



BNP Paribas

The renewed momentum of India

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1

India: The “re-emerging” economy

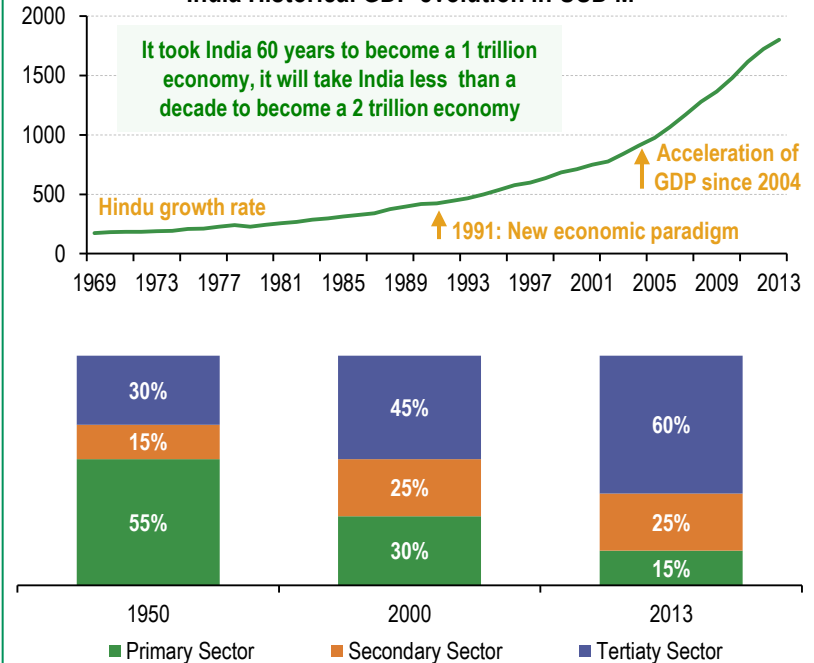


India's Economic Profile – Overview

Overview

- 1.2 billion people (70% rural) / 22 official languages / 860 dialects (o/w 30 spoken by more than 1 million people).
 - 50% of the population below 25 years old.
 - 65% of the population below 35 years old.
- 29 states + 7 Union Territories.
- The world's largest democracy: 810 M eligible voters.
- 820 M Hindus (80%), 135 M of Muslims (14%)
- Territory of 3,287,590 km²:
 - 11 times the size of Italy.
- GDP: 1.8 USD trillion (2013) : Equivalent to Italy GDP.
 - Domestic driven economy (Exports = 25% of GDP)
- Forex Reserves: USD 315 bn (Aug 2014).
 - 12 times less than China (USD ~4 trillion)
- 2013 Remittances: USD 70bn (more than India's USD 65bn software exports).
- FDI at USD 30.7 bn in 2013-14 (+14% yoy)
 - China attracted USD 117 bn in 2013
- Country Rating by S&P: BBB -

India Historical GDP evolution in USD M

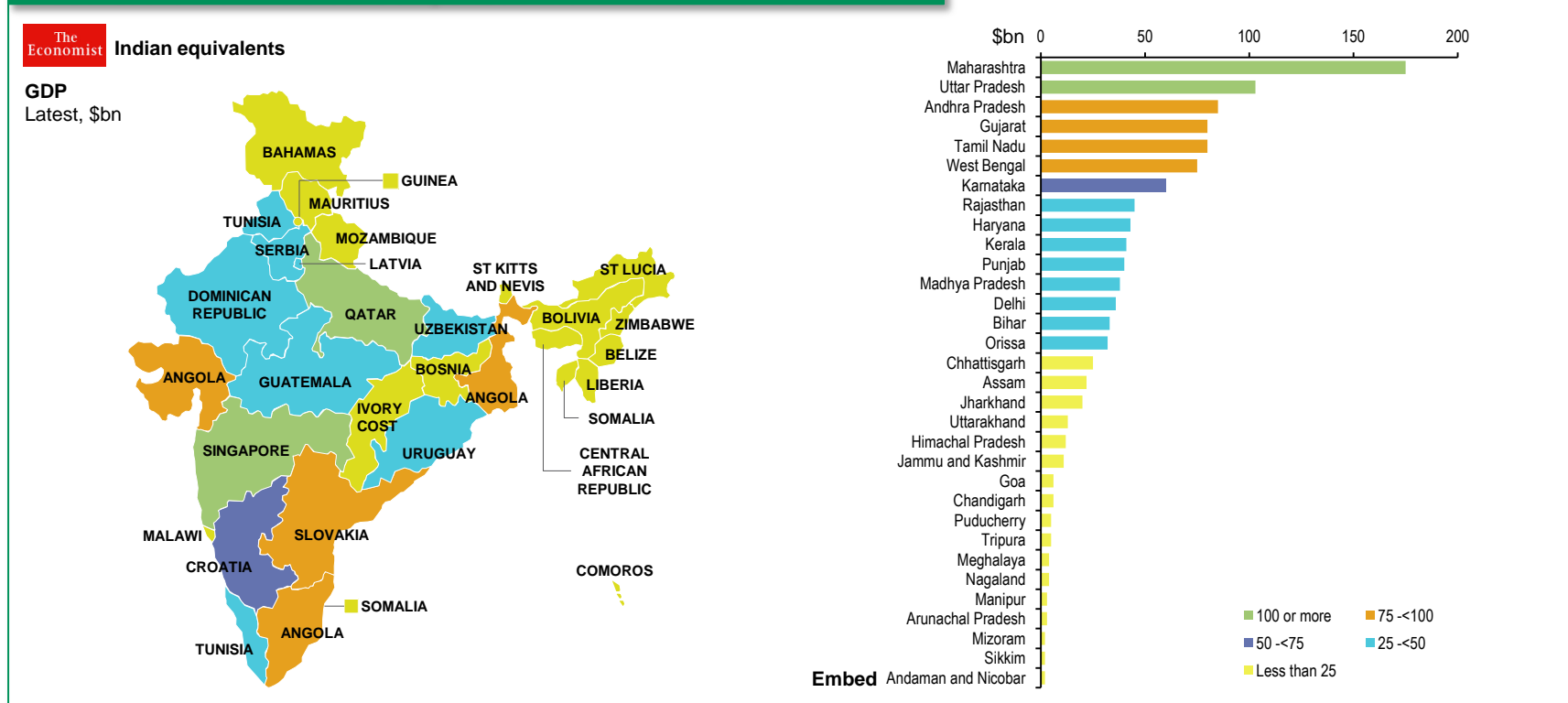


- Economy driven by Services: India has not experienced any "industrial revolution".



