



BNL and BNP Paribas India

A unique bridge for trade and investments

Bologna April 19th , 2017 Confindustria Emilia Romagna
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BNP PARIBAS | The bank for a changing world



India snapshot

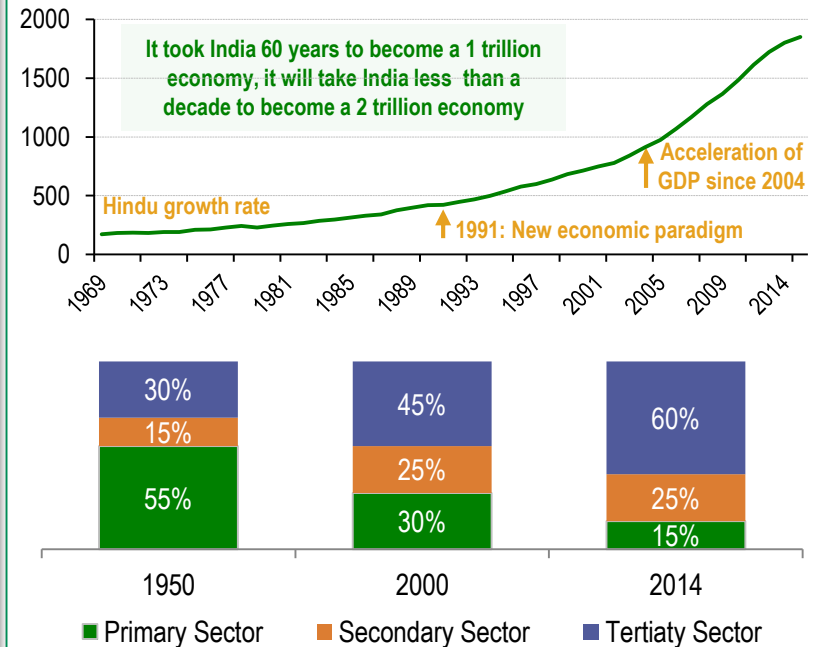


India's Economic Profile – Overview

Overview

- 1.27 billion people (68% 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: 815 M eligible voters.
- 948 M Hindus (78%), 172 M Muslims (14%)
- Territory of 3,287,590 km²:
 - 11 times the size of Italy.
- GDP: ~2.1 USD trillion (FY2015) : Equivalent to Italy GDP.
 - Domestic driven economy (Exports = 25% of GDP)
- Forex Reserves: USD 345 Bn (April 2015).
 - 11 times less than China (USD ~3.7 trillion)
- 2014 Remittances: USD 70.4 Bn (more than India's USD 65bn software exports).
- FDI at USD 34.9 Bn (FY2015) (61.6% yoy growth)
 - China attracted USD 119.6 Bn in 2014
- Country Rating by S&P: BBB -

India Historical GDP evolution in USD M



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





Indian Banking Industry Overview



Indian Banking Landscape: A Structural View

27 Public Sector Banks

- Large network with low cost retail fund base. Thus very competitive in Rupee long term rates
- Were saddled with NPAs of the past but situation is gradually improving
- Access to business opportunities offered by Govt owned PSUs (Public Sector Units) & ability to sign large tickets.
- Improving technology capabilities
- Gradually implementing core banking solutions

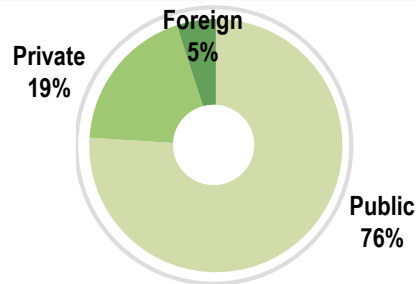
22 Private Sector Banks

- Newer banks with larger capital base & technology platforms.
- Strong mid-market drive & retail offers.
- Lack diversity in offshore & exotic product offerings
- Not competitive in International trade offering due to lack of international network
- No capital constraints, full focus in India & drive for cross-selling full packaged products.

