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MESSAGE FROM AMBASSADOR OF INDIA TO THE CZECH REPUBLIC

I AM DELIGHTED that the Diplomatist Magazine published this special edition on the occasion of the 65th anniversary of the establishment of diplomatic relations between India and the Czech Republic (or Czechoslovakia, as it was then known). India has benefitted greatly from heavy machinery and industrial plants set up with Czech assistance. As early as the 1920s, Czech shoe manufacturer Bata had set up facilities for the manufacture of their products in India.

After the Velvet Revolution, the Czech Republic focussed on priorities of entering NATO and the EU. India, which had liberalised its economy in 1991, was building up a market-based economy which invited foreign investment. Companies in the Czech Republic like Skoda Auto, saw in the expanding Indian market its large middleclass of great opportunities. Others who were involved in heavy industry, water management and infrastructure saw India's surge to upgrade and renew its roads, water supply, power generation, railways, airports and ports present major possibilities for participation of Czech companies. Indian companies in information technology, automobile and electrical components, textile and other sectors were also moving on to the global stage, and some established themselves in the Czech Republic taking advantage of excellent engineering skills and talent with relatively lower wages and an entry into the EU market after 2004.

Today our bilateral relationship which has always been excellent at the political level is marked with frequent two-way high level visits; the economic content has deepened with Czech companies bidding for industrial and infrastructural projects in India including in conventional and nuclear power systems. Our relationship is also increasingly strengthening on the frontier of technology. We hope to bring together bright engineers, researchers and scientists from both sides to join hands in forging projects in new and challenging fields. We have always had robust defence cooperation with the Czech Republic, and we are now cementing further defence ties in equipment, technology and manpower training. Czechs have increasingly shown interest in the Indian culture, yoga, Ayurveda, dance, music and movies, spiritualism and food. We hope that with the establishment of direct air services between the two countries in the coming years, the two way movement of tourists, businessmen, scholars and students will lead to a greater understanding and appreciation of two peoples linked through generations by a common thread of Indo-European culture and tradition.



H.E. V ASHOK

Czechs have increasingly shown interest in the Indian culture, yoga, Ayurveda, dance, music and movies, spiritualism and food. We hope that with the establishment of direct air services between the two countries in the coming years

AMBASSADOR INTERVIEW

H.E. VASHOK, INDIA AMBASSADOR TO THE CZECH REPUBLIC

WITH EACH PASSING YEAR, THE BILATERAL TIES BETWEEN INDIA AND THE CZECH REPUBLIC BOLSTERS, AND NEWER HORIZONS ARE CARVED IN TRADE AND COMMERCE. IT DOESN'T COME AS A SURPRISE TODAY THAT THE COUNTRY IS EAGER TO PARTICIPATE IN THE GROWTH STORY OF INDIA

This year completes 65 years of bilateral ties between India and the Czech Republic. Looking back, do you think that there is a lot more potential that the two nations can tap between each other?

This year heralds 65 years of bilateral ties between India and the Czech Republic. However, the economic relations between us goes back to 1920 when the Czechoslovak Republic set up a Consulate in Mumbai and 1931 when Baťa commenced manufacturing in India. In the new millennium, both India and the Czech Republic see in each other tremendous potential for accelerating cooperation in trade, investment and technology. We feel that there is a great deal more than that can be achieved in the bilateral cooperation given the complementarities of our two economies and our societies.

In 2010-11, bilateral trade between India and Czech Republic stood at \$1.3 billion, and it is expected to touch \$2 billion in 2012. What are the new trade sectors the two nations are looking at to achieve that figure?

The bilateral trade turnover between India and the Czech Republic touched a figure of \$1.5 billion in 2011. This represents a ten-fold increase from the bilateral trade in the year 2000 of \$152 million. With robust

growth we hope to touch a figure of \$2 billion by end-2012 or 2013 despite the economic problems prevailing in Europe and other parts of the world. The trade targets set by both countries have been attained ahead of the schedule till now. Both sides are constantly trying to diversify the trade basket into non-traditional areas such as IT, IT-enabled services, pharmaceuticals, chemicals, petrochemicals and supply of intermediate goods.

The India-EU FTA would bring many benefits both in terms of market access of goods, services and technology as also the free flow of skilled manpower from India to the countries of EU

There seems to be a focussed approach of the Czech companies toward industrial presence in India. A number of JVs and partnerships have taken place in power, automobile, tool & machine components, and there seems to be a growing political interest of Czech Republic to support this growth. Is a similar message coming through for Indian industrial presence too? Do you think more needs to be done to expand the Indian industries there?

The common ideals of democracy, rule of law, independent & transparent judiciary and free media are two reasons why Czech companies had not tried industrial presence in India. India has also adopted a very focussed approach to promote new investment from the Czech Republic. Over the past few years, we have regularly participated in important exhibitions and trade fairs in the Czech Republic in areas including the food sector, garments and apparel, sports goods, toys, tobacco and engineering equipment. Apart from this, there is also a two-way interaction by companies and institutions of both countries in the fields of heavy engineering, metallurgy, mining, nuclear and conventional power systems. This year India is to be the 'Partner Country' in the Brno Trade Fair in September 2012. About 125 Indian companies are expected to participate. Indian exports currently form a

miniscule 0.44 percent of the Czech import basket. This highlights the vast potential that exists for expanding our trade presence. The Czech market per se may be small, given the small size of their population (10 million). The location of manufacturing in the Czech Republic by Indian firms independently or in joint venture would enable a foothold to export to the wider market of the EU. Indian industry must identify their capabilities sector-wise which then have to be match with Czech industry requirements. This would require sector-wise study at both ends. The Indian Embassy has initiated several reports on such subjects which are available through our website to prospective Indian companies seeking to enter the Czech market.

What are areas of expansion in education partnership that India can hope for in Czech Republic – setting up of technology institutes and the like?

There is considerable scope for expansion in education partnership between India and the Czech Republic. The Czech Republic is a repository of niche technologies in areas like nano-technology, lasers, metallurgy, robotics, cybernetics and information technology. The Czech Republic also has highly qualified technical manpower with excellent capabilities in mathematics, the sciences and engineering at salary structures comparatively lower than those prevailing in Western European countries. There are great opportunities, therefore, for technology tie-ups with Czech Republic and transfer of technologies. We have begun to tap this area relatively recently through linkages between the Academy of Sciences and universities and institutions in the Czech Republic and the Department of Science and Technology, institutions and universities in India. Indology has long been popular in major universities in the Czech Republic. The Charles University in Prague – the oldest university in Central Europe – had a Chair in Sanskrit established in 1850. The Institute of Indian Studies at the Charles University continues the tradition of Indology with students learning various Indian languages (Sanskrit, Tamil, Hindi and Bengali) as well as studying Indian literature, history and culture. The Oriental Institute, set up in 1922 under the Czech Academy of Sciences also has a long tradition of research in Indian languages, literature, history, culture and politics. An Indian Chair on Hindi language has been established in the Charles University recently. There is significant scope for bilateral cooperation in fields of agriculture, agro-processing, health and life sciences, mining technology, metallurgy, etc. A joint declaration between India and the Czech Republic for Cooperation in Education Sector was signed

The understanding and degree of transparency in our trade relationship is evident by the fact that there has been a continuity in bilateral trade investment and technology transfer between the Czech Republic and India from the 1930s when Bata established its manufacturing unit

in April 2009. Universities from both sides are exchanging delegations and are holding discussions regarding educational exchange programmes. There are a few Indian students in Czech universities across the country. The Czech side is keen to increase awareness of the utility and value of Czech education in EU and attract more Indian students, particularly fee-paying students who are likely to find it attractive considering that costs for education in English here are one-fourth to one-fifth than those in US, UK, Canada and Australia.

What are the opportunities of growth for IT/ITES companies in Czech Republic? How many companies have set up shop there now? What is the size of the workforce?

The Czech Republic has been a successful BPO (business process outsourcing) and IT market in the Central Europe region. Infosys has set up a facility in Brno, the second largest city in the Czech Republic which has generated employment for more than 350 people. They have also won contracts for computerisation of banks and courier operations like DHL in the Czech Republic. While Infosys has a permanent presence here, several other Indian IT companies visit for contract jobs in banking, finance and other related companies. There are also Indian professionals in banking, financial and logistic companies in Czech Republic.

How big is the presence of Indian pharmaceutical companies? Is the current size a reflection of SMEs? Are there any entry barriers for major operators? Also, is the same relevant for the textile industry?

Indian pharmaceutical company Glenmark has acquired 100 percent stake in Medicamenta in the Czech Republic. Alok Industries has acquired a Czech Textile company – Mileta with a reported investment of €15 million in 2006. Spentex Industries Ltd bought local based yarn maker Schoeller Litvinov for \$25 million in July 2007. The Czech pharmaceutical market is highly regulated. The regulations concern not only access to the market but also price and reimbursement policies. The State Institute for Drug Control (SUKL) sets both the maximum price of the producer and the level of reimbursement of each medicinal product on an annual basis. This very complicated system results in a large number of proceedings that the institute has to deal with and inevitably results in delays as both producers and insurance companies can file appeals and ask for revisions of the decisions. Discussions among experts and the government are underway for a possible change of the system which, despite its complexity, is reasonably transparent. The Czech textile sector presents many opportunities for Indian companies including direct manufacturing supply of apparel to retail chains and independent retail stores; supply of textile material; technical textiles for manufacturing industry as well as acquisition of local companies.

The past two decades have seen many bilateral agreements being inked? Do you think that such agreements hold greater credence over the much talked about India-EU FTA? Would this make bilateral trade easier than what it is? Does India hope for greater industrial expansion in Czechoslovakia also?

The India-EU FTA would bring many benefits both in terms of market access of goods, services and technology as also the free flow of skilled manpower from India to the countries of EU. This is particularly important as the Czech Republic has a very strong visa regime for Indians including Indian businessmen which at present act as a non-trade barrier. The Czech Republic is very advanced in research and development. A number of countries including the US, Germany and Japan have been tapping them for R&D on contract basis. We could also take advantage of these opportunities and the India-EU FTA would give us an ideal platform for this.

Are any new bilateral agreements with the Czech Republic under consideration?

None at the moment. However, we are extending and implementing existing agreements in areas like S&T, education, social security and nuclear energy among others.

Five MoUs, for enhancing trade and investment between India and the Czech Republic in the area of mining, brewery investment and machinery, were signed on October 2011 during Minister of Industry and Trade Martin Kocourek's visit. What are the movements in that direction?

The five MoUs signed during the visit of Czech Minister of Industry and Trade in October 2011 was between individual companies. The Embassy in Prague is always ready to help these companies in whichever way they require assistance. The Embassy has commissioned a large number of market surveys which are available to Indian companies for reference and use in their business decisions.

Do you think the economic crisis currently prevailing in the Eurozone will delay proposed agreements and trade partnership/investments in India, and vice versa?

The Czech Republic is not part of the Eurozone. However, the bulk of their exports and imports are from the Eurozone particularly from Germany. Hence any crisis in Eurozone is bound to have a negative impact on the economy of the Czech Republic with consequent impact on economic relations with other countries including India. Aware of this fact, the Czech Republic has been seeking to focus on increase in trade and investment with countries like India, China, Brazil and Turkey to reduce its dependence on the Eurozone. It is pertinent to note that despite the economic problems in Europe, we have reached the bilateral two-way trade target of \$1.5 billion a year ahead of schedule.

Looking at the past two decades, it can be safely said that bilateral trade between our nations have been successful and fruitful. However, is there a need for greater understanding, transparency and negotiations to explore the current trade sectors? What in your regard should be the next 'big thing' the two nations could explore?

The understanding and degree of transparency in our trade relationship is evident by the fact that there has been a continuity in

bilateral trade investment and technology transfer between the Czech Republic and India from the 1930s when Bata established its manufacturing unit through the period of communist Czechoslovakia when it was one of the leading trading partners of India among the East European countries to the period after the Velvet Revolution when trade was switched to freely convertible currencies when the bilateral engagement shifted to a new paradigm involving automobiles, engineering and manufacturing industry. The importance of the Joint Economic Commission has been enhanced to ministerial level and the next meeting is expected to take place in September 2012. The next big thing is likely to be focussed on technology – the potential cooperation between both countries in high-technology areas could be further catalysed through participation of Czech companies with Indian partners in frontier areas of technology as well as the participation of Czech companies in infrastructure projects in India.

What are the opportunities in the area of defence research between the Czech Republic and India?

Based on the niche capacities of the Czech Republic in the field of defence technologies, concerted efforts are underway to tap varied areas of defence research in keeping with the mutual interest and benefit of both sides.

In your view has tourism between the two nations achieved its potential or a lot more could be done in that direction?

Tourism between the two nations is currently only a tip of the potential iceberg. There is great interest among the Czech people in all things related to India, be it yoga, Sanskrit,

spiritualism, culture, defence, music, cuisine or Bollywood movies. Bollywood dancing is becoming increasingly popular among local Czechs. With increasing awareness of tourism possibilities presented by India to Czechs and vice versa there is great opportunity for significantly enhancing tourist traffic on both sides. Indians travelling to Europe are also increasingly being enticed to visit the Czech Republic, through enhanced awareness and through Bollywood movies. The availability of direct air connections between Prague and New Delhi and Mumbai would significantly enhance bilateral tourism traffic to the mutual benefit of both sides.

What are the valuable exchanges in terms of treaties and MoUs that could be drafted in the future between the two nations? Do you think the historic agreements play a significant role in carving a fruitful future?

Technology transfer offers the next great opportunity in terms of our collaboration with Czech Republic already in place. The bilateral treaties and MoUs set the framework for accelerated cooperation. Further collaboration between the two countries and between institutions of the two countries in areas like energy, metallurgy, engineering, mining, chemicals, machine tools, textiles, printing machinery, measuring and controlling equipment, precision equipment automobile components, environment management and treatment of waste water resources, transport, infrastructure, agro and food processing consumer goods, wood products, glass, life sciences, bio-technology, IT and IT-enables services and defence products show considerable promise. The Czech Republic has traditionally supported us on major issues in the international arena including support for a permanent seat in the United National Security Council and they have also supported us in the NSG.

What are the key expectations of the Czech Republic from India in the current EU crisis?

The Czech Republic is turning to countries outside the EU in a bid to reduce its dependency and economic vulnerability of trading with countries within EU. In this they are looking to India to enhance partnerships for Czech companies to invest in India and to an even larger extent, for Indian companies to invest in the Czech Republic in manufacturing and services for the Czech and EU market. Additionally, the Czech companies are very keen to be involved in India's plans for enhancing infrastructure in areas like power (conventional, alternative energy and nuclear) generation, drinking water and waste water management, roads, railways, airports, ports.

Technology transfer offers the next great opportunity in terms of our collaboration with Czech Republic already in place. The bilateral treaties and MoUs set the framework for accelerated cooperation. The Czech Republic has traditionally supported us on major issues in the international arena



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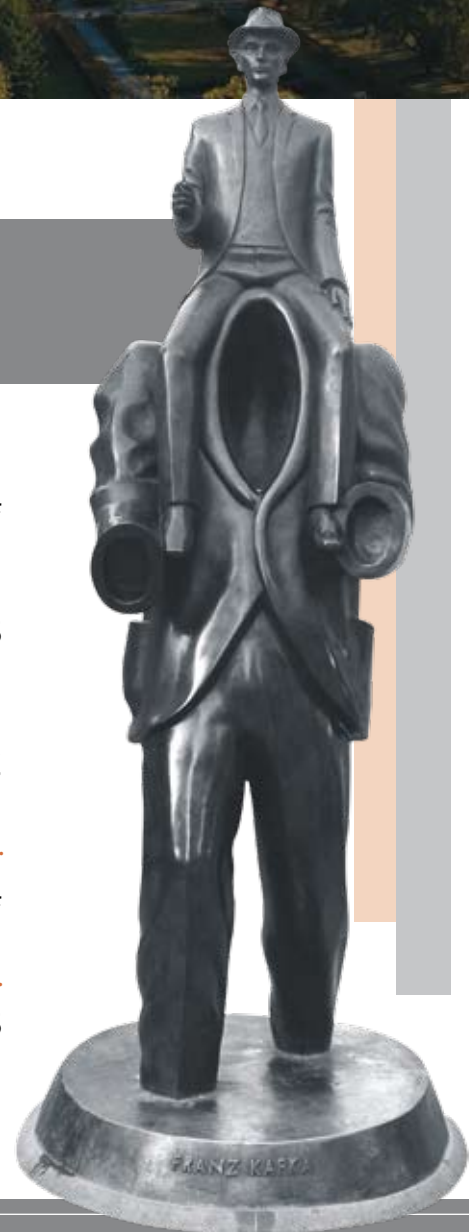


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Published and Produced by
Diplomatist Magazine
an imprint of L.B. Associates (Pvt) Ltd
in association with
The Embassy of India in Prague, Czech Republic

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AMBASSADOR INTERVIEW

H.E. MILOSLAV STASEK, CZECH AMBASSADOR TO INDIA

IN THE CLOSE COMFORTS OF HIS OFFICE, H.E. MILOSLAV STASEK, CZECH AMBASSADOR TO INDIA GETS CANDID AND SHARES HIS THOUGHTS ON INDIA-CZECH BILATERAL TRADE, TOURISM AND CULTURAL EXCHANGE BETWEEN THE TWO COUNTRIES AND THE NEW FRONTIERS THE CZECH REPUBLIC PLANS TO ACHIEVE



Q In 2010-11, bilateral trade between India and the Czech Republic stood at \$1.3 billion, and it is expected to touch \$2 billion in 2012. What does the Czech Republic have in mind to achieve that figure?

Traditionally, the trade between Czech Republic and India has been of automobiles and auto-components. Skoda cars have a great presence in India and the same is expanding. Ashok Leyland in partnership with AVIA has collaborated to produce several types of trucks and buses for European and Indian markets. Bonatrans Group is exporting high-end wheels for metro rail in India. Beside the automobiles and auto-component industry, we are also supplying bearings for the power sector in India. This is an area where we are planning to expand and talks are in motion to set up a manufacturing unit in Kolkata. But, the two new areas of bilateral trade that we are actively working on with the Indian government is the energy sector and defence supply. We are looking for partnership in renewable and nuclear energy. There are Indian companies we hope to have a consensus with under the renewable energy sector.