Reading India map differently (1/3)

GDP of the Indian states: Comparison with International benchmark

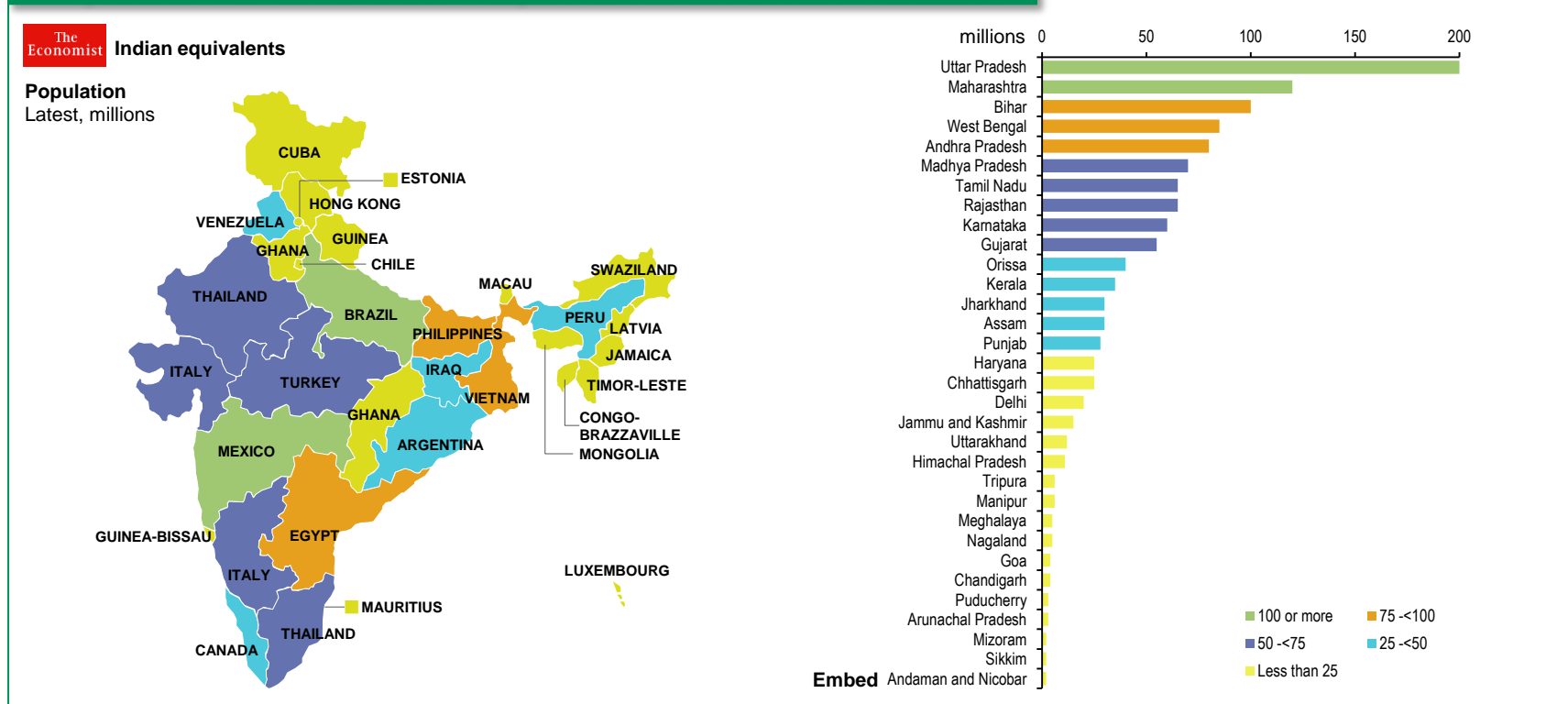


Source: [CEIC]; Economist Intelligence Unit; national statistics; The Economist



Reading India map differently (2/3)