41 Foreign Banks

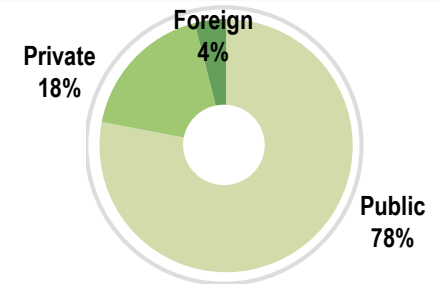
- International Network for Trade, DCM, M&A, ECM, Foreign CCY Loan Syndication
- At the forefront of Product Innovation, Modern Technology & Advanced Service levels - Transaction Banking
- Strong leverage on global network & brand, and cross sell capabilities.
- Historically older Banks have successfully partnered various MNC companies entering the Indian markets.

Market Share (Local Currency Advances)

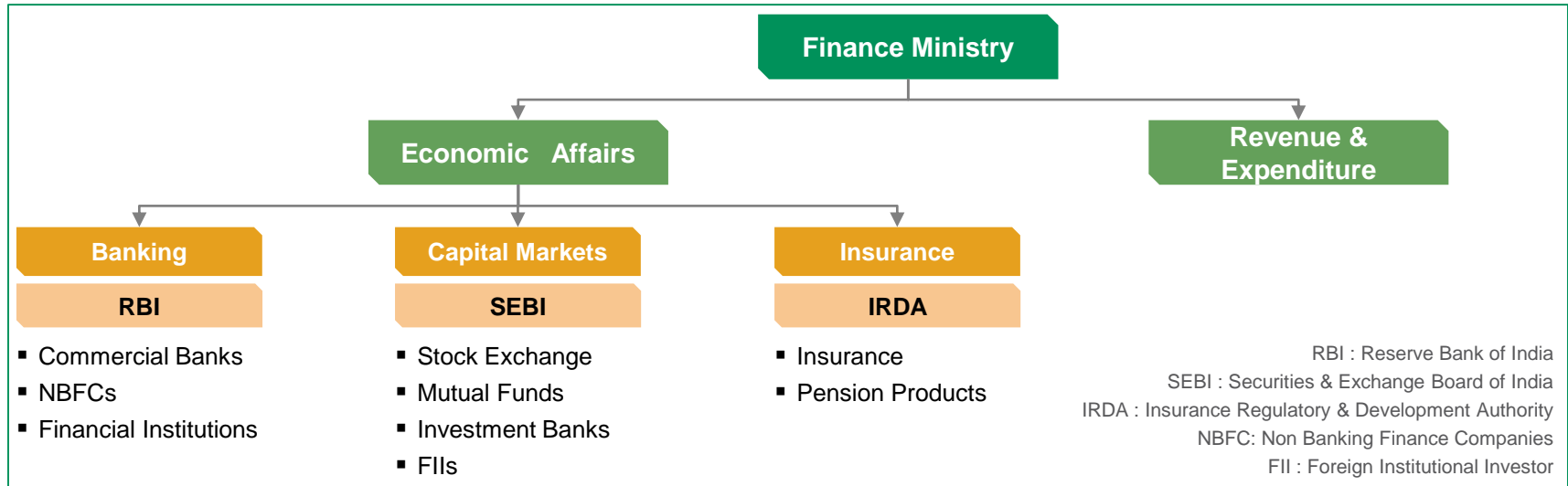


“Whilst foreign banks have lowest market share of advances & deposits, the segment contributes approx. 30% of the sector's profits”

Market Share (Local Currency Deposits)



Indian Financial System: Key Regulatory Authorities



Implementation of Basel III requirements: A challenge for PSU Banks

- The Indian banking sector is required to grow its capital base by ~EUR 60 bn to comply with Basel III requirements.
 - The estimated required injection of new Tier 1 Equity capital stands at EUR 22 bn for the sector.
 - Public Sector Banks capture more than 80% of the new capital requirements.
- The weakening profitability of the Public Sector Banks combined with the annual loan growth is raising their overall capital requirement.
- RBI has recently postponed the deadline to comply with Basel III requirements by one year to 2019.





