Contents

Growth Like No Other Country

**An Interview with His Excellency Kamal Nath,
Minister of Commerce and Industry, Republic of India**

H.E. Kamal Nath

EDITORS' NOTE *His Excellency Kamal Nath joined the Indian National Congress in 1968 as a Youth Worker, and was elected to parliament to represent the Chhindwara constituency for the first time in 1980. He was reelected to that seat in 1985, 1989, 1991, 1998, 1999, and 2004. During his long and distinguished career in public service, he has served as General Secretary of the Indian National Congress; as a member of the Congress Working Party, the highest decision-making body of the Congress Party; and as a member of the board of directors of the Housing and Urban Development Corporation, which is run by the government of India. He assumed his current position in May 2004.*

As a Member of Parliament, Nath represented India at the United Nations General Assembly in 1982 and 1983, and at International Parliamentary Union Conferences held in Nicaragua (1987), Guatemala (1988), and Cyprus (1990). He was appointed Minister of the Environment and Forests in 1991 and led the Indian delegation to the Earth Summit in Rio in 1992 and subsequently the World Forestry Conference in Paris the same year, where the Convention on Bio-Diversity was signed. He subsequently served as Textile Minister, a role in which he spearheaded a new policy that led to record exports of garments and fabrics. The recipient of a bachelor's degree in commerce from St. Xavier's College, Calcutta, Nath is additionally President of the board of governors of the Institute of Management Technology in Ghaziabad, Chairman of the Madhya Pradesh Child Development Council, and a patron of the youth organization Bharat Yuvak Samaj.

Why is India one of the hottest investment destinations in the world today?

Because India today is on a growth trajectory like no other democratic country in the world. India is the fastest-growing free-market economy in the world. Since India started its investment reform process, which is very India-specific – it was not modeled on any South American or South-East Asian pattern – there has been consistent growth, which demonstrates that India's economic policies have been, and still are, very sustainable in the Indian context. India is moving ahead in IT and IT-enabled services, and is steadily gaining a prime position in the world in the technological arena. But, at the same time, it still has 300 million people who make less than $1 a day. That's the big paradox of India – the big challenge which has to be resolved.

Having said that, I believe that India is now on the world's radar screen. Through my interactions with world leaders, and having participated in the World Economic Forum for two consecutive years, I know that India is looked upon as a country that has democratic institutions, the rule of law, a strong judicial system, and transparency at all levels. Not only is there law, but there is also law that is enforceable. And, of course, we've calibrated our reform process, which means that almost everything in India is open to multinational investment. There are some very minor exceptions – atomic energy and lotteries, for example – which are not open to foreign investment, for certain sensitive reasons.

India's engagement in the global economy continues to increase year after year. It is now $350 billion – $250 billion in merchandise trade and $100 billion in services trade. We have foreign exchange reserves of $150 billion. Our exports and non-oil imports practically match. We are large exporters and importers of services. Services are moving at 18 percent, which is a very healthy rate. Our manufacturing sector growth is in double digits. Exports are growing at 26 percent. Our imports are growing at 30 percent, and those imports are driving our manufacturing sector. Our inflation rate has been under control. All this is happening within the context of a vibrant democracy.

What are India's strengths, apart from its democracy, strong legal system, and commitment to transparency?

I think India's greatest strength is its demographics, in that we have 400 million people aged between 18 and 35. Sixty percent of our roughly 1.1 billion population is younger than 25 years old. This is going to shape the economic architecture of the future. In the new economic architecture, developed countries will have much older populations. Japan, Korea, and Europe are facing a depletion of the workforce. So India has a huge population of savers and spenders, versus other countries that have a huge population of pensioners.

You have initiated a new foreign trade policy, and you were quite active at the recent World Trade Organization [WTO] meeting in Hong Kong. What are your projections for the development of India's multilateral trade in coming years?

It's important to realize that there's a difference between the WTO now and the WTO 10 years ago. The difference is that 10 years ago, a large number of countries didn't want to get engaged. What is the WTO? The WTO represents the many-layered rules of the game of global trade, and these rules are country specific, to take account of the problems certain countries have. Now, all countries – developed and developing – want to remain engaged in the process of making the rules of the game of global trade. It's not a case of one versus the other. At the WTO meeting in Hong Kong, my aim was to make sure that it didn't become a game of developed countries versus developing countries. In my view, it should never become an issue of developing versus developed. At the end of the day, in order for the United States, the European Union, and the other developed countries to thrive, there must be healthy economies in developing countries. They have to sell their products. So, in the WTO today, India is trying to steer developing countries in a certain direction. India is a great example of how a developing country can demonstrate to other developing countries the benefits of globalizing and liberalizing.

Agriculture is the most contentious of all issues, because agriculture has a history of subsidies. The agricultural sector is different in different countries. In the United States, there are large ranches and large farms. In India, the agricultural sector is built upon subsistence farming and not commerce, and India doesn't have the resources to give subsidies to its farmers.

On the other hand, in the United States, agriculture is commerce, and U.S. farmers can get subsidies to make that commerce even sweeter. In the United States, there are large economies of scale, which aren't developed in India. In a large number of countries, agriculture is a question of livelihood security. It's about subsistence.

What can the WTO do about this in the future?

The WTO has to make sure that food and livelihood security are not affected by trade. Keeping this as a guidepost is how we can move forward, and that's what we are succeeding in doing. We are building upon that. Similarly, with goods, the issue is to protect the infant industries in developing countries. We all need to ensure that there's movement of technology across these countries. These are things that must happen in the future, in order for the global economy to thrive and grow.

You have been working to simplify India's tax system. What lies behind these initiatives, and how will they impact foreign direct investment [FDI] in the coming years?

India is not a high-tax country. At the same time, we need to ensure that the revenues are there. We are currently escaping from the stranglehold of control and the stranglehold of inspectors. That is our destination, and we are slowly ensuring that we reach it. In our trade policies, as much as our tax policies, our goal is to make processes less procedural, so that people can get on with their business, rather than getting on with filling in forms.