Population of the Indian states: Comparison with International benchmark

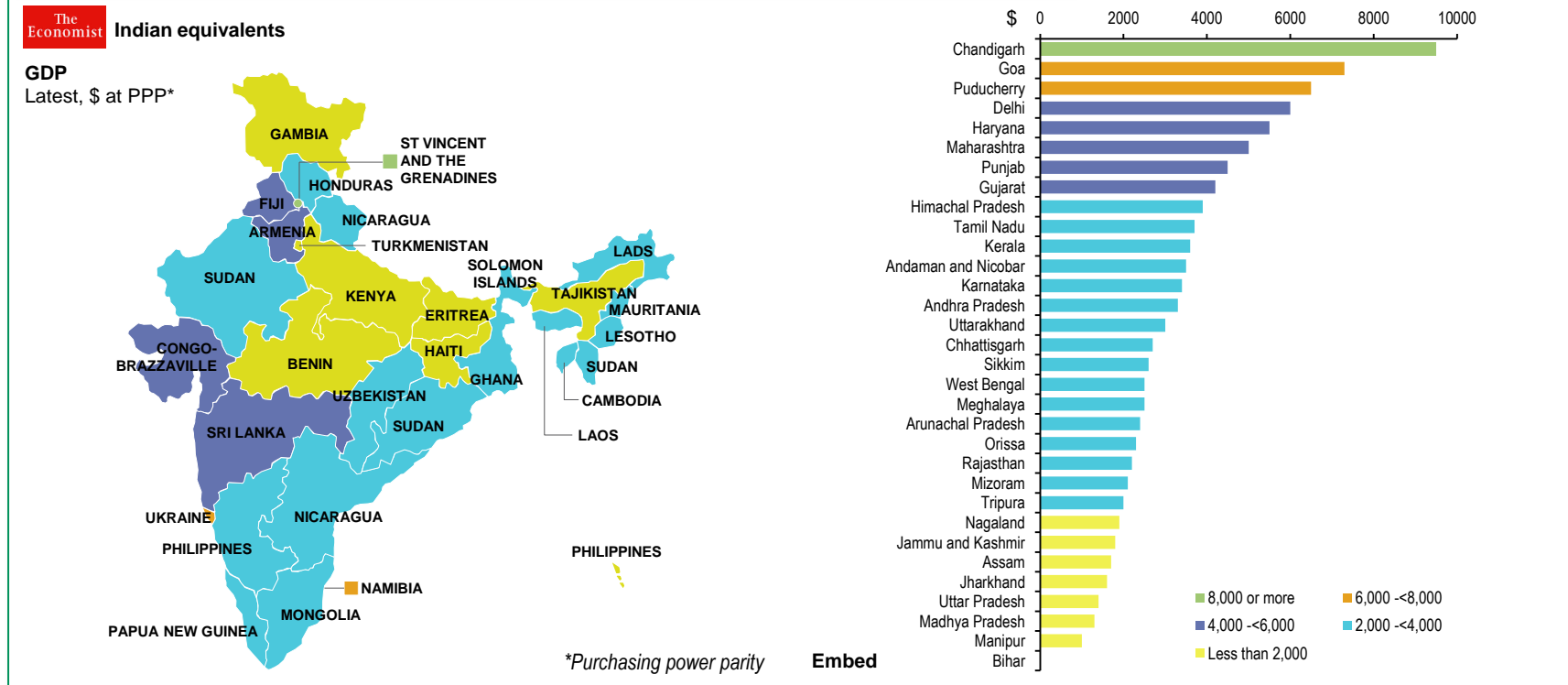


Source: [CEIC]; Economist Intelligence Unit; national statistics; The Economist. * Sources: The Economist Online, September 2012



Reading India map differently (3/3)

GDP per capita of the Indian states: Comparison with International benchmark



Source: [CEIC]; Economist Intelligence Unit; national statistics; The Economist



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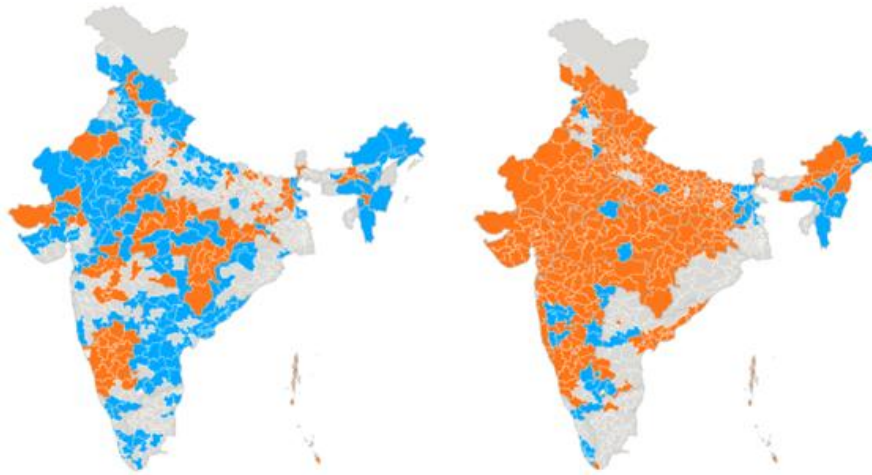
Modi « Tsunami » – The Victory of Indian Capitalism

India general election results

■ BJP and allies ■ Congress Party and allies ■ Other

2009

2014



May 16, 2014 – BJP Victory

- 510 M voters (out of 814 M eligible voters).
- BJP alone secured an absolute majority with 282 seats (out of 543).
- The broader NDA* coalition won 336 seats.
- Unprecedented defeat of the Congress Party (44 seats).
- Not a single qualified Opposition Party.
- BJP has only 60 members out of 250 seats at the Rajya Sabha (equivalent of Senate).
- BJP controls only 6 States out 29.

A strong message from the Nation

- Clear rejection of Congress' populist policies, lack of leadership, cronyism and corruption,
- Sanction against the UPA* Government's inability to contain CPI inflation.
- Unanimous hope of growth and employment of young voters, irrespective of their social background, community and geography (urban / rural).

