



# BNL and BNP Paribas India

A unique bridge for trade and investments

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## India snapshot

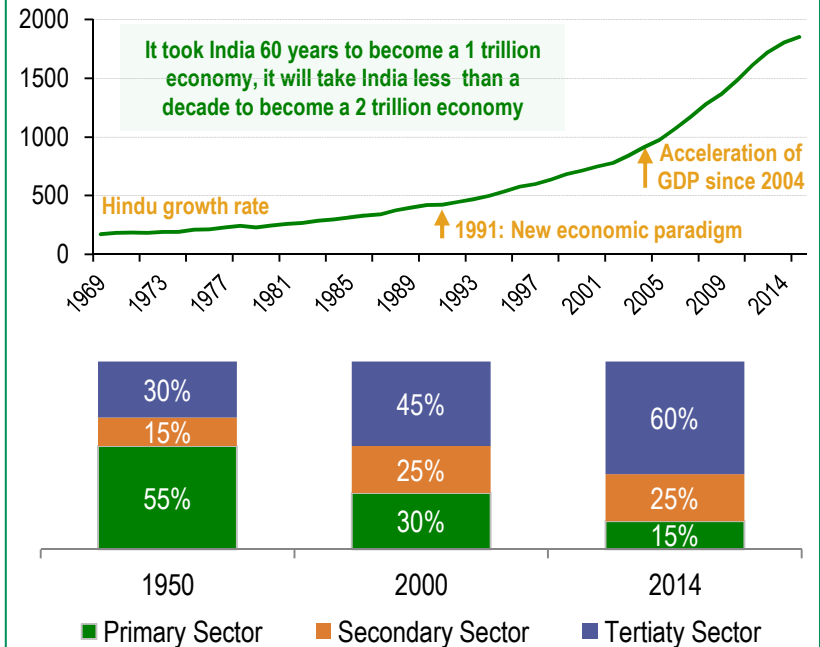


# India's Economic Profile – Overview

## Overview

- 1.27 billion people (68% rural) / 22 official languages / 860 dialects (o/w 30 spoken by more than 1 million people).
  - 50% of the population below 25 years old.
  - 65% of the population below 35 years old.
- 29 states + 7 Union Territories.
- The world's largest democracy: 815 M eligible voters.
- 948 M Hindus (78%), 172 M Muslims (14%)
- Territory of 3,287,590 km<sup>2</sup>:
  - 11 times the size of Italy.
- GDP: ~2.1 USD trillion (FY2015)
  - Domestic driven economy (Exports = 25% of GDP)
- Forex Reserves: USD 345 Bn (April 2015).
  - 11 times less than China (USD ~3.7 trillion)
- 2014 Remittances: USD 70.4 Bn (more than India's USD 65bn software exports).
- FDI at USD 34.9 Bn (FY2015) (61.6% yoy growth)
  - China attracted USD 119.6 Bn in 2014
- Country Rating by S&P: BBB -

