

Indian Economy

India is set to emerge as the world's fastest-growing major economy by 2015 ahead of China, as per the recent report by The World Bank. India's Gross Domestic Product (GDP) is expected to grow at 7.5 per cent in FY 2015-16.

The improvement in India's economic fundamentals has accelerated in the year 2015 with the combined impact of strong government reforms, RBI's inflation focus supported by benign global commodity prices.

Market size

According to IMF World Economic Outlook April, 2015, India ranks seventh globally in terms of GDP at current prices and is expected to grow at 7.5 per cent in 2016.

India's economy has witnessed a significant economic growth in the recent past, growing by 7.3 per cent in FY2015 as against 6.9 per cent in FY2014. The size of the Indian economy is estimated to be at Rs 129.57 trillion (US\$ 2.01 trillion) for the year 2014 compared to Rs 118.23 trillion (US\$ 1.84 trillion) in 2013.

The steps taken by the government in recent times have shown positive results as India's gross domestic product (GDP) at factor cost at constant (2011-12) prices 2014-15 is Rs 106.4 trillion (US\$ 1.596 trillion), as against Rs 99.21 trillion (US\$ 1.488 trillion) in 2013-14, registering a growth rate of 7.3 per cent. The economic activities which witnessed significant growth were 'financing, insurance, real estate and business services' at 11.5 per cent and 'trade, hotels, transport, communication services' at 10.7 per cent.

Investments/developments

With the improvement in the economic scenario, there have been various investments leading to increased M&A activity. Some of them are as follows:

India has emerged as one of the strongest performers with respect to deals across the world in terms of mergers and acquisitions (M&A). M&A activity increased in 2014 with deals worth US\$ 38.1 billion being concluded, compared to US\$ 28.2 billion in 2013 and US\$ 35.4 billion in 2012. The



total transaction value for the month of July 2015 was US\$ 6.7 billion involving a total of 156 transactions, which were higher in terms of volume (47 per cent) and value (17 per cent) compared with the same period last year. In the M&A space, Energy and natural resources was the dominant sector, amounting to 38 per cent of the total transaction value. Also, Private equity (PE) investments increased 16 per cent y-o-y to US\$ 2.2 billion, marking the highest activity in 2015.

Government Initiatives

Numerous foreign companies are setting up their facilities in India on account of various government initiatives like Make in India and Digital India. Mr. Narendra Modi, Prime Minister of India, has launched the Make in India initiative with an aim to boost the manufacturing sector of Indian economy. This initiative is expected to increase the purchasing power of an average Indian consumer, which would further boost demand, and hence spur development, in addition to benefiting investors. Besides, the Government has also come up with Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.

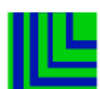
Currently, the manufacturing sector in India contributes over 15 per cent of the GDP. The Government of India, under the Make in India initiative, is trying to give boost to the contribution made by the manufacturing sector and aims to take it up to 25 per cent of the GDP.

Based on the recommendations of the Foreign Investment Promotion Board (FIPB), the Government of India has recently approved 23 proposals of FDI amounting to Rs 10,378.92 crore (US\$ 1,567.75 million) approximately in August.

The Government of India has launched an initiative to create 100 smart cities as well as Atal Mission for Rejuvenation and Urban Transformation (AMRUT) for 500 cities with an outlay of Rs 48,000 crore (US\$ 7.47 billion) and Rs 50,000 crore (US\$ 7.78 billion) crore respectively. Smart cities are satellite towns of larger cities which will consist of modern infrastructure and will be digitally connected. The program was formally launched on June 25, 2015.

Sector-wise contribution of GDP of India

Indian economy is classified in three sectors — Agriculture and allied, Industry and Services. Agriculture sector includes Agriculture (Agriculture proper & Livestock), Forestry & Logging,



Fishing and related activities. Industry includes Manufacturing (Registered & Unregistered), Electricity, Gas, Water supply, and Construction. Services sector includes Trade, repair, hotels and restaurants, Transport, storage, communication & services related to broadcasting, Financial, real estate & prof servs, Community, social & pers. Servs.

- Services sector is the largest sector of India. Gross Value Added (GVA) at current prices for Services sector is estimated at 61.18 lakh crore INR in 2014-15. Services sector accounts for 52.97% of total India's GVA of 115.50 lakh crore Indian rupees. With GVA of Rs. 34.67 lakh crore, Industry sector contributes 30.02%. While, Agriculture and allied sector shares 17.01% and GVA is around of 19.65 lakh crore INR.
- At 2011-12 prices, composition of Agriculture & allied, Industry, and Services sector are 16.11%, 31.37%, and 52.52%, respectively.

Outlook

The International Monetary Fund (IMF) and the Moody's Investors Service have forecasted that India will witness a GDP growth rate of 7.5 per cent in 2016, due to improved investor confidence, lower food prices and better policy reforms. Besides, according to mid-year update of United Nations World Economic Situation and Prospects, India is expected to grow at 7.6 per cent in 2015 and at 7.7 per cent in 2016. . However, the Reserve Bank of India (RBI) has forecast a growth rate of 7.8 percent.

As per the latest Global Economic Prospects (GEP) report by World Bank, India is leading The World Bank's growth chart for major economies. The Bank believes India to become the fastest growing major economy by 2015, growing at 7.5 per cent.

Furthermore, initiatives like Make in India and Digital India will play a vital role in the driving the Indian economy.

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