The Czech Republic is an export-based economy. I certainly feel that SMEs are the main engine of an economy. Our government is promoting the growth of SMEs and also streamlining them into joining the greater export community



The Ambassador-designate of Czech Republic, Miloslav Stasek presented his Credentials to the President, Pratibha Patil, at Rashtrapati Bhavan, New Delhi on August 5, 2010.

We are hoping that the EU-FTA agreement goes through. This will make a huge impact on the way we conduct our business with India. The custom duties in India are high and it creates high competitiveness for our products to remain viable in India

Please share the details of the defence partnership with India.

We are looking forward to upgrade existing Russian defence machines, tools and warfare. Beside this we would be supplying high-end lasers, radars and modular airports meant for critical and immediate response. We are working to collaborate with Mahindra & Mahindra to manufacture armed vehicles like the Vega. We have been speaking to DRDO to explore partnership in their area of expertise.

Czech companies have steadily increased their industrial presence in India. A number of JVs and partnerships have taken place in power, automobile, and tool & machine components, with Indian companies. But, do you think that the Indian policies regarding FDI need further 'fluidity' to harness the growth of Czech industry?

Oh yes! It does! We are hoping that the EU-FTA agreement goes through. This will make a huge impact on the way we conduct our business with India. The custom duties in India are high and it creates high competitiveness for our products to remain viable in India. A local manufacturer or supplier could offer a competitive price for same too. Moreover, China is becoming an active trade partner and is more investor friendly. Indian government should pass the EU-FTA to make FDI a favourable choice amongst off-shore investors from Europe like us.

Several countries, including India, have crafted policies to develop small, medium enterprises or SMEs, as these contribute greatly to a country's GDP. How inclined is your government to the promotion of SMEs?

The Czech Republic is an export-based economy. I certainly feel that SMEs are the main engine of an economy. Our government is promoting the growth of SMEs and also streamlining them into joining the greater export community. SME export is diversified and whatever finds a market would be sold. But we are eager to export items like glass curios, paintings, medical goods and commodities of the food industry.

Your government says it is 'euro-ready', as in ready to adopt the euro as the country currency. Do you see that happening this year or next?

I don't see the euro as our currency for the next four years. Internal monetary reforms and policies

have to be made before we adopt the currency. The EU will take years before it recovers from the debt crisis. There are lessons to be learnt, so that another recession doesn't come by. Right now, Czech is in a saving mode, and converting to the euro means escalated prices of every item and trade transaction. It is bad news for the business community, but encouraging for the domestic players. What we need to do is to focus on innovative areas so that we match up to the growing strength of Asian markets.

Do you think Europe can do without the Euro? Do you think the euro will contribute to a stable economy in your country? What is the opinion of your government on the matter?

I think there are lessons to be learnt from the euro debt crisis. European economies understand what went wrong. But, the impact of letting go the euro would be greater than its continuation. As I said, the euro would become our currency in due course of time.

Are there any new MoUs on the anvil with the Indian government and Indian industry? What are the key areas of expansion the Czech Republic is looking at?

We have dedicated 2012 as the 'Year of India'. Likewise we take this as the opportunity to explore new ideas and frontiers. Recently two MoUs have been signed with the Indian government. These are collaboration in science and technology, and military education - as in special courses in military training - and vice-versa. We are also looking forward to a delegation of 200 Indian companies to participate in the 'India Show' later this year, to be led by Anand Sharma, Minister of Commerce & Industry.

Your country has one of the lowest infant mortality rates. Are there any lessons for India?

There is active ongoing discussion with the Indian government to collaborate on healthcare. The talks are yet to take serious shape, but we are planning future partnerships.

You are an agriculturist by education. You must have travelled across our country. Do you think mechanisation of Indian agriculture a must?

The Czech Republic exports agri-components and machines to India. We are planning to increase import of tea, while looking for trade interest in the areas of food processing and harnessing the value of agriculture in the state of Bihar. We are also conducting an 'agriculture show' in India in October 2012, details of which would be disclosed later.

INDIA *in* MOTION

REMINISCENT OF THE PAST, RESONANCE OF THE FUTURE

By Pathikrit Payne



Home to 1.2 billion people, India though, did have its share of tough times in finding the right blend of economic and social matrix but since the beginning of the last decade of the 20th Century, it never had to look back again. From the verge of facing a sovereign default and a near stagnant economy, India literally had a phoenix like resurgence in the last two decades. In 2007, it for the first time crossed the trillion dollar mark in terms of nominal GDP and is on the verge of crossing the symbolic two trillion dollar mark in the next few months. In terms of purchasing power parity (PPP,) India is already the fourth largest economy of the world. If one goes by the projections of Goldman Sachs' report on BRIC nations, India is slated to have the third largest economy of the world in terms of nominal GDP by 2050, with an estimated GDP of about (\$38.23 trillion), right behind China (\$70 trillion), and almost at par with the US (\$38.52 trillion).

Today India stands as one of the very few countries in the world with its indigenous capability to launch satellites and has also made giant strides in nuclear and defence technologies. At a time when in most developing economies, military coup, anarchy, autocratic rules, and totalitarian regimes are becoming the norm rather than exception, India has been extremely successful in having a functional democracy with one of the most efficient and unbiased election processes in the world. Its success lies not only in having a vibrant parliament, but also in successfully creating and nourishing the other key institutions so very necessary for the seamless functioning of a liberal democratic society. The neutrality of its three-tier judiciary systems, its vibrant media, and its professional and totally apolitical military has also played key roles in the evolution of the nation. Home to one of the largest population of young people in the world, the unshackling of the economic restrictions have unleashed a massive amount of entrepreneurial energy. Unlike in many parts of the developed world, India is literally witnessing an Oregon Trail type entrepreneurial rush wherein the youth is no longer just happy to be in the comfort zone of having a job or a gateway to the western world, but are increasingly willing to plunge

At the onset of the second decade of this millennium, the world is witnessing a hitherto unprecedented political, social, economic, as well as technological churning. With the theatre of economic power gradually shifting towards Asia, it is not just the resilience of Indian economy but also the very idea of India that finds resonance across the contours of global arena. Home to one of the oldest civilisations of the world and the place, which for the first time propounded the concept of global village or Vasudaiva Kutumbakam (meaning the whole world is my home), India, has withered the sand dunes of time to stand as a testimony of how divergent viewpoints, religions, culture, and people can converge and coexist. India, which for long was known for its spiritual and cultural heritage, is today equally known for its technological prowess, its economic dynamism, and its resilience, both economic and social, especially at a time when the world is increasingly witnessing the spread of intolerance.

» **India is literally witnessing an Oregon Trail type entrepreneurial rush wherein the youth is no longer just happy to be in the comfort zone of having a job or a gateway to the western world, but are increasingly willing to plunge into the risky proposition of giving shape to something new** «



into the risky proposition of giving shape to something new, of feeling the ecstasy of becoming an employer from an employee and of leaving behind a legacy in their lifetime. For today's India, a Dhirubai Ambani, or a Ratan Tata, or a Narayan Murthy are as much iconic as Gandhi and Tagore are. The rush for excellence and scale is both top-down and bottom-up as is witnessed from the fact that the country which was paranoid about the impact of globalisation less than two decades back, has not just embraced it, but has literally redefined it. India's entrepreneurs vindicated that globalisation is not just about foreign companies coming and setting shops in India, but is also about Indian companies breaking the barrier and taking India Inc. onto the global stage. It was coming of age of an inward looking India with a defeatist attitude, to one which was now hawkish and ready to take challenges head on. In the last one decade, hundreds of foreign companies have been acquired by their Indian counterparts including the high profile acquisition of British steel giant Corus, Jaguar & Land Rover and Tetley by TATA Group or Novelis and Columbian Chemicals by AV Birla Group among others. Yet globalisation in India has also gone hand in hand with attempts for inclusive growth and by making the bottom of the socio-economic pyramid part of the

economic growth story. Be it the jaw dropping saga of the development of the cheapest car in the world namely, Nano by Tata Motors; be it the development of the \$35 tablet namely Akash, to take computing to the lower strata of the populace; or, be it the mammoth social empowerment that the telecom boom brought in by developing low cost handsets and cheap call rates, that made India have a mobile subscriber base of 873 million, each such attempt and several more have been aimed at taking the benefits of globalisation and economic growth to the economically untapped sections of the society and making them part of it. It is this culture of innovation and improvisation, which is so much the part of Indian culture, that has not only made more than 700 global MNCs set up their R&D centres in India, but has also made India the global powerhouse for software development and process outsourcing.

It is a known fact that the Indian economy has valiantly withstood the global recessions that have been ripping apart several developed economies in the last few years. While one part of the reason for the same, and which has also vindicated the efficacy of it, is India's conservatism in certain respect, the other part is surely the fact that India is predominantly run by its own internal demand

and not by global demand. One of the greatest achievements of India has been to gradually bridge the rural-urban divides through the application of tools of modern economy, as the success of ITC e-choupal and the social benefit that it brought, exemplifies. And that is exactly where the opportunity lies; a billion strong populace aspiring for a better life and willing to strive for it, which provides both an instant market for the world, and also a place for making innovations happen. It is always though an arduous challenge to take 1.2 billion people along. Yet a trip across the length and breadth of India would vindicate and resonate the change that is happening. Likewise, for a functional democracy and a vibrant society, stagnation itself is the end of vibrancy. Therefore the quest for a better India and a better society continues, the reflection of which has been seen in the Anna Hazare movement for better governance and fight against corruption. Yet unlike the Arab Spring, the uniqueness of India's social movements lies in their tranquility and absence of any state-wide violence or any attempt by the state to vigorously suppress them.

The idea of India, or the reason why it has a special place in the times to come, is not restricted to buoyancy of only its economy. It is also about India's composure in tough times.

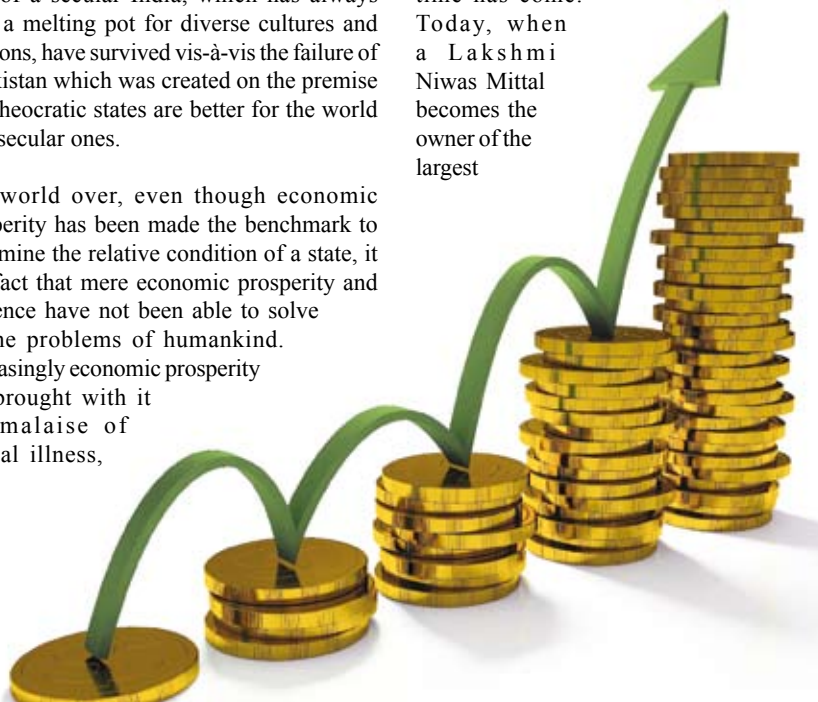


Repeatedly there have been efforts to strike at the very core of its democracy and divergent society. The terror attacks of 26/11 in Mumbai or 13/12 parliament attack were good enough to take stringent and punitive actions against an anarchic and culpable Pakistan. Yet, in spite of having one of the largest armed forces of the world and an economy strong enough to sustain a war, keeping in mind the complexities that can emerge from a pre-emptive strike against terror camps in Pakistan and the nuclear holocaust it may give rise to, India consistently showed composure. This is something that many other nations need to learn and emulate, and it is this very reason in addition to its independent foreign policy that it deserves to have a permanent seat in the United Nations Security Council. The idea of a secular India, which has always been a melting pot for diverse cultures and religions, have survived vis-à-vis the failure of a Pakistan which was created on the premise that theocratic states are better for the world than secular ones.

The world over, even though economic prosperity has been made the benchmark to determine the relative condition of a state, it is a fact that mere economic prosperity and opulence have not been able to solve all the problems of humankind. Increasingly economic prosperity has brought with it the malaise of mental illness,

depression and several related physical ailments thanks to the lifestyle that modern world provides. India's efficacy comes from the fact that in spite of embracing modernity, it, at the same time has travelled on the time-machine to rediscover the essence of spirituality and yoga in this era. It is in this respect that India's soft power has enormous value in these increasingly complex times. This is manifested even more by the fact that the idea of India permeates its physical boundaries and nationality. India's soft power is echoed by its 30 million odd Non Resident Indians (NRI) and People of Indian Origin (PIO) who still hold onto the deeply embedded Indian culture and are in certain respects ambassadors of an idea whose time has come.

Today, when a Lakshmi Niwas Mittal becomes the owner of the largest



steel company of the world, namely Arcelor Mittal, Indians at home and abroad take pride in that. Being an Indian today is not just about being a citizen of India. Across the spectrum of South East Asia, there is a perceptual hope that India is a perfect antidote for some totalitarian regimes that have been trying to wrest control of resources and regions by threats and intimidation. Likewise, India's influence emanates from the strong NRI lobby, the most visible of the same could be witnessed in United States, and how against all odds and opposition, the Indo-US Nuclear Deal finally saw the light of the day. California's Silicon Valley would not have been what it is today, had it not been for innovations and start-ups by thousands of Indian who went and settled in US in the 70's and 80's in search of greener pastures.

It has been almost a decade since the disaster of 9/11 and the subsequent invasion of Afghanistan and Iraq by US led forces. A decade down the line as the countdown starts for the complete exit of US from Iraq and Afghanistan, the world does not seem to be a better place to live in, with the fear of terrorism and terror groups still lurking in the dark and waiting for a perfect opportunity to hit back. It remains a fact that Afghanistan will continue to remain a tinderbox and in the aftermath of US exit, a violent retribution by Taliban can lead to a civil war, which would invariably pull Pakistan into it, and its ripple effect would be felt across South Asia. Needless to say, the onus would be on India to make sure that the situation did not go out of hand because if it does, India would have to face the maximum impact of the same. Given its geographical position, surrounded by radical extremism and near failed states, it takes much more than patience to keep composure and maintain a solid vibrant economy complimented by a pluralistic society. There are no doubt, aberrations and exceptions in India too. There are, no doubt, several challenges in India. It is still far from perfect in its present state. But India exemplifies a perfect blend of the past and future, a nation that strived hard to come back to the global economic landscape, and a society which is happy to embrace modernity without losing the essence of its past. India exemplifies the faith in the evolution of new ideas and reverberates the spirit of a nation, which perseveres to prosper, but perhaps not at the cost of individual freedom. It is perhaps for all these, that the Idea of India has to evolve more, not just for its own sake but also for the world at large.

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ZKL Bearings (India)

The Provider of complete shaft solution of ZKL Czech Republic

Indian Industries are quite familiar with the ZKL brand of Rolling Bearing for more than 50 years. However, origin of ZKL dates back to 1921, when first rolling bearings were produced in the then Czechoslovakia.

Today, ZKL, a.s. a joint stock company, has integrated all the bearing manufacturing facilities in Czech Republic under the ZKL Trade name and is certified according EN ISO 9001:2000 and ISO / TS 16949:2002. With the Rolling Bearing Research Institute at Vyzkum a Vyvoz having a rich tradition in areas of technology, design and quality, dating back to 1953, the three plants of ZKL situated at Brno, Klasterec nad Ohri and Hanusovice today produce bearings with world-class quality. ZKL is today rated as the largest producer of Standard as well as Special Rolling Bearings in Central Europe. Not only that, Product Innovation is a buzz word at ZKL, amply exemplified in the path-breaking and State-of-the-Art NEW FORCE Design of Rolling Bearings that has resulted in dramatic increase in Fatigue Life of bearings.

Currently, ZKL Group, ably guided by their Managing Director Mr. Jiri Prasil, has sufficient production capacities, trained and efficient employees and a strong design and development base. With a dynamically developing sales network all around the world, ZKL a.s. is structured in such a way that it can develop efficiently and strengthen its competitiveness against world's leading bearing manufacturers.

However, it was only in 2002-03 that the first Principal Agent of ZKL was set up in India in the form of ZKL Bearings (India) Pvt. Ltd, with its Head Office and Warehouse in Kolkata and regional offices in Kolkata, Gurgaon, Mumbai and Chennai. In addition, there are several Resident Engineers located in Industrial Centres such as Bangalore, Ahmedabad, Pune. The sprawling Central Warehouse situated in Kolkata carries in its Inventory almost 90 percent of the bearing types that the Indian Engineering Industry normally requires.

With a decade of rapid growth behind it, ZKL Bearings (India) has now donned the mantle of provider of a unique service – “The Complete Shaft Solution”.

Bearing is the heart of a rotary machine, but a good quality bearing alone cannot ensure trouble-free operation of the machine. There are other factors associated with the bearing, which also must be of commensurate quality, if the shaft of the rotary machine is to continue to rotate uninterrupted.

“The Complete Shaft Solution” concept of ZKL Bearings (India) offers to take care of these factors – apart from supplying ZKL Bearings to their customers – so as to ensure smooth running of their rotary machines.

But that is not enough. ZKL Bearings (India) has the capability to demonstrate and teach the users how to incorporate the “Complete Shaft Solution” concept in their plants. For further details, please contact marketing@zklindia.com or visit www.zklindia.com.

Smooth-running rotary machines minimize downtime-costs and contribute to the profitability of a Manufacturing Enterprise. Not only that, defect-free running of the machines also result in less power consumption and help in keeping our planet green in a very big way.

ZKL Bearings (India) views its task of providing the customers “Complete Shaft Solution” as a humble contribution towards achievement these goals.