India Historical GDP evolution in USD M



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

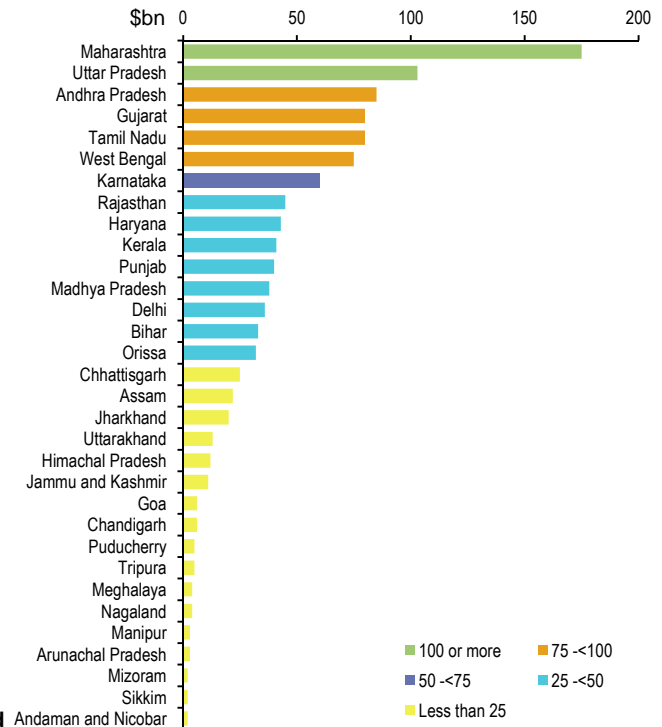


# Reading India map differently (1/3)

## GDP of the Indian states: Comparison with International benchmark

Indian equivalents

GDP  
Latest, \$bn



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



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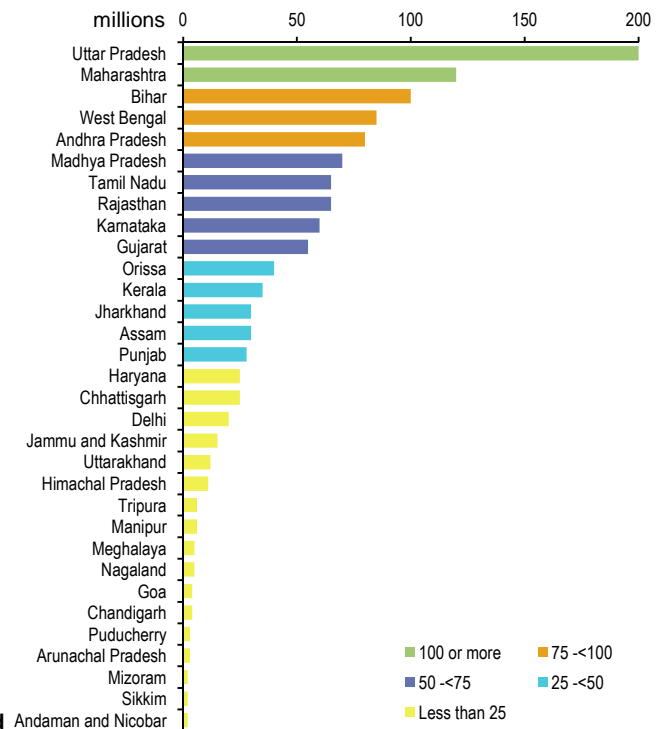
## Reading India map differently (2/3)

### Population of the Indian states: Comparison with International benchmark

#### Indian equivalents

#### Population

Latest, millions



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



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## Reading India map differently (3/3)

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

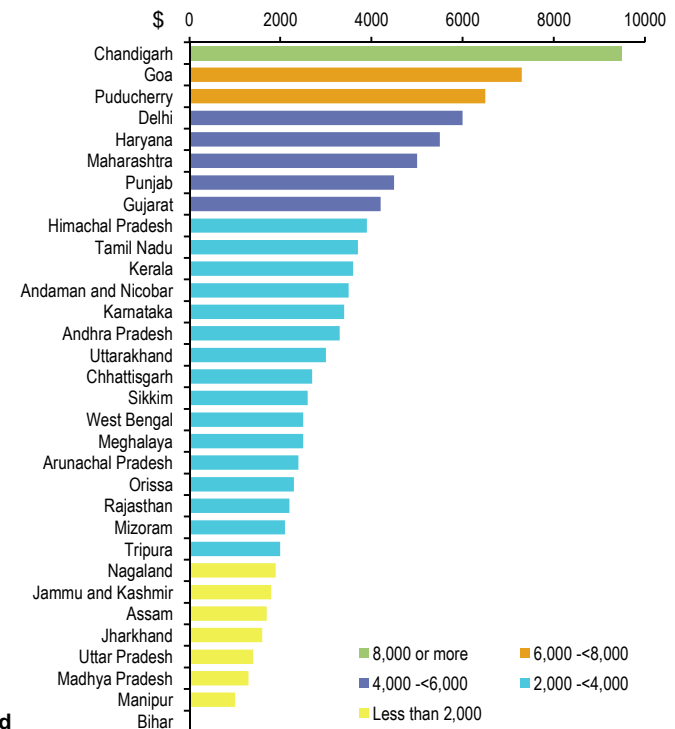
Indian equivalents

GDP  
Latest, \$ at PPP\*



\*Purchasing power parity

Embed



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



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## Indian Banking Industry Overview



