various stages of planning and execution.

Renishaw is aiding the realisation of 'Make in India' by improving quality and productivity in Indian manufacturers – in turn helping Indian companies become increasingly competitive in the global marketplace. Renishaw also contributes directly to 'Make in India' with a wide range of products being manufactured in the Pune facility.

TWI India

TWI has delivered high-quality training in India for more than two decades. Based in Chennai, TWI India has been operational since January 2012, and co-ordinates courses on-site, as well as in Mumbai, Kolkata, Cochin, Trichy, Surat, Visakhapatnam and Hyderabad. Throughout these locations TWI is training and certifying up to 4,500 Indian nationals annually.

TWI's permanent bases in India also provide new opportunities for local business partnerships and development of its tailored training portfolio. TWI India is also a base for technical services in all TWI competences. Indian companies are investing in engineering quality and productivity by embracing new processes and technologies. Many Indian companies have utilised TWI's unique, multidisciplinary range of technology engineering, training and information services offered – together with the expertise offered by its materials joining and engineering staff across the world – organisations to add significant value to their operations.

Globally, the transfer of knowledge and knowhow to industry from a base of research has been fundamental to TWI's values since the company's creation in 1946. Formal training and certification has been a key aspect of TWI business since the early eighties. TWI's portfolio includes training in non-destructive testing, welding inspection, plant inspection and welding procedures, practical welding, health & safety and specialist diver training for underwater inspection. Courses are designed for all major industry sectors including oil and gas, aerospace, construction, power and automotive.

SECTION 5

Successful sustainability strategies of UK companies in India

The Paris Climate Agreement became effective on 4 November 2016. The deal opened an exciting opportunity for business, putting us on a sustainable low-carbon path, which can provide the framework for business to invest with confidence. The agreement is a commitment by all nations to work towards a more sustainable future. Here are some of the winning sustainability strategies adopted by a section of CBI members working in India.

United Spirits Limited (USL)

Environment protection is a strategic priority for USL as it strives to minimise the environmental impact in areas where it operates. Its strategy includes taking a water-neutral approach, reducing carbon footprint and increasing use of renewable energy.

USL's bottling plants and distilleries are mostly situated in semi-urban and rural areas, where communities often lack basic infrastructure necessary for dignified living. Its corporate social responsibility activities revolve around providing access to clean drinking water, sanitation, healthcare facilities, education, and employable skills to bridge this developmental gap.

The programme has benefitted nearly 40,000 people on water resource management, built individual and community toilets, conducted health and hygiene programmes and imparted employable skill training to community women in villages around its plants in Bhopal, Ganjam, Alwar, Puducherry, and Udaipur.

United Spirits is India's largest alcohol beverage company and a group company of Diageo plc, the world's largest drinks company. It has over 140 brands and 74 production sites, employing 10,000 people.

Mott MacDonald

After the COP21 Paris climate summit, Mott MacDonald made a global commitment to reinforce its role as a leader in sustainability. In doing so, it influences its clients and partners by championing solutions to help minimise carbon emissions, resource use and waste on projects globally, including India. Here are some examples of how the company has helped projects stay sustainably viable in India:

Mott MacDonald helped tyre manufacturer MRF's factory in Tamil Nadu by making the energy and water-intensive processes more efficient. It reduced carbon footprints and contributed to annual cost savings of US$1m. This enabled the business to produce high quality tyres at more competitive prices.

As lead technical advisor, the company produced preliminary designs for a 30-year masterplan for the US$1.25bn Delhi International Airport (DIA – below). Due to climate-friendly inputs by Mott MacDonald, Terminal 3 of the Delhi airport was awarded LEED GOLD certification by Indian Green Building Council and Greentech Gold Award in 2008, 2009 and 2011. The company also won the 'Most innovative multinational corporation providing benefits to the local market' at the 2013 British Business Group (BBG) Awards and 2010 British Construction Industry Awards.

Mott MacDonald has also contributed to the delivery of Mumbai IV water supply project. Its advice related to reducing and increasing diameter of pipes at strategic points, helped achieve 30% water savings.

Mott MacDonald has been working in India for 45 years. It provides a wide range of key services across a project's entire lifecycle in India's major markets – such as industry, transport, water, buildings, energy, environment, health, education, communications, and institutional development.

