



Banking Framework and Financial Opportunities: Internationalization and Foreign Investments in India



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Seminar on Legal and Financial Framework for Internationalization and Investment in India

Spain-India Council Foundation

Thursday, 19 September, 2013

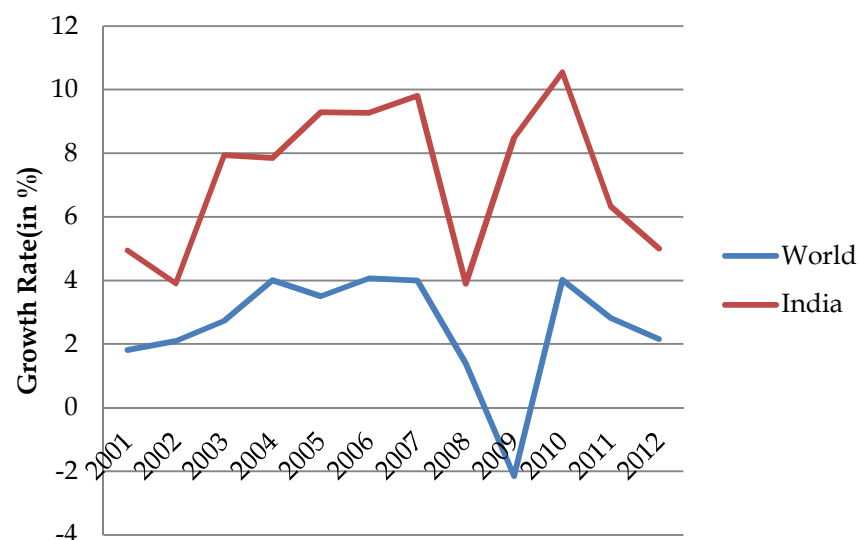




Current Snapshot of Indian Economy

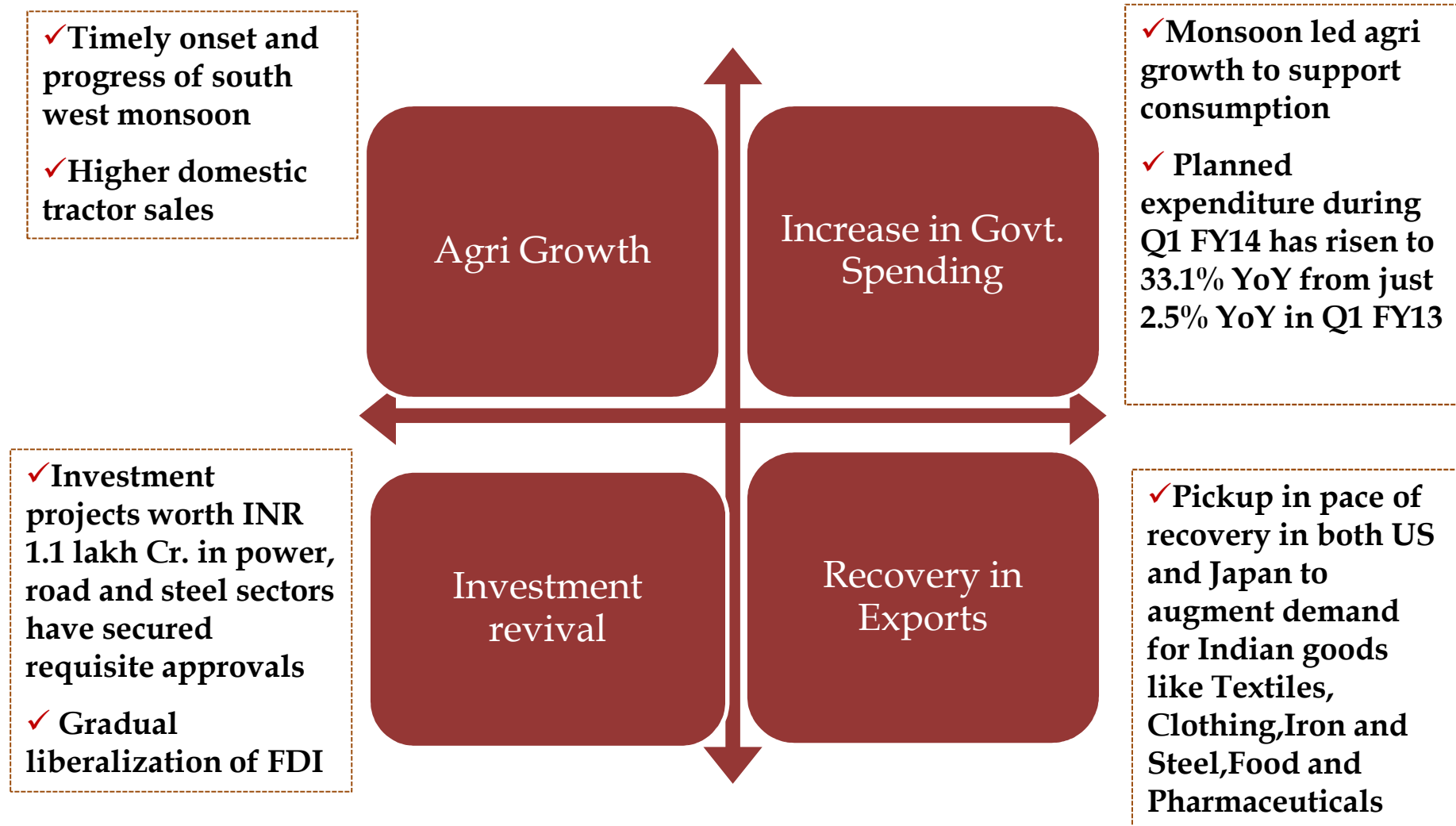
- ✓ Global Growth remains weak – Investments in advanced economies are counterbalanced by slow growth in emerging markets and developing economies
- ✓ International Monetary Fund (IMF) in its World Economic Outlook has revised the global growth down to 3.1 per cent in 2013 from 3.3 percent earlier
- ✓ Global bond sell off in May and June 2013 has resulted in most currencies depreciating against the US dollar, causing further portfolio outflows
- ✓ Despite global uncertainties and internal challenges, Indian Economy grew at 5% in 2012-13 and is expected to grow at 5.3% in 2013-14