# Indian Banking Landscape: A Structural View

## 27 Public Sector Banks

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

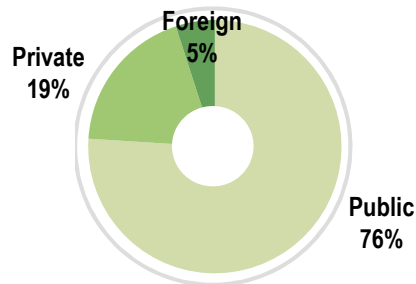
## 22 Private Sector Banks

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

## 41 Foreign Banks

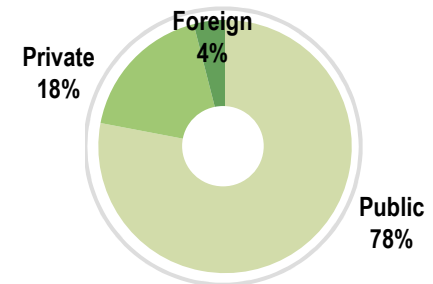
- International Network for Trade, DCM, M&A, ECM, Foreign CCY Loan Syndication
- At the forefront of Product Innovation, Modern Technology & Advanced Service levels - Transaction Banking
- Strong leverage on global network & brand, and cross sell capabilities.
- Historically older Banks have successfully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

### Market Share (Local Currency Advances)



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

### Market Share (Local Currency Deposits)





# Banking Landscape: Presence of Foreign Banks With Different Models

## TIER 1

- First movers
- Universal Banking model
- Significant Retail Banking presence
- India is a core country in global strategy
- Significant balance sheet size locally



## TIER 2

- Increasing focus on India in past 5 yrs
- Expanding business model across business lines
- Large investments planned
- Gradual capital infusion into India operations aimed towards balance sheet building



J.P.Morgan

Deutsche Bank

## TIER 3

- Followers or New Comers
- Limited ambitions
- Expansion plans for selected businesses only

CREDIT SUISSE



MIZUHO

NOMURA



The Bank of  
Tokyo-Mitsubishi



Credit Agricole Corporate  
& Investment Bank

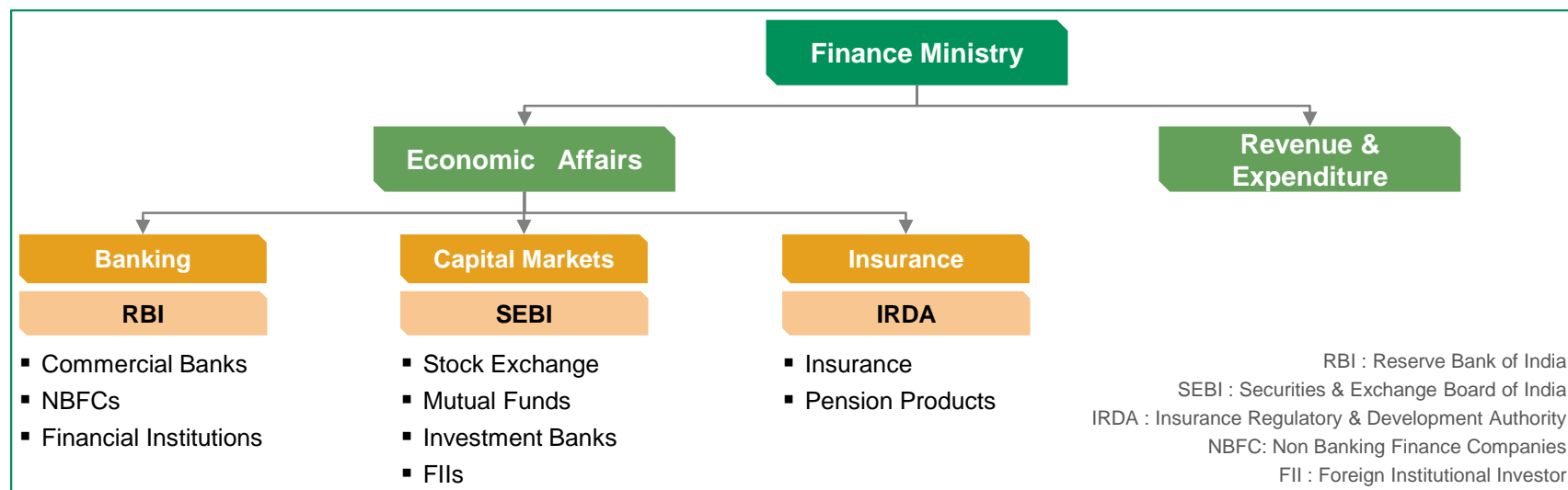


Source: BNP Paribas India Internal Analysis



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# Indian Financial System: Key Regulatory Authorities