Addressing FDI specifically, we have introduced certain rationalization measures that will allow FDI in almost all economic activities. Caps on FDI apply in very few sectors – foreign participation is only prohibited in retail trading, atomic energy, lottery business, and gambling and betting. Moreover, prior government approval for FDI is required in very few circumstances. Other changes include raising equity caps in three sectors: coal and lignite mining for captive consumption, the setting up of infrastructure for the marketing of petroleum products, and the exploration and mining of diamonds and precious metals.

We are also enabling an automatic route for FDI of up to 100 percent in various sectors, including the distillation and brewing of alcoholic beverages, the manufacture of industrial explosives, and the manufacture of hazardous chemicals requiring a license. Finally, we are allowing FDI in some new sectors, including coffee and rubber processing, and are dispensing with the mandatory divestment condition for FDI in business-to-business e-commerce.

In the context of this new drive to increase FDI in India, you recently noted that the two most important issues were employment generation and the growth of purchasing power in rural India. Can you elaborate?

Kamal Nath, India's Commerce and Industry Minister, flanked by Robert Zoellick, the then United States Trade Representative (right) and Celso Amorim, Foreign Minister of Brazil (left), on the sidelines of a meeting in Sao Paolo, Brazil, in 2004.

As I mentioned earlier, the Indian economy has been registering impressive growth in recent years, particularly since the initiation of economic reforms in 1991. The economy has grown by more than 6 percent per annum in the last 10 years, with growth of more than 8 percent being recorded in the last two years. Even in the current year, the economy is expected to grow by more than 8 percent. India is aiming at entering the high-growth orbit of around 10 percent growth per annum, which would require a significant increase in investment levels. The infrastructure sector alone is estimated to require $150 billion in investment over the next few years. So India is focusing on increasing FDI inflows, not only to sustain economic growth by increasing investment levels, but also to increase the competitiveness of the economy through access to the latest technologies and practices.

The strategy of sustaining high levels of economic growth is also aimed at generating employment on a large scale, particularly in rural areas, and augmenting purchasing power to give a further boost to the economy. The government has also undertaken a major program for the development of infrastructure in rural areas, to unleash the growth potential of these areas. An investment of INR175,000 crore is expected over the next few years in the Bharat Nirman program. Similarly, the Jawaharlal Nehru Urban Renewal Mission has been set up to upgrade physical infrastructure in urban areas.

Many observers link China and India together when assessing trends in the global economy. Do you think that is a valid approach?

I don't see the situation as India versus China. Rather, it's India and China. The two countries have different models and different strengths. For instance, China is good at mass manufacturing and mass production, while the last mile of design can be done in India. The manufacturing sector is heavily dependent on technology and design. This is true of the automation industry at well, as there's imbedded software in automation. So the topping off of designs can be done in India, where we have the synergy with IT. While China has 10 times more FDI than we do, and four times more exports, it is only 1 or 2 percent ahead in terms of growth. This speak volumes for the inherent productivity and strong entrepreneurial base of the Indian economy. Thus far, China's FDI has been largely export-market oriented, while ours is domestic-market oriented.

What are the key priorities of the Ministry of Commerce and Industry for the next year or two?

We have to ensure that we successfully conclude the work we are doing with the WTO. At the same time, we have to ensure that our regulatory process is eased. We have a robust trade policy, which we intend to pursue. India needs to import more capital goods and intermediary products, and not just consumer and light goods. I believe that an increase in the correct sort of imports will help drive the economy forward. Our export agenda is not all foreign-exchange driven, it is employment oriented. There are 250 million people in our middle class today, and 25 million coming into the middle class every year.

On the industry side, one priority is to modernize our industrial sector. We need our industries to become more competitive. After all, it's no good having industry unless that industry is globally competitive.

In the past, you have expressed concern about generating employment and trade in the more rural parts of India. Is that still the case?

Yes. I come from one of the poorest parts of the country. India has 650 million people living on subsistence agriculture. Our challenge is to get those people into productive jobs. That's the biggest challenge we face. I believe those jobs can be found in the service sector and in manufacturing – those are the two areas where it has to happen. I believe that is our biggest challenge. And I believe increased trade can help create those jobs. ●

Building Brand India

An Interview with Ajay Khanna, Chief Executive Officer, India Brand Equity Foundation (IBEF), and Deputy Director General, Confederation of Indian Industry (CII), Gurgaon

Ajay Khanna

EDITORS' NOTE *Prior to assuming his current position, Ajay Khanna spent 25 years leading several key initiatives in the Confederation of Indian Industry (CII), serving as head of CII's international division, among other roles. He helped CII establish its global presence, creating networks across the world, and also handled key economic policy initiatives, media relations, and CII's apex management board, the National Council. Khanna holds a degree in commerce from the prestigious Shri Ram College of Commerce and a law degree from the University of Delhi.*

COMPANY BRIEF *Launched by India's Ministry of Commerce and Industry in 1996, India Brand Equity Foundation (IBEF) aims to present the strengths of India and the Indian economy to the outside world, by managing India information pavilions at trade fairs and exhibitions across the globe and producing a wide range of publications focused on India's economic and business advantages. Its Web site (www.ibef.org) is a comprehensive first point of contact for the overseas audience seeking information about India.*

The Confederation of Indian Industry (CII) is a nongovernmental, nonprofit, industry-led and -managed organization playing a proactive role in India's development process. Founded more than 110 years ago, it is India's premier business association, with a direct membership of more than 5,800 organizations from the private and public sectors, and an indirect membership of some 95,000 companies from around 325 national and regional industry associations.

Two years ago, the Minister of Commerce and Industry, Kamal Nath, charged IBEF with a new mandate. What is that mandate, and how is IBEF endeavoring to implement it?