GDP Growth Rate of World viz-a-viz India



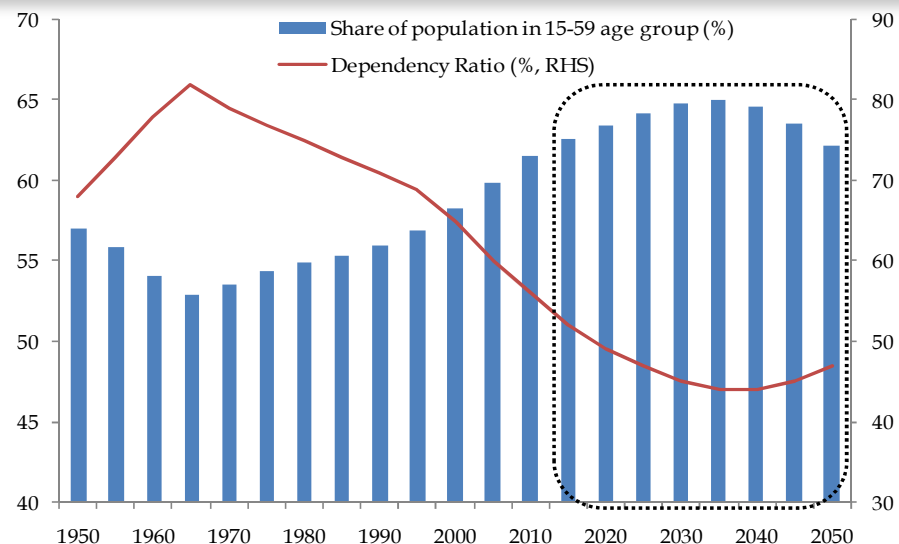
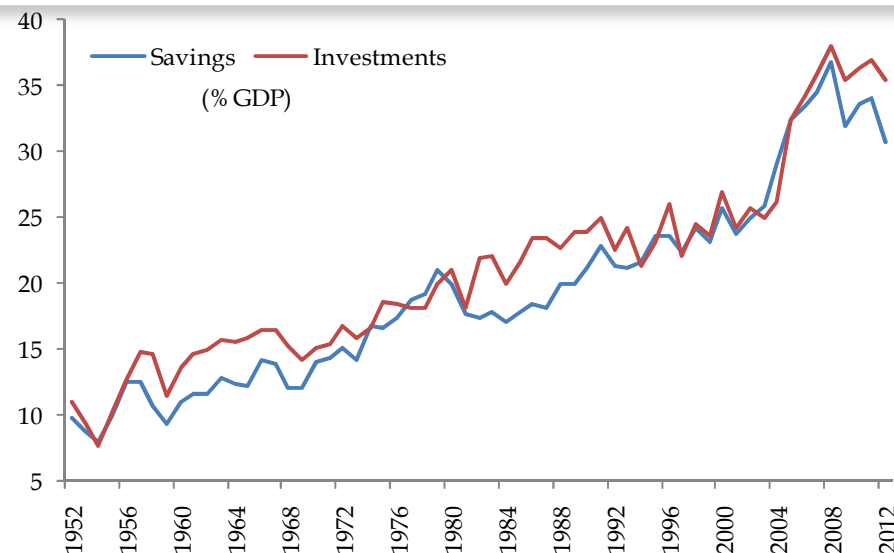
Source: World Bank

...drivers of growth recovery in FY14



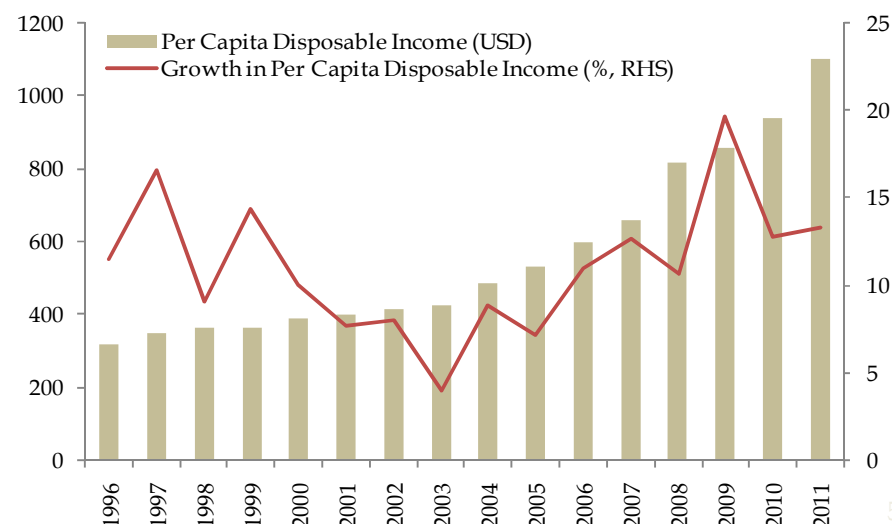
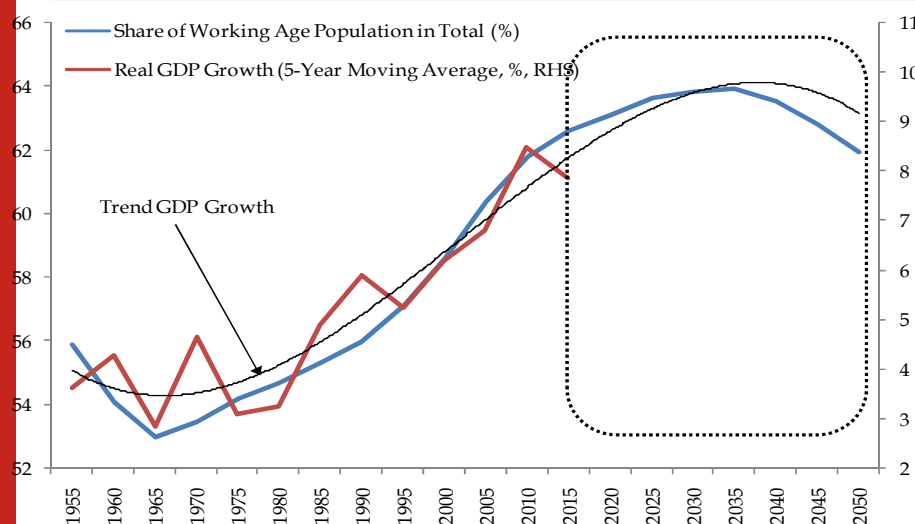
Structural drivers of India growth story intact

YES BANK



Robust savings and investment ratios
Potential GDP growth to benefit immensely from favorable demographics