**India 2014 General Elections –
BJP won on the basis of a promise of development and growth.**



2

Indian Macro Indicators

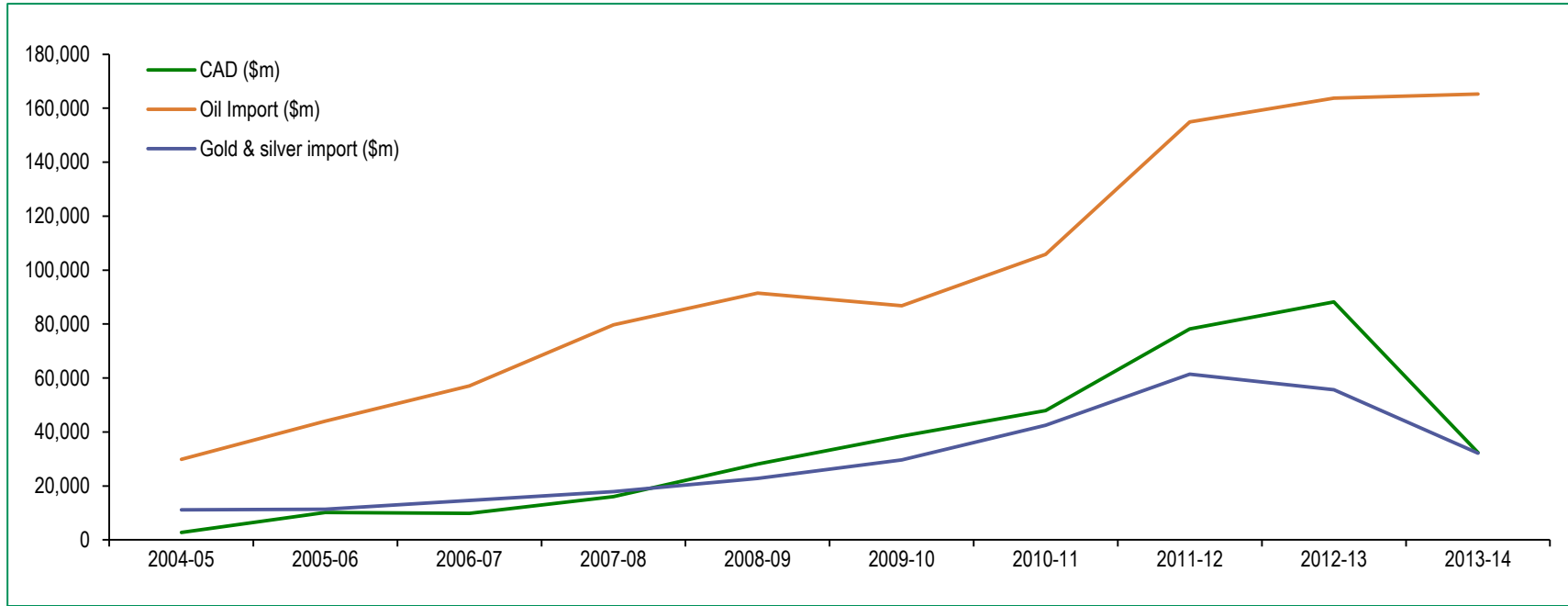


BNP Paribas India Economic Forecasts

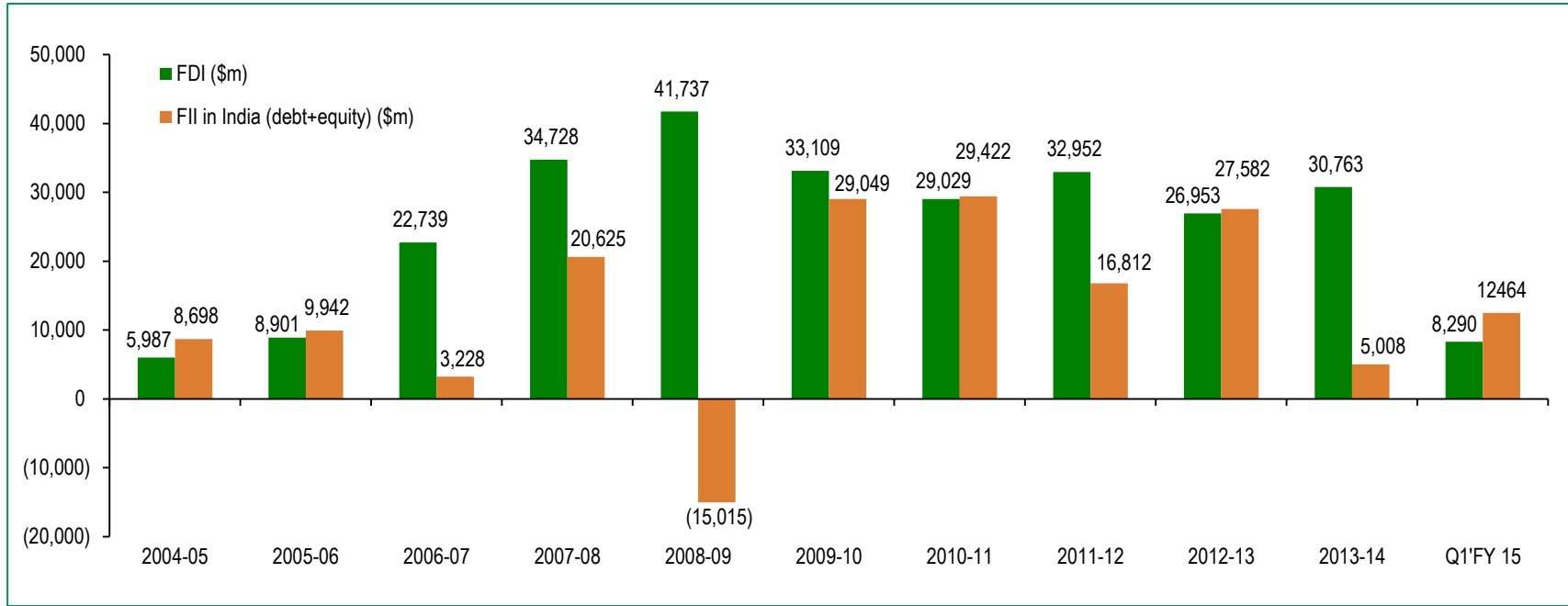
	FY 11	FY 12	FY 13	FY 14	FY 15	
GDP	9.3	6.2	4.5	4.6	5.4	
Agriculture	7.5	3.1	1	3.1	3.8	
Manufacturing	9.7	2.7	1.1	-1.2	2.2	Manufacturing and investments to be revived
Services	9.8	8.2	7	6.9	6.7	
Public consumption	5.9	6.9	6.2	4.7	2.4	
Fixed investments	11	12.3	0.8	-0.5	4.8	Structural dependency on imports
Exports	19.7	15.3	5	8.9	6.1	
Imports	15.8	21.1	6.6	-1.6	6.9	
Non-agr GDP	9.6	6.6	5.5	4.7	5.5	
WPI	9	7	5	4.7	5.5	
WPI (Food)	7.9	8.1	10.4	4.1	8.1	
WPI (ex Food & Energy)	9.2	6.1	3.2	2.4	1.4	
Budget deficit (% of GDP)	-4.8	-5.7	-4.9	-4.6	-4.5	Still a large Fiscal Deficit
Current account (USD bn)	-48.1	-78.2	-88.2	-34.7	-52.8	
Current account (% of GDP)	-2.8	-4.2	-4.8	-1.9	-2.7	CAD under control