IBEF completed its third year of operation as a successful public-private partnership between the Ministry of Commerce and Industry and the Confederation of Indian Industry. Over the last two years we have focused on building positive economic perceptions of India. We have a clear framework to achieve this goal. The three main pillars of our activity are the India Resource Center, the facilitation of the Experience India program, and various strategic marketing initiatives. I'll explain each of these in turn.

The India Resource Center was established as the leading India resource center on the Web for global investors, the world's media, and international policymakers. IBEF also provides a research-on-demand service for analysts, journalists, and investors. A range of users leverage this service, from U.S.-based Rand Corporation and Harvard University's Kennedy School of Government, to writers at prominent publications like the *Financial Times* and the *Wall Street Journal*, to *Fortune* 500 companies like Microsoft and Cisco. IBEF's bimonthly magazine *India NOW* has become very popular, now reaching over 10,000 CEOs around the world. Each issue is intentionally aligned with a strategic event.

IBEF's Experience India program has facilitated the visits of several journalists from across the world – from Latin America, Africa, Asia, Europe, and the U.S. IBEF has also facilitated several visits from private equity investors, venture capitalists, and *Fortune* 500 companies. Many of these specialized visits involved identifying potential investment locations and helped these investors gain insights into doing business in India, as well as the regulatory environment. IBEF has expanded its support to the global business school community, by advising the organizers of India conferences at Harvard Business School and other institutions.

IBEF's strategic marketing initiatives leverage large-scale events to "brand India." In 2005 to 2006, these included campaigns across the world. One was IndiaConnect USA, a highly successful five-city, coast-to-coast roadshow. In April 2005, IBEF worked with CII in the U.S. to establish India as the fastest-growing free-market democracy. More than 2,500 influencers were reached in Seattle; California's Bay Area; Chicago; Washington, DC; and New York. IBEF was also in Australia, in September 2005, in collaboration with *Forbes*, on the sidelines of the flagship *Forbes* CEO Conference.

Perhaps the single-largest brand-building exercise for "brand India" in the history of the nation was the highly successful India Everywhere campaign, initiated by CII and supported by IBEF. It started with a powerful effort to raise India's profile at the World Economic Forum's annual meeting in January 2006. The impact was unprecedented. The campaign accomplished a paradigm shift in the way the world perceives India. Today, India's appeal stretches from Wall Street to Broadway, from Capitol Hill to Cannes. Policymakers, economists, businessmen, and journalists are all unequivocal in their opinion: India is everywhere. The prevailing global environment and sentiment toward India present a unique opportunity to secure disproportionate attention toward India, from the global business and political communities alike.

IBEF interacts with investors from all over the world. What features of India does IBEF highlight to encourage investment in India?

Our main plank for investor promotion is the slogan: Fastest-growing free-market democracy. Furthermore, IBEF's engagement with investors is primarily focused on providing information tools on key topics. The year 2005 established India as the world's most attractive democracy for global investors. Investment plans worth $30 billion were announced across sectors by Microsoft, Intel, AMD, Posco, Suzuki, Cisco, and Holcim, to name a few. For investors to gain insight into sectors attracting investment, IBEF offers insights and strategies through reports on the following topics: the growing market; knowledge industries, including biotech, health care, IT, entertainment, and media; manufacturing, including auto, chemicals, electronics, and more; infrastructure; and agriculture. We also produce reports that enable investors to gain a head start by discovering successful strategies employed by multinationals in India, including case studies on Toyota, Microsoft, McDonald's, Sony, Cisco, Intel, and many more. A comprehensive list of our reports can be found on our Web site. ●

Editor's

CHOICE

Taj Hotels Resorts and Palaces
What "Wow" Means

WOW! IT IS A WORD YOU HEAR QUITE REGULARLY FROM GUESTS when you have the good fortune to stay at one of Taj Hotels Resorts and Palaces' properties in India. Whether it is used to describe the breathtaking architecture of these gorgeous properties, the delicious cuisine served at the wide variety of restaurants, or the extraordinary service from the marvelous and exceptionally well-trained staff, "wow" is indeed the word *de jour* when staying at a Taj hotel.

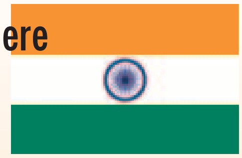
During our recent visit to India, LEADERS had the opportunity to make extended stays at four of Taj's finest properties – the Taj Palace Hotel in New Delhi, the Taj Mahal Palace & Tower in Mumbai (Taj's flagship property), the Taj West End in Bangalore, and the Taj Bengal in Calcutta. We found that each Taj property is unique in its own way – there's no hint of cookie-cutter designs whatsoever – and each has become the most prominent hotel in its respective city, frequented by heads of state, business and government leaders, and VIPs from India and abroad alike. If there is a consistent similarity, it is the meticulous attention to providing service that is, in our view, equal to the best service you will find at any leading five-star property around the world.

Birgit Zorniger, Deputy General Manager at the Taj Mahal Palace & Tower, perhaps said it best when, in a response to our query about the Taj's emphasis on service, said, "We really do try to elicit the 'wow' effect. We try to anticipate what our guests will need and do the things that they would like to have done, without them having to ask us to do them."