Jiri Prasil



INDIA'S PEOPLE THROUGH THE ARTS

By Jaya Jaitly

Art heritage and its practitioners

India's civilisational heritage is so old and vast that it is blessed with a treasure of creative activity and output. All of these are intricately woven with everyday lifestyles and needs as well as a deeply spiritual underpinning. Each productive act and creative expression is linked with a larger spiritual concept that may range from the constancy of certain basic value systems or the need to nurture the earth, to the significance of the elements and how they are intrinsically linked to all sentient beings, and indeed all living things. Most believe in the existence of a greater power that creates, defines and guides every human being.

Gods may be myriad or only one; gods may dwell in rivers or in trees; gods may have an image or may not be delineated except through sacred words; whatever may be the chosen

system of belief, India's people create a pattern of life that moves to any one or more of these rhythms. What is very significant in all the creative arts and craft, music, dance and literary traditions of India, the work is always dedicated to a greater and all pervading benign entity that must bless the work or presentation. To that extent a benediction is always sought and the work is always an offering of devotion. Irrespective of whether commerce or earnings accrue to the performer or practitioner, the act of creation is itself above the more base considerations of money and has more to do with an expression of the inner self as it devotes itself to a larger purpose that can



Dilli Haat

range from the mere creation of beauty in its ultimate, or as a path to greater enlightenment through personal interpretations. Flowing from such deep, philosophical wellsprings linked to the well being of society at large, it is all the more important for India's traditional heritage of creative expression to be preserved and allowed to grow and change organically while remaining firmly rooted to a basic value system of both integrity and harmony.



Mughal Dance

India's caste system, as it came to be practiced, became hierarchical, oppressive and exploitative. However, its origins were in the ordering of society according to occupations, each having its own important role to play. At that time it gave a sense of community, strength and bargaining power. In the southern part of India weaver's guilds had their own banks and loaned money even to the court. India's textiles went all over the world and clothed nobility in the east and west. India's crafts ranged from fine gold and silver work to paintings, intricate carvings, metal casting, and stonework displayed in the ancient temples across the country.

India's culture had another strong current contributed by the *adivasi* (ancient) communities. They belong to three strains of tribes – the Mongolian, Afro-Dravidian and the



Khajuraho Temple

Central Asian. They cover the eastern region of India's current borders, the southern and central parts of India and the upper and western areas like Jammu & Kashmir, Rajasthan and Gujarat. Some have retained their nomadic tendencies as in Jammu & Kashmir, while the others are settled communities, often in and around forest areas, and still very closely aligned to their own special languages and dialects, and cultural practices like ceremonies, festivals, and spiritual expressions closer to animistic practices that keep them close to nature rather than more evolved forms which have special physical delineations.

Historical Confluences

Mughal rule brought an interesting confluence between Hindu artisan skills, forms of dance and music, expressions of fine and folk art, and changes in manners of weaving, dressing and ornamentation among many people who came directly in contact with the Mughal nobility. Zain-ul-Abedin in Kashmir introduced the art of Persian carpet and shawl weaving, the art of fine painting on papier mache articles, metal emboss work and walnut wood carving. The Mughals in the western state that is now Rajasthan intermarried with many women belonging to households of some of the smaller kingdoms. Their artists combined with Indian masons and other crafts people to enable many schools of miniature painting to flourish. The miniature style took many forms from Chamba, Kangra, Basohli to Mewar, Phad and other styles. At the same time folk painting continued untouched by any outside influence in the interiors of India, especially in areas now known as Jharkhand, Chhattisgarh, Madhya Pradesh, and parts of Maharashtra and Odisha. These forms were mainly used as wall decorations to celebrate a festival or the birth of a son. Even the process of painting acquired the nature of a ceremonial happening. Each tribe and folk art style practiced by them is distinctly different from the other and a brief glance by an art lover will demonstrate how simple techniques are used to create textures,



or how minute decoration of flat strong colours with tiny lines and dots bring a sophisticated dynamism and vitality to otherwise simple and naïve art. The well-known wall paintings of Ajanta and Ellora, the stone temples of Khajuraho, the murals in the palaces and temples of Kerala, the interiors of the Buddhist Alchi monastery and even the art of Mithila all using stone or vegetable colours lend a special hue that links ancient artists to the colours found in nature.

Links with Nature

India's arts and rural artisans have a deep connection with nature since all the natural materials used by them to fashion their artifacts and textiles were pure, natural, organic and linked to the ecology of their immediate habitat. Mountain folk made blankets and shawls out of sheep or goat wool, cotton farmers provided the material to spin yarn for cotton garments in warmer regions. Silk worm cultivation, including the non-violent variety in which the cultivator allows the silk worm to leave the cocoon before harvesting it to make yarn, are all a part of India's great and ancient traditions. The use of actual silver to

make golden coloured yarn or *zari* made silk or cotton garments more resplendent and regal. The saris were not only woven for nobility but to adorn images of gods in temples, and to be made into costumes for classical dancers. Silversmiths made ornaments in gold for the people of the south of India, in silver for many of the nomadic tribes in the northern and western regions; every housewife knows how to make flower garlands to adorn the statues and pictures of their gods in their prayer rooms, or to adorn their hair, as the ultimate feminine ornament of nature.

Markets for modern arts

Informal market places that are found right across India in sheds or arranged along pavements in cities, small towns and village squares are the hub of activity for India's producers and consumers of home grown edible produce or handmade artefacts. These are intrinsic to most agriculture-based societies across the world. There are farmer's markets in Australia, China, USA, UK, Vietnam and Africa. These markets will always have space for people selling baskets, rope, footwear, vessels and other types of containers, and even a range of cloth and ornaments. These places become areas for cultural and social exchange, with dance, music and folk performances, food and drink. There is hardly any difference between these community systems, which include social, economic and cultural purposes, and the malls of today. The Dilli Haat in New Delhi is also an example of an organic progression from the village marketplace to an urban one for practitioners of creative processes that reflect a cultural heritage. As soon as there is a direct interaction between producer and buyer, exploitation is reduced and the rural producer understands the contemporary cultural milieu of the urban clientele. This helps the arts, crafts and performances to fine-tune, grow, change and incorporate the best of the old and the new instead of freezing in an ancient time for the sake of traditional purity.

India's people embrace the new and the old with equal pleasure and draw from the wellsprings of a vast and mighty traditional base. This multiculturalism is its hallmark and what makes India's living cultures unique and worth preserving.

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Jaya Jaitly founded the Dastkari Haat Samiti, which enables traditional workers to gain confidence in the marketplace through many innovative strategies. She also is the creator behind Dilli Haat, a concept she implemented in New Delhi. She has several books to her name, most notably, Crafts of Jammu, Kashmir and Ladakh, the Craft Traditions of India, Viswakarma's Children, a socio-economic study of crafts people, and Crafting Nature. She may be reached at jayajaitly@gmail.com.

THE GLOBAL INDIAN FOOTPRINT



India, historically has been a land of many conquests starting from the times of the Aryans (2000-1500 BC) who colonised the northern parts of the country, up until the East India Company for over 200 years. Invasions brought trade, new religions and thought that has left an immutable mark on the sub-continent today.

During the Sultanate period articles of everyday use as well as luxury articles were exported to Syria, Arabia and Persia from Bengal and Cambay. These included silks, gold-embroidered cloth caps, exquisitely designed clay pots and pans, guns, knives and scissors. The other prime articles of export were sugar, indigo, oils, ivory sandalwood, spices, diamonds and other precious gems and coconuts.

Arab traders shipped Indian goods to European countries through the Red Sea and the Mediterranean ports. Indian products were also sent to East Africa, Malaya, China and the Far East. In China, Indian textiles were valued more than silk. Trade was also conducted

through overland routes with Afghanistan, Central Asia and Persia. The route lay through Kashmir, Quetta and the Khyber Pass. Iraq and Bukhara were the other countries with which India conducted trade via the land route.

The footprint that traders of the time left are integral to today's trade practices. India has risen to the global centre stage of economic power and prominence with several Indian business houses setting up on foreign shores through equity and investment mergers and acquisitions. What follows is a glimpse of the great Indian sojourn to new shores.

According to the latest available data, during April-October 2011, foreign direct investment (FDI) outflows from India were estimated at \$25.3 billion, while inflows were of the order of \$20.3 billion. As a result, there was net outflow of \$5 billion despite a 28 percent decline in investments abroad and a 64 percent jump in inflows from foreign investors.

During 2010-11, net outflows were of the order of \$13.5 billion, with FDI inflows

of \$30.4 billion. In terms of destination, Singapore, Mauritius and the Netherlands, beside Australia and Africa, were the favourite overseas places to invest, while services accounted for 59 percent of the outflows and manufacturing for 28.6 percent.

In the Indian context, overseas investments in joint ventures (JV) and wholly owned subsidiaries (WOS) have been recognised as important channels for promoting global business by the Indian entrepreneurs. The broad approach has been to facilitate outward foreign direct investment through joint ventures and wholly owned subsidiaries and provision of financial support to promote exports including project exports from India. With a steady rise in capital inflows, particularly in the second half of 2000s, the overall foreign exchange reserve position provided comfort to progressive relaxation of the capital controls and simplification of the procedures for outbound investments from India. Three distinct overlapping phases as under can be discerned in the evolution of the Indian outward FDI policies.

While overseas investment in developed economies is going mainly through M&As, mode of entry into developing economies is observed to be mainly through green-field investments. One of the reasons for Indian companies to adopt M&As route for foreign investment in developed countries is that markets in these economies tend to be mature and saturated and, therefore, companies prefer to gain market share through acquisitions rather than green-field investments.

According to a recent Report by Pricewaterhouse Coopers (2010), India might be the largest source of emerging market multinational enterprises (MNEs) by 2024. By this period, number of MNEs in India would be higher than China by 20 per cent, and over 2,200 Indian firms are likely to invest overseas in the next fifteen years. The Report also expects that there will be further shift



away from intra-regional investment in other emerging nations and towards a greater share of new multinationals going directly to the advanced countries. In particular, the Report projects that India MNEs are likely to make a niche in business services and high value manufacturing sectors.



Australia investments by Indian businesses:

- Lanco Infratech acquired Griffin Coal for A\$730 million.
- Adani Group acquired Australia’s Abbot Port for A\$1.8 billion.
- GVK acquired Hancock Coal and Infra of Australia for A\$1.21 billion.



Africa has continued to remain popular amongst Indian business houses that have steadily increased their portfolio size of investments.

- Essar Steel acquires Zimbabwe Iron and Steel Company (ZISCO) with a commitment to invest \$750 million.
- Religare Capital Markets acquires majority stake in South African broking firm Noah Financial Innovation.
- Godrej Consumer Products acquires 51 percent stake in a leading pan-African hair care company, Darling Group Holdings, for over ₹500 crore.

Companies continued to acquire for minerals or to create infrastructure to move the resources.

- Jindal Poly Films acquired coal block in Mozambique.
- GMR Energy Ltd, flagship company for the GMR Group, acquired 30 percent equity stake in PT Golden Energy Mines

Tbk (GEMS), a Sinar Mas Group company in Indonesia for \$450-\$550 million.

- Sesa Goa acquired 51 percent stake in iron ore miner Western Cluster of Liberia, Africa.
- ArcelorMittal acquired Kokerei Prosper, the German coke producer.
- Essar Oil Acquired Stanlow Refinery and Associated Local Marketing Business form Royal Dutch Shell for \$1.2 billion.
- Tata Chemicals acquired US-Based potash miner EPM Mining Ventures for an undisclosed sum.

There were other acquisitions too, from hospitals and carbon black to software and agrochemicals.

- Vanisha Mittal Bhatia (Lakshmi Mittal’s daughter) and her husband Amit Bhatia acquired up to 25 percent in New York-based quantitative hedge fund Roc Capital.
- Infosys Technologies’ Australasian subsidiary acquired software solutions

business of Gen-I, the ICT arm of Telecom New Zealand.

- Crompton Greaves Limited, part of the \$4 billion Avantha Group, acquired US-based QEI Inc for \$30 million.
- Fortis Global Healthcare acquired cancer hospital in Singapore for \$23 million.
- Aditya Birla Group acquired Domsjo Fabriker, a leading Swedish Speciality Pulp and Bio-refinery Company, for \$340 million.
- Aditya Birla Group acquired US-based Columbian Chemicals Company (CCC), the world’s third-largest carbon black entity.
- United Phosphorous acquired 51 percent stake in Brazilian company DVA Agro Do Brasil for about \$150 million.

Sources: www.rbi.org.in;
www.forbesindia.com;
www.timesofindia.indiatimes.com

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ArcelorMittal

Has been operating in the
Czech Republic for nine years

ArcelorMittal is the world's leading steel and mining company. Guided by a philosophy to produce safe, sustainable steel, it is the leading supplier of quality steel products in all major markets including automotive, construction, household appliances and packaging. ArcelorMittal operates in 60 countries and employs about 260,000 people worldwide.

Since its inception, ArcelorMittal has rapidly grown through a successful consolidation strategy with a number of significant acquisitions.

ArcelorMittal is the successor to Mittal Steel, a business originally set up in 1976 by Mr Lakshmi N Mittal, chief executive officer and chairman of the board of directors. ArcelorMittal was created through the merger of Arcelor and Mittal Steel in 2006.

The Group came to the Czech Republic in 2003. Its chosen location was Ostrava, a city with a long tradition of steelmaking: the city in Moravian-Silesian Region has been associated with steel since as early as 1828. The present ArcelorMittal Ostrava's plant (formerly known as Nová Hut') has already been operating for sixty years, producing mainly hot-rolled long and flat steel products, safety barriers and many other steel products, some of which are destined for further processing. Construction, automotive and engineering industries are the biggest clients. The company produces more than two million tonne of steel every year.

ArcelorMittal Ostrava takes a good care of its workers. Including subsidiaries, the company employs over 9,000 people; its average salary in 2011 was about 30 percent higher than that of the Moravian-Silesian Region. This is one of the reasons why ArcelorMittal Ostrava proudly bears the title of the Region's best employer. Health and safety, which is among the main priorities for ArcelorMittal, would be another. Among other things, employees can make use of benchmarking aids with 'good practices' and regular trainings.

Last year, ArcelorMittal Ostrava invested CZK one billion in a fabric filter, which helps to reduce emissions from the Sinter Plant North. ArcelorMittal Ostrava greatly appreciates the fact that it was Ostrava that was chosen to implement this progressive investment project, and can thus boast the latest and best available technology in the world. It is the best performing dedusting technology with 99.9 percent efficiency in capturing all types of dust particles - including the smallest ones. The filter has also helped to reduce the operation's noise level by 15 percent. The filter, which is as high as a five-storey building, takes up an area of 60 x 60 metres. With the new filter, ArcelorMittal Ostrava will cut its emissions by a minimum of 270 tonne per year.

The filter was a major investment indeed, but by no means the only. The ongoing process of modernisation and environmental performance improvement is also instrumental in reducing emissions. From 40,000 tonne of dust emissions in 1978, ArcelorMittal Ostrava cut down to 1,110 tonne in 2010; last year, it finally broke the one-thousand-tonne mark and reported 669 tonne.

ArcelorMittal Ostrava is also very mindful of good neighbourly relations with the community, and has already implemented a number of community projects since its arrival. The so-called 'mini-grants' are one of the principal initiatives to foster the local non-profit sector. Through this initiative, ArcelorMittal Ostrava supports on average 60 projects a year. But this is not where the help ends. In 2010, a total of 1,343 employees volunteered in non-profit organisations, working 4,714 hours in total.

ArcelorMittal Ostrava also has a longstanding tradition of supporting blood donation. The name of its initiative '100 Minutes for Life' encapsulates its vision: a hundred minutes given to blood donation can save several human lives. It was a sufficient argument for 856 employees who decided to become regular blood donors.

As in many other countries in Europe, the market situation in the Czech Republic is still rather uncertain. Despite this fact, ArcelorMittal Ostrava plans to operate two blast furnaces in 2012. The company will continue to honour its environmental commitments and will pursue all the planned environmental investments. It will also introduce new health and safety programmes. And its regional and community initiatives will continue, too.

INDIA-CZECH REPUBLIC – cooperation in the AUTOMOBILE INDUSTRY



Indian export markets constitutes of US, Europe and Japan. India exports small cars and light commercial vehicles to markets of Latin America, Asia and Africa. The factors that have affected Indian trade in these regions are improving quality and standards of the small and light vehicles in the country and cost competitiveness. Also the foreign car companies opening units in the country have also added to the image of the industry's potential.

The automotive component industry in India continues to be a growth driver for the economy. The fast growing, robust economic environment has significant demand from both rural and urban areas and has deep linkages with multiple sectors. This sector has been a major revenue generating component, contributing 2.1 percent to the gross domestic product (GDP) and generating employment for over one million people directly and a similar number indirectly.

The Auto Component industry in India recorded 34 percent growth with a turnover of \$39.9 billion in 2010-11. Exports grew by 54 percent in 2010-11 to touch \$5.2 billion. Imports crossed \$8.5 billion, growing 30 percent over the last fiscal.

The Vision 2020 of the Automotive Component Manufacturers Association of India (ACMA) projects that by 2020, the turnover of the auto component sector in India could be well over \$110 billion, from the current \$39.9 billion. Of this, the turnover from the domestic market should be around \$480 billion and an export potential of around \$30 billion. To meet these targets, the auto component industry will require an average investment of \$3.5 billion per annum totalling \$35 billion of additional investments by 2020 and will provide direct and indirect employment to an additional 2 million people.