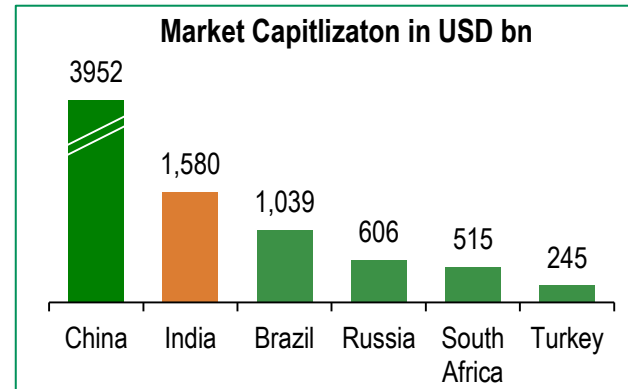
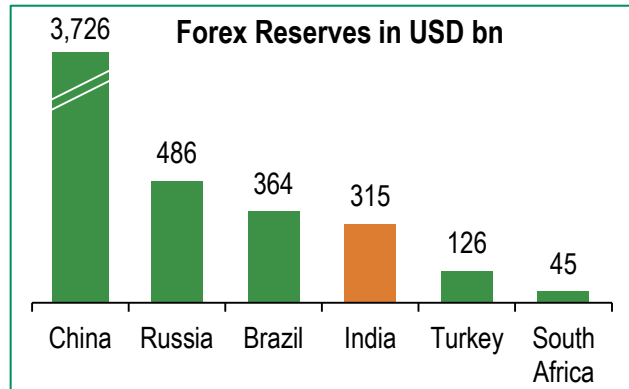
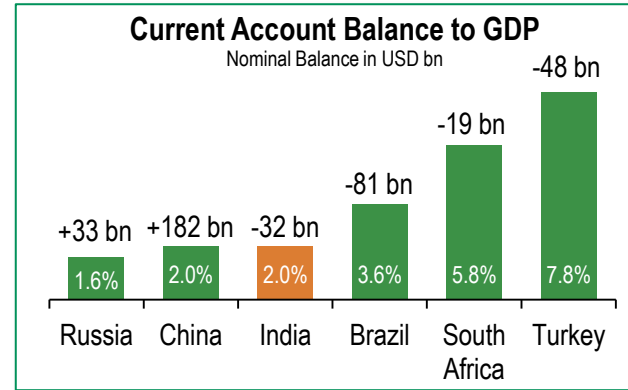
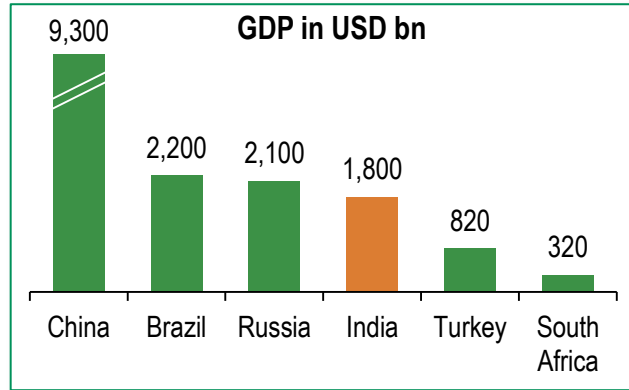
Composition and evolution of India CAD



FDI / FII in India- Historical trends



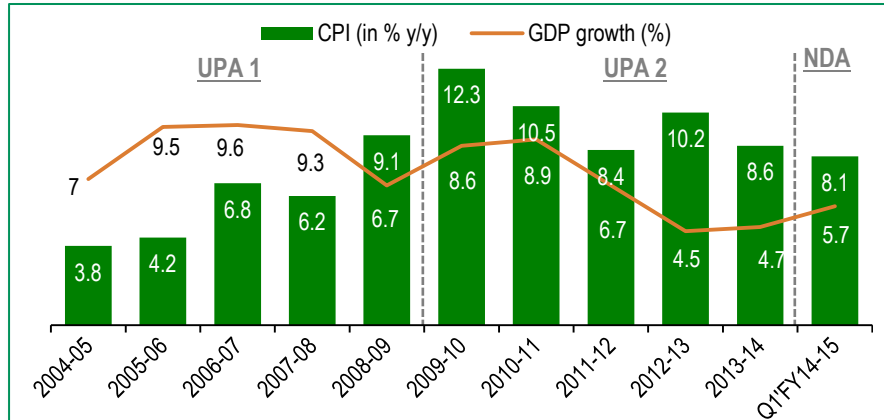
Comparables: 2013-14



Ranking	Sovereign Credit Rating (S&P)	Outlook
China	AA-	Stable
South Africa	BBB	Negative
Brazil	BBB-	Stable
Russia	BBB-	Negative
India	BBB-	Negative
Turkey	BB+	Negative

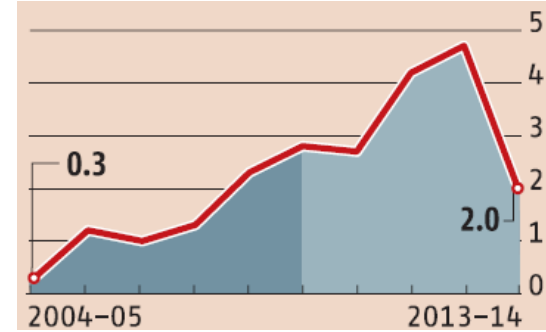


Indian economy has bottomed out



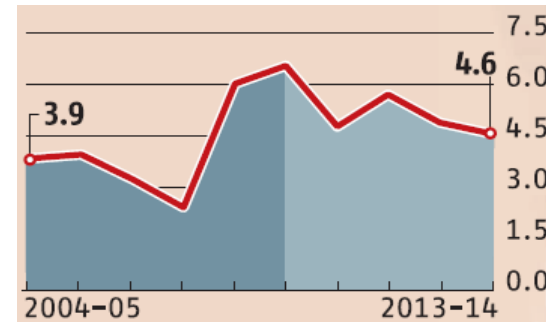
- Market sentiment turned negative mid-2011 when external macro factors (EU sovereign debt crisis, increase of oil prices) started worsening macro indicators (high CPI inflation, CAD slippage, lack of fiscal discipline, weak domestic supply dynamic, depreciating currency).
- Former FM, Mr Chidambaram, and current RBI Governor, Raghuram Rajan, took some unconventional measures to contain the crisis and avoid a sovereign downgrade.
- Indian economy expanded 5.7% in the Q1 FY14-15, the highest in nine quarters since the fourth quarter of FY11-12 vs 4.7% y/y.
- The August CPI data showed headline inflation decreasing slightly to 7.8% y/y inline with the consensus forecast of 7.8%. Food prices, which dominate headline CPI picked up to 9.2% y/y in Aug from 9.1% in July

Artificially contained CAD (% of GDP)