To understand why even the most discerning guests rate Taj Hotels Resorts and Palaces so highly, we encourage our readers to experience a Taj stay for themselves. Now with 56 properties throughout India

and 15 in other parts of the world, including the award-winning The Pierre in New York and 51 Buckingham Gate in London, we think you will hear yourself and other guests say, "Wow!" during your stay at a Taj hotel, resort, or palace. ●

Exterior, Taj Palace Hotel, New Delhi (upper left); Presidential Suite, Taj Mahal Palace and Tower, Mumbai (upper right); Lobby, Taj Bengal, Kolkata (lower left); Blue Bar, Taj West End, Bangalore (lower right)



The World's Largest Steel Company

An Interview with Lakshmi N. Mittal, Chairman and Chief Executive Officer, Mittal Steel Company Limited, Rotterdam, The Netherlands, and London

Lakshmi N. Mittal

EDITORS' NOTE *Lakshmi Mittal began his career working in the family's steelmaking business in India, and founded Mittal Steel Company (formerly the LNM Group) in 1976. A graduate of St. Xavier's College (Calcutta) with a bachelor of commerce degree, Mittal is a member of the Foreign Investment Council in Kazakhstan, the International Investment Council in South Africa, the World Economic Forum's International Business Council, and the International Iron and Steel Institute's executive committee. He additionally serves as a Director of ICICI Bank Limited and sits on the advisory board of the Kellogg School of Management, Northwestern University.*

COMPANY BRIEF *Headquartered in Rotterdam, the Netherlands, and London, Mittal Steel Company Limited is the world's largest and most global steel company, producing a broad range of high-quality finished and semi-finished products for the flat and long products markets. Employing 224,000 people, the company owns steelmaking facilities in 16 countries on four continents. Its 5,000-strong customer base, spanning 150 countries, includes household names in the automotive, engineering, and appliance sectors. Mittal Steel Company reported revenues of $28.1 billion in 2005.*

The rapid growth of Mittal Steel has made it the world's foremost global steel company, supporting your stated belief that steelmakers must consolidate to develop the scale to compete effectively in a global marketplace. What challenges – and advantages – lie ahead for Mittal Steel, as it prepares to meet customer expectations in coming years?

Mittal Steel has grown rapidly over the past decade through a combination of acquisitions and internal growth. I am now proud to say that we are the largest and most global steel company in the world. We have attained this position by following our belief that, in order to create a truly sustainable steel industry, consolidation needs to take place on a global scale. By leading this process, we are better positioned to reduce industry volatility and provide sustainable long-term returns for investors.

Our global footprint, with positions of strength over four continents, has been deliberately and strategically attained. The business world we live in no longer has a national, or even regional, focus. Our customers, particularly those from the automotive and appliance sectors, have a global presence and require tailor-made steel solutions that meet their needs across the world. Only by following their lead and building a truly global steel company can we provide the sufficient levels of quality and customer service that these ever-demanding steel-consuming sectors require.

Our growth and geographical diversity have not been developed solely with a view to providing the best level of service possible to our customers, although this naturally plays a vital role. Our business model has been built on developing a presence in both the developed and developing world. Mature, developed markets exhibit lower growth rates but have a higher requirement for more sophisticated, value-added steel products, whereas developing – or emerging – market economies offer high growth potential as a result of their comparatively low per-capita steel consumption. By being present in both markets, we benefit from this growth potential whilst remaining a sophisticated producer of high-quality steel products in stable, developed markets.

Despite our achievements, there is still much work to be done before we achieve our goal of creating a globally admired steel institution. Yes, we are the world's largest producer, but we still only account for approximately 6 percent of world steel production. Compare that with other industries, such as the iron-ore, petrochemical, and automotive industries. These are significantly consolidated industries that benefit from the positive impact consolidation brings. By comparison, the steel industry remains highly fragmented. I believe the sector needs to continue to consolidate until we have a handful of global players with production capacities of around 100 million metric tons and operations worldwide. At Mittal Steel, we are committed to leading this process.

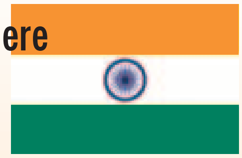
What are your views on India, and when do you plan to set up a production presence there?

India is a country with exciting growth prospects and the opportunity to emerge as one of the world's leading economies; it is forecast to become one of the world's top five economies by 2025. The underlying economic backdrop for Indian business today is very positive. The economy has doubled in real terms since reform began in 1991. GDP today is around 7 percent and the government has made clear its commitment to ensure that growth of between 8 and 9 percent is maintained over the next 20 years. Consumer demand is increasing even faster. The stock market is performing well, and we are seeing considerable foreign investment into India.

In terms of the steel industry, India offers tremendous growth opportunities. If you look at per-capita steel consumption, India lags well behind other, more developed, nations, with a current per-capita steel consumption of 35 kilograms – a figure that compares with approximately 400 kilograms in the EU, more than 600 kilograms in Japan, and nearly 1,000 kilograms in Korea, the world's leading per-capita consumer of steel.

The combination of these factors has encouraged us to look very closely at the Indian market, and last year we announced our intention to build a 12-million-metric-ton greenfield steelmaking and mining facility in the state of Jharkhand. Our investment is likely to be in the area of $9 billion. Building a steel plant from scratch is a major undertaking and will take many years to complete. The project would be developed in two phases of 6 million metric tons each. The first phase is expected to be completed within 48 months, and the second phase within a further 54 months.

These are very exciting times for India, particularly for the Indian steel industry, and as the world's leading steel company, we fully intend to participate in the development of the country's steel sector. ●



Leading India's Pharmaceutical Industry

An Interview with Malvinder Mohan Singh, Chief Executive Officer and Managing Director, Ranbaxy Laboratories Limited, Gurgaon

Malvinder Mohan Singh

EDITORS' NOTE *After joining Ranbaxy Laboratories Limited in 1998, Malvinder Singh served in various management, sales and marketing, and business development roles before being appointed to his current positions. He additionally serves on the boards of Fortis Healthcare Limited and SRL Ranbaxy – both synergistic ventures promoted by his family, the largest shareholder in Ranbaxy. The recipient of an M.B.A. from the Fuqua School of Business at Duke University (North Carolina) and a degree in economics from St Stephen's College (New Delhi), Singh is Chairman of the Confederation of Indian Industry's National Committee on Intellectual Property Rights, Research and Development, and Technology and Innovation.*

COMPANY BRIEF *Headquartered near New Delhi, incorporated in 1961, and taken public in 1973, Ranbaxy Laboratories Limited is an integrated, research-based, international pharmaceutical company, producing a wide range of affordable generic medicines. Ranked among the top 10 generic-drug companies worldwide, Ranbaxy has manufacturing operations in seven countries and sells its products in more than 125 countries around the globe.*

What factors have led to Ranbaxy's emergence as one of the top 10 generic-drug companies in the world?