GSK

GSK Consumer Healthcare India is India's leading fast-moving consumer healthcare company, with operations across nutrition, wellness, and oral care segments. In India, it follows an overarching spirit of sustainability, whether in manufacturing or sourcing.

Sustainable manufacturing

The company's focus on sustainability is highlighted through funding Project Green Leap, in which it has invested around £9.6m. A few of GSK's key initiatives to reduce its carbon footprints in India include:

- Using waste biomass to partially replace coal as a fuel in manufacturing sites
- Energy-efficient LED lights
- Using a vapour absorption machine instead of an electrical chiller to reduce energy use
- Increased energy efficiency in equipment such as boilers
- Construction of a new 1MW biomass-based combined heat and power plant
- Building a 0.5MW roof-top solar photovoltaic plant.

GSK has also invested in rainwater harvesting systems and reuse/recycling of treated effluent into utilities enabling water to be reused or disposed of safely. This helps replenish groundwater.

Sustainable sourcing – milk, malt and wheat

One of GSK's best-known brands is Horlicks, a nutritional supplement for growing children in India. GSK estimates that about 93% of the water used across the Horlicks India value chain is utilised in procuring and/or producing raw materials such as milk, barley and wheat.

Understanding the importance of sustainability in its Horlicks supply chain, GSK in partnership with The Energy and Resources Institute (TERI), assessed how to reduce water impact in its supply chain. The assessment also included the local rural community which supplies supply GSK with the wheat, barley, and milk used to manufacture Horlicks.

Following the study, GSK piloted a project with a few direct raw material suppliers which connected to the local rural community. This entailed identifying projects to address water conservation, rainwater harvesting, wastewater treatment, groundwater recharge, and rehabilitation of water bodies. The project involves construction of a pond and two surface dams to hold run-off water in an area. The project demonstrates GSK's commitment to ensure sustainability across its supply chain.

GSK Consumer Healthcare India is listed with the Bombay Stock Exchange and National Stock Exchange in India. GSK Plc is the majority shareholder in GSK Consumer Healthcare India. GSK India is the manufacturer of several prominent brands in India, including Eno, Crocin, Iodex, Otrivine, and Sensodyne. They have three manufacturing locations in India in Punjab, Andhra Pradesh, and Haryana. All plants have the latest certifications in sustainability indicating the company's commitment to global quality, environment health & safety standards.

AstraZeneca

AstraZeneca is committed to minimising the environmental impacts of its business and its products by reducing its carbon footprint, using resources efficiently and ensuring environmental safety of its products is one of its key material issues. It launched a new Safety, Health & Environment (SHE) Strategy, which will drive its continuous improvement up to 2025.

The company has made the following key achievements in the sustainability sector since 2010:

- Carbon footprint reduction – reduced 21%
- Total waste – reduced 18%
- Water consumption – reduced 14%.

To ensure it remains at the forefront of the bio-pharmaceutical sector for environmental performance, it has involved renowned external sustainability experts. In 2014, the company established an Environmental Sustainability Advisory Board, made up of four leading global experts on sustainability, to advise on all aspects of its environmental strategy.

AstraZeneca has a strong sustainability strategy in India. One of the key initiatives is its Young Health Programme (YHP), which aims to create a meaningful difference to the health and wellbeing of marginalised and disadvantaged adolescent boys and girls by helping them make informed choices to protect their health, now and in future. The programme has completed five successful years in five project communities in Delhi and has now expanded to another five communities in the city. YHP was awarded the 'Best Corporate CSR Practice' award at the 20th national NHRD Awards in 2016, which highlights the excellence of AstraZeneca's sustainability work in India. The company also undertakes several environment sustainability initiatives in its manufacturing processes – such as a composter for food and garden waste management, energy saver panel for lighting and use of bio-fuel for boilers.

AstraZeneca in India was established in 1979 and is headquartered at Bengaluru, Karnataka. In line with its global strategy the company has an innovative portfolio in three core therapy areas – cardiovascular metabolic diseases, respiratory and oncology. The company has a state-of the art tablet production facility (TPF) located in Bengaluru. In 2014, AstraZeneca launched its first insourced IT facility, Global Technology Centre (GTC) in Chennai.

AstraZeneca has a workforce of over 1,200 employees in marketing and manufacturing with another 2,000 IT professionals employed at the GTC, Chennai.