Source: Planning Commission data book

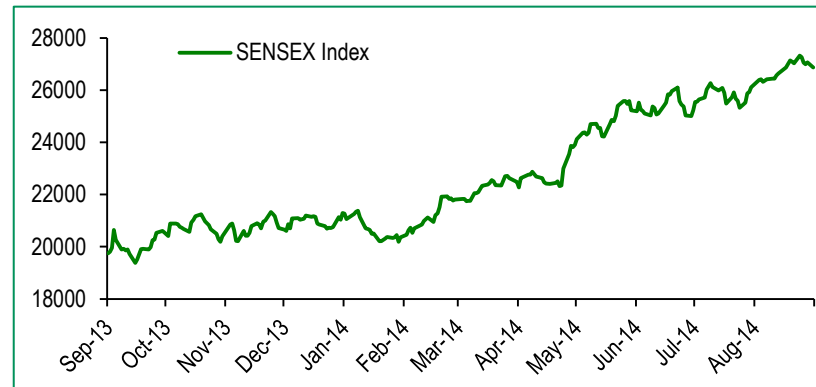
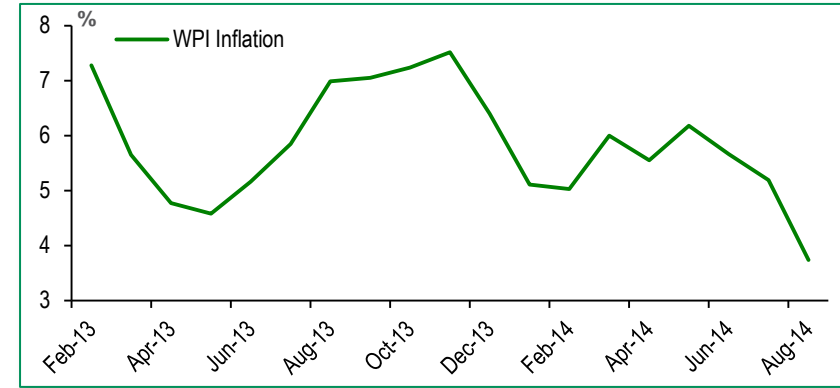
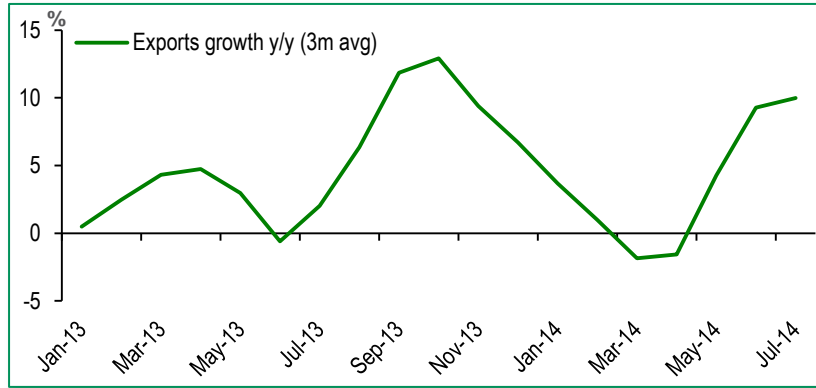
Fiscal Deficit under stress (% of GDP)



Source: Planning Commission data book



Already some positive signals sent to the market / investors



Modi's government : positive signals sent to the market / investors

Positive government initiatives

- FDI in insurance from 26% to 49% (subject to parliamentary approval).
- Hiking FDI limits in defense (26% to 49%) and railway (100%).
- Acceleration of price deregulation, drastic subsidies cut (diesel, fertilizers).
- Simplifying environmental and forest clearance (moving them online; imposing a deadline).
- Focus on better relations with neighbor countries and getting investments from Japan (USD 35bn expected) and China (USD 20 bn to be invested in 5 years).
- States advised to allow free movement of fruits and vegetables (no more obligation to sell within the original State – APMC Act).



...however still a long road ahead

Top Economic Priorities

- **Bring down CPI inflation from 8.6% to 6% by Jan 2016.**
 - Limit food inflation as a priority.
- **Reduce Fiscal Deficit from 4.6% to 3% by 2016-17:**
 - Reallocation of resources (investments Vs subsidies) to balance the breakdown.
 - No interference with RBI monetary policy.
- **Stabilize Current Account Deficit:**
 - Keep the INR at a competitive level.
- **Reinitiate Infrastructure projects**
 - Facilitate Clearance of stalled projects.
- **Revive Investment & Manufacturing**
 - Create an investor friendly environment (Tax clarity, land acquisition, labour laws)
- **Attract foreign investments**
 - Liberalize further FDIs.

Awaited reforms include

- Fiscal consolidation via a sharp reduction in subsidies - the NDA govt (PM, Oil Minister and Fertilizer Minister) have ruled out increase in cooking fuel or fertilizer prices (even gradual, like they are doing with diesel) many times.
- Implementation of tax reforms like GST (Goods & Services Tax)
- Labour law reforms – major changes required to promote industry.
- Coal – Coal Minister has ruled out denationalization of coal mining.
- Land Acquisition – Minister has said the legislative amendments will be more procedural in nature (to reduce paperwork and/or shorten the timeframe).
- Privatization – Government needs to privatize loss making PSU like Air India, MTNL.



Italy – India economic relationship

Trade with Italy (values in million euro)

	2006	2007	2008	2009	2010	2011	2012	2012	2013*
								Jan. - Oct.	Jan. - Oct.
Italy trade	5,142	6,383	6,519	5,640	7,210	8,515	7,095	6,017	5,783
% variation compared to previous period	32.5	24.1	2.1	-13.5	27.8	18.1	-16.7	-	-3.9
Italy exports	2,166	2,995	3,090	2,735	3,387	3,736	3,346	2,772	2,431
% variation compared to previous period	29.0	38.3	3.2	-11.5	23.8	10.3	-10.4	-	-12.3
Italy imports	2,976	3,388	3,429	2,904	3,823	4,780	3,749	3,245	3,352
% variation compared to previous period	35.2	13.9	1.2	-15.3	31.6	25.0	-21.6	-	3.3
Balance	-809	-393	-340	-169	-437	-1,044	-403	-473	-921

* The trade figures of Italy for India are available till October 2013. However, the sector-wise figures are unavailable for this period.