Ranbaxy's growth can be attributed to its ability to spot the right windows of opportunity. During the last 10 to 15 years, Ranbaxy has taken many decisions of a strategic nature that appeared "out of the box" and unconventional at the time. Even as far back as the late '80s and early '90s, Ranbaxy was acutely aware that 99 percent of the pharmaceutical market was outside India, and that internationalizing our business made sense. So, in 1993 and 1994, Ranbaxy embarked on internationalizing its operations. Around the same time, when the rest of Indian industry was clamoring that there should be no imposition of intellectual property rights, Ranbaxy was among the first to support and welcome a patents regime in India, in line with World Trade Organization regulations and recommendations. Ranbaxy has always believed that without an emphasis on research, innovation, and technology, we will not be able to survive and grow in the future.

Ranbaxy has the largest research and development [R&D] budget of all pharmaceutical companies in India, with 1,100 scientists engaged in research. Why does Ranbaxy place such a strong emphasis on R&D?

We believe that one of the most important determinants for success in the global pharmaceutical space is the ability of an organization to create, develop, and sustain a robust product flow. Whether it is in the generics business, where size and scale are increasingly gaining importance, or in the innovative side of research, where companies are endeavoring to churn out a larger number of specialty pharmaceuticals and new chemical entities, R&D productivity is paramount. At Ranbaxy, we view our R&D organization strategically, as an integral part of our growth plan.

Our strong research and innovation capabilities have led to the delivery of a robust product pipeline in the generics space. Today, we have the second-largest pipeline of abbreviated new drug applications [ANDAs] pending approval with the U.S. Food and Drug Administration, and are among the top generics companies in terms of ANDA filings. Ranbaxy also has a well-developed program in the novel drug delivery systems [NDDS] and new chemical entity [NCE] research areas. In NCE research, we currently have 10 active programs. In 2005, the company spent more than $100 million on R&D, constituting a significant percentage of sales.

With the commissioning of our new R&D center, on August 16, 2005, Ranbaxy now has in place a total of three modern research facilities in the same campus. R&D Centers I and II focus on the development of generics and NDDS, while the new R&D Center III is dedicated to new drug discovery research. Besides these, Ranbaxy has another R&D building, which houses its regulatory and administrative departments.

The company currently has 10 programs running in these areas, including one NCE in phase-II clinical trials. This molecule, RBx 11160, is being developed under a collaborative research program with Medicines for Malaria Venture [MMV], based in Geneva.

Ranbaxy is active in 46 countries and 75 percent of its sales come from overseas markets. In what ways do you see Ranbaxy's overseas growth evolving in coming years, and why?

We believe that Ranbaxy is all set to capitalize on the growing generics sector in the global pharmaceutical space, which is primarily driven by the prospect of significant patent expiries in the future and the increasing adoption of generic medicines in health care. This aspect is being encouraged by governments around the world as a means to rein in health-care costs. Ranbaxy plans to accelerate its growth in its key markets of the U.S., Europe, Brazil, Russia, India, China, and South Africa, on the back of robust product flow. We will leverage our well-established infrastructure in these key markets and our strong relationships with the trade to achieve our $2 billion target by 2007. Our focus will be largely organic, but we will also rely on a small inorganic component to achieve our stated target.

Ranbaxy's vision is to be among the top five generics players by 2012, with $5 billion in sales. How will you achieve this objective?

Ranbaxy has three distinct competitive advantages, which give the company an edge. The first is that we have cut our teeth in the Indian domestic market, ranked among the most competitive and aggressive marketplaces in the world. We tend to carry the same sense of aggressiveness to other markets. The second – and the one with which most people associate us – is our manufacturing base, with its strong backward integration. The third key advantage is the cost competitiveness and high quality of our R&D. What you get for your R&D budget is really the most critical issue, and that's what has made the difference – and what will continue to make the difference in the future. ●

Forging Ahead

An Interview with Baba N. Kalyani, Chairman and Managing Director, Bharat Forge Limited, Pune

Baba N. Kalyani

EDITORS' NOTE *The recipient of a degree in mechanical engineering from the Birla Institute of Technology (Pilani, Rajasthan) and an M.S. from MIT, Baba Kalyani is also Chairman of the Kalyani Group, one of the leading industrial groups in India. Among many industry affiliations, Kalyani is a member of the National Council of the Confederation of Indian Industry, Chairman of the Board of Governors of the Indian Institute of Management in Indore, and Chairman of the Board of Governors of SGGS College of Engineering and Technology in Nanded.*

COMPANY BRIEF *The flagship company of the Kalyani Group, Bharat Forge Limited (www.bharatforge.com) is the largest exporter of auto components from India and a leading chassis component manufacturer. With facilities in nine locations in six countries – two in India, three in Germany, one in Sweden, one in Scotland, one in North America, and one in China – the company manufactures a wide range of safety and critical components for passenger cars, commercial vehicles, and diesel engines, as well as specialized components for the railway, construction, and oil and gas industries.*

Bharat Forge is the second-largest forging company in the world, the largest exporter of auto components from India, and one of the world's leading chassis component manufacturers. Will you achieve your goal to become the world's number-one global forging company by 2008?

Bharat Forge is a 40-year-old company. Since its inception, we have believed in setting challenging milestones, and have worked hard to achieve our goals. In the '70s, we set ourselves a goal to become the largest forging company in India. After achieving that, in the '80s, we focused on becoming the largest forging company in Asia. When we achieved that landmark, we again raised the bar, and our dream was to become the largest forging company in the world – a goal that is well within reach.