India to enjoy demographic dividend over next 25 years

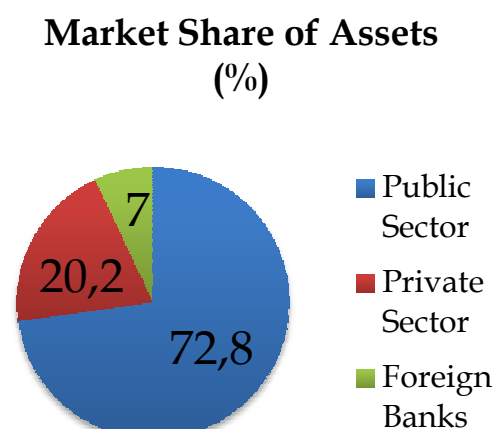
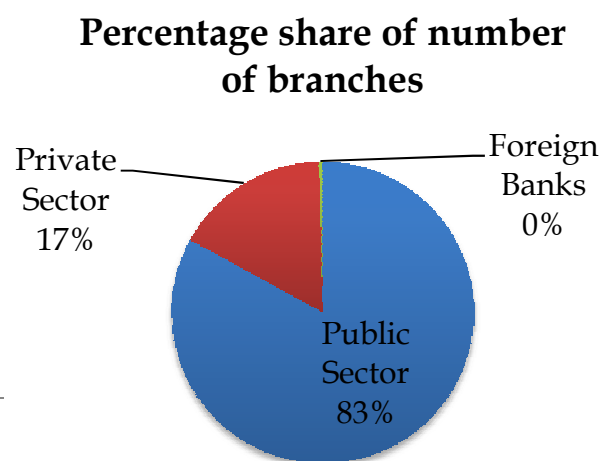
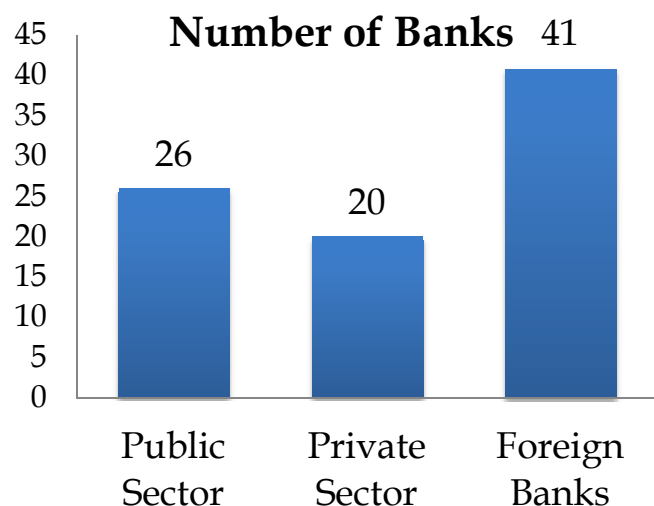




Overview of Banking Scenario

The RBI, established in 1935, is the central bank of India. The RBI regulates the:

- ✓ Credit market, money market and the foreign exchange market in India
- ✓ Responsible for formulating the monetary policy, issuing currency, prescribing exchange control norms and acting as a banker to other banks



Banking framework in India(Contd)

✓Within the banking system, public sector banks (PSB) continue to dominate with 83%in branches

✓Rural and urban co-operatives banks have a relatively small share in the banking system

✓The Government is pursuing branch expansion and capital infusion plans for the Regional Rural Banks

Institution	Market Share of Total Banking Assets (2012) (Percentage)
Scheduled Commercial Banks	92.4
<i>of which:</i>	
<i>Public Sector Banks</i>	67.2
<i>Private Sector Banks</i>	18.7
<i>Foreign Banks</i>	6.5
Regional Rural Banks	2.7
Rural and Urban Co-operative Banks	3.4
Local Area Banks	1.5

Source: Reserve Bank of India

Key trends in Indian Banking Scenario

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- ✓ Growth of the banking sector has been influenced by growth of economy
- ✓ Most of the indicators of soundness bear out the stability of the Indian banking sector--capital to risk-weighted assets ratio (CRAR) at the aggregate and bank group-levels have remained above the statutory minimum requirement levels
- ✓ Steady improvement in the asset quality through the 2000s --The gross non-performing assets (NPAs) as per cent of gross advances had declined from 12.0 per cent in 2000-01 to 2.4 per cent in 2007-08. Thereafter, it increased to 3.7 per cent by December 2012
- ✓ Reserve Bank has taken a number of steps towards taking banking to door steps of habitations with population over 2000 through the BC model
- ✓ Banks have also shown significant improvement in other efficiency indicators such as, business per employee and business per branch
- ✓ There are a number of proposals for expansion of the banking sector with new entrants





Doing Business in India



- Creating a Business Plan
- Making a Product Choice
- Setting up Infrastructure
- Naming and Registering a Business
- Choosing a form of Business Organization
- Choosing the Location of the Industry
- Pricing your Product
- Regulatory Requirements
- Financing a start up Business
- Sourcing Process, Raw Materials, Machineries and Equipments

Options for Setting Up Business Operations in India

- ✓ As an Indian Company
By incorporating a company under the Companies Act, 1956 through
 - Joint Ventures or
 - Wholly Owned Subsidiaries
 - Foreign Institutional Investor
- ✓ As a Foreign Company
Foreign Companies can set up their operations in India through
 - Liaison Office/Representative Office
 - Project Office
 - Branch Office



- ✓ Legal aspects are an indispensable part of a successful business environment in any country
- ✓ The most important law which regulates all aspects relating to a company is the Companies Act, 1956 which regulates the following provisions related to formation of a company:
 - raising of capital holding ;
 - company meetings;
 - maintenance and audit of company accounts;
 - powers of inspection and investigation of company affairs etc.
- ✓ Indian Contract Act, 1872, is another important component of the framework which governs transactions and enforceability of contractual arrangements a business may engage in, indemnities and guarantees.
- ✓ The other major legislations are:- the Industries (Development and Regulation) Act 1951; Trade Unions Act; the Competition Act, 2002; the Arbitration and Conciliation Act, 1996; the Foreign Exchange Management Act (FEMA), 1999



- ✓ India has a well developed Tax Framework and business would need to evaluate taxes levied by Union Government, State Government and Local bodies.

UNION GOVERNMENT

- Income Tax (except tax on agricultural income, which the State Governments can levy)
- Customs duties
- Central Excise
- Sales Tax and Service Tax.

STATE GOVERNMENT

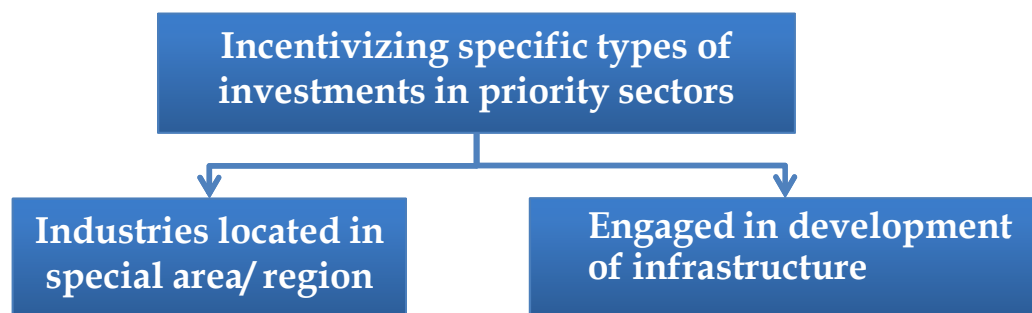
- Sales Tax (tax on intra-State sale of goods)
- Stamp Duty (duty on transfer of property),
- State Excise (duty on manufacture of alcohol)
- Land Revenue (levy on land used for agricultural/non-agricultural purposes)
- Duty on Entertainment and Tax on Professions & Callings.