SECTION 6

The UK-India bilateral relationship: opportunities and challenges

The UK-India bilateral relationship moved to a higher level in the twelve months between November 2015 and November 2016. A good momentum gathered in the UK India bilateral economic relationship between the two prime ministerial visits to each other's countries. November 2015 marked the first ever visit of Indian prime minister Narendra Modi to the UK while November 2016 saw India as the first destination of choice outside the European Union for British PM Theresa May after the Brexit referendum. These twelve months saw deals worth US$10bn announced, underscoring the fact that this relationship is strong and steady.

Work to promote bilateral cooperation is already underway through forums including the UK India CEO Forum, the Joint Economic and Trade Committee (Jetco), the Economic and financial dialogue (EFD) and the India-UK Financial Partnership.

It is understood that as long as the UK remains a member of the EU, it will be unable to negotiate a new free trade agreement or a new bilateral investment treaty. But with the outcome of the Brexit referendum, now is the time to think about what an economic relationship should look like in future. UK companies in India hope to secure the long-term investor protection they currently enjoy.

The efforts of the government of India under ease of doing business, the Make in India initiative, relaxing of FDI in key sectors and passage of the GST Bill have been welcomed by UK businesses in India. Sectors that have traditionally attracted UK FDI into India are chemicals, pharmaceuticals, food processing, services and petroleum and natural gas. There are other sectors which hold potential for the future.

The following cross-cutting areas of work are likely to dominate business discussions between the UK and India in the coming years:

Digital economy

The recent demonetisation move by the Indian government has nudged the country towards a digital future. India is poised to leapfrog to a future where the majority of transactions will be done digitally. This opens new doors for innovation and entrepreneurship, but data security and internet penetration may be the biggest challenges. The issue of data security is one of the main challenges in the EU-India Free Trade Agreement talks. India does not yet have a comprehensive piece of legislation dealing with data privacy or personal data protection, and penetration of 3G and 4G telecom services may take more time. Currently India has a little more than 120 million 3G, 4G subscribers. According to independent brokerage and investment group CLSA, this figure is expected to rise to 300 million by March 2018. Similarly, the government is chasing a target of complete electrification by the end of 2018.

Defence and technology

While the Indian government lifted the FDI cap on defence from 26% to 49% two year ago, UK companies suggest the need to have a special section on technology cooperation for the high-tech sector in any future trade and investment agreement between the two countries. It's felt that both countries have the capacity to 'co-create' technology and this is a potential that needs to be harnessed by future policymakers – mainly in areas of high-speciality such as defence.

Education and immigration

Higher education is one of the most valued UK exports to India. The CBI's recent UK/India higher education report *Bridges to the future* mentions CBI support for the view that future trade arrangements should give businesses prospects for growth and an approach to migration that supports the economy but also addresses public concerns. Evidence shows that students coming to the UK are not a major factor in public concern over migration, which is why it is important for the UK to be seen as open to the best and the brightest.

While some of the new sectors for growth and areas with cross-cutting challenges have been identified, other sectors which have not received adequate attention in the past but have great potential are travel, tourism and hospitality, healthcare and deeper liberalisation of the insurance sector. The CEO Forum, JETCO, EFD and the India UK Financial Partnership are already involved in several strands of work across major sectors.

Methodology

Research was carried out by Indian market research firm Kantar IMRB using a combination of primary and secondary research. It interviewed 127 British companies with operations in India and extrapolated data to reflect a total of 550 companies. Kantar also utilised available data on sector-based FDI inflows in India and total number of jobs created in each sector through FDI investment during the period 2007-2012, to estimate the total number of jobs generated by foreign companies in India. These estimates were further extrapolated for the period 2000-2016.

Kantar IMRB estimates that around eight to ten people get direct employment as a result of each US$1m invested into India via the FDI route (**Exhibit 15**).

Exhibit 15: Sector-wise jobs norms calculation

Sector	Equity FDI (US$ m) (2007–12)	Jobs created ('000) (2007-12)	Jobs created (per US$1m)
Infrastructure	17.21	191.24	11.11
Cleantech	3.01	5.58	1.86
Energy	13.20	12.56	0.95
Automotive	20.55	219.16	10.67
Chemicals	5.18	32.11	6.20
Consumer goods	6.68	117.26	17.55
Industrials	14.53	205.20	14.12
Metals and mining	34.08	87.94	2.58
Business & financial services	11.36	181.47	15.97
TMT	21.22	268.01	12.63
Life sciences	5.18	26.52	5.12
Aerospace	1.67	12.56	7.52
Logistics	13.20	36.29	2.75
Total	**167.07**	**1,395.90**	**8.36**

The above sectoral job norms were matched to sectors in DIPP report (**Exhibit 16**).