Italy's net Foreign Direct Investment with India

	2006	2007	2008	2009	2010	2011	2012	Stock 1992 - 2012
Net Italian FDI in India (million Euro)	72	48	486	390	235	694	678	3,113
Net Indian FDI in Italy (million Euro)	2	1	17	33	90	66	2	219

Source: Eurostat and "Foreign trade and international business activities yearbook"



Italy – India trade

Main Italian products exported to India

(Classification used: 3-digit Ateco 2007) Period: January – August 2013	mil. EUR	% of total exports to India
Other special purpose machines	281.7	14.2
General purpose machines	214.1	10.8
Other general purpose machines	170.1	8.6
Basic chem., fertilisers & nitrogenous compounds	140.1	7.1
Metal moulding machines and other machine tools	114.2	5.8
Vehicle and engine parts and accessories	71.9	3.6

Main Indian products imported by Italy

(Classification used: 3-digit Ateco 2007) Period: January – August 2013	mil. EUR	% of total imports from India
Basic chem., fertilisers & nitrogenous compounds	292.0	11.2
Iron and steel products	254.2	9.7
Articles of clothing, excluding clothes in	245.3	9.4
Iron and steel products	244.4	9.4
Dressed & worked leather; travel accessories, bags	114.1	4.4
General purpose machines	112.6	4.3

The figures for 2013 are provisional

Source: processing by Economic Monitor on Italian National Statistical Institute data



2

BNP Paribas India Franchise



BNP Paribas Group in India

CIB

Client Coverage (CORP & INST)

Investment Banking
(M&A, ECM, DCM)

Structured Finance

Transaction Banking

Fixed Income & Treasury

Commodity Derivatives

Equity Derivatives

BNP Paribas India Holding Pvt. Ltd.
100% BNP Paribas SA (2012)

BNP Paribas Securities India Pvt. Ltd.
(Institutional Broking) 100% BNP Paribas (2013)

BNP Paribas India Solutions
100% BNP Paribas (2005)

Investment Solutions

Wealth Management

**BNP Paribas
Investment Services Pvt Ltd.**

**BP2S Custody Services
(F&O Clearing)**

SBI Life Insurance
74% SBI & 26%
BNP Paribas Group (2001)

**Sundaram BNP Paribas
Fund Services**
51% Sundaram Business Services &
49% BNPP Securities Services (2009)

**BNP Paribas Sundaram Global
Securities Operations**
51% BNPP Securities Services &
49% Sundaram Business Services (2009)

BNP Paribas Asset Mgt India Pvt Ltd
100% BNPP Investment Partners (2010)

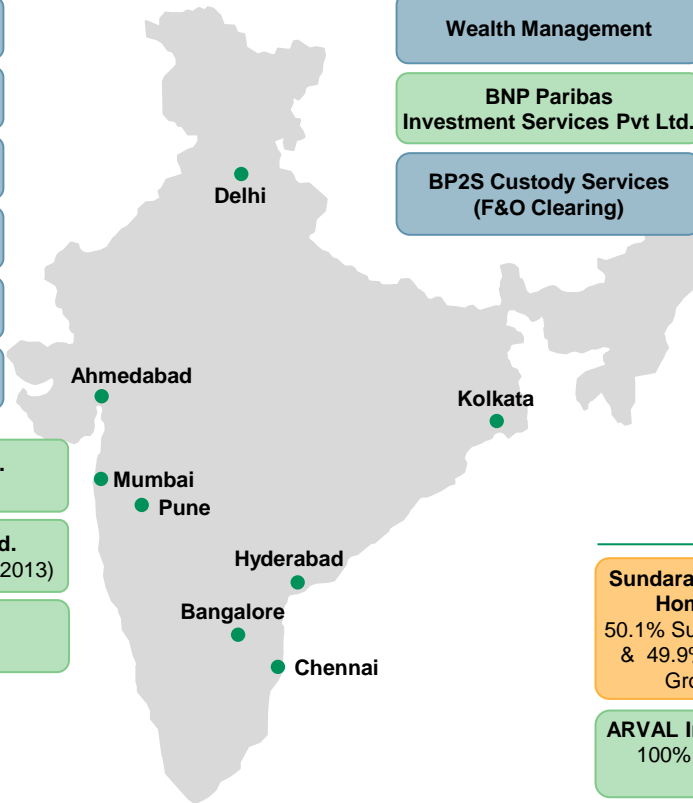
Retail Banking

**Sundaram BNP Paribas
Home Finance**
50.1% Sundaram Finance
& 49.9% BNP Paribas
Group (2007)

SREI Equipment Finance
50% SREI Infrastructure &
50% BNP Paribas Lease
Group (2007)

ARVAL India (Fleet Mgt)
100% BNP Paribas
(2007)