LOCAL BODIES

- Tax on properties (buildings, etc.)
- Octroi (tax on entry of goods for use/consumption within areas of the Local Bodies),
- Tax on Markets and Tax/User Charges for utilities like water supply, drainage, etc.

Taxation Framework(Contd.)

- ✓ **The tax system in India is under continuous process of reform:**
 - policy of liberalization and simplification including rationalization of tax structure;
 - reduction in corporate tax rate;
 - introduction of value added tax ;
 - widening of the tax base
- ✓ **Tax laws have been simplified to ensure better compliance**
- ✓ **There are provisions for tax holidays and/or concessions for the following categories of Industries:**

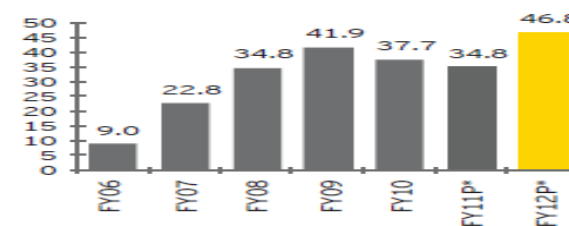


FDI

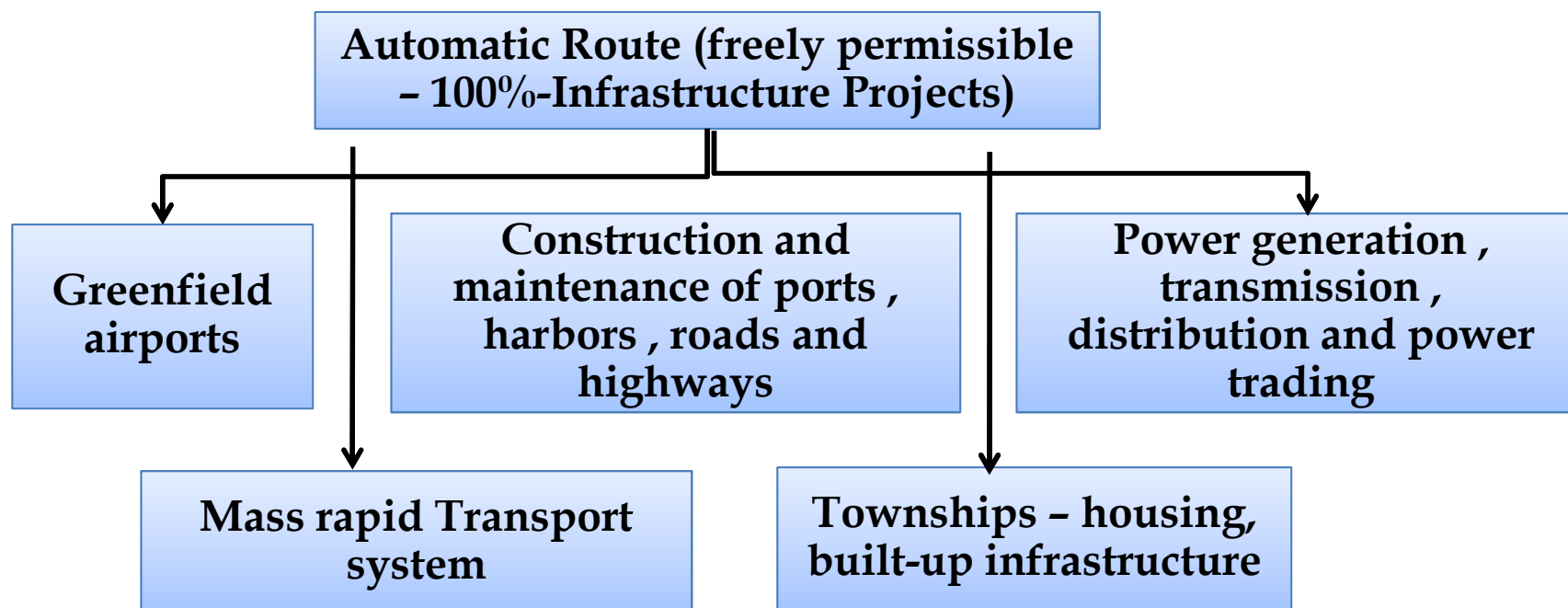
According to UNCTAD's World Investment Prospects Survey UNCTAD's World Investment Prospects Survey 2012-2014 , India is the third-most attractive destination for FDI

Government is constantly simplifying the approval route process

FDI in India (US\$ billion)



Source: RBI Bulletin
FDI includes credit portion of direct investment in equity, reinvested earnings and inter-company debt transactions
*Provisional

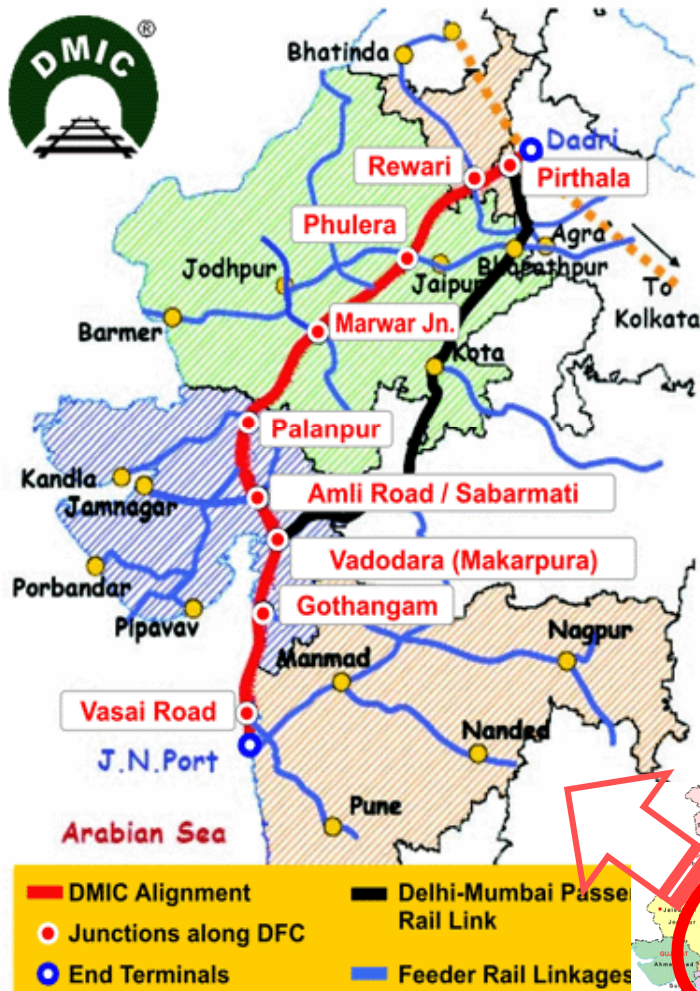


Other Policy Enablers for Business Facilitation

✓ The EXIM Policy focuses on the framework for:

- General Provisions regarding import and exports
- Promotional Measures
- Duty Exemption/Remission Schemes
- Export Promotion Capital Goods Scheme
- Export Oriented units, electronics hardware parks, software technology parks
- Special Economic Zones and Free Trade and Ware Housing Zones
- ✓ Industries (Development and Regulation) Act 1951
- ✓ States have also come up with their own Industrial Policies for facilitating investments





- Infrastructure continues to be an important focus/challenge

- Estimated investment of US\$ 1 trillion in infrastructure in the 12th five year plan

Public Private Partnership has emerged as an important Institutional innovation to meet the deficit

- Quality public services and affordable costs

- Leverage Public funding and draw on strengths of both Public & Private sectors

- Delhi - Mumbai industrial corridor (DMIC) & Dedicated Freight corridor

- Financial & technical aid from Japan

- Overall length of 1483 kms across six states

- States aligning the planning of industrial hubs, logistics and connectivity with this corridor.

Facilitating Infrastructure

Rail - Indian rail route is 65,000 kms long which is amongst the largest in the World.

Road-India's total road network spans 33 lakh kms which is second largest in the world. This road network consists of 79,243 kms of highways.

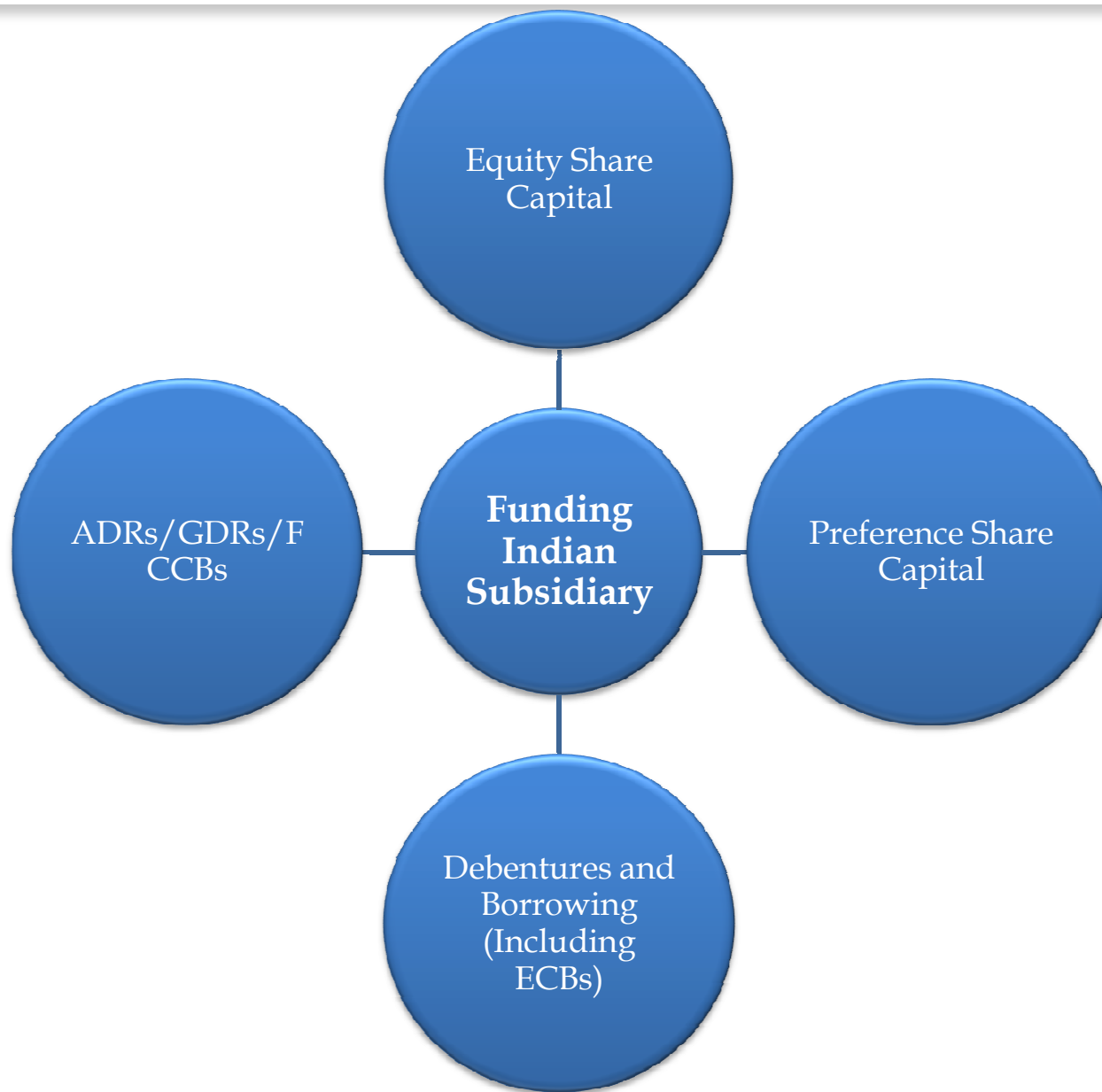
Ports - There are 13 major ports and 187 minor/intermediate ports along the coast line of the country. Total capacity of Indian ports in the year 2010-11 was 616.73 million tons.

Airports - India has a total of 125 Airports, which include 11 International Airport

SEZs-There are special economic zones operating presently all over India.