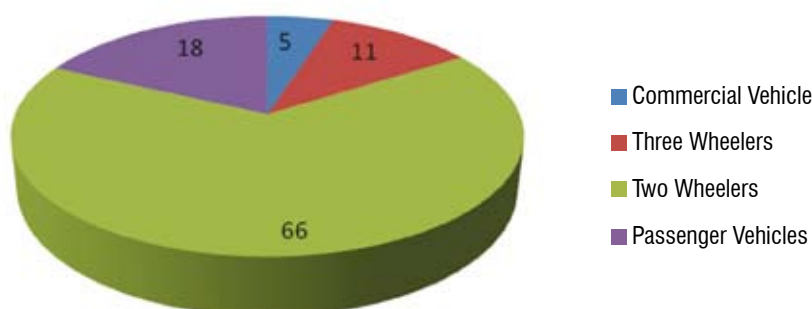
Although the current business sentiment in the domestic market is moderating, the long-term growth prospects of the Indian Automotive Industry remain intact. Primary demand drivers like aspiration for owning vehicles, growth of the economy, favourable demographic profile, rising working population, and increase in salaries, coupled with investments in the infrastructure

The image of India has changed from one of the ancillary industries to providing worldclass quality vehicles. However the auto component industry remains very important to country's trade. The Indian automotive industry has come a long way. Today, India is the sixth largest car manufacturer as well as the sixth largest auto market in the world. Year 2010-11 witnessed the production of about three million passenger vehicles. India produces the largest number of tractors, is the second largest producer of two-wheelers and in commercial vehicle production is ranked eighth in the world. India is fast emerging as the world's small vehicle manufacturing hub. The Indian auto component manufacturing industry is now the preferred sourcing destination for many a global players. Many big multinational

companies like General Motors, Ford, Volkswagen and Hyundai are making inroads in India by opening production units.

Due to increasing per capita income and growing GDP along with the increasing middleclass, the market for the domestic automobile industry is increasing rapidly. Low cost of production and input costs are some other factors that have added to the attraction of foreign investment in the country. Also India's edge, as in pioneering auto components, has helped increase the cost competitiveness. This entire factor coupled with trade liberalisation is helping the country achieve a new growth dimension in increasing trade and exports. Besides car, light commercial vehicle and heavy commercial vehicle are entailing new opportunities.

Fig 1: Shares of Different Vehicles in Exports of India



Source: EXIM Bank



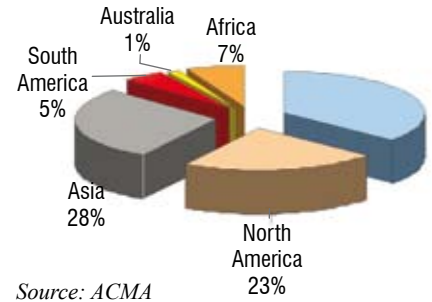
interest rates and fuel hikes, are major deterrents in the growth path and need intervention.

Availability of abundant, cost effective engineering talent makes India an ideal destination for manufacturing. India holds tremendous potential as a manufacturing destination. The auto components industry in India has witnessed robust growth in

the domestic sector, but there is no denying that the fortunes are also linked to the global marketplace. The Indian auto component industry has extensively adopted Japanese manufacturing best practices. In 2011, Japanese brands accounted for about 55 percent of passenger vehicle sales in India.

sector by the government, are the main reasons for this. It is this huge potential that has attracted several global companies to setup their manufacturing bases in India and has led many Indian companies to invest in capacity expansion, in research & development (R&D) and in product innovation. However, inflation,

Figure 3: Break Up of Export Market Share



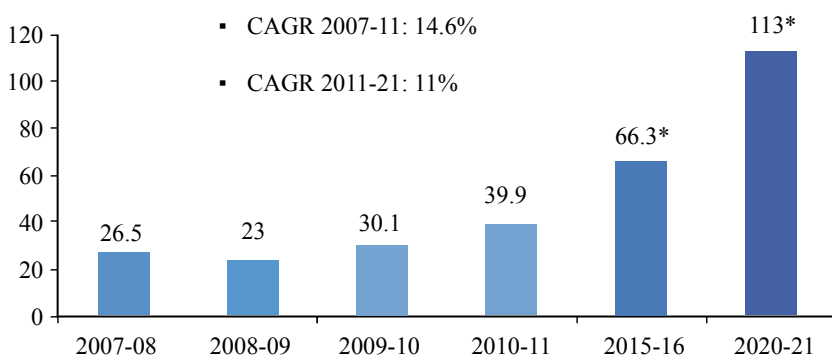
Source: ACMA

India and Czech Republic

Bilateral trade between the two countries increased from less than \$200 million to more than \$1 billion. This is on account of both increases in volume import and volume export. India signed double taxation avoidance treaty with the Republic in 1998 after which the trade between the two countries improved markedly. The countries have cooperation in the field of Health and Medical Science, Air Transport Agreement (1997) and Agreement on peaceful uses of Atomic Energy. Czech companies have contributed to India's industrialisation. A number of Czech companies and experts have worked with Heavy Engineering Corporation. Skoda Power has been a technology licensor to BHEL. Java is a popular motorcycle in India. India has been catering to the European Union market to cater to its auto component parts, but the exact figures for Czech Republic is not readily available. However it is growing in dimension and volume. The trade in the automobile industry between two countries is growing rapidly. Ashok Leyland Motors have set up in Czech Republic. Similarly Skoda the popular car in India was set up in India by Czechs. The idea was based on the lower input cost and facilitators of auto component industry in India.

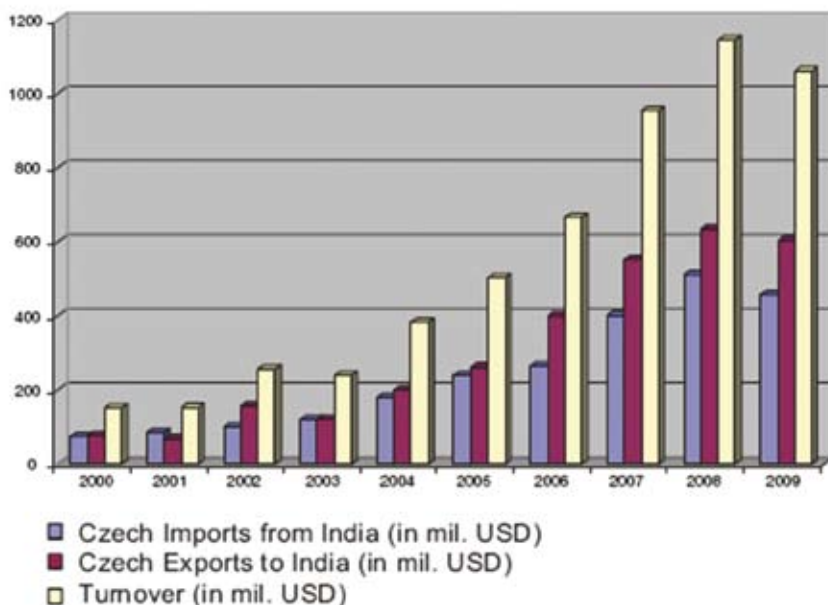
While Skoda Auto has some problems in Czech Republic due to economic slowdown in 2008, in India, Skoda Auto achieved a record sales growth of 28.5 percent. The company achieved record sale of 16,188 units in 2008 as compared to 12,596 units sold in 2007. Skoda has introduced Fabia in addition to Octavia, which is already a familiar car on Indian roads.

Figure 2: Turnover



Figures for financial year – April to March (*Estimates)

Figure 4: India – Czech Republic Bilateral Trade (2000 – 2009)



Source: Indian Embassy in Czech Republic



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THE GLOBAL GENERIC PHARMACY

By Dr PV Appaji

Indian Pharmaceutical industry has started its journey in the early twentieth century with setting up of Alembic. In the mid thirties CIPLA started API manufacturing. Even in the early seventies Indian Pharmaceutical manufacturers' contribution to the healthcare of the Indian population was quite small. Only two companies, namely Alembic and the other Sarabhai, which was in fact more a Legacy of American Squibb, and Geigy a Swiss company than an Indian company, were featuring among the top 12 Players of Pharmaceutical market till mid seventies of the last century.

To help self reliance, Government has promulgated process patent act in 1970 and Indian industry has grabbed the opportunity with both hands and developed unparalleled skills in reverse engineering and produced cost effective formulations. Soon State owned IDPL was initiated into basic manufacturing with know-how support of erstwhile Soviet Union, which was positioned to complement the Indian company's efforts. Thus the Indian pharma industry was born.

The late eighties saw many Indian companies

not only playing pivotal role in the domestic market but earning the name of reliable source of Pharmaceuticals for many countries. The pharmaceutical sector had become a net foreign exchange earner by then and has been so through 2010-11.

Many Indian entrepreneurs who were nurtured in the state owned IDPL have setup their own units and have grown to become world class API and Generic Formulation manufacturers. Dr. Reddy's, Aurobindo, to name a few. Early companies like Cipla, Ranbaxy and Cadila also with their state of the art manufacturing facilities, earned top slots.

An Indian export by 2005, when the WTO agreement of product patent act was being implemented, was to the tune of ₹15,000 crore. India by then had mastered the art of developing process patents, and with its major portion of formulation exports to less regulated countries, turned its attention to highly regulated markets to move up the value chain. Pharmaceutical Exports Promotion Council (Pharmexcil) was instituted then to help better channelisation of Pharmaceutical exports in 2004.

Post TRIPPS

Around 74 facilities from India were registered with USFDA by 2005. The pharmaceuticals industry with this infrastructure started rerouting its journey from being only a reverse engineering industry mostly suitable for domestic market to a basic research driven industry. More enterprising ideas of contributing as a significant global player started emerging. After a thorough re-look at its present portfolio, the industry brought in a paradigm shift, by providing a wide range of value added quality products and services (like offering their facilities and skilled staff for initial phase of research, and clinical trials) with good management of product life cycle, thus enlarging their reach.

Positioning in the Global Arena

Besides, the competent and cost efficient workforce (only 20 percent of cost of operations in US or 30 to 35 percent of the cost in Europe) positioned India as a Pharmaceutical manufacturing hub. Indian manufacturers rapidly built state of the art facilities and started gaining accreditation from authorities like USFDA, UKMHRA, EDQM to name a few evident from the table below.

Chart 1: Table showing some Accreditations

Approvals Received by Indian Pharma Companies from various Regulatory Agencies of the World			
Country	Name of Regulatory Agency	Nos.	As On
USA	DMFs filed with US FDA (companies)	220	Dec 2011
	No. of sites registered with US FDA	503	Dec 2011
	Total No Of DMF's Filed from India (as on Dec 2011)	2759	Dec 2011
	Formulation companies with ANDA's approvals. FDA	29	Dec 2011
EDQM	EDQM (European Directorate of Quality Medicine) (Bulk drug facilities)	153	
	Number of CEPs received	805	July 2011
	Number of Molecules for which CEPs have been filed with EDQM	195	July 2011
UK	MHRA (Medicines Healthcare Regulatory Agency), UK (companies)	15	
Ethiopia	DACA (Drug Administration and Control Authority), Ethiopia (companies)	50	Dec2010
India	WHO GMP Certified Plants (as per Drug Controller General of India)	~1,000	
Source: FDA websites of respective countries, Pharmexcil Research			

A comparison of Top ten countries' DMF's filings with USFDA show that India progressed rapidly in harnessing its chemistry skills in the last six years during which from less than a hundred filings in 2005 it progressed to 2760 by December 2011 accounting for 35 percent of the total DMFS filed. In the years 2010 and 2011 India alone accounted for 47 and 51 percent of the total DMF's filed with USFDA respectively. As on December 2011 almost a fourth of CEPS granted by EDQMA were of Indian companies.

Chart 2: Country-wise Comparison of DMF's as on December 2011

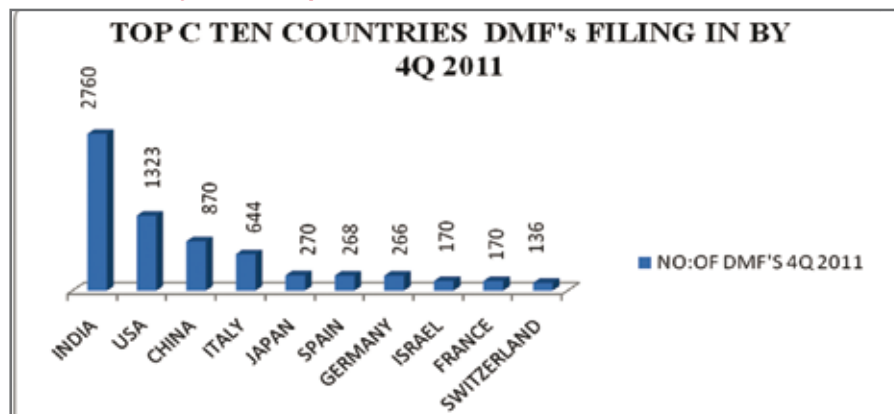


Chart 2: Table showing market authorisations of Indian Pharma granted by various agencies

List of Market Authorisations			
No	Granting Authority	Number	As On
1	USFDA	1989	December 31, 2011
2	UKMHRA	1113	December 31, 2011
3	TGA Australia	845	July 31, 2011
4	Health Canada	472	July 31, 2011
5	Tanzania	1591	July 31, 2011
6	Kenya	2949	July 31, 2011

Chart 4: India's Formulation Exports to Highly Regulated Markets

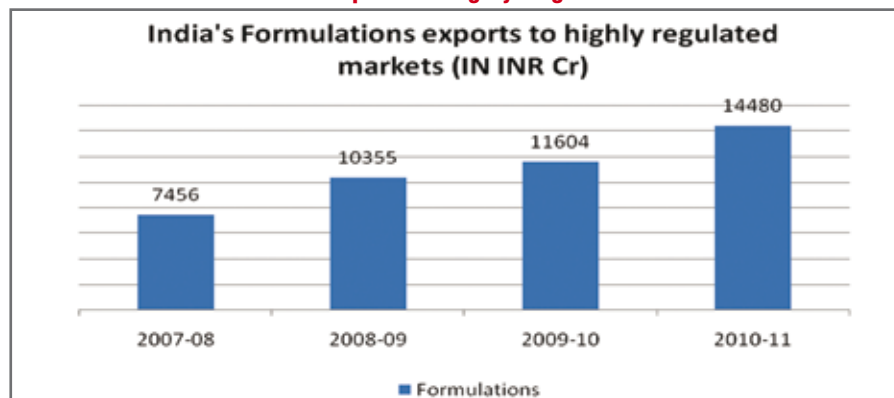
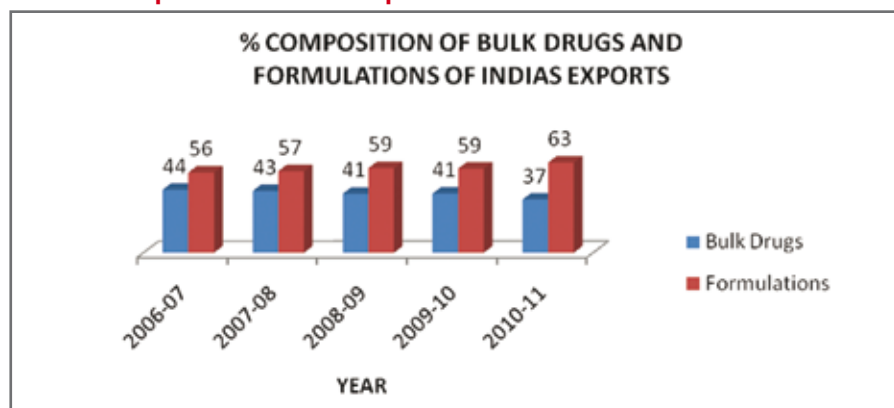


Chart 5: Composition of India's Exports



Indian exporters exhibited matching prowess in producing world class generics which are endorsed by USFDA, UKMHRA, TGA etc by their market authorisations. (Refer chart No 4)

Cost Advantage & Vast Talent Pool: A recent Deutsche Bank report puts average cost of production of Indian Pharmaceutical industry as 20 percent of America's cost and 30 percent of Europe's cost.

Each year, roughly 115,000 chemists graduate from Indian universities with a master's degree and roughly 12,000 with a PhD. The corresponding figures for Germany are just under 3,000 and 1,500 respectively. Overall business managerial skills of Indians are second to none and are sought after even in the highly developed countries of the west and Singapore.

With such low cost of operation, large pool of educated population and the fact that as of December 2011, 503 manufacturing sites were registered with USFDA (the highest number outside USA), speaks volumes of the depth of expertise, it is no wonder that India has attained the title of pharmaceutical manufacturing hub. An increasing number of foreign companies are now setting up manufacturing facilities in India to cater to their global business.

Up the Value Chain

The Indian Pharmaceutical industry has managed the product mix accordingly to position themselves as a major source of supply for highly regulated markets. During the last three years many DMFs of therapeutic segments like cardio vascular (CVS), central nervous (CNS), and of oncology were filed. 1252 DMF's out of a total of 2759 filed with USFDA are of these therapeutic segments. 240 out of 860 market authorisations received from USFDA during the last three years are for CNS, CVS mostly and a beginning in oncology also is made.

India's exports of formulations during the recent years show its ability to cater to the needs of highly regulated markets and developed countries which need more of life style drugs. Refer chart No 4:

Region	Country
Africa	South Africa
	Nigeria
ASEAN	Vietnam
	Singapore
Asia (Excluding Middle East)	China
	South Korea
CIS	Russia
	Ukraine



EU	UK
	Germany
LAC	Brazil
	Mexico
Middle East	Turkey
	Israel
North America	USA
	Canada
Oceania	Australia
	New Zealand
Other European countries	Switzerland
	Croatia

The gradual change in composition of India's exports speaks of India's ascendancy in catering to the needs of developed countries. Gradual increase in Formulation exports is seen over the years. Please refer chart No 5.

India tops the Formulation Exporters

India topped the formulation exporters with 12 percent market share by way of volumes as per UN COMTRADE in the calendar year of 2009. Even in the year 2010 India is retained this position, perhaps with increased percentage share.

During the year 2010 the world generic market size was US\$234 billion out of a total of US\$856 billion. That is a total of 27.3 of the total market is of generics. By 2014 while the total market is expected to go to US\$1100 billion, generics market is expected to touch US\$400 billion as per IMS estimates. That is 36 percent of the market will consist of generics, growing at a CAGR of 14 percent while the total market is expected to grow by 6 percent.

As the pipeline of Innovative block busters, if not totally dried to a trickle, it is the generic sector which will be the major driver of the pharmaceutical market for some time to come.

India then could be concluded as placed on a firm ground with all the necessary infrastructure and product range to become a major source of API's and formulations be it Africa, Asia or the well developed Europe or the Americas.