Indian Economy



A departure from the past; a new beginning (the Make in India factor)

- After strong growth during 2004-08 (9% CAGR), India's GDP growth slowed down to 4.5-5% during 2010-13.
- Global slowdown was a contributor, but India's "policy paralysis" was also a strong contributor.
- 2014 election results changed everything.
- NDA won 338 seats out of 543, Leading partner BJP alone won 282 seats – an absolute majority in the Parliament.
- After 1984, for the first time a Government can function unhindered by smaller regional parties.
- Policy decisions, even some unpopular ones, have been implemented : fight against hidden cash / implementation of global GST taxation / opening of new sectors for foreign investments / MAKE IN INDIA UPGRADE OF THE LOCAL INDUSTRIAL SECTORS ecc.



Agenda of Modi government

Agenda	Status	Action point
Inflation control	Ongoing	Government increased Kharif, Rabi MSP by 3-4% on average, while UPA-2 raised by c10% during its tenure. Current move will help to control inflation
Subsidy Control	Ongoing	Government has started Direct benefit transfer of LPG subsidy in the bank account and the plan is to transfer all subsidies through DBT. The subsidy savings could be over INR500bn annually on the subsidy bill alone when these payments are routed through bank accounts due to elimination of subsidy leakage
Labour Law reforms	Yet to be done	Like Rajasthan government, where they amended four important labour laws (Factories Act, the Industrial Disputes Act, the Apprenticeship Act and the Contract Labour (Regulation and Abolition) Act), making it easier for companies and employers to hire, train and dismiss workers, and to stiffen the rules for trade union registration
GST	Under way	Constitutional amendment bill tabled in the Lok Sabha during winter session, but needs evolution of consensus.
Amendment in Land acquisition law	Ongoing	Government passed an ordinance with consent clause, social impact assessment and livelihood requirement to be abolished for PPP projects, affordable housing, industrial corridors, rural infrastructure and defence installations Also, ordinance states compensation requirements to be applicable for the remaining 12 central acts, which the land law seeks to subsume
Kick-starting the investment cycle	Ongoing	By faster environmental clearance to infrastructure projects Focus on 'Make in India' and smart city projects should kick-start investment cycle Easing foreign investment policy like FDI in insurance from 26% to 49% (subject to parliamentary approval), Hiking FDI limits in defense (26% to 49%) and railway (100%) Reform in coal and mining sector to solve raw material issue, coal block allocation to private players has started Extra allocation of INR700bn to infrastructure sector in FY16 budget

Sources: BNP Paribas



BNPP Indian economic forecasts

	FY 13	FY 14	FY 15E	FY16E
GDP	5.1	6.9	7.4	7.5
Agriculture	1.0	3.9	1.0	2.8
Industry	2.7	4.4	5.7	5.5
Services	8.0	9.1	11.2	9.9
CPI Inflation	10.2	6.7	5.8	6.7
Public consumption	1.7	8.2	10.1	1.4
Fixed investment	-0.3	3.0	4.3	5.1
Exports	6.7	7.3	-0.3	7.5
Imports	6.0	(8.4)	(1.6)	1.5
Budget deficit (% of GDP)	(4.9)	(4.4)	(4.1)	(3.9)
Current account (USD b)	(87.8)	(32.4)	(17.6)	1.8
Current account (% of GDP)	(4.7)	(1.7)	(0.9)	0.1

Sources: CSO; BNP Paribas estimates
CPI is by calendar year



Italy – India economic relationship

- Italy is the 5th largest trading partner for India in the EU and the 12 largest investor in India
- Bilateral trade has grown 10x from Eur 708 M to Eur 7.1 Bn in the last two decades but still not enough....
- The states of Tamil Nadu, Maharashtra and Haryana are the top 3 investment locations for German companies in India.
- Italian exports to India are led by machines and machine tools, metals and metal products
- Indian exports to Italy comprise chemicals, iron and steel products, garments, leather accessories, general purpose machines
- Bilateral investments in upswing momentum (Italian Government led mission in April end)





BNP Paribas India



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)