**Geojit BNP Paribas
(Retail Broking)**
34% BNP Paribas (2007)

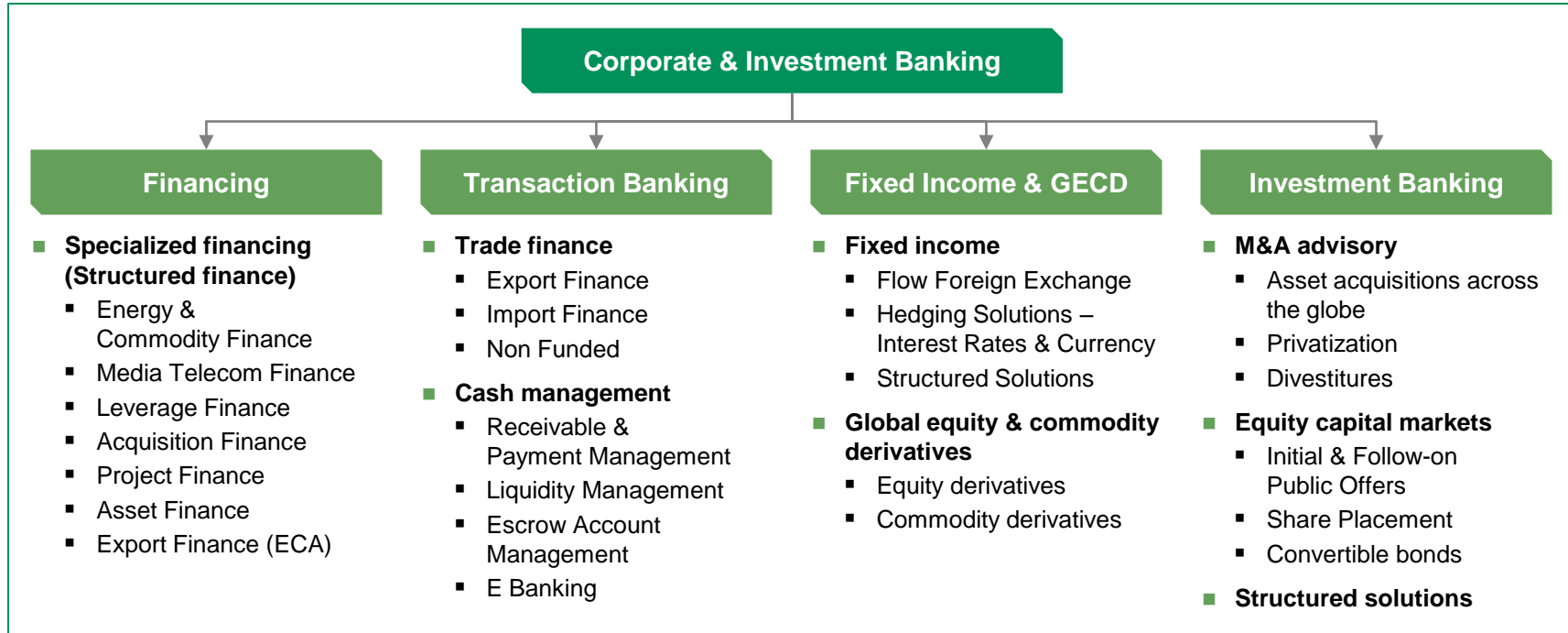


Branch Operations (year of formation)
Joint Ventures (year of formation)

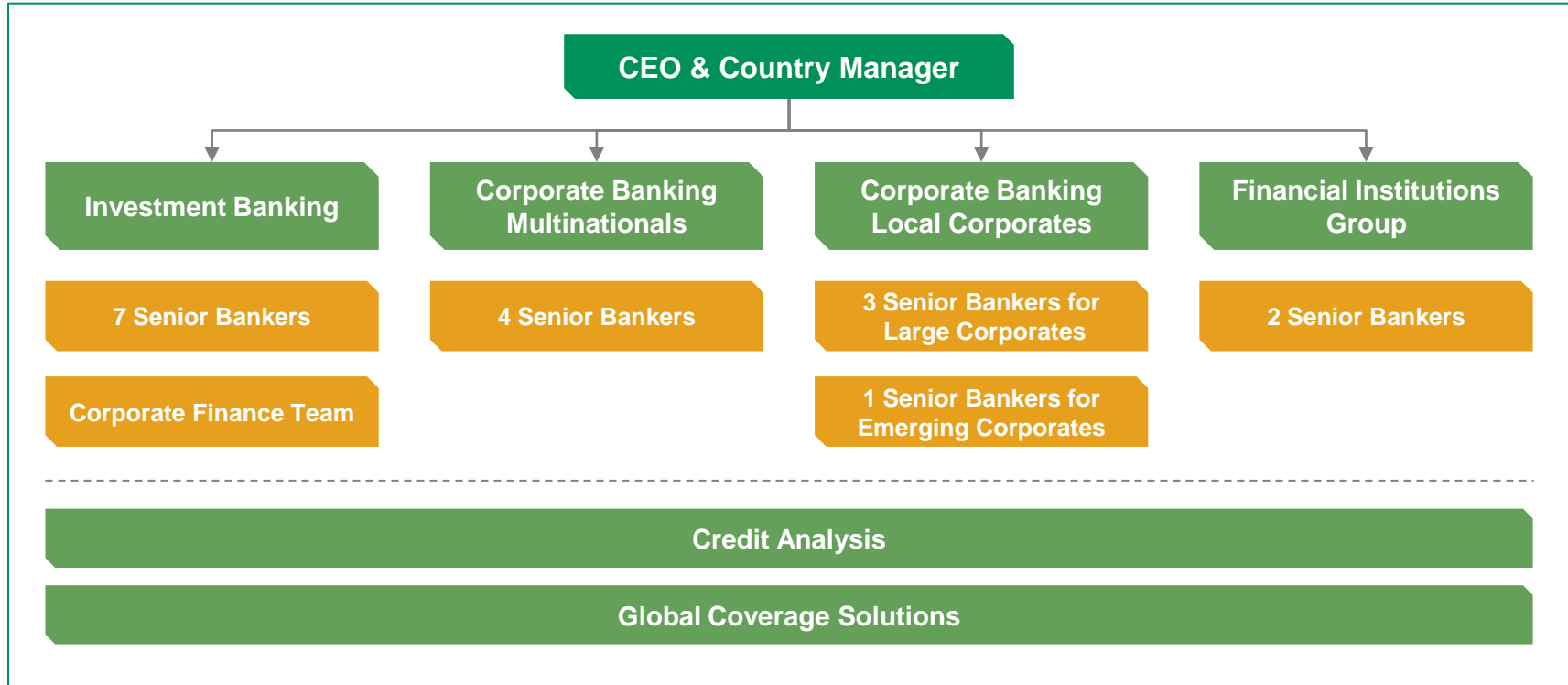


BNP Paribas Corporate & Investment Banking Franchise in India

Dynamic client relationship management model:
Access to all the major business groups across sectors



CIB India Coverage Organization



Italian Desk in India



Formal set up of an Italian Desk in Mumbai in May 2011 and subsequently moved to Delhi in October 2011



Desk established to support Italian companies in India through a single – window concept



To provide local support (both commercial and operational) and advice on local market practices, banking environment and applicable regulations



To hand–hold companies' inbound business into India through a two pronged approach : active marketing to Italian companies by Maurizio Accinni, International Business Development Manager, BNL based in Rome in co-ordination with Head Italian Desk in Delhi followed by onboarding of the clients by local teams

BNL and BNP Paribas India : a unique two way banking bridge between India and Italy

Co-operation, co-ordination and integration between BNL and BNP Paribas India are the key value for our clients in trade and bilateral investments



Industry Recognition

- Ranked No 6 in India in the DCM League for 2013-14, and No 3 until August 2014.
- Ranked No 2 in India for Cash Management by Euromoney for 2013 and No 3 for last 4 years (2009-12)
- The Best Trade Solutions Provider in India for 2 consecutive years
- Best Bank SWIFT for Corporates in Europe by TMI for 4 years in a row
- Best Cash Management Bank for Electronic Banking (Asset Asian Award)
- Best Credit Derivatives House (The Asset Triple A Investment Awards 2013)
- No.1 Currency Derivatives House of the Year (AsiaRisk Awards 2013)
- Interest Rates Derivatives House of the Year (AsiaRisk Awards 2013)
- No.2 Currency Products in Asia (Asia Risk Interdealer Poll 2013)
- No.1 Fx Options and E-Trading Options (Euromoney 2013)

EUROMONEY





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