India is looking at the Japanese market with interest as the generic market in Japan is likely to grow faster as the authorities are keen to promote generics in a bigger way so as to help generic market reach a fourth of the total market by way of value, soon. Presently the generic market constitutes only 11 percent of the Japan's total market. During 2010-11

India exported \$80 million to Japan. Exports to Japan have picked up considerably as for the period April-August 2011 exports to Japan touched \$49 million with a growth of over 40 percent in comparison to the corresponding period.

Indian companies are also now investing in basic R&D. Today the average is around 4 percent of the revenues as Deutsche bank report puts it. Companies like Suven invests 27 percent of its revenue in R&D.

Pharmexcil as the nodal agency of Indian Pharmaceutical exporters always appraises the Government of India, regarding the road blocks in India's way and the country is aware of its intense competition and is quite sensitive to the requirements.

Dr PV Appaji is the Executive Director & CEO at Pharmaceutical Export Promotion Council.



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INDIAN SME SECTOR HUGE UNTAPPED POTENTIAL

Since independence in 1947, there has been a widespread recognition in India that vibrant small enterprises are potentially a key engine of economic growth, job creation and greater prosperity. The Government of India's successive industrial policy statements have emphasised the role that small business can play in providing employment to around 10 million people transitioning out of agriculture each year. The development of the small scale sector has been seen as a method of ensuring a more equitable distribution of national income and facilitating the effective mobilisation of capital resources and skills which might otherwise remain un-utilised.

In the post-independence period, India adopted a process of centralised planning that determined how much would be saved, where would it be invested and in what forms. Self-reliance was a principal objective. Import substitution and export pessimism was an underlying strategy/assumption. Like in other sectors of the economy, with regards to Small Scale Sector also, the state's intervention had been significant; certain product categories were reserved for exclusive manufacture for the sector; to augment flow of credit to the sector directed lending policies were introduced (under Priority sector lending); State Financial Corporations were created to ease access to term lending; and, a huge network of institutions was created to provide support in marketing and public procurement and technology up-gradation.

The MSME Sector in India: Characteristics and Significance

Currently, the SME sector in India is termed as a triad of Micro, Small and Medium Enterprises (MSME) which are separately defined. The MSME sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. This sector contributes 8 percent of the country's GDP, 45 percent of the manufactured output and 40 percent of its exports. The labour to capital ratio in MSMEs and the overall growth in the MSME sector is much higher than in the large industries. The geographic distribution of the MSMEs is also more even. Thus, MSMEs are important for the national objectives of growth with equity and inclusion.

The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services produced and the levels of technology

employed. While one end of the MSME spectrum contains highly innovative and high growth enterprises, more than 94 percent of MSMEs are unregistered, with a large number established in the informal or unorganised sector. Besides the growth potential of the sector and its critical role in the manufacturing and value chains, the heterogeneity and the unorganised nature of the Indian MSMEs are important aspects that need to be factored into policy making and programme implementation.

Further, over 95 percent of MSMEs are proprietorship/partnership firms; barely 3 percent are companies with limited liability. Average size of MSMEs is very small: employment per MSME is barely 2 persons. Around half of MSMEs are set up in rural and half in urban areas. Approximately, 50 percent of them are owned by deprived/backward sections of society; and, around 10 percent of them are owned by women.

Definition of the Sector

Enterprise	Investment in Plant and Machinery Excluding Value of Land and Buildings
Micro	Up to ₹2.5 million (\$55,500 or less)
Small	₹2.5 million to 50 million (from \$ 55,500 to 1.1 million)
Medium	₹50 million to 100 million (\$1.1 to 2.2 million)
Large	Exceeding ₹100 million (over \$ 2.2 million)

Source: MSMED Act 2006 (Ministry of MSME)

As per the 4th Census of MSMEs, there are close to 26 million such units in India, which provide employment to over 60 million people. 'Registered' means MSMEs that are registered with industry department. The number of 'unregistered' enterprises is based on survey which means the number of MSMEs which are present and could have registered but chose not to do so. It is interesting to see that majority of the MSMEs rely on self-developed technology and less than two percent of them have technical know-how from foreign forces.

Size of the MSME Sector in India

	Attribute	Registered	Unregistered	Total
1	Number of Enterprises	1.52	24.57	26.10
	Manufacturing	0.95	6.36	7.31
	Service Enterprises	0.58	18.20	18.78
2	Employment	9.47	50.25	59.72
	Manufacturing	7.84	14.75	22.59
	Service Enterprises	1.63	35.50	37.13

Source: Summary Results of 4th Census of MSMEs, reference year 2006-07, Ministry of MSME

Technical Know-How

Source	% MSMEs
Foreign Collaboration	1.72 %
Collaboration with Indian Company	4.20 %
R&D institution with in India	6.39 %
Self-developed/machinery suppliers	86.53 %
Not reported	1.17

Source: Summary Results of 4th Census of MSMEs, reference year 2006-07, Ministry of MSME

Number of MSMEs in Industry Groups

NIC Code	Industry Group	% MSMEs
18	Garments/ apparels/ dyeing etc	13.84
15	Food products and beverages	13.69
52	Repair and maintenance of household goods	9.09
28	Fabricated metal products	8.89
17	Textiles	6.87
36	Furniture	6.44
29	Machinery and equipment	4.66
50	Repair and maintenance of automobiles	3.74
26	Non-metallic products (plastics, rubber, paper ..)	3.65
20	Wood & wood products	3.47
	Others (including services, IT etc)	25.67

Source: Summary Results of 4th Census of MSMEs, reference year 2006-07, Ministry of MSME

Opportunities for Czech Companies in Indian MSME space

Since breaking its self-imposed isolation from world markets in 1991, the Indian economy has witnessed a period of sustained growth of greater than six percent. In 2003-04 and 2007-08, its annual growth rates reached an even higher orbit, marking the second highest growth momentum in the world with an average of 8.8 percent, next only to the People's Republic of China. Per capita GDP growth also doubled to 7.3 percent (from 3.7 percent in 1980-91), increasing per capita consumption and further fuelling economic expansion. Growth of this magnitude catapulted India to become the world's twelfth largest economy in current prices, with a GDP of over \$1 trillion, and the fourth largest economy when measured by purchasing power parity (PPP).

India – a country of 1.2 billion people – is currently passing through huge transformation and presents enormous opportunities. Millions are moving from rural areas to urban areas: urban population it is set to increase from 377 million to 600 million in the next 20 years. In the 1960s, more than half of India's GDP used to come from agriculture; now three quarters of it comes from industry and services.

Sectoral GDP of India	1960	2010	Change
Agriculture	55	18.5	- 66%
Industry	16	26.3	+ 64%
Services	29	55.2	+ 82%

Income levels are rising dramatically both in rural as well as urban areas (see accompanying tables) fuelling demand of all kinds of goods and services. Besides the huge investment opportunity in infrastructure estimated to be around US\$1 trillion, opportunities also abound as millions of new houses that are being built and as families set-up base in new towns there is need for consumer goods such as refrigerators, air-conditioners, appliances and automobiles and so on.



	Rural Per cent of each Income Group				
	1995-6	2001-2	2005-6	2009-10	Change (95-96 ~09-10)
Upper	2.1	3.6	5.2	8.1	+285%
Upper Middle	3.1	4.1	5	6.5	+109%
Middle	8.6	10.1	13.7	22.3	+160%
Lower Middle	29	39.5	43.5	42.5	+46%
Lower	57.2	42.7	32.5	20.6	- 64%

Urban % of each Income Group					
	1995-6	2001-2	2005-6	2009-10	Change (95-96~ 09-10)
Upper	7.3	16.7	23.6	35.9	+391%
Upper Middle	9.6	13.7	15	16.3	+70%
Middle	20.3	23.6	23.4	21.7	+7%
Lower Middle	34.8	31.7	28.1	21.4	-39%
Lower	27.9	14.3	9.9	4.7	-83%

Drivers of economic growth in India (2002-03 to 2007-08)		
	Segment	% age
1	Manufacturing	16%
2	Trade	14%
3	Communication	11%
4	Agriculture	10%
5	Construction	10%
6	Real Estate/Housing/Business Services	8%
7	Banking and Insurance	8%
8	Other Services	7%
9	Transport by Other Means	6%
10	Other	10%

Source: Arvind Virmani, Economic Advisor, Ministry of Finance, 2008

While the Indian market presents enormous opportunities, the entry and servicing it is complex and difficult. The Indian market demands huge customisation to the needs and tastes of Indian consumers. Presence in India, preferably with manufacturing facility, is becoming essential to exploit emerging opportunities.

It is in this context MSMEs provide excellent opportunities to their Czech counterparts. A large number of Indian MSMEs need technology and know-how to produce goods that can sustain global competition while serving domestic demand. The following sectors present excellent potential for Indo-Czech collaboration:

- Electricals (Electrical equipment as well as appliances)
- Electronics
- IT/ITES
- Engineering (including auto components, defence and aerospace industry)
- Technical textiles
- Chemicals & plastics
- Pharmaceuticals and healthcare
- Food processing
- Packaging industry



A Word of caution

Identifying a business partner is never easy; it is no less difficult in India. Czech companies should be particularly concerned about three things:

- Short term vision of their Indian entrepreneurs (peer opinion is important)
- Gaps between their intention and capability between promise and delivery
- Awareness for IPRs (patents) is low but with suitable measures IPRs can be effectively protected in India

Federation of Indian Micro and Small and Medium Enterprises (FISME) facilitates identification of right partners from its three offices in New Delhi, Bengaluru and Hyderabad. It runs three IPR Facilitation Centres (sponsored by Ministry of MSME), and with in-house Patent Attorneys provides guidance on IPR protection.

India is an unparalleled opportunity: the largest democracy, a free market economy with rule of law, and clocking one of the world's highest economic growths for over a decade.

Anil Bhardwaj is the Secretary General of Federation of India Micro and Small & Medium Enterprises.



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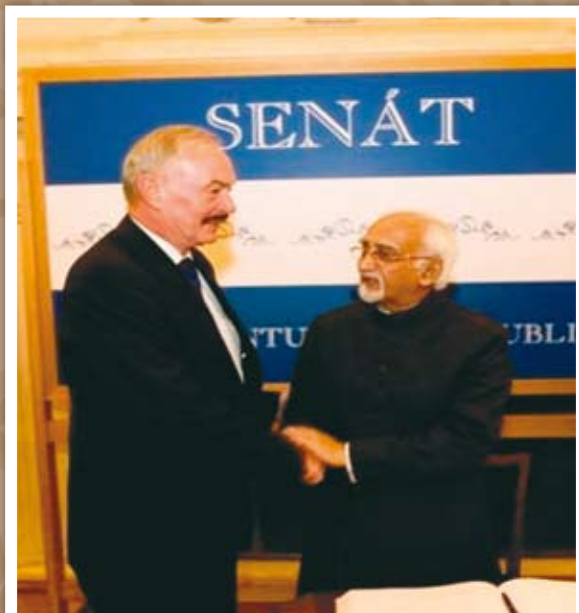
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Photo Feature



Bharatnatyam dance performance by Rasabihari Devi Dasi at Go Kamera Tourism Fair, Brno, January 2012



Vice President of India, Hamid Ansari with President of the Senate of the Parliament of the Czech Republic, H.E. Přemysl Sobotka in Prague, June 2010



H.E. Milan Štěch, President greets V Ashok at Republic Day reception on January 26, 2012 in Prague



Guest of Honour at Indian Republic Day reception H.E. Mr. Milan Štěch, President, Senate of the Parliament of the Czech Republic with Ambassador V. Ashok on January 26, 2012



H.E. Milan Hovorka with V. Ashok at 'Invest In India Seminar' in Prague on February 29, 2012



H.E. Milan Hovorka, Deputy Minister of Industry & Trade of the Czech Republic addressing the 'Invest In India Seminar' in Prague on February 29 2012



V. Ashok at ITEP - Pilsen Tourism Fair 2011, in October last year. ICCR - sponsored a Rajasthani Folk Dance group which performed at the fair



'Bhavai Dance' by ICCR-sponsored Rajasthani Folk Dance Group at ITEP – Pilsen Tourism Fair 2011, October 2011



'Kalbeliya Dance' by ICCR-sponsored Rajasthani Folk Dance group at ITEP – Pilsen Tourism Fair 2011, October 2011



Ivana and Anežka Hessová performs 'Kathak' dance at Pardubice during 'Day of India' event on March 1, 2012



Anežka Hessová performs 'Kathak' dance at 'Day of India' event at Pardubice, March 1, 2012



H.E. Jiří Běhouněk, President of Vysočina Region with Ambassador V Ashok and audience at the Indian Dance performance during 'India Seminar' at Humpolec on March 5, 2012



Bharatnatyam dance performance at 'India Seminar' by Vendula Uhýrková, Humpolec, March 5, 2012

INDIAN FOOD PROCESSING INDUSTRY

A SUMPTUOUS REPORT

India presents a study of contrasts as far as the food industry is concerned. With a predominantly agrarian economy, the potential for the explosive growth of the food processing industry seems to be simmering just below the surface. The country has several advantages that if exploited and channelled in the right direction with the right infrastructure can ensure that we poise ourselves for take-off in this segment. But unfortunately, the food processing industry faces several bottlenecks that have stymied its growth.

Core strengths that should encourage investment in food processing

India's strong agriculture record: India has the ability to become the food supplier to the world. India is the number one producer of milk, and second largest producer of fruits and vegetables in the world. The country is one of the largest producers of rice and wheat. The country also tops in the production of mangoes and bananas. In the next ten years,

food production is expected to double – thus providing a vast source of raw material for the food production industry.

India's growing consumer base: India's population stands at 1.25 billion and is expected to grow at 15 percent per annum. With its economy taking an upturn, the purchasing power in the country has increased dramatically in the recent past. The urban middleclass stands 350 million strong and is expanding fast. The statistics prove that this represents an expansion of the market for processed foods. Food products are the single largest component of private consumption expenditure, accounting for as much as 49 percent of the total spending. Furthermore, the upward mobility of income classes and increasing need for convenience and hygiene is driving demand for perishables and non food staples as well as processed foods. Also, as middleclass aspirations grow there has been a change in consumption patterns. Eating out is more common and processed foods are

accepted as an alternative to home cooked food because of the convenience it offers.

Global trade powers supplies: With the globalization of trade and availability of high speed logistics, food retailers in developed countries are sourcing a year-round supply of fruits and vegetables from developing countries. Thus, there is a year round opportunity for fruits and vegetables, meat and poultry products and ready to eat processed foods both for local consumption as well for export.

Change in agro profile: Over the years, there has been a shift from food grains to cultivation of commercial crops like fruits, vegetables, spices and plantation crops.

The main players in the food processing industry

The Indian industry has recognized the potential of food processing. There are several well known Indians as well as multi-



national brands like Tropicana that have entered the industry and provide customers with options ranging from processed juices, ready-to-eat foods, dessert mixes, chocolates, confectionaries, cookies and much more.

Indian companies have been innovative.

HLL, ITC, MTR and others have introduced innovative heat-and-eat dishes and high standard packaging. Local companies like Dabur, MTR, ITC, Godrej, and Amul are aggressive across the value chain. Multiple restaurant chains such as McDonalds, Pizza Hut, Dominos, Coffee Day, Qwiky's, Saravana

Bhavan and Sagar Chains are growing rapidly. However, the overall pace is slow. There are no billion dollar players in India, while in countries like China and the Philippines there are large players with sales exceeding \$1 billion.

Corporate Houses and State Govt/PSUs currently engaged in Processed Food Sector

Company	Major Brands	Categories/Products
Dabur India Ltd	Dabur, Real Activ, Vatika, Pudim Hara, etc	Juice, Honey, Spices, Cooking Pastes, Coconut Milk, etc.
Godrej Industries Ltd	Godrej, Jumpin, Xs, etc	Oils and Vanaspati, Bakery Fats, Fruit Drinks and Fruit Nectar, Non-food items include chemicals, consumer products, etc
Parle Agro Ltd	LMN, Bailey, Appy, Frooti, etc	Water, Beverages, Confectionary, etc.
MTR	MTR	Ready to eat and frozen food, Spices, Dessert mix, Pickle, Papads, Beverages, etc.
Nestle India	Nestle, Maggi, Nescafe, etc	Chocolates, Malt food, Cocoa, Infant Food, etc.
Pepsico	Pepsi, Frito-Lay	Carbonated drinks, Juices, Snack Foods, etc.
Cadbury India Ltd	Dairy Milk, Perk, Five Star, Gems, etc.	Chocolates, Malt food, Cocoa Powder, etc.
Hindustan Unilever Ltd	Brooke Bon, Annapurna, Kissan, Knorr, Kwaliti Walls	Tea, Coffee, Biscuits, Ice creams, Atta (flour), Instant drinks, Soups, Jams and Squash, and other FMCG products,
Gujarat Cooperative Milk Marketing Federation	Amul	Ice cream, Skimmed milk powder, Ghee, Dairy whitener, Paneer (cottage cheese), Sweet Yogurt, Pizza, Cheese, Butter, etc
Hind Agro Industries Ltd	Fast Prax, (Fast Food Outlets)	Meat of Buffalo, Sheep and Goat
Allanasons Limited	Premier (fruits and vegetables)	Meat of Buffalo and goat, Fish
VH Group	Venky's	Chicken & eggs
Al Kabeer	Al Kabeer	Vegetables and fruits, snacks, Meat and poultry, Ready-to-eat meals and seafood

Export prospects for Indian food processing

Indian food processing exports range from dehydrated vegetables and fruit pulps to ready-to-eat snacks. Export with a major

country like Japan has shown an encouraging trend over the past few years. India's biggest export to Japan in this sector is mango pulp. Guar gum and poultry products also make up a significant portion of the exports to Japan.

Alcoholic beverages, cereal preparations and dairy products also make their way from India to the Japanese market.