- ✓ **Venture Capital** : Venture Capital Funds include Central or State Govt promoted Development Finance Institutions, Funds promoted by Public Sector Banks etc.
- ✓ **Banks** : Presence of a well evolved Banking system comprising Private Banks, Public sector banks and Foreign banks among others.
- ✓ **Capital Market** : Presence of a robust primary capital market, with extremely evolved equity markets and fast developing debt capital markets regulated by the Securities and Exchange Board of India (SEBI).
- ✓ **Government Funding and Schemes** : Availability of large number of government schemes offering financial assistance to Industrial Sector(MSMEs and Priority Sectors)
- ✓ **Financial Institutions** : Presence of development finance institutions including some promoted by the union and state governments.
- ✓ **Non Banking Financial Companies** : These are a heterogeneous group of institutions (other than commercial and co-operative banks) designed to offer financial intermediation in a variety of ways like accepting deposits

Ways and Means for Foreign Corporation to Fund Indian Subsidiary



Doing Business in India – Key Initiatives

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✓ *www.business.gov.in*-An initiative under National E-Governance Plan, Government of India

✓ *www.investindia.gov.in*-An initiative to promote investments by FICCI and DIPP

✓ Chambers of Commerce-

1) ASSOCHAM-
www.assocham.nic.in

2) Confederation of Indian Industry-
www.cii.in

3) Federation of Indian Chambers of Commerce and Industry-
www.ficci.com



Indo-Spain Trade Analysis and Opportunities for Collaborations



Indo-Spain Trade

- ✓ Over the last few years, India-Spain bilateral trade has seen substantial growth--India-Spain bilateral trade in the year 2011 stood at USD 5.78 billion
- ✓ Indian exports to Spain----organic chemicals, textile and garments, Iron and steel products, automotive components, marine products, leather goods.
- ✓ Indian imports consisted of machine and mechanical appliances, plastic manufactures, electrical appliances, rubber and rubber products and olive oil etc.

Year	India's Exports to Spain (US\$ Mn)	India's Imports from Spain (US\$Mn)	Total Trade (US\$Mn)	% growth over previous year
2008-09	2538.15	1023.80	3561.95	
2009-10	2029.26	1095.53	3124.79	-12.27%
2010-11	2565.29	1487.58	4052.87	29.70%
2011-12	2999.27	1809.78	4809.06	18.66%
2012-13	2865.75	1815.66	4681.40	-2.65%

Source: Department of Commerce, Ministry of Commerce and Industry, Govt of India

Indo-Spain Trade(Contd.)

- ✓ Spain is the 13th largest investor in India with total FDI at \$820 million with investments in infrastructure, renewable energy, auto components, water desalination/purification and single brand retail
- ✓ 140 Spanish Companies have activities in India
- ✓ Indian Companies in Spain are present in the field of IT, automobiles, pharmaceuticals and road maintenance. The total Indian investment in Spain is at Euro 687 million.
- ✓ No. of bilateral agreements and treaties exist in the field of Trade and Economic Cooperation, Cultural Cooperation, Tourism, Renewable Energy, Agriculture and allied fields, Civil Aviation, Science and Technology etc.



Sectoral Analysis

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- ✓ Potential that exists in sectors such as tourism, infrastructure, food processing, energy, both renewable and non-renewable, and the automobile industries.

SPAIN

INDIA

Agriculture

- Major agricultural products and Technology

Agro -processing

Industry

- Metal
- Food and Beverages
- Auto
- Infrastructure
- Renewable Energy

Sustainable Infrastructure Development

Meeting Growing Energy Demand

Agro and Food Processing

Growth in sector -

- Indian food service industry is currently is expected to grow at the rate of 11 per cent to touch by 2018
- Food processing industry is one of the largest industries in India, ranking fifth in terms of production, growth, consumption, and export.

Establishing business -

- Untapped market with strong growth potential
- Potential global outsourcing hub
- Supply chain infrastructure and contract farming

Regulatory Scenario-

- 100 per cent export-oriented units are allowed to sell up to 50 per cent of their produce in the domestic market
- 100 per cent FDI under automatic route (except for alcohol, beer, and sectors reserved for small scale industries)
- 100 per cent tax exemption for 5 years followed by 25 per cent tax exemption for the next 5 years for new agro-processing industries
- 60 Agri Export Zones (AEZ) have been set up across the country
- The government plans to establish 30 mega food parks in public-private partnership mode across the country

Renewable Energy

Growth in sector –

- India is the fifth largest producer and consumer of electricity in the world after the US, China, Japan and Russia.
- Demand for electricity is expected to expand at a CAGR of 7.6 per cent over FY07-FY22 to 1,915 TWh (terrawatthours)

Establishing business -

- Energy efficiency
 - industrial and
 - domestic sectors
- Renewable energy
 - solar
 - small hydro
 - biomass & biogas
- Waste handling and disposal
 - Municipal wastes and
 - Agri-wastes

Regulatory Scenario-

- The GoI has launched initiatives for development of coal based, super critical, ultra mega power projects (UMPPs)
- Incentives such as preferential tariffs, accelerated depreciation and generation-based incentives, along with renewable purchase obligations are in place to support this segment.

Railways

Growth in sector –

- Train travel remains the preferred means of communication for a large majority of Indians
- Around 2.8 million tonnes of freight is transported via trains on a daily basis

Establishing Business-

- Railways Ministry has proposed for the development of 50 world-class stations in the PPP mode to improve and enhance rail infrastructure in the country
- Some recent PPP projects proposed to be undertaken or under implementation include the construction of dedicated freight corridors, modernization of metro stations, and manufacture of rolling stock including coaches, high speed rail links, wagons and locomotives through special purpose vehicles and R3i policy

Regulatory Scenario-

- ✓ DFCCIL, a special purpose vehicle, was set up for implementing the DFC project, under the administrative control of the Ministry of Railways
- ✓ R3i policy-Aimed at attracting private sector participation in rail connectivity projects in order to create additional rail transport capacity
- ✓ R2CI policy-New policy initiated to improve rail connectivity to coal and iron ore mines
- ✓ Government has chalked out six unique models to relax the norms to attract more PPP investments.