While scale of operations is an important parameter for a manufacturing company like Bharat Forge, there are other critical areas, including technology, product development, customer service, and human resources, in which we continually strive to excel. Our goal is to be the industry benchmark in all these areas, to be an end-to-end service provider to global customers and provide them with unassailable value.

You've noted that the company's "endgame is to have technology front-end in the developing world and manufacturing front-end in low-cost destinations." Could you elaborate on this strategy?

Until 2003, Bharat Forge was primarily an exporter of components to the global automotive industry. We could have continued in the same way. However, our larger vision was to become an inextricable part of the global automotive supply chain. This necessitated us to consider establishing a global manufacturing footprint through which we could widen our market presence, expand our range of products, deepen our penetration into new market segments, and lock in with customers' global supply chains. We now have nine global manufacturing facilities in six countries and are present in every region with a significant automotive industry.

Our strategy is to synergize our global operations to provide value to customers. Through our facilities in the U.S. and Europe, we work closely with international customers in their various product-development programs. This will be through technology centers that are being set up in close proximity to customers with which we should be able to cement long-term partnerships. We would then be in a position to optimally distribute and rationalize the manufacture of components between our various manufacturing facilities. Importantly, we would also be able to leverage the advantage of low-cost manufacturing at our facilities in China and India to provide customers with a superior value proposition. This strategy will bolster our end-to-end supply capability, strengthen our "dual shore" manufacturing model, and enable us to provide customers with tremendous value in terms of products and services.

What is your outlook for growth in the global economy?

At Bharat Forge, we have always taken a long-term perspective when preparing our business strategies. We expect robust all-around growth in the global economy in the next 10 years. In the short and medium terms, there could be challenges brought on by spiraling oil prices, rising interest rates, and other factors. However, our view is that they will not impact the long-term growth story to any significant extent.

Having said that, we also believe that the global economy has become more inclusive. Countries like China and India are now poised to play a larger role in determining the course of the global economy. Our manufacturing presence in the U.S., Europe, China, and India has positioned us to capture global growth opportunities, and is also helping us to de-risk our business by providing a hedge against regional economic downturns, should they occur. In view of this, we are very optimistic about the future.

Bharat Forge promotes as its strengths its speed-to-market capacity, cost efficiency, and world-class technology. How do these set Bharat Forge apart from the competition?

Our engagement with the global economy and with global customers has resulted in a growing appreciation of the need to, on the one hand, consolidate existing strengths, and, on the other, build new sources of competitiveness. Enhancing design capabilities, improving product and technology innovation skills, and brand-building are a few of the areas on which we are currently focused.

Bharat Forge has been the recipient of several awards and honors. Of which of these are you most proud?

Awards are part of the evolution and growth of every company. We look at these recognitions as a source of motivation that drives us to pursue higher levels of performance and excellence. We are proud of every award we have received, and we greatly value the role they have played in transforming Bharat Forge into a high-performance organization. ●

India's Fastest-Growing IT Provider

By Ashwani Rishi, Chief Executive Officer, ITC Infotech (USA), Princeton, New Jersey

Ashwani Rishi

EDITORS' NOTE *Prior to assuming his current position, Ashwani Rishi managed numerous large outsourcing engagements for* Forbes *Global 2000 customers while working at Infosys, EDS, and Syntel. His last assignment was with Infosys Technologies, where he served as Head of Global IT Outsourcing Sales. Previously, Ashwani was instrumental in setting up and leading a center of software excellence on behalf of IBM Global Services. He holds a B.A. in electronics from Maharaja Sayajirao University of Baroda (India).*

COMPANY BRIEF *Founded in 2000 and headquartered in Bangalore – in the heart of India's "Silicon Valley" – ITC Infotech (www.itcinfotech.com) is a wholly owned subsidiary of ITC Limited, one of India's foremost private-sector companies, with a market capitalization of $15 billion. Providing end-to-end IT solutions, including e-enabled services and business-process outsourcing, ITC Infotech has a workforce of more than 4,000, including 1,500 technical engineers and 2,500 technical help-desk support staff. The company's sector expertise includes packaged consumer goods and retail, manufacturing, hospitality and travel, banking, financial services, and insurance.*

Whether it's managing applications across 40,000 desktops remotely from Bangalore for a global packaged consumer goods and retail giant, or running the retail banking platform for a prominent European bank, or managing the loyalty program platform for a large airline based on the distributed global-delivery model, ITC Infotech is fast emerging as a key player in IT and IT-enabled services (ITES). Indeed, the company was mentioned in *Forbes's* A-List for 2004, which featured 400 of "the world's best big companies."

Since ITC Infotech was launched five years ago, the company's revenues have grown to $60 million, with a compound annual growth rate of 75 percent. Currently one of India's fastest-growing outsourcing providers of IT and ITES solutions, ITC Infotech aims to become one of the top distributed global-delivery, IT-services outsourcing companies in India. With this in mind, it is looking at midsize companies with complementary strengths in the United States, with the aim of finding opportunities for mergers and acquisitions, joint ventures, and strategic alliances.

ITC Infotech provides unique value to its global customers through a combination of cutting-edge technology and people capability, with some of the most robust domain expertise available globally in select verticals, bequeathed to it by its market-leading parent. The company effortlessly coalesces these to deliver best-in-breed "business-friendly" solutions to global clients, making it a preferred partner for international customers, including *Fortune*-listed companies.

There's no doubt that ITC Infotech has benefited immensely from serving its parent, ITC Limited, one of India's most IT-intensive corporations. This experience in IT consulting and implementation translates into growing value for ITC Infotech's global customers. It ranges from servicing sophisticated business requirements and process consulting to every facet of business-facing IT delivery, including application management and maintenance. The company offers these as dedicated offshore development centers, which become virtual extensions of the client's IT organization in a global sourcing model.