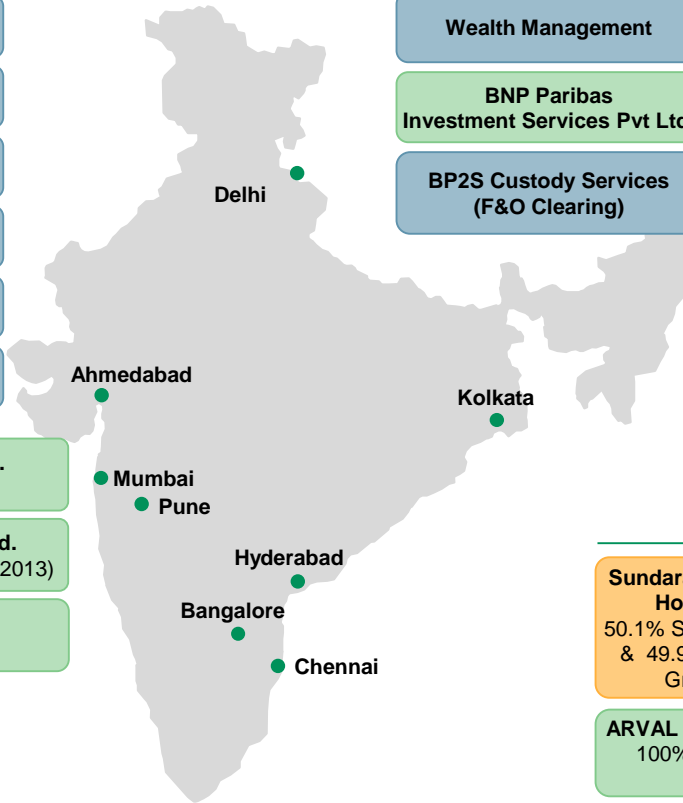
Retail Banking

**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)

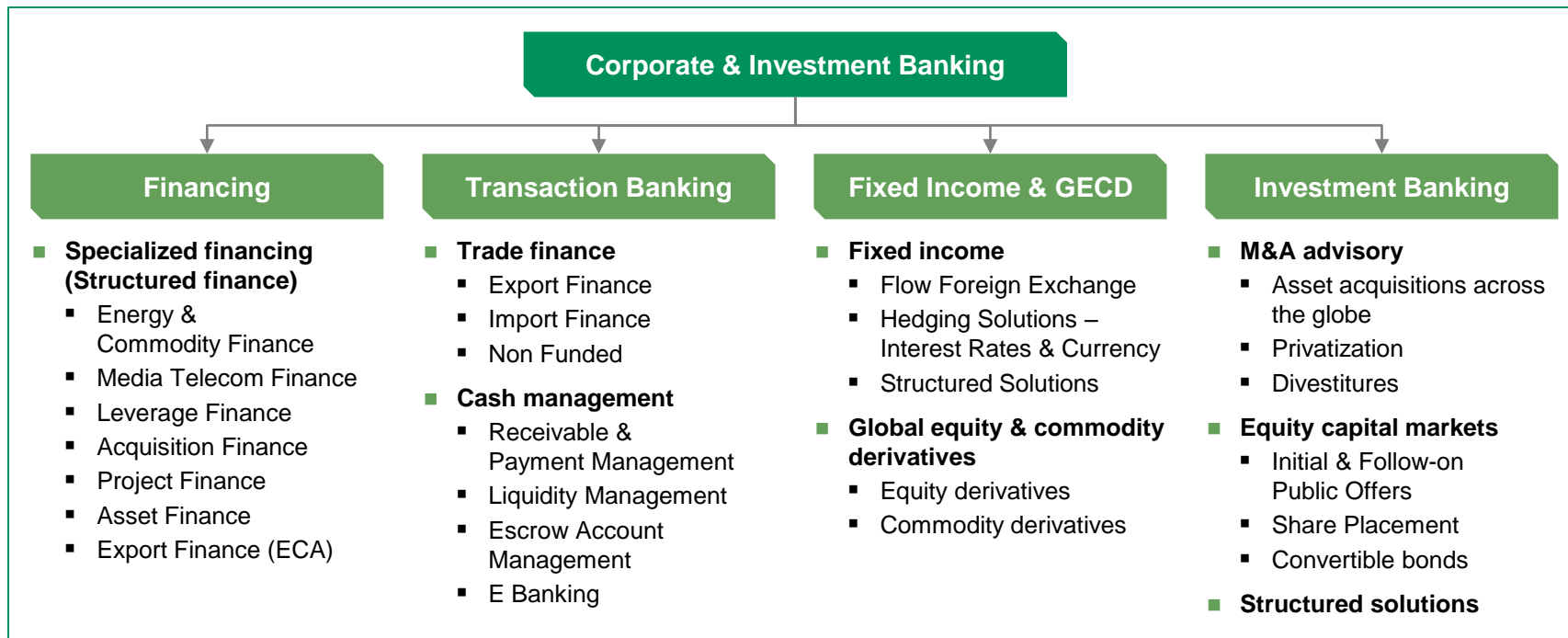


Branch Operations (year of formation)
Joint Ventures (year of formation)



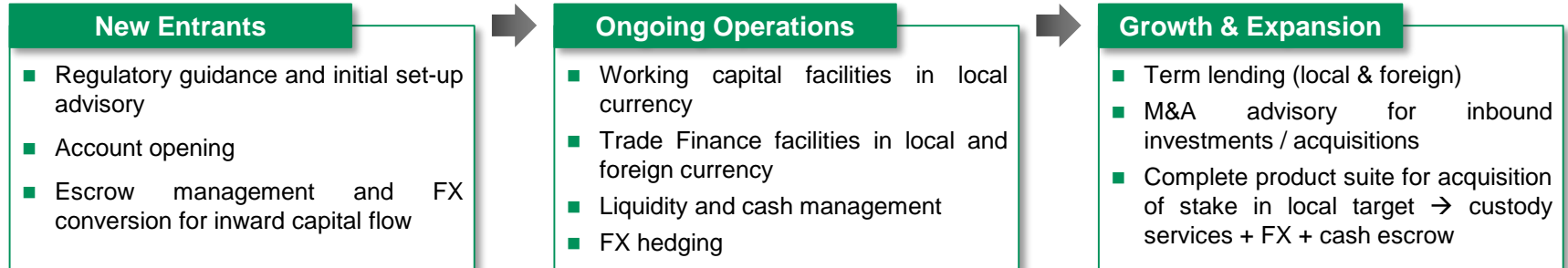
BNP Paribas Corporate & Investment Banking Franchise in India

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



BNP Paribas India – Dedicated MNC Coverage Team

- Dedicated support to MNC Subsidiaries across the following spectrum



- 13 member MNC team covering 8 Cities : Mumbai, Delhi, Chennai, Kolkata, Bangalore, Pune, Hyderabad & Hyderabad
- Client base of 360+ customers and growing
- Dedicated desks for Italian & other BNPP domestic markets (France / Belgium / Luxembourg)
- Strong INR balance sheet & lending capabilities – Very competitive Base Rate
- Strong Cash Management product capabilities
- Trade & Supply Chain Funding Solutions – Connexis Trade a differentiator,
- Fixed Income solutions – One of the few market makers on options
- Structured Funding Solutions – Capital market solutions covering Non Convertible Debentures (NCD) and Commercial Paper (CP)
- Corporate Finance Capabilities



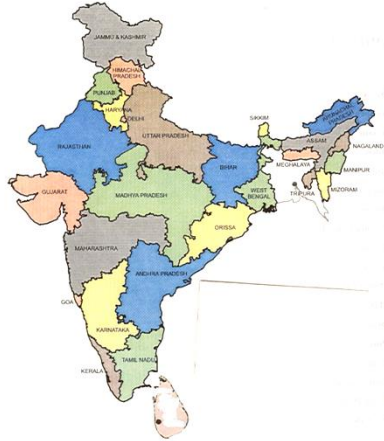
Italian Desk: Bridge between India and Italy

- ✔ Formal set up of an Italian Desk in Mumbai in May 2011 and subsequently moved to Delhi in October 2011
- ✔ Desk established to evaluate and support Italian companies needs 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





For information, assistance and support
for your business development projects:

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