Exhibit 16: Jobs norms adapted to DIPP data

Sector in DIPP report	Classification	Job creation (people per US$1m)
Services sector	Business & financial services	15.97
Construction development	Infrastructure	11.11
Computer hardware & software	TMT	12.63
Telecommunications	TMT	12.63
Automobile industry	Automotive	10.67
Drugs & pharmaceuticals	Life sciences	5.12
Trading	Business & financial services	16.6
Chemicals (other than fertilisers)	Chemicals	6.20
Power	Energy	0.95
Hotels & tourism	Logistics[10]	2.75
Metallurgical industries	Metals and mining	2.58
Others	Taken at overall level	8.36
Total	**Overall**	**8.36**

Annexe

Here are some key initiatives taken by the Indian government in 2005-2006 to incentivise FDI inflows into India.

a) To allow under the automatic route, FDI up to 100%, for:

- Distillation and brewing of potable alcohol
- Manufacture of industrial explosives
- Manufacture of hazardous chemicals
- Manufacturing activities located within 25km of the Standard Urban Area limits which require industrial license under the Industries (Development & Regulation) Act 1951
- Setting up green-field airport projects
- Laying of natural gas/LNG pipelines, market study and formulation and investment financing in the petroleum and natural gas sector
- Cash & carry wholesale trading and export trading.

b) To increase FDI caps to 100% and permit it under the automatic route for:

- Coal and lignite mining for captive consumption
- Setting up infrastructure relating to marketing in petroleum & natural gas sector
- Exploration and mining of diamonds & precious stones.

c) To allow FDI up to 100% under the automatic route in:

- Power trading subject to compliance with regulations under the Electricity Act, 2003
- Processing and warehousing of coffee and rubber. Page 1 of 11.

d) To allow FDI up to 51 % with prior government approval for retail trade of 'single brand' products. FDI up to 51% in retail trade of 'single brand' products would be subject to the following conditions:

- Products to be sold should be of a 'single brand' only
- Products should be sold under the same brand internationally
- 'Single brand' product-retailing would cover only products which are branded during manufacturing.

e) To allow under the automatic route transfer of shares from residents to non-residents in financial services, and where Securities & Exchange Board of India (Substantial Acquisition and Takeover) Regulations are attracted, in cases where approvals are required from the Reserve Bank of India/Securities & Exchange Board of India (Substantial Acquisition and Takeover) Regulations /Insurance Regulatory & Development Authority. With this, transfer of shares from residents to non-residents, including acquisition of shares in an existing company would be on the automatic route subject to sectoral policy on FDI.

f) To dispense with the requirement of mandatory divestment of 26% foreign equity in B2B e-Commerce.

Source: (Press note No. 4 (2006 Series) of DIPP. Subject: rationalisation of the FDI policy

About

Kantar IMRB

Kantar IMRB is a multi-country market research, survey and business consultancy firm that offers a range of syndicated data and customised research services. Headquartered in Mumbai and with operations in over 15 countries, IMRB is a part of the Kantar Group – WPP's research, insights and consultancy network.

Established in 1970, Kantar IMRB was modelled on the lines of the British Market Research Bureau. Kantar IMRB is now a leading provider of market research and insights across south Asia, the Middle East and north Africa with specialist divisions in quantitative, qualitative, media, retail, industrial, customer satisfaction, business to business and social and rural research. Kantar IMRB's syndicated research offerings include the MarketPulse, the National Food Survey, Web Audience Measurement (WAM), ITops, and I-Cube reports.

With over 1,200 employees, Kantar IMRB is one of the largest providers of market research in India in an industry estimated at a minimum of $187m. As the oldest extant market research company in India, Kantar IMRB has been responsible for establishing the first and only household panel, the first television audience measurement system and the first radio panel in the country and has played a key role in the development of market research in India. It has been rated the 'Best market research company' by MRSI, an industry body for several years.

Kantar IMRB's specialised areas are consumer markets, industrial marketing, business-to-business marketing, social marketing and rural marketing.