ITC Infotech's world-class IT service strength, complemented by a sharp domain focus, ensures that business needs are always placed ahead of technology in IT and ITES delivery. The company focuses exclusively on packaged consumer goods and retail, banking and financial services, manufacturing, and travel and hospitality. The clients in each of these domains are supported by a wide spectrum of horizontal solutions and services that include customer relationship management, enterprise resource planning, Web technologies, business intelligence, mainframes, infrastructure services, emerging technologies, consulting services, animation services, and testing.

To support this vertical and horizontal mandate, ITC Infotech has technology alliances with industry leaders in the areas of core software development tools and enterprise platforms. To ensure that ITC Infotech is on a par with the best in the industry, the company has set up technology centers of excellence that incubate cutting-edge technical competencies by creating proof-of-concepts and prototypes. In addition to its existing services business, ITC Infotech also has a business-process outsourcing operation, in a joint venture with ClientLogic Corporation, based in the United States.

The company's Bangalore campus is equipped with best-in-class communications infrastructure, which enables ITC Infotech to manage robust transactional volumes effectively, with a short turnaround time, despite geographical and time-zone differences. The campus has been mentioned as one of India's leading IT services companies' campuses in several global publications, including the *New York Times*.

In its quest to consistently provide the best quality possible to its customers, ITC Infotech conforms to the highest standards in international process quality, with ISO 9001, SEI-CMM Level 5, and BS7799 accreditations. It also emphasizes continuous training and development of its employees, to help them keep pace with rapidly changing global technology trends, enabling them to offer unparalleled service to clients.

ITC Infotech's footprint spans the globe, with business development offices and delivery centers spread across key locations in the United States, Europe, and Asia Pacific, serving international customers in 42 countries on a continual basis, 24 hours a day, seven days a week. The company has a strong presence in the United States, with a 100 percent subsidiary and offices in major cities such as Princeton, New Jersey; Boston; San Jose, California; Scottsdale, Arizona; Troy, Michigan; and Birmingham, Alabama. In short, ITC Infotech's service-delivery capability supports *Fortune*-listed clients across four continents, offering our experience in complex package implementation across multiple geographies. ●

Defining India's Telecom Sector

An Interview with Sunil Bharti Mittal, Chairman and Group Managing Director, Bharti Enterprises, New Delhi

Sunil Bharti Mittal

EDITORS' NOTE *Sunil Bharti Mittal graduated from Punjab University and completed the management training program at Harvard Business School in 1999. The recipient of a number of awards at national and international levels, he is the Honorary Consul General of the Republic of Seychelles in India, is a member of various telecom industry associations, and serves on the Prime Minister of India's Council on Trade and Industry.*

COMPANY BRIEF *Established in 1976, Bharti Enterprises is one of India's leading business groups, with interests in telecom, agribusiness, and insurance. Its principal business units are Bharti Airtel Ltd., one of India's leading private-sector providers of telecommunications services, including mobile telephony and Internet services; Bharti Teletech Ltd., which manufactures and exports telecom equipment under the brand Beetel; and Bharti Telesoft Ltd., which provides value-added products and services to telecom carriers. The company also distributes fresh fruits and vegetables through FieldFresh Foods Pvt. Ltd., a joint venture with ELRo Holdings India Ltd., and offers customer-management services through a joint venture with TeleTech Inc.*

Bharti Enterprises continues to demonstrate exceptional growth, led by its telecommunications business. What factors have led to Bharti's emergence as the leading telecommunications provider in India?

Today, India is one of the fastest-growing telecom markets in the world. This explosive growth has been led by mobile telephony, which continues to connect more and more Indians with each passing day. India now has more than 140 million phone users, and of these, more than 90 million are mobile users. Driven by some of the lowest mobile-phone tariffs in the world and the availability of cheap handsets, this market is expected to grow to 300 million mobile subscribers by the turn of the decade.

Bharti Airtel's growth story is a reflection of the success of the Indian telecom sector, which is a shining example of our liberalized and fast-growing economy. We are the only mobile operator to provide service across the length and breadth of the country, in all of India's 23 telecom circles. In addition to this, Bharti Airtel provides broadband and telephone services in 15 telecom circles, plus long-distance and enterprise services.

Airtel is trusted by more than 20.7 million mobile customers, the largest such customer group in the country, and more than 1.3 million broadband and telephone customers. The key drivers of this growth have been our constant efforts to create new products and processes; to ensure customer delight at all moments; and, last but not least, to build the Airtel brand, which is truly national in character.

You've called Bharti Airtel "one of India's finest brands." Why?

Airtel began its journey in 1995, and today it is a household name across India, trusted by more than 22 million customers. Airtel has consistently delivered on its brand promise and empowered people to express themselves. Our focus has always been on delivering the highest standards of service across product offerings, resulting in customer delight, as I mentioned earlier.

Our vision is to make Airtel the most admired brand in the country by 2010 – loved by more customers, targeted by top talent, and benchmarked by more businesses. We believe that the company is well positioned to translate this vision into reality.

Bharti is India's largest manufacturer and exporter of telecom terminals, through Bharti Teletech and its Beetel brand. In what ways do you expect your export strategy to evolve in coming years?

Bharti Teletech is the world's largest manufacturer of fixed-line phones outside China. The company manufactured its 30-millionth phone in January 2006, and it is targeting the 40 million mark by June 2007. Bharti Teletech is the leader in the domestic market, and it has a presence in more than 30 countries across five continents, with a diverse customer base. Its markets include the U.S., South America, Eastern Europe, the Middle East, Southeast Asia, and Africa.

Bharti has developed joint ventures with two prominent companies: FieldFresh Foods, with EL Rothschild Group's ELRo Holdings India Ltd., which exports agricultural products; and TeleTech Services India, with TeleTech Inc., which provides customer-management services. What are your prospects for these two joint ventures?