Three Year Export Statement of APEDA Products

PRODUCT PROCESSED FRUITS & VGETABLES	Value in ₹ lakh Qty in MT					
	2008		2009		2010-11	
	Qty	Value	Qty	Value	Qty	Value
Dried and preserved vegetables	147861.22	49641.51	124613.5	53207.48	110173.91	51697.09
Mango pulp	173013.6	75298.9	186197.85	74460.77	171929.43	81400.66
Other processed fruits and vegetables	387126.42	137179	397978.17	143550.63	340067.97	131635.53
Pulses	136880.08	54232.5	100130.94	40832.47	205820.98	85310.73
Total	844881.32	316351.91	808920.46	312051.35	827992.29	350044.01

OTHER PROCESSED FOODS

Ground Nuts	297890.37	123900.93	340246.31	142593.3	417150.04	209406.4
Guargum	258567.56	133898.53	218479.74	113330.55	403675.01	281194.65
Jaggery And Confectionery	1467904.9	200482.09	53639.76	23320.18	1068376.45	349570.07
Cocoa Products	6831.9	8403.91	5863.88	9699.45	6962.54	11151.92
Cereal Preparations	206928.49	110092.5	168795.5	101353.72	215727.31	122681.79
Alcoholic Beverages	56152.9	54254.2	70504.99	58952.65	132113.31	79019.63
Miscellaneous Preparations	139637.31	59172.63	158803.46	69427.79	182184.2	87426.47
Total	2433913.43	690204.79	1016333.64	518677.64	2426188.86	1142450.93
Grand Total	3278794.75	1006556.7	1825254.1	830728.99	3254181.15	1492494.94

Share (%age) of top five destination of APEDA products year 2010-2011

Dried and Preserved Vegetables	Russia (11.53%)	Germany (10.81 %)	Malaysia (7.86 %)	USA (7.81 %)	France (7.49 %)
Mango Pulp	Saudi Arabia (25.87 %)	Netherlands (13.18 %)	UAE (7.60 %)	Yemen (7.46 %)	UK (6.94 %)
Other Processed Fruits and Vegetables	USA (23.16 %)	UK (9.48 %)	Netherlands (8.58 %)	Saudi Arabia (6.86 %)	UAE (4.51 %)
Pulses	Pakistan (31.85 %)	Algeria (13.02 %)	Turkey (11.73 %)	Sri Lanka (9.43 %)	UAE (7.68 %)
Ground Nuts	Indonesia (43.06 %)	Malaysia (17.46 %)	Philippines (11.04%)	Pakistan (4.29 %)	China (4.13 %)
Guargum	USA (59.96 %)	China (7.36 %)	Germany (6.16 %)	Russia (4.20 %)	Italy (2.53 %)
Jaggery and Confectionery	Bangladesh (25.48 %)	Pakistan (18.80 %)	Sri Lanka (9.10 %)	Somalia (7.10 %)	Indonesia (5.53 %)
Cocoa Products	Netherlands (25.48 %)	Nepal (17.28 %)	USA (13.68 %)	China (9.59 %)	Sri Lanka (7.82 %)
Cereal Preparations	USA (16.75 %)	UK (11.12%)	Bangladesh (7.49 %)	UAE (6.64 %)	Nepal (6.07 %)
Alcoholic Beverages	UAE (23.53 %)	Angola (21.66 %)	Ghana (7.22 %)	Singapore (5.36 %)	Nepal (3.62 %)
Miscellaneous Preparations	USA (18.46%)	UAE (10.62 %)	Nepal (7.08 %)	Kenya (6.39 %)	UK (6.12 %)

The way forward for Indian food processing

Develop food clusters: The creation and development of food clusters can be helpful. Actually, India has natural food clusters. Since the raw materials for the industry are perishable and the infrastructure is missing, most processing units are located close to the source of raw materials. Encouraging this trend and establishing a proper infrastructure via uninterrupted power supply, cold storages, rural roads and connectivity between farms and markets will surely help. Proactive measures will be required both by the Central and State governments. Private participation through the public private partnership model can bring in funds for technological research as well as for infrastructure development.

Provide Finance: Finance is also a key to developing the industry. But things are looking up, especially in the export sector. Financial schemes for exports presently



focus on: Infrastructure development; quality development; market promotion; research and development; transport assistance; and, marketing development assistance.

Recently a common aseptic packaging unit with capacity of 6 MT per hour for mango pulp and vegetables was set up in Chittoor district of Andhra Pradesh with an assistance of ₹440.00 lakh from APEDA. The unit has

been operational since April 2011. Financing is important for the growth of the food processing industry and banks as well as private equity have a crucial role to play.

Source: Agricultural & Processed Food Products Export Development Authority and Dun & Bradstreet

MILETA a.s.

There is only one manufacturer of shirting fabrics in the entire region of Central and Eastern Europe and it is called MILETA. It is located in the small Czech town of Horice, approximately 60 miles from the country's capital Prague. The selective production of cotton fabrics follows the famous tradition in the region of Podkrkonoší.

MILETA was founded in March 1949 when all private local textile mills were reorganised. The name MILETA came from the antique town Miletos (Miles), well known for its top quality textile manufacturing and business activity. MILETA went through several reorganizations the most important being the foundation of the handkerchief factory in 1958. Alok Industries Limited, with its headquarters in Mumbai (erstwhile Bombay), India, is now the sole owner of the Czech manufacturer, having been a minority shareholder since 2008.



MILETA is one of the most important European manufacturers of handkerchiefs, shirting fabrics and batistes together with brocade. The production stages, which include dyeing, weaving and finishing, are based on the newest technology and many years of experience. The export represents 90% of the entire production. Above all the production of handkerchiefs and African batiste has a long tradition. The main export destination for handkerchiefs is Italy followed by Germany and France. As far as handkerchiefs are concerned Mileta follows the newest fashion trend. The company has developed a new material composition of silk and cotton especially suitable for neck scarves. Soft finish and the variety of designs and colors helped to introduce this article worldwide. Batiste and brocade, on the other hand go mainly to the west African countries of Benin, Mali and Senegal. Another important market for the company is the Persian Gulf, in particular United Arab Emirates, Kuwait and Saudi Arabia where Mileta sells head scarves and voiles which are produced in long-staple combed cotton, polyester/cotton, cotton/lurex, cotton/effect-yarn and other materials in the most common widths and all possible finishes.

The relatively new production of shirting fabrics, created exclusively by Italian designers has been extremely successful on the International market, in particular in member states of the EU, and became a significant part of our production. A team of Italian designers has assured the overwhelming success and high quality of our shirting collection. All articles are made from the finest combed long-staple cotton in single or two-ply yarn, and are available in easy care or non-iron finishes. Mileta has established a special export division "ERBA ITALIA" in Gallarate, Italy for West-European customers. The collection lines ERBA BLU, PRONTO STAGIONE, CICLAMINO, COTTONOVA are particularly appropriate for those customers who can't afford long delivery terms.

Besides shirting, handkerchiefs, batiste and brocade is Mileta also making bed linen, table cloths and towels which suit perfectly all needs of the hotel and restaurant industries. Mileta's selection of bed linens includes white, color-woven, dyed, printed, dobby and jacquard bedclothes and meter goods in cotton and polyester/cotton for home and industrial use.. All fabrics can be delivered in 140 and 160 cm width in filling-white, standard-dyed and other finishes. The company also offers weaving, embroidering or printing custom trademarks and designs. The wide range of designs and colors allow Mileta to satisfy the world market demand and to meet any customer's requirements.

Embroidery work is based in Horice, done on the Tajima machinery but Mileta's dominant technology actually comes from Europe. The company's 48 weaving looms come from Belgium and another 32 jacquard machines from the German manufacturer Dornier. The number one raw material processed on this technology is cotton. It is an extra long staple yarn spun from Egyptian and American cotton in India by Mileta's parent company Alok Industries and another local manufacturer called Premier Mills and also in Egypt itself.

Mileta employs 360 people, the highest number, 145, working in the weaving mill. The company's strategy targets flexible technology, highly qualified employees, highly effective customer service, top design standards and operative delivery terms.



THE STORY OF INDIAN TEXTILES SPANS MANY A SPINDLE AND WEAVES EXTRAORDINARY MOMENTS IN THE HISTORY OF ITS MAKING. HERE'S AN ATTEMPT TO CHRONICLE THE JOURNEY UNTIL NOW

TEXTILES

AN INDIAN Growth Story

That Weaves MANY OPPORTUNITIES

Textile trade has its footprint since the time of pharaohs, evidence of which can be found in the tombs of Egypt, where cotton produced in India was used for burial ceremonies. Since those ancient times until today, the textile industry has flourished in India, which employs close 35 lakh through its tenacious supply chain of growers, vendors and manufacturers. However, the story hasn't always been smooth. It is dotted with many trials and tribulations.

The last two years has been marked with a severe global economic crisis that has affected many countries across the globe. India has managed to survive the ordeal, but not without her share of problems at home. Rising inflation and scaled down industrial growth have taken a toll on bank lending and borrowing rates. However, the textile industry has emerged as a beacon after several years of downturn. Textiles sector contributes to 14 percent of industrial production, 4 percent of National GDP and 10.63 percent of country's export earnings. FDI in textile has spelled boom for the sector, with off-shore companies now vying for the Indian market.

The Growth Story

The Indian textile industry can be divided into a number of segments such as cotton, silk, woollen, manmade, jute and handcraft. The total cloth production registered during

September 2010 was 10.2 percent higher than that registered for September 2009. The total production of cloth during April-September 2010 increased by 2.1 percent as compared to the period April – September 2009. The highest growth was observed in the power loom sector (13.2 percent), followed by hosiery sector (9.1 percent).

The total textile exports during April-July 2010 (provisional) were valued at \$7.58 billion as against \$7.21 billion during the corresponding period of the previous year. The share of textile exports in total exports was 11.04 percent during April-July 2010. Cotton textiles has registered a growth of 8.2 percent during April-September 2010-11, while wool, silk and man-made fibre textiles have registered a growth of 2.2 percent while textile products including apparel have registered a growth of 3 percent. Textiles and apparel industry exports, valued at \$20.02 billion, contributed about 11.5 percent to the country's total exports in 2008-09. The total textiles imports into India in 2008-09 were valued at \$3.33 billion.

The total foreign exchange earnings from the textile exports during the 2011-12 financial year was registered at \$10.32 billion against \$7.75 billion during the corresponding period of financial year 2010-11.

India has the potential to increase its textile and apparel share in the world trade from the current level of 4.5 percent to eight percent and reach \$80 billion by the end of the year 2020.

The textile sector grew at 3-4 percent during the last six decades. As per the 11th Five Year Plan (FYP), it was projected to achieve a growth rate of 16 percent in value and is further expected to reach \$115 billion (exports \$55 billion and domestic market \$60 billion) by 2012. Exports are likely to reach \$32 billion in 2011-12 and the size of the domestic market may inflate to \$55 billion.





Textile is the largest single industry in India (and amongst the biggest in the world, and second to agriculture), accounting for about 20 percent of the total industrial production. Textile and clothing exports account for one-third of the total value of exports from the country. There are 1,227 textile mills with a spinning capacity of about 29 million spindles. While yarn is mostly produced in the mills, fabrics are produced in the power loom and handloom sectors as well. The Indian textile industry continues to be predominantly based on cotton, with about 70 percent of raw materials consumed being cotton. The yearly output of cotton cloth was about 12.8 billion m (about 42 billion ft). The manufacture of jute products (1.1 million metric tons) ranks next in importance to cotton weaving.

Cotton

Cotton is one of the principal crops of the country. It plays a vital role in the country's economy providing substantial employment and making significant contributions to export earnings. The ratio of the use of cotton to man-made fibre and made-made continuous filament yarn is 60:40 for Indian textile industry (based on the financial year 2005-06). It engages around 6 million farmers while another about 40 to 50 million people depends on activities relating to cotton cultivation, cotton trade and its processing for their livelihood. It is the principal raw material for the domestic textile industry.

India has brought about a quantitative and qualitative transformation in the production of cotton since 1947. Production and productivity of cotton in India have improved significantly.

Silk & Sericulture

India is endowed with all four varieties of silk: Mulberry, Eri, Tasar and Muga and the country is the second largest producer of silk in the world, contributing about 15 percent to the total world raw silk production. The focus of the government is to increase the productivity and to make Indian silk comparable to that available internationally.

The last two years has been marked with a severe global economic crisis that has affected many countries across the globe. India has managed to survive the ordeal, but not without her share of problems at home

Export earnings for 2011-12 reported was ₹844.39 crores during the first four months. April to July period of the year indicated an increase of 4.95 percent compared to export of ₹804.59 crores in the same period of the previous year. The employment in the sector has increased by 5.6 percent to a total of 65.86 lakh in 2010. In an effort to popularise the 'silk mark', the government has sold 22 lakh of quality labels and has also arranged six exclusive silk expos organised across various Indian cities.

The government has created a roadmap to expand the industry by initiating a the expansion of mulberry acreage from the existing 1.90 lakh hectares to around 2.13 lakh hectares, while also adding 9,750 hectares under the irrigation net. Beside this the government is working on increasing the number of reeling units and replacing close to 450 handlooms with power looms and another 1,860 looms to be upgraded.

Woollen

The woollen industry in the country is small in size and widely scattered. It is basically located in the States of Punjab, Haryana, Rajasthan, UP, Maharashtra and Gujarat. Forty percent, of the woollen units are located in Punjab, 27 percent in Haryana, 10 percent in Rajasthan, while the rest of the States account for the remaining 23 percent of the units. A few of the larger units are

located in Maharashtra, Punjab, UP, Gujarat and West Bengal.

The woollen industry in India broadly falls under two sectors, organised and decentralised sectors. Under the organized sector, composite mills, combing units, worsted and non worsted spinning units, knitwear and woven garments units and machine made carpets manufacturing units form a part of the structure. Under the decentralised sector, hosiery and knitting, power looms, hand knotted carpets, druggets and namdahs, and independent dyeing process houses, form a part of the woollen industry.

Since indigenous production of fine quality wool required by the organised mill and the decentralised hosiery sector is very limited, India depends upon imports. Imports have been mainly from Australia and New Zealand, the major supplier is Australia. New Zealand wool is being imported mainly for Carpet sector for blending it with indigenous wool. Similarly, for the shoddy sector, import of pre-mutilated woollen/synthetic rags is allowed under OGL.

Manmade Fibres

The limitation of cotton in terms of its yield per hectare, quality, water needs and overall pressure on food security due to lack of availability of arable land will compel one to look up at the option for future need of textile, clothing and technical textiles. Man-made fibre textiles seem to be the only option wherein polyester and viscose would dictate the consumption for time to come. Currently, globally the fibre consumption ratio is at 40:60 for natural and man-made fibre. However, in India it is reverse at 64:36.

The global fibre consumption trend in future is likely to further tilt in favour of manmade fibres as there is a limitation to growth of cotton on account of limited availability of land for cotton cultivation. The impending National Fibre Policy will go a long way in driving the growth of the Indian textile industry in the future, both in domestic as well as export markets.



Average plant size remains small, however, and technology outdated, relative to other major producers. In 2002-03, India's spinning sector consisted of about 1,146 small-scale independent firms and 1,599 larger scale independent units.

- **Weaving and Knitting:** India's weaving and knitting sector remains highly fragmented, small-scale, and labour-intensive. This sector consists of about 3.9 million handlooms, 3.8 lakh power loom enterprises that operate about 1.7 million looms, and just 1.37 lakh looms in the various composite mills. Power looms are small firms, with an average loom capacity of four to five owned by independent entrepreneurs or weavers. Modern shuttleless looms account for less than one percent of loom capacity.

Jute

India is the leading jute goods producing country in the world, accounting for about 70 percent of estimated world production. Bulk of the manufactured jute goods is predominantly being used in packaging purposes in domestic market. Sixty percent of the products at present constitutes sacking.

It is one of the major industries in the eastern region, particularly in West Bengal. The golden fibre, meets all the standards for 'safe' packaging in view of being a natural, renewable, biodegradable and eco-friendly product. It is estimated that that the jute industry provides direct employment to 0.37 million workers in organised mills and diversified units including tertiary sector and allied activities and supports the livelihood of around 4.0 million farm families, hi addition there are a large number of persons engaged in the trade of jute.

There are 80 composite jute mills in India, owned by private companies as also by the government. Until December 2010, a total number of looms installed in jute industry stood at 48,260 consisting of 22,038 Hessian looms. 24093 sacking looms, 1,068 CBC looms and others at 1061. The installed spindles in jute mills other than 100 percent export oriented units were 7,31,408 comprising 6,22,324 fine spindles and 1,09,084 coarse spindles. The maximum installed capacity in jute mills other than 100 percent export oriented units is estimated to be of 2.51 million tonne per annum.

Structure of India's Textile Industry

Unlike other major textile-producing countries, India's textile industry is comprised mostly of small-scale, non-integrated spinning,



weaving, finishing, and apparel-making enterprises. This unique industry structure is primarily a legacy of government policies that have promoted labour-intensive, small-scale operations and discriminated against larger scale firms:

- **Composite Mills:** Relatively large-scale mills that integrate spinning, weaving and, sometimes, fabric finishing are common in other major textile-producing countries. In India, however, these types of mills now account for about only 3 percent of output in the textile sector. Close to 300 composite mills are now operating in India and most are owned by the public sector. Most of these are deemed financially 'sick.'
- **Spinning:** Spinning is the process of converting cotton or manmade fibre into yarn to be used for weaving and knitting. Thanks to the rapid deregulation that started in the late 1980s, today, spinning is the most consolidated and technically efficient sector in India's textile industry.

Conclusion


Textiles are integral to the Indian psyche. It's importance is cited in the ancient texts of Indian culture, the Rig Veda and the Upanishads. The texts describe the universe as a continuous fabric with a grid pattern upon which cycles of life are painted. In the Atharva Veda, day and night are said to spread light and darkness over the earth as weavers throw a shuttle on the loom. Amidst the thousands of different fabrics woven, printed, embroidered, and painted across hinterland of India, there are a significant number of textiles that clearly depict a narrative, a story in them. These vary from the Chamba Rumal in Himachal to the Phulkari from the Punjab. Religious textiles like the painted Kalamkaris from Andhra, the Pichwais of Krishna as Srinathji, and the Tankha paintings of the Buddhist are amongst other textiles which depict myths and legends associated with the gods.

Thus, textile isn't merely an industry; it is India; along of course, with her many cultures, colours, languages, dialects and people.



THE Machine Tool Builder TAJMAC-ZPS

Approximately 100 000 sq.m. (1 million square feet) of foundry, machine shops, precision components manufacture and assembly halls at Malenovice (suburb of town Zlin) in Czech Republic.