B2B & Industrial team of Kantar IMRB provides market research and consulting services to B2B and industrial markets. With its repository of knowledge and understanding gained through studying diverse sectors for several years, this team provides market perspective for sound decision making. It is the only team of its kind that provides research-based consultancy to corporates.

At the macro level, B2B & Industrial team offers services covering industry trends, regulatory environment, economic scenario, international trade and market overview. At the micro level, it offers services such as product positioning, market segmentation, channel perception, market sizing, pricing, distribution strategy, product development assistance, product testing, market forecasting, partner identification, business relationship check, business/industry overview market diagnostics, corporate image and competitive intelligence. It helps clients right through the product lifecycle from product development to launching it in the market to making it successful.

Apart from several syndicated studies, B2B & Industrial team offers research services to meet clients' specific requirements. While researching the buyers, users, influencers, installers, traders, marketers, importers, exporters and manufacturers of the product, it keeps global perspective of the market situation.

B2B and industrial team services private sector, public sector, government departments and multilateral agencies. It has clients in all five continents.

www.http://mrbglobal.in/

CBI India

The full-time India office of the CBI opened in 2012 in New Delhi, reflecting the importance of the bilateral economic relationship between India and the UK. The New Delhi office provides a base from which the CBI can promote members' interest to an Indian audience.

The CBI in India offers its members the following services:

Information and advice

- Independent, on-the-ground, economic, business and political analysis of the key issues facing companies in India
- Members receive the CBI's monthly newsletter India Update
- Company-specific advice is provided through email, in-market and on visits to the UK.

Policy and regulatory issues

Provides a voice to members in India on business matters, in meetings with Indian government officials and by feeding into UK and EU lobbying activities

Events and networking

- Quarterly briefing of CBI members by the British High Commissioner to India
- Company-specific workshops and roundtable meetings
- Events in partnership with the Foreign and Commonwealth Office, UK India Business Council. UK Trade and Investment and Indian trade organisations
- Special forums to help members with specific in-market needs.

India-related CBI projects

- *Sterling assets India: UK investments creating Indian jobs* – published for the first time for India in 2015
- India was part of the international itinerary for the CBI Leadership Programme delegates in 2016, for the first time
- The second India Banquet held in London on 29 June 2016
- Yearly India budget podcast by head of KPMG India at Cannon Place, London.

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1 Re-investment refers to the reinvestment of earnings. Retained earnings refer to the percentage of net earnings not paid out as dividends, but retained by the company to be reinvested in its core business, or to pay debt. For FDI, reinvestment would imply that earnings in target country are retained in the target country and not repatriated to the home country

2 The first edition of *Sterling assets* had reported that around 138,000 jobs were created by the UK FDI directly between April 2000 and March 2015. Investments via offshore financial centres and re-investment had not been taken into consideration then

3 Jobs created by UK FDI in India is subset of the total number of people employed by UK companies in India. Total number of people employed by UK companies in India is based on 2015 estimates and interviews conducted in 2016

4 Calculations are based on FDI investment from country multiplied with average job norm factor (EY classification): 8.36 jobs per US$1m investment. Please see methodology section for more clarifications. Job numbers have been rounded off

5 United Nations Conference on Trade & Development

6 Department of Industrial Policy & Promotion, government of India

7 Foreign Investment Promotion Board

8 An Indian company would have indirect foreign investment if the Indian investing company has foreign investment in it. The method of calculation of total foreign investment in an Indian company including indirect foreign investment through other Indian companies has been detailed out in entry 10 of Press Note 2 (2000), Press Note 1 (2006), Press Note 3 (2007) and entry 24 of Press Note 7 (2008) of DIPP

9 According to DIPP's country-wise report, FDI investment is mentioned only for top five sectors. For the UK, FDI investment of 4,923.98 US$m is mentioned under others and it could be either services or manufacturing or any other sector. It is multiplied by the average job norm of 6.54 (jobs per US$1m) for the remaining sectors to achieve the total number of jobs created in the other category. However, the sector-wise FDI investment details investment in all sectors from all countries in India. Jobs mentioned under other category for UK could be either from services or manufacturing or any other sector

10 According to the economic survey of India, services are classified under three categories: financial, real-estate/ professional services etc, trade, hotels, transport & communication, public administration, defence and other services. Logistics is not mentioned in the DIPP report but is mentioned in EY's classification. This report has used the economic survey of India basis and kept logistics under the 'hotel & tourism' heading

CBI

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