India is the second-largest grower of fruits and vegetables in the world. It produces about 130 million metric tons of fruits and vegetables every year, which translates into 10 percent of global fruit output and 14 percent of global vegetable output. We see immense potential in this area and FieldFresh Foods aspires to create "India's first global outsourcing opportunity in fresh produce."

FieldFresh follows the "farm to fork" approach to ensure reliability and superior products. We are investing $50 million to create infrastructure for research and development, climate-controlled processing facilities, and cold stores. The company is focusing on cutting-edge product development, the deployment of appropriate technology, and a close understanding of market trends and consumer needs. FieldFresh Foods is growing through partnerships, and it is sourcing high-quality fruits and vegetables from key growers across the country via the "collaborative farming" route.

TeleTech India combines the best of strategic outsourcing and telecom capabilities with India's distinct value proposition as the world's preferred outsourcing destination. From its state-of-the-art facilities in India, the company offers the entire spectrum of customer-management solutions and business process outsourcing services. These include voice and non-voice customer support; back-office administration, including credit and collections, account maintenance, application processing, claims processing, asset management, and document management; and sales and marketing, including database marketing, marketing support, Web sales, and marketing to global customers. ●

Financing Home Ownership in India

An Interview with Deepak S. Parekh, Chairman, Housing Development Finance Corporation Ltd. (HDFC), Mumbai

Deepak S. Parekh

EDITORS' NOTE *A chartered accountant by training, Deepak Parekh began his career with Ernst & Ernst Management Consultancy Services in New York. After returning to his native India, he worked in the merchant-banking division of Grindlays Bank (ANZ) in Mumbai, and three years later joined Chase Manhattan Bank as Assistant Representative for South Asia. In 1978 he joined HDFC as Deputy General Manager, rising to Managing Director in 1985 and Chairman in 1993. The recipient of a range of awards in recognition of his distinguished service in the field of trade and industry, Parekh serves on the boards of several multinational corporations. He holds a bachelor of commerce degree from Sydenham College of Commerce and Economics (Mumbai).*

COMPANY BRIEF *Founded in 1977 and based in Mumbai, Housing Development Finance Corporation Ltd. (HDFC) provides financing for home ownership and insurance products throughout India, additionally offering financial services such as process outsourcing, credit and risk assessment, and banking solutions through its subsidiaries and affiliate companies. HDFC (www.hdfc.com) operates through a network of 118 offices in India and one in Dubai.*

What are the key accomplishments of HDFC, and what are your principal challenges going forward?

From a humble beginning of INR71 million in home-loan approvals in its first year of operations to more than INR1,124 billion in cumulative home-loan approvals in 28 years, it has been an eventful journey for HDFC. In all these years, what has driven HDFC toward success is our vision to enable households in India to access housing in their prime earning days, through institutional finance for homes.

Being the pioneers of housing finance for the middle class in India, we had no model to emulate, so we adopted the "learning by doing" philosophy. At that time, most Indians were rather debt averse, but what we realized was that our customers didn't just need money; they needed counseling and legal and technical advice on the properties they were purchasing. So we provided that in-house. Each decision, whether on product development, pricing, or office layout, was oriented toward enhancing customer satisfaction. We were the first to introduce products that supported housing loans on the basis of age and customer requirements. Toward the end of the '80s, a time when manual records were still the norm, the loan-processing system at HDFC was computerized. Understanding the customers' needs was our key focus, and that's what I think made the difference.

Customer service is what differentiates an offering in a market where product structures can be easily replicated. As a customer-centric company, we have always looked at building long-term customer relations. HDFC's brand equity has grown through its satisfied consumers, which has resulted in long-term repeat business. The company's experience and in-depth knowledge of the sector and the real-estate market have thus not only benefited its customers, but also enabled HDFC to build a strong foundation that continues to define its future strategies.

HDFC has also grown from a housing-finance provider to a financial conglomerate, with interests in banking, insurance, asset management, and IT-enabled services, to name a few. The HDFC network of institutions serves every segment of the retail financial services market, using a common culture and techniques but operating through separately managed entities, created with the best human resources available. At the same time, the vision of "housing for all" has ensured a constant focus on the developmental aspect of housing, resulting in projects for rural and low-cost housing as well.

One of our greatest achievements is the fact that we are viewed as a role model for a number of developing countries that have begun to establish their own housing-finance institutions. Internationally, HDFC has worked closely with the World Bank, USAID, the Asian Development Bank, and the United Nations in a number of countries in Asia and Africa. To know that our knowledge has enabled households in other countries to realize their dreams for a home serves as a source of inspiration for us to do even better.

Growth in the future will be dictated by the ability of the organization to keep pace with change, both in the internal and external environment. There is a need for us to tackle the housing shortage, while ensuring that housing remains affordable. HDFC would also like to introduce a level of standardization and transparency into the housing sector. We are committed to working with builders, developers, and town planners, as well as central and state governments, to create a system that recognizes and deals with infrastructure and housing issues.

HDFC is now the premier housing-finance institution in India and the country's largest mortgage-services provider. What has contributed to HDFC's evolution into one of India's largest financial conglomerates?

HDFC commenced operations in an environment where there was no formal lending process, and no comprehensive legal framework governing institutional finance for households. However, we recognized that the acute housing shortage the country faced needed to be tackled urgently. Reality seemed to forbid any real chance of success, but our faith in our vision kept us going. Strong support also came in the form of the government of India, which gave HDFC the initial impetus to go ahead with this ambitious project. Over the years, the government has played a key role in encouraging the growth of the industry, by setting up an apex body for housing-finance companies, in the form of the National Housing Bank, and announcing various measures and incentives to motivate people to invest in housing.

At HDFC, we always remind ourselves that successful growth depends on the ability to recognize opportunities, formulate beneficial strategies, communicate the same to one's people, and encourage them to give their best. ●