Airports

Growth in sector –

- ✓ India is the 9th largest civil aviation market in the world
- ✓ India is ranked 4th in domestic passenger volumes

Establishing Business

- ✓ Increasing private sector participation
- ✓ Growing demand as a result of more people traveling by air
- ✓ Greater government focus on development of airport infrastructure
- ✓ In a recent move the Ministry of Civil Aviation is dedicated towards developing six airports on the PPP mode

Regulatory Scenario-

- ✓ GOI approved establishment of Greenfield airports under PPP mode in 2008
- ✓ New regulatory body (Airport Economic Regulatory Authority) set up in 2009
- ✓ Increased traffic rights under bilateral agreements with foreign countries
- ✓ 100 per cent FDI under automatic route for Greenfield projects
- ✓ 100 per cent FDI for existing airports is also possible with an approval from FIPB
- ✓ Investment by foreign airlines has been allowed only up to 49 per cent and on the government approval route

Ports

Growth in sector

- ✓ Capacity at major ports grew to 689.8 Million Metric Tonne in FY12, implying a CAGR of 6.5 per cent since FY07
- ✓ Port traffic in India is set to rise at a CAGR of 15.9 per cent over FY12-FY14
- ✓ CAGR in traffic over FY12-FY14 for:
 - Non-major ports: 5.5 per cent
 - Major ports: 22.0 per cent

Establishing Business

- ✓ Demand for port allied services such as operations and maintenance, dry docks, and ship repair services is expected to increase
- ✓ Increasing trade is translating into higher demand for containerization due to their efficiency
- ✓ Opportunity for private ports to serve the spill-off demand from major ports and increase their capacities in line with forecasted new demand 1

Regulatory Scenario-

- ✓ The government initiated National Maritime Development Programme (NMDP), an initiative to develop the maritime sector; the planned outlay is USD11.8 billion
- ✓ FDI of 100 per cent under the automatic route and a ten year tax holiday for enterprises engaged in ports
- ✓ Private ports enjoy price flexibility as the government allows non-major ports to determine their own tariffs in consultation with the State Maritime Boards; at major ports.

- ✓Developing sustainable models for PPP in Physical and Social Infrastructure Sectors is the way ahead for sustainable collaborations between the countries
- ✓Opportunity for Spanish Companies to bid along with Indian Expertise
- ✓Opportunity for Partnerships exists in sectors which have benefited from PPP(Roads, Ports) and in e-governance, health and education sectors where potential remains largely untapped across India as a whole
- ✓12TH Five Year Plan envisages PPP Participation for the following key sectors:
 - Public-Private Partnership for Agricultural Development (PPPIAD)
 - Skill Development
 - Waste Management and Recycling
 - Centre of Excellence for Defence Electronics
 - Petroleum Research and Development Fund
 - Mining
 - Railways

Way ahead for Collaborations



✓ Huge Potential for collaboration in Sports:

Key Sports:

- Soccer
- Tennis

Opportunities in:

- Infrastructure
- Skill Development, Capital Management
- ✓ Potential also exists in the following sectors:
- Food Processing Technology for Dairy, Wine
- Media and Entertainment



Image come here if any *About YES BANK*

YES BANK- The journey so far.....

Empowering Business through Professional Entrepreneurship

YES BANK

Launch of a Greenfield Bank

- ✓ The only 'Greenfield' new age private sector bank to be set up in the last 18 years.
- ✓ Has emerged as a Full Service Commercial Bank with a High Quality, Customer Centric, Service Oriented, One-Bank approach.
- ✓ Highest Standards of Governance & Management Framework.

Vision

To become the **Best Quality Bank of the world in India by 2015**

- To provide a **Consistent Superior Banking Experience** to all its customers
- To be a **long term partner with all stakeholders** particularly customers by creating & sharing value
- To be a **solid and trusted financial trust mark** led by an exceptional top/senior management team
- To build the **"Professional's Bank of India"**

Branding

- ✓ Focus on Service Excellence, Positivity & Growth



Brand Pillars

Trust

Technology

Responsible

Knowledge

Transparency

Banking

Growth

We are a Young & Dynamic Bank of Emerging India. A Bank that is built on Trust. Strengthened by Knowledge. Powered by Technology. Governed by Transparency. Committed to Responsible Banking. Focused on Growth. Led by Young Leadership.

YES BANK - 4th Largest Private Bank in India

YES BANK

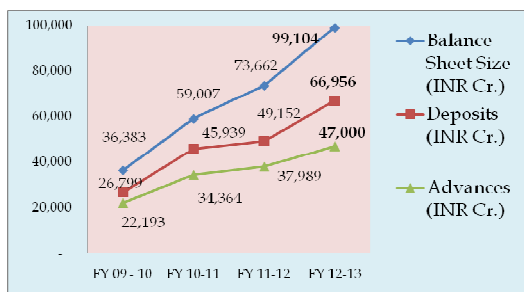
Scale of Operations



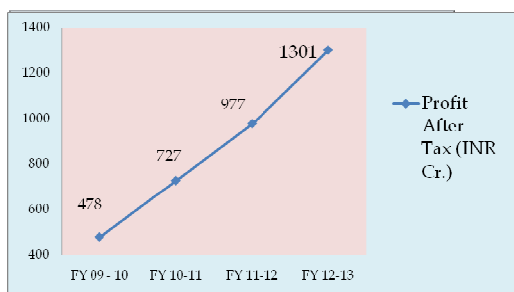
ATM - 1051*
No of branches - 475*
No. of employees - 7,458*