TAJMAC-ZPS, a.s. is a fully integrated and developed multinational company with a long lasting tradition and high know-how level. The history of engineering manufacture begins in the Bat'a shoe company in 1903. In 1950, the company was renamed to the Závody přesného strojírenství - ZPS (=Precision Engineering Works). Trade mark  is registered in 47 countries.

In 2000, the company was taken over into the possession of the Italian owner Mr. Andrea Tajariol and changed its name to the TAJMAC-ZPS, a. s. which the company bears up to the present time. Further acquisitions is in 2006 the French company MANURHIN K' MX. Manufacture of CNC sliding headstock machines was transferred to company TAJMAC-ZPS.

TAJMAC-ZPS has the complete technical and production capacity to provide the specification and quality customers want at an affordable price.

The TAJMAC-ZPS company production program: Multispindle Automatic Lathes, CNC Sliding Headstock Machines, Vertical Machining Centres, Gantry Type Machining Centres, Horizontal Machining Centres,

Multi-purpose Machining Centre.

The production programme consists of high efficiency machining centres and of world - class multispindle automatic lathes and CNC sliding headstock machines. The machines come in useful in the most demanding industries in the market all over the world and have become renowned for their top engineering characteristics, accuracy and reliability.

The company TAJMAC-ZPS, is a complex firm and a strong contender in development and manufacture of machine tools. Being owner of a foundry ZPS - Slévárna, a.s., placed on the company premises in Malenovice, gives us a concentrated capacity comprising all the stages of development and production, and thus enabling us to prepare a complete documentation and manufacturing schedule based on customer's concept.

Within the Czech Republic, TAJMAC-ZPS, is second to none in machining centres and multispindle automatic lathes. It is also one of major Czech exporters, and ranks high among the world top manufacturers. More than 80% of annual production is exported.

In the past a lot of ZPS shoe machines were distributed to India and also some machining centres, for example FQH 50. In the modern history of company TAJMAC-ZPS restarted cooperation with customers in India by our direct sale activities with multi spindle automatic lathes in year 2003. We decided to present both lines of our multi spindle lathes, the mechanical (cam controlled) and fully CNC multi spindle lathes. Today our biggest customers are the companies from textile industries for multi spindle machines MORI-SAY and sliding headstock machines MANURHIN. We also succeed with our six spindle CNC lathe MORI-SAY TMZ642CNC in Ordnance factories.

Also other TAJMAC-ZPS divisions – CNC division (machining centers) and project MANURHIN (CNC sliding headstock machines), are increased their sale activities in India in last years.

The great potential of Indian market, in all his industrial sections, is for us a great chance for future development.

Based on these results we have been thinking very seriously about Indian market. We also take the participation at the machine tools shows in India, as IMTEX Bangalore.

CSR IN INDIA

By Rusen Kumar



The concept of CSR, has leaped forward to match the more logical 'Corporate Sustainability and Responsibility' notion. It is a concept where every organisation considers the interest of society by taking responsibility for the impact of their practices on customer, employees, stakeholders, communities and the environment in all aspects of their operations. It has emerged as one of the most important global issues with serious challenges and implications on all sectors.

CSR is a business term with public interest. It is essential for both, corporate sustainability and society. 'Business objective' is to gain profit in a sustainable manner, of which CSR is the human face of trade. CSR should come from the heart of a corporation. It must be a non-stop journey in the path of achieving business sustainability that links business

purpose with a larger societal purpose and helps to align the corporation with the human resource.

Corporate entities are the most important organisations in modern society. They satisfy society needs, provide employment and create wealth for the nation where they have operations. Corporations impact society and the environment through their practices, operations, products and services. Their practices and actions affect the lives of everyone within society. Here in our country, Indian corporate leaders advocate integrating CSR into the core of business governance level.

The post liberalised Indian society and economy is observing a decrease in the role of state, and an upward role of corporations in the growth of the country. In a recent

survey by TERI it was found that the public expectations from corporate and business is growing rapidly. The common man of India feels that the business segment must actively participate in the overall development of the country.

Every organisation, small or big, is now realising the social responsibility. It is not just limited to addressing the core social issues faced by affected stakeholders but also the environment, which needs protection measures. CSR is becoming a boardroom agenda in India today. The Government of India is coming up with a new company bill. If the Companies Bill 2011 is passed, Corporate Social Responsibility (CSR) will have a board-level mandate in companies in India. And it will be part of a company's annual financial statement approval process and reporting procedures.

Trade involvement in social benefit and progress has been traditional and its advancement from an individual's charity or philanthropy to CSR, corporate citizenship and responsible business can be seen in the business sector over the years in India.

Indian Managers and their CSR understanding: An Expert Panel Study, a recent study, extends the understanding of CSR concepts among managers in the context of India and offers insights for researchers and managers for a better understanding of CSR. The results show that the understanding of CSR among Indian managers differs from the predominant Western understanding. The quantitative and qualitative results offer detailed insights on the differences of CSR concept elements in the Indian context.

Ethics in corporate governance, corruption, scams and black money reserves, plunder of public property, and deficit in governance by the central and state government were in the central stage of public judgment in 2011. In India, business houses and government face a multitude of economic, environmental and social challenges.





The challenging global environment challenges companies to look beyond financial performance to drive business. Indian business leaders are increasingly realising the need to integrate environmental and social issues within the business strategy. The Government of India has proposed a new thought, 'corporate environmental responsibility', for corporates and has asked the same to be embedded in core business agenda for protection of environment.

The National Voluntary Guideline 2011 which is on social, environmental and economic responsibilities of business is a unique piece of guidelines directed towards CSR practice by corporations, both public and private in the country. These guidelines have been developed through an extensive consultative process by a Guidelines Drafting Committee (GDC) comprised of experienced professionals representing different stakeholder groups. These guidelines were released by Ministry of Corporate Affairs on July 8, 2011.

This is the first step towards mainstreaming the concept of business responsibility in the country. The guidelines emphasise that businesses have to endeavour to become responsible performers in society. Leading Indian business chambers like FICCI and CII also have voluntary CSR guidelines for their member organisation that encourage responsible business actions. Business chambers, companies and organisations are also promoting and appreciating best practices of CSR through awards and face-to-face discussion. INDIA CSR, the largest CSR network is promoting CSR in the country through providing an effective platform to share best practices in the area of corporate sustainability.

The guidelines have been articulated in the form of nine principles which include:

- Businesses should conduct and govern themselves with ethics, transparency and accountability;

- Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle;
- Businesses should promote wellbeing of all employees;
- Businesses should respect interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised;
- Businesses should respect and promote human rights;
- Business should respect, protect, and make efforts to restore the environment;
- Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner; and,
- Businesses should support inclusive growth and equitable development, and businesses should engage with and provide value to their customers and consumers in a responsible manner.

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. By doing so, business, as a primary driver of globalisation, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere. As social, political and economic challenges (and opportunities) – whether occurring at home or in other regions – affect business more than ever before, many companies recognise the need to collaborate and partner with governments, civil society, labour and the United Nations.

This ever-increasing understanding is reflected in the Global Compact's rapid growth. With over 8700 corporate participants and other stakeholders from over 130 countries, it is the largest voluntary corporate responsibility initiative in the world.

Endorsed by chief executives, the Global Compact is a practical framework for the development, implementation, and disclosure of sustainability policies and practices, offering participants a wide spectrum of work streams, management tools and resources – all designed to help advance sustainable business models and markets.

Today young entrepreneurs and businessmen are changing the way social responsibility as a subject was approached initially. It was usually the 'philanthropist' who made responsible gestures toward society through the construction of a school or hospital. But, today, one does not need to cover such a large curve and instead young businessmen reveal the philanthropist in them by practical charitable activities. According to annual India Philanthropy Report 2012 published by Bain & Company, more than a third of high net worth individuals (HNIs) who turned to philanthropy in 2011 were below 30 years of age. The survey of nearly 400 wealthy Indians found that they contributed more of their income in 2011 and many of them plan to give more in the future. This motley is playing a greater role in shaping the philanthropic ecosystem in India.

The perception has changed at the government level too and they are increasingly making a dialogue with corporations in discussion on policy issues relating to social development. What will fuel this drive is reduction of communication gap between the government and the businesses, so that a common goal of upliftment is achieved.

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india AN EDUCATION DESTINATION



By *Rajeev Katyal*

India is home to 1.2 billion people. It has one of the largest education systems in the world with 1.5 million schools, over 30,000 colleges and more than 500 universities. The education system alone caters to 230 million students. Yet, India has a comparatively low literacy rate of 65 percent. India produces some of the finest management, technological and medical talent in the world, capable of holding their own among the world's best. But, its education system requires radical reform and improvement.

India is also a success story of economic growth. However, it realises that for it to continue an economic growth rate of 8 percent or higher, it has to develop its manpower as a highly skilled workforce. India has 12 percent of its population in the age group of 18-24. It has over 50 percent of its population below 25 years and has the potential to become the manpower base for the rest of the world. India, at one time primarily an agricultural country, now has over 50 percent of its GDP being contributed by the services sector. That is why it is all the more important for India to make its manpower a crucial vehicle for economic growth. Prime Minister Dr Manmohan Singh has set a target of 500 million skilled and knowledgeable Indians by 2022. India, in his own words, is seeking to reap the demographic dividend.

The education sector of India is formally divided into the following segments – school education, tertiary or higher education and vocational education. Each one of these sub

sectors is a story of success, but there're areas that need reform and improvement, and there is opportunity for intervention for those interested.

Let us take a look at the schooling sector. Indian schools are divided into pre-primary, primary, middle, secondary and senior secondary sectors. Pre-primary covers pre-schooling; primary covers standards one to five; middle, six to eight; secondary, ninth and tenth, and senior secondary, 11th and 12th. Ninth to 12th is also called the secondary sector. Another way to segment Indian schools is into government-run and private schools where private schools make up a lower percentage in terms of numbers, but a disproportionately higher percentage of students.

» **The education sector of India is formally divided into the following segments – school education, tertiary or higher education and vocational education. Each one of these sub sectors is a story of success** »

Close to 210 million students study across Indian schools. To best describe the story of schooling in India, let's refer to the gross enrolment ratio (GER). This ratio stands for the number of students studying at particular class levels in India (say standards one to five) divided by number of students who should be studying at that level as a percentage. The GER in India for primary level is over 100 percent, it falls to 66 percent for middle levels and further to 42 percent at secondary level (standards nine to 12). The government is very concerned about this and has set targets for improving student enrolment and retention issues. It has launched the Sarva Shiksha Abhiyan (SSA) with an embedded mid-day meal scheme to promote enrolment and retention in what it calls elementary education (classes one to eight). The enrolment drive has been a success as evidenced by a GER of over 100 percent, but retention is an issue as shown by the rapidly dropping GER figures from standard six onwards. It has passed a highly publicised RTE (Right to Education Bill) that seeks to provide education as a basic right to children until age 14. The bill promises to infuse close to \$40 billion into the education system and has also asked the private schools to reserve 25 percent of entry level seats for children of weaker sections of society.

To provide for higher a GER at secondary levels (standards nine to 12), the government has launched the Rashtriya Madhyamik Shiksha Abhiyan (RMSA) to achieve a 75 percent GER by 2018. This scheme attempts to open more schools at the secondary level



सर्व शिक्षा अभियान



सब पढ़ें सब बढ़ें



manpower for the Indian manufacturing, core and services sectors; structural reform; use of technology; and curricular improvement among others. The reports from the National Knowledge Commission and the Yashpal Committee reports are landmark reports in this direction.

Estimates are that close to \$90 billion are required to achieve government targets of expanding the GER. Therefore, recommendations have ranged from amending legislation to bringing in for-profit private players into the field. The Regulation of Entry and Operations Bill 2010 proposes a time bound system for approval and regulation of foreign education institutions, as per the

and also convert schools currently at middle to secondary level. The government has also launched a model school scheme to open 6000 model or high standard schools across 6000 blocks in the country.

While the standard of a substantial percentage of government schools is debatable, the Kendriya Vidyalaya and Navodaya Vidyalayas have very high standards. Many state boards have schools of appreciable standard. Moreover, India has a burgeoning private schools segment and anyone wishing to intervene and invest in this sector has tremendous opportunities. These schools are springing up in large numbers in India's metro cities, and Tier 1 and Tier 2 towns as well. Some schools charge as much as \$12,000 per annum (a high fee in India). Many of these schools function at extremely high levels of occupancy, with as many as 2000 to 5000 students at full capacity. Private sector organisations, sometimes backed by private equity funding, are investing in this segment and there are national school chains spreading across the country. Many of these are riding on the real estate boom in the country where townships offer ample amenities space to open private sector schools. The pre-primary segment is also an area witnessing rapid growth with school chains like Euro Kids, Roots to Wings and Shemrock to name a few.

The other big area of importance is the tertiary or higher education sector. In 1947, when India became independent, it had 20 universities and 500 colleges. Today, it boasts of over 500 universities and over 30,000 colleges. Of these 500 plus universities, 261 are state universities, 73 are state private universities, 42 are central universities, 130 are deemed universities and there are 33 institutes of national importance. Among these, the Indian Institute of Management (IIM), Indian



Institute of Technology (IIT) and National Institute of Technology (NIT) are institutions of high quality and have been among the top contributors of technological and managerial manpower, not only in India but all over the world. The government aims to expand the number of IITs to 15, IIMs to 13, the IIITs (Indian Institutes of Information Technology) to 20, the NITs to 30, and also set up five Indian Institutes of Science Education and Research (IISER), and expand the number of Schools of Planning and Architecture (SPAs). However, a key statistic is that the GER in higher education in India is only 11 percent and the government is trying to take it to 21 percent. The quality of many universities in India as well as a large percentage of colleges requires tremendous improvement. The government has been inundated with advice on how to radically reform India's higher education sector on many fronts – increasing the numbers of universities and colleges as well as rapidly increasing the gross enrolment ratio; improving the quality of higher education and bringing it in line to provide

Ministry of Human Resource Development Annual Report. Private public partnerships (PPP) are also another mode suggested for expanding the reach of India's higher education and improving the quality. There is also a recommendation that the government should start schemes like Sarva Shiksha Abhiyan and Rashtriya Madhyamik Shiksha Abhiyan for higher education too, as it has done for school education. There are other calls for action where the university sector works together with industry to create the curriculum and produce graduates that are in line with industry requirements. Also there is an expressed need for structural reform in Indian higher education which is considered to be over regulated with a plethora of controlling bodies but regarded as under managed. The government seeks to establish a national council for higher education and research to reform the higher education sector.

Some of the important initiatives that are bringing fresh waves of innovation into



the higher education space apart from the government initiatives in setting up more quality institutions are the entry of private players like Manipal University, Amity, NIIT and other players into the private higher education space, and start of multi-disciplinary and inter-disciplinary courses by them. The higher education space is headed for changing times, but change for the better in terms of privatisation, more industry relevant programmes, entry of quality players from overseas and expansion of capacity would come in an unpredictable manner. A lot depends on legislative boldness and success. This space needs to be watched carefully for opportunities.

The third space that has burgeoned in India is that of vocational education. The prime minister's target of 500 million skilled Indians by 2022 sits primarily in this space. The current capacity is estimated to be one fifth of what is desired. Also, a lot of it is distributed in Industrial Technical Institutes (ITI), polytechnics, government vocational institutions run by central and state government ministries, and also private players. The government institutions are in

need of improvement as to the relevance of quality and skills for industry. Very interestingly, this is the least regulated space in India where there is widespread private sector participation, providing vocational training virtually unregulated and granting its own certifications. The ITI and polytechnics cater more to the manufacturing and core sectors. The private players tend to focus more on the services sectors as imparting of skills in these sectors can be done without heavy investment in machinery but more based on classroom and e-learning methods.

Private players provide skilled manpower for industries like IT, BPO, retail, finance and banking, retail, travel, tourism and hospitality. They also provide life skills and soft skills like communication, and etiquette among others. The construction industry in India is estimated to provide 17 million jobs; the manufacturing sector 13 million jobs; retail sector 6 million jobs; BPO 3 million; and health sector 2 million. The government has launched a National Skills Development Corporation as well as Sector Skills Council. The former is expected to act as a nodal body to catalyse vocational skill development in India, while

the latter are supposed to improve industry relevance of vocational training.

As per the Ministry of Human Resource Development, a National Vocational Education Qualifications Framework is being developed to put in place guidelines for a nationally recognised qualification system across schools, higher and vocational education systems to develop vocational competencies. Also it is being realised that general and vocational education needs to intertwine, reducing distinction between the two and promoting cross movement of students.

Prominent players who have entered and made a significant contribution to this space from the private sector are NIIT, ICAN, India Skills and ILFS to name a few. Suffice it to say, currently, apart from school education, this is one sector that gives ample scope for entry and expansion of private players to impact India's education sectors. ICAN and India Skills are examples of collaboration with overseas players like Pearson and City & Guilds.

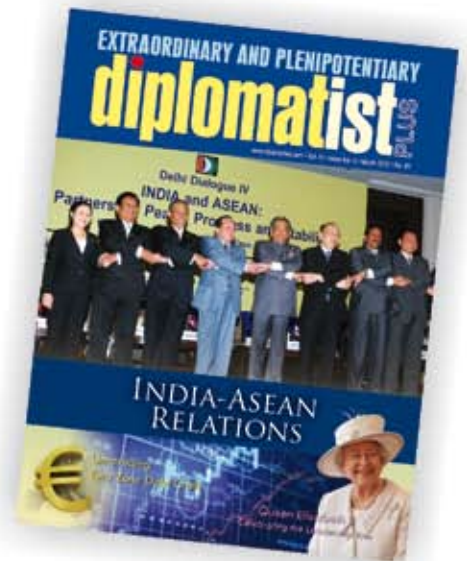
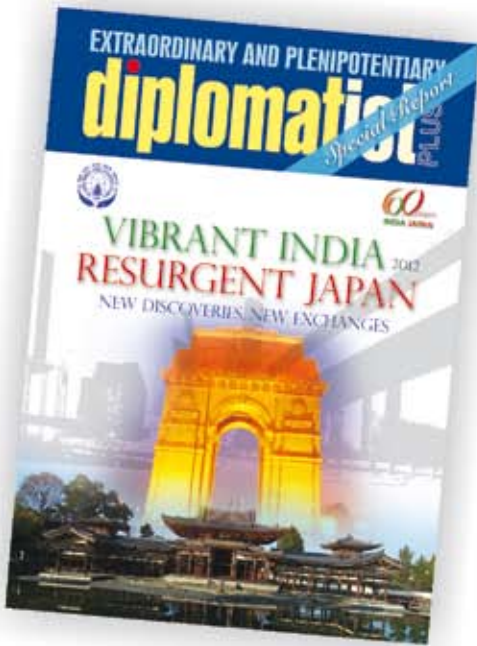
To conclude, one would say that India with its dreams of realising a demographic dividend of providing skills for 500 million of its population by 2022 has an ever expanding school, higher and vocational education space. Its 15 million schools, over 500 Universities and more than 30,000 colleges need expansion in numbers as well as improvement in quality. While it continues to provide manpower in quality and quantity around the world, there is a much larger role India seeks to play in this space.

There are many government initiatives like RTE, SSA, RMSA in the school space; proposed legislations to reform and expand the higher education space; and initiatives like NSDC and NVQF to catalyse the vocational education space. The school and vocational education spaces provide ample opportunities for private players to contribute to India's growth story. The higher education space is composed largely of private players as a large number of colleges are run by private players but affiliated to government controlled universities. India requires over 1500 universities in addition of the 500 it currently has. Foreign participation in this space is legislation dependent. PPP and active private sector participation are beginning to emerge as routes for expanding the Indian education system. India today represents an education growth story, which is perhaps the most exciting in the world.

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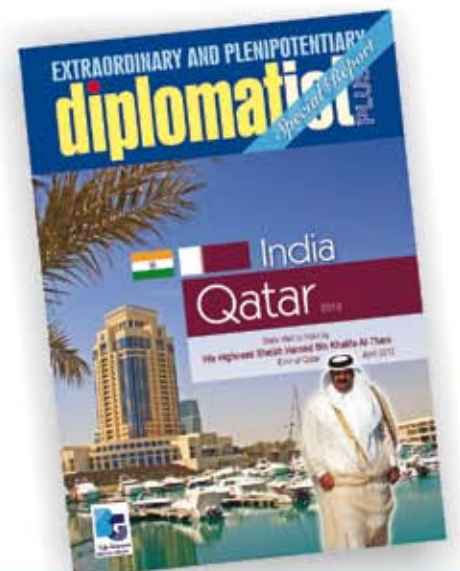
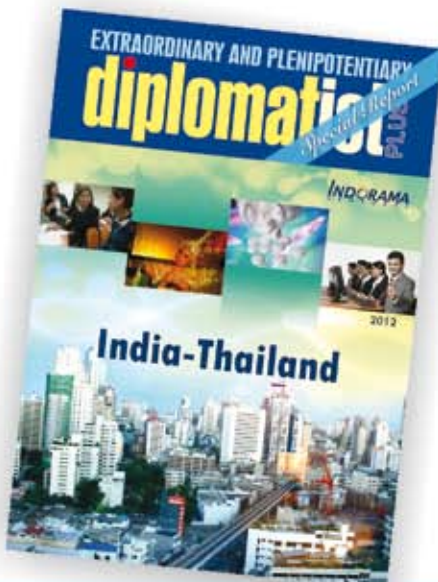
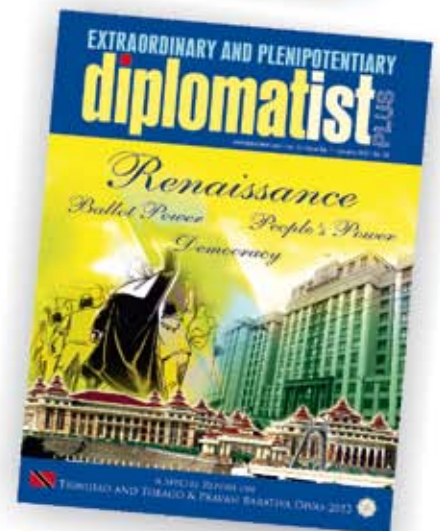


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Covering state visits to India, *DIPLOMATIST* closed three critical and highly appreciated special editions marking the visit of the Emir of Qatar in association with the Ministry of External Affairs and Qatar Embassy in India; visit of the President of Brazil in association with the Brazil Embassy in India and the other being on the occasion of Pravasi Bhartiya Divas as a Reporting Partner in association with High Commission of Trinidad & Tobago and the CII.

For the ongoing second and upcoming third quarters we would be covering VVIP visits from India to Myanmar, Iran and other regions as well as marking Indian Independence Day celebrations in Vietnam, Sweden and Turkey amongst others.



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Visit India

To Recover your Soul, Spirit and your Body

Bounded by the majestic Himalayan ranges in the north and edged by an endless stretch of golden beaches, India is a vivid kaleidoscope of landscapes, magnificent historical sites and royal cities, misty mountain retreats, colourful people, rich cultures and festivities. Modern India is home to a wide range of people; for instance, tribal people with their anachronistic lifestyles and sophisticated urban jet-setters. It is a land where temple elephants exist amicably with the microchip. Its ancient monuments are the backdrop for the world's largest democracy. The timeless mystery and beauty of India can be experienced only by visiting this ancient land. A word of advice: There's just one thing you'll need with you to travel through 5000 years of culture and tradition – a comfortable pair of shoes.

Stop at Operating Theatre ...

Medical Tourism is a growing sector in India. As medical treatment costs in the developed world balloon, more and more Europeans are finding the prospect of international travel for medical care increasingly appealing. Advantages of India for medical tourists include reduced costs, the availability of latest medical technologies and a growing compliance on international quality standards, as well as the fact that foreigners are less likely to face a language barrier in India. Most estimates claim that treatment costs in India start at around a tenth of the price of comparable treatment in the West. The most popular treatments sought in India by medical tourists are alternative medicine, bone-marrow transplant, cardiac bypass, eye surgery and hip replacement. India is known in particular for heart surgery, hip resurfacing and other areas of advanced medicine.

... Go to Recovery Theatre

A Touch of Europe in India

Pondicherry, now officially renamed as Puducherry, is a Union Territory of India situated on the east coast. A French colony until 1954, Pondicherry is often referred to as 'The French Riviera of the East'. This coast-hugging town with colonial buildings, churches, statues and systematic town planning, still preserves much of the colonial ambience. Pondicherry has been described by National Geographic as 'a glowing highlight of sub-continental sojourn'. Pondicherry is also



a popular weekend destination, which can be reached easily from the nearby cities such as Chennai and Bangalore. The main tourist attractions include beaches, monuments and statues, gardens and parks, museums and places of worship – temples, churches and mosques.



Goa – the smallest state of India – is located on the west coast. A territory of Portugal for about 450 years, Goa was annexed by India in 1961. Renowned for its beaches, places of worship and world heritage architecture, Goa is visited by large numbers of international and domestic tourists each year. Goa has two World Heritage Sites: the Bom Jesus Basilica; and churches and convents of Old Goa. The Basilica holds the mortal remains of St. Francis Xavier, regarded by many Catholics as the patron saint of Goa. The Velhas Conquistas regions are also known for its Goa-Portuguese style architecture.



Skiing in India? Yes Sir!

Skiing in the past decade has become quiet attention grabbing Indian sport due to the Himalayas. The vast open spaces above the snowline have been flung open to skiing enthusiasts. The hills of Jammu and Kashmir, Himachal Pradesh, and the north eastern states of India have become the favourite ski hideouts of adventure lovers. The awesome height and spread of the snow clad mountains, with the added advantage of powdered snow are tempting enough to magnetize the adventurous spirits of the avid skier, providing all the thrill and excitement attached to the game. Realizing the immense prospect for tourism, India has developed some of the most modern and reasonably priced ski resorts in Asia, if not the whole world.

Wildlife Anyone?

Believe it or not; there are 99 national parks in India. Perhaps the best ones in which to view the tiger are Ranthambore and Kaziranga National Parks. Ranthambore is one of the best places in India where royal Bengal tigers can be spotted even during the daylight. The park, with rich flora and fauna, has been very popular among wildlife enthusiasts coming from different parts of the world. Kaziranga – a UNESCO world heritage site in natural category – is best known for one horned rhinoceroses. About two-thirds of the world's one-horned rhinos are found at this park, and there is a high density of royal Bengal tigers.



Mughal Architecture

Mughal architecture is the distinctive style developed by the Mughals in the 16th, 17th and 18th centuries in India and other parts of South Asia. While Humayun's Tomb and Red Fort in Delhi are popular tourist attractions, the most famous example of Mughal architecture by far is the Taj Mahal in Agra, which is on the World Heritage List of UNESCO. The Taj is considered to be one of the most beautiful monuments of the world and was included in the New Seven Wonders of the World list. It is symmetrical and decorative in style.

The Taj Mahal, the 'teardrop on the cheek of eternity' (Rabindranath Tagore), was completed in 1648 by the emperor Shah Jahan



A 2000-year-old Temple Erotica

India has hundreds of noteworthy temples, that are also tourism attractions, but perhaps the most interesting are the Khajuraho Group of Monuments in the town of Khajuraho about 620 kilometres southeast of New Delhi – one of the most popular tourist destinations in India. Khajuraho has a large group of medieval Hindu and Jain temples, famous for their erotic sculptures. The Khajuraho Group of Monuments has been listed as a UNESCO World Heritage Site, and is considered to be one of the 'seven wonders' of India.

in memory of his wife Mumtaz Mahal. Its longest plane of symmetry runs through the entire complex except for the sarcophagus of Shah Jahan, which is placed off centre in the crypt room below the main floor. This symmetry extended to the building of an entire mirror mosque in red sandstone, to complement the Mecca-facing mosque place to the west of the main structure.

The temples do not contain sexual or erotic art inside or near the deities; however, many external carvings bear erotic art – even bestiality. The Khajuraho temple complex offers a professional light and sound show every evening. The show is about an hour long and covers the history, philosophy and the art of sculpting of these temples. It is held in the open lawns in the temple complex.



Toy trains to the Hills

While in India, take a slow toy train up to the hill resorts of Shimla, Ooty, Darjeeling or Matheran. There is nothing to match the experience of chugging up the hills, past little hamlets and terraced fields, making your way through tunnels and over breathtaking bridges. Its leisurely pace offers a panoramic view of changing vistas. The invigorating air and the delights of scenic hill resort provide a welcome respite from the hustle and bustle of the city.

If not the Hills – then try the Sand Dunes

Deserts form the backdrop of many a legend in India, and in present times, are touted as destinations of tourist interest. Nothing can prepare the visitor for the sheer magic and brilliance of the desert cities of Rajasthan. The camel rides on the sand dunes are an unforgettable experience as are the sunsets. These places boast of some very fine reminders of the glorious past – forts, temples and other elegant monuments of architectural and historical value, and unforgettable treats for any visitor.

At Jaisalmer in the heart of the desert the majestic golden fort is a memorable sight as is the camel ride at nearby Sam. Equally enchanting are the forts at Bikaner and Madwa, which drifts the mind to the medieval times.

Varanasi – A Holy City

Situated on the River Ganges, Varanasi is one of the holiest cities and targets of pilgrimage for Hindus. As the place where Siddhārtha Gautama gave his first sermon to his disciples, Varanasi is also the city where Buddhism was founded. It is the birthplace of Suparshvanath, Shreyansanath, and Parshva, who are respectively the seventh, eleventh, and twenty-third Jain Tirthankars, and as such Varanasi is a holy city for Jains. Guru Nanak Dev visited Varanasi for Shivratri in 1507 and had an encounter which with other events forms the basis for the story of the founding of Sikhism. The city has a sizeable native Muslim population; it also hosts the Roman Catholic Diocese of Varanasi, and has a significant Jewish expatriate community. Varanasi is home to numerous tribal faiths which are not easily classified and many denominations of the religions which are present. Varanasi has nearly 100 ghats on the banks of the Ganges, most of which are bathing ghats, while others are used as cremation sites. One popular attraction for foreign tourists is to witness the nightly religious ceremonies at the ghats while sitting in a boat on the river

India for Formula 1 Race fans

The Buddh International Circuit is an Indian motor racing circuit in Greater Noida, near Delhi. The circuit is best known as the venue for the annual Formula One Indian Grand Prix, which was first hosted on 30 October



2011 and won by Germany's Sebastian Vettel of Team RBR-Renault with a time of 1 hour and 30.35 seconds. The 2012 Indian Grand Prix will be held between the 26th & 28th of October; with the first two days for practice and qualifying. Please visit: www.diplomatist.com/hawkesnest/index.html

Back to the Slow Lane ...

... The Kerala Backwaters

The Kerala backwaters – a chain of brackish lagoons and lakes lying parallel to the Arabian Sea coast of Kerala state in southern India – are a popular destination of Western tourists. The backwaters consist of a network of interconnected canals, rivers, lakes and inlets, a labyrinthine system formed by more than 900 km of waterways. In the midst of this landscape there are a number of towns and cities, which serve as the starting and/or end points of backwater cruises. Many unique species of aquatic life including crabs, frogs and mudskippers, water birds such as terns, kingfishers, darters and cormorants, and animals such as otters and turtles live in and alongside the backwaters. Palm trees, pandanus shrubs, various leafy plants and bushes grow alongside the backwaters, providing a green hue to the surrounding landscape.



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Can we make this world a better place?



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PROFITS

Let's start with Profits. "By pursuing his own interest, he frequently promotes that of society", said Adam Smith in the Wealth of Nations talking about the famous invisible hand. Business has very often been viewed as a type of machine with various types of inputs; with profit being the output.

Economists routinely teach us that the purpose of business is to maximize shareholder value.

But running a business while keeping your eye only on the profits is a little bit like playing a tennis match with both eyes on the scoreboard.

In my opinion, just as in tennis, the best way to win a match is to keep the eyes not on the scoreboard, but on the ball, in business the best way to maximize long term profits is not to make them the primary goal of the business.

The Paradox of profits is that they are achieved in the long term by not focusing directly on them.

HAPPINESS

Going on to Happiness, which in the short term can be achieved by setting specific "Happy" targets.

I will be happy if I go for a vacation to

I will be happy if I buy this Cabriolet.....

I will be happy if I increase my profits by 25%.....

This happiness is, in my humble opinion, flawed by the conditional clause. I will be happy when..... is a state of mind which obviously tells me I am not happy now and when I do become happy, it will be short term, bringing me back to my normal state of unhappiness sooner or later.

In my experience, happiness is a state of the mind that is unconditional and comes more from giving than from getting. It could come from a sense of deeper purpose, great products or services, excited and happy customers, excellent suppliers, satisfied employees, community and environmental responsibility.

INTEGRITY

They say, "If you grow in a home where praise, encouragement and caring are the rule, then you are more likely to learn to appreciate and respect others as well as have confidence in yourself."

And confidence in yourself and the need to be happy gives you the strength to make good ethical decisions, despite the pressure to act otherwise.

A poem by Dale Wimbrow comes to my mind: THE MAN IN THE GLASS

*When you get what you want in your struggle for self
And the world makes you king for a day
Just go to a mirror and look at yourself
And see what THAT man has to say.*

*For it isn't your father or mother or wife
Whose judgment upon you must pass
The fellow whose verdict counts most in your life
Is the one staring back from the glass.*

*Some people may think you a straight-shootin' chum
And call you a wonderful guy,
But the man in the glass says you're only a bum
If you can't look him straight in the eye.*

*He's the fellow to please, never mind all the rest,
For he's with you clear up to the end,
And you've passed your most dangerous, difficult test
If the man in the glass is your friend.*

*You may fool the whole world down the pathway of life
And get pats on your back as you pass,
But your final reward will be heartaches and tears
If you've cheated the man in the glass.*

RESPONSIBLE CAPITALISM

A word coined by Mohd. Yunus when he started the Grameen Bank in 1983 in Bangladesh. Grameen has not only helped millions of people out of poverty, but it has also become financially sustainable. It provides small, collateral free loans to (94%) women below the poverty line. Grameen has realised a repayment record of 97% (one of the best repayment records in the world) compared to a repayment rate of under 60% in the Bangladesh banking sector. Grameen methods are now applied in over 58 countries including the US, Canada, France, Norway and the Netherlands.

But Responsible Capitalism does not only have to be "Heroic" as is the case above or what the Bill & Melinda Gates foundation tries to achieve in trying to eradicate Malaria and AIDS from the face of this earth. It can also be "Service to others" and great example companies are Nordstrom, Whole foods or Singapore Airlines or "Quest for excellence" and the first examples that come to my mind are Four Seasons Hotels or even Apple. Then of course there could be "excitement or discovery" and names like Google or Amgen come to mind amongst many companies that set a higher goal for themselves.....and of course there could be other higher goals.

In the book "Firms of endearment: the pursuit of purpose and profit" (Woife Sisodia

and Sheth 2007 Wharton school publishing) the authors pick 30 companies that are managed to optimise total stakeholder value and track them for over 10 years against the S&P 500. These companies' returns were over 600%. This could be no accident. I believe this is the result of a superior business model - the business model that I trust should become dominant in the 21st century. I would go on to contend that in the big picture the sole purpose of business is to make this world a better place to live in, add value to society and the environment, and make profit in the process of doing so.

IN CONCLUSION

The old paradigm of maximising shareholder value needs to be changed in the 21st century to a new paradigm of RESPONSIBLE CAPITALISM, maximising stakeholder value for all parties involved - where society and the environment are the two major stakeholders besides customers, employees, suppliers and ...of course the shareholders.

To achieve this, we will need ethically strong leadership. Positive reinforcement and praise are the only tools we have to generate the level of confidence that will create responsible leaders that will maximise stakeholder happiness as well as profits and practice Responsible Capitalism at the same time.

I am of the strong belief that as these leaders grow in numbers, we will get a tipping point within this decade or the next that will fill the leadership vacuum left by politicians, but maybe I am too hopeful. After all, hope is the one that dies last.

In the long run, they say, we will all fertilise daffodils but in the slightly shorter run this maybe a hope worth living for. We at Zátíší are committed to practice responsible Capitalism with integrity more and more, so that we may make this world a better place to live in, at the same time generating profits and Happiness.

Sanjiv Suri
Zátíší Group Family



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