*as on 30th June 2013

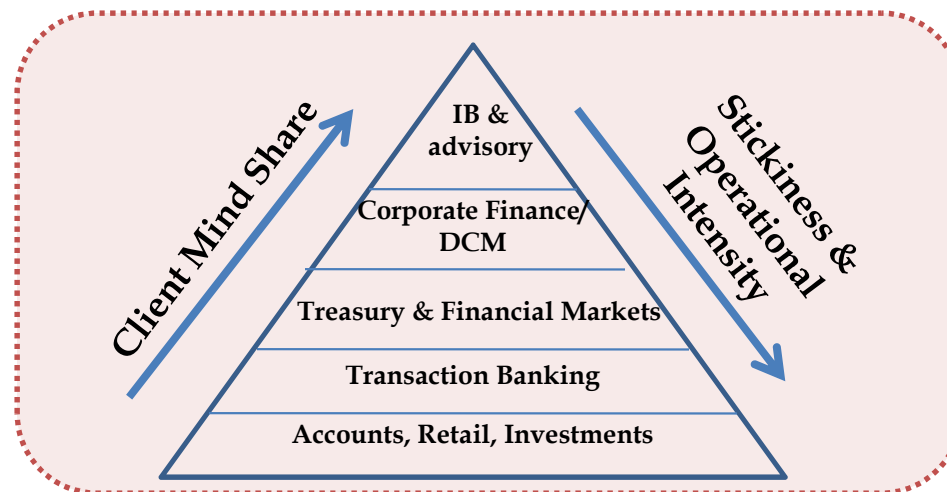
Balance Sheet Parameters



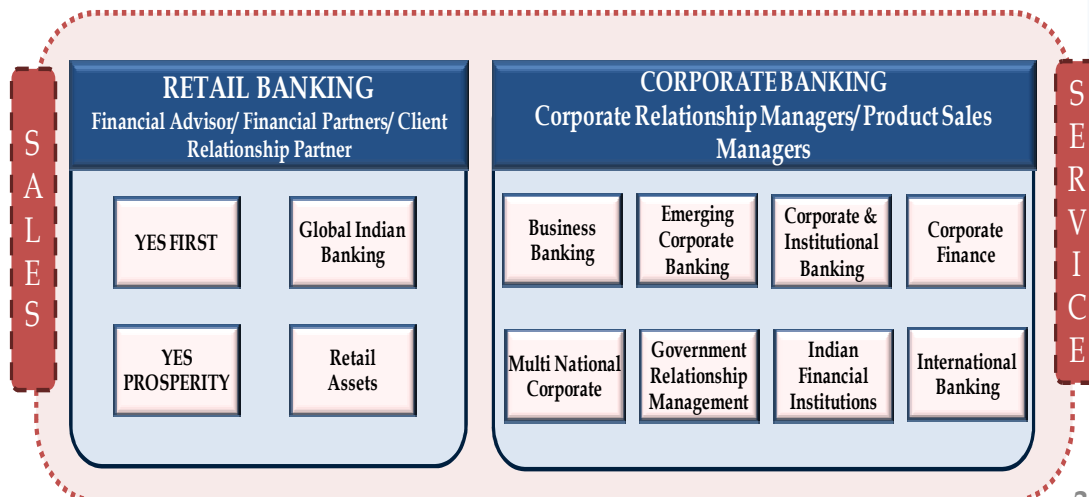
P & L Parameter



Products & Services - Full Service Bank

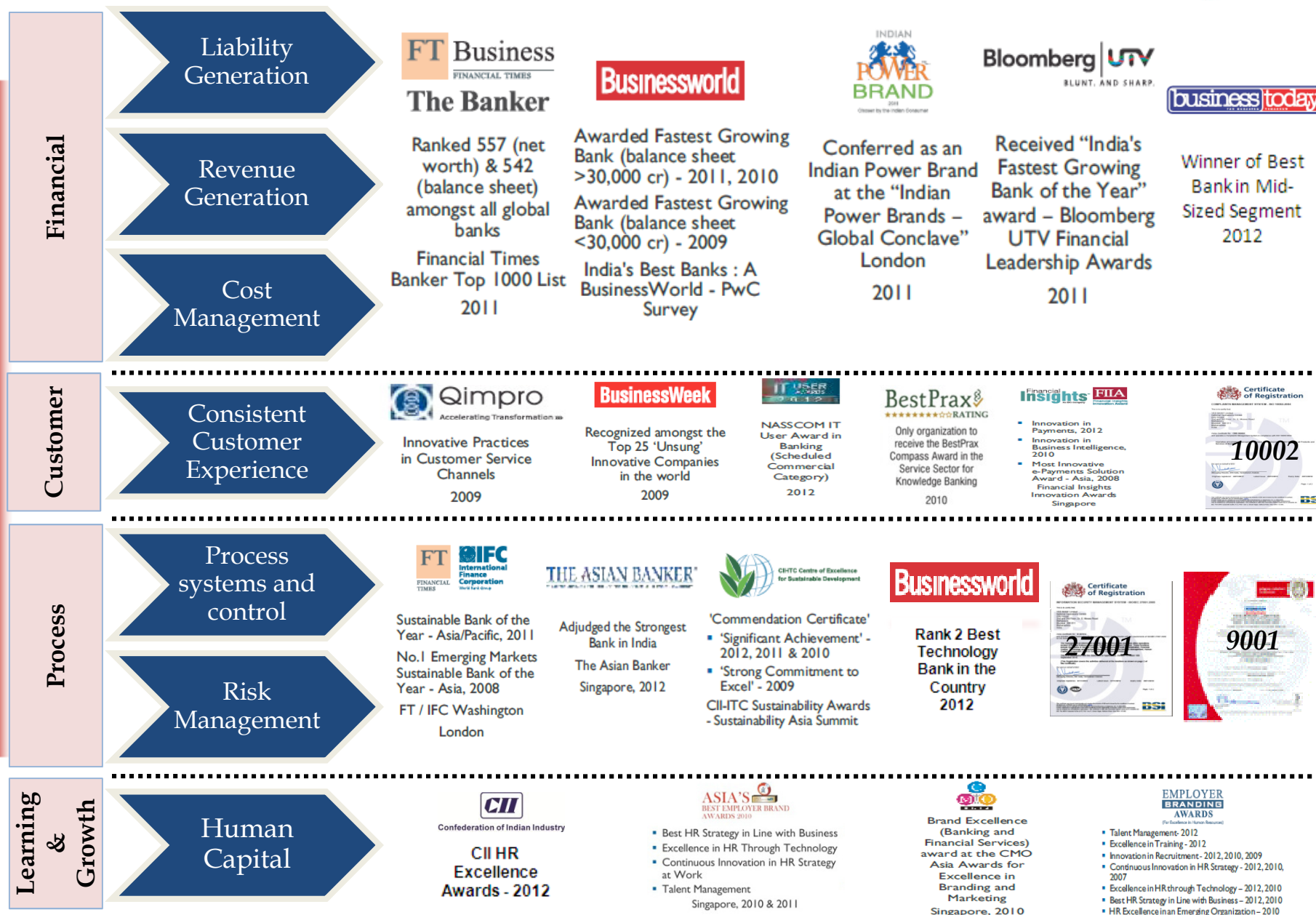


Customer Segments



Awards – Some of the International and Domestic recognitions

YES BANK



YES BANK's relationship with Spain



- ✓ Existing relationship with top Spanish banks
- ✓ Preferred banker to major corporate groups in sectors such as construction, renewable energy, rail and civic infrastructure and real estate
- ✓ Providing all necessary banking facilities to Spanish Corporates/JVs present in India
- ✓ Senior embassy officials are also banking with YES BANK

YES BANK Limited

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Public and Social Policies Management (PSPM) Group

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About YES BANK

YES BANK, India's new age private sector Bank, is the outcome of the professional commitment of top management team, to establish a high quality, customer centric, service driven, private Indian Bank catering to the "Future Industries of India". YES BANK has adopted international best practices, the highest standards of service quality and operational excellence, and offers comprehensive banking and financial solutions to all its valued customers. A key strength and differentiating feature of YES BANK is its knowledge driven approach to banking and an unprecedented customer experience for its retail and wealth management clients.

YES BANK is steadily building Corporate and Institutional Banking, Financial Markets, Investment Banking, Corporate Finance, Business (SME) and Transactional Banking, Retail Banking and Wealth Management business lines across the country. YES BANK has institutionalized YES International Banking that offers a complete suite of international banking products and services, driven by state-of-the-art technology, which includes Debt, Trade Finance, Corporate Finance, Investment Banking and Business Advisory Services, Treasury and Global Indian Banking. The Bank's constant endeavor is to provide a delightful banking experience expressed with simplicity, empathy and totality.

Disclaimer



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