## Implementation of Basel III requirements: A challenge for PSU Banks

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



## Indian Economy



## A departure from the past; a new beginning (1/2)

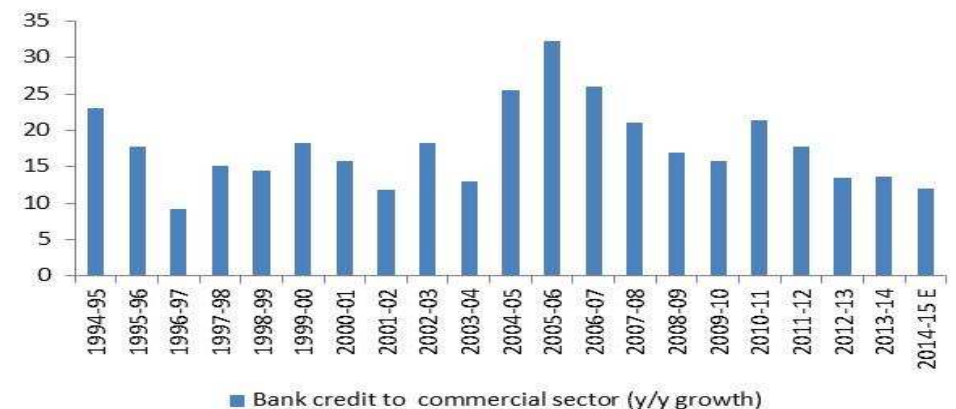
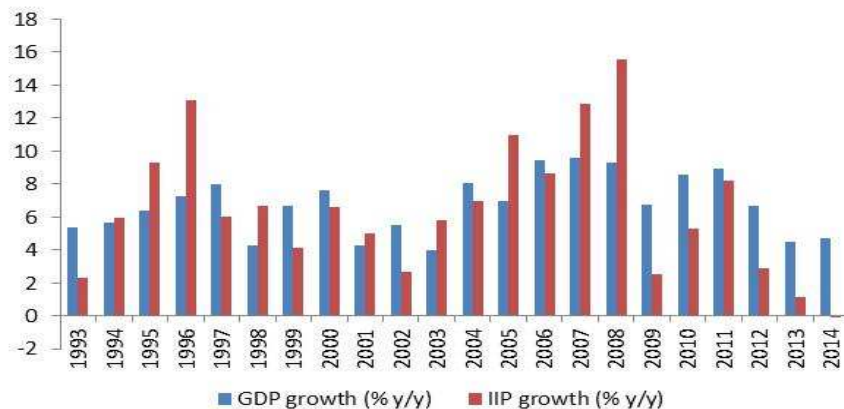
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- After strong growth during 2004-08 (c9% CAGR), India's GDP growth slowed down to 4.5-5% during 2010-13.
- Global slowdown was a contributor, but India's "policy paralysis" was also a strong contributor.
- Though Policy Paralysis is actually a misnomer. Policies exist – they are not implemented
- Corruption scandals and fractured mandate led to previous Government's inaction.
- From 1989 onwards fractured political mandates have led to slow decision making; the only exception was the 1991–94 economic liberalization, when India was on the verge of defaulting on foreign debt
- 2014 election results changed everything.
- NDA won 338 seats out of 543, Leading partner BJP alone won 282 seats – an absolute majority in the Parliament.
- After 1984, for the first time a Government can function unhindered by smaller regional parties.
- Policy decisions, even some unpopular ones, appear feasible now.



## A departure from the past; a new beginning (2/2)

- PM Modi proved himself to be a resourceful and imaginative administrator during his 13-year stint as Chief Minister of Gujarat.
- Gujarat's superior performance compared to the rest of India is not just on GDP growth, infrastructure construction and attracting investments, but also in terms of agriculture growth.
- India still faces problems –sticky food inflation, high fiscal deficit, complicated tax laws, archaic labour laws are some of them. Investment slowdown is a symptom of these problems.



## Main catalysts for 2015

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### 1) Acceleration in growth-orientated policy formulation

The government is moving critical bills through ordinance as its facing opposition in the Upper House (Rajya Sabha) due to which passage will take time. In the meantime, improving business sentiment and accelerating clearances (particularly from the Ministry of Environment) are leading to a decline in "stalled projects". That's usually a precursor to a pick-up in the investment cycle.

### 2) Monetary policy easing to continue in 2015

RBI cut repo rate three times by 25bps this year to 7.25%. Further easing is dependent on high quality fiscal consolidation as well as steps to overcome supply constraints.

### 3) Recovery in manufacturing margins and boost in consumer sentiment - driven by benign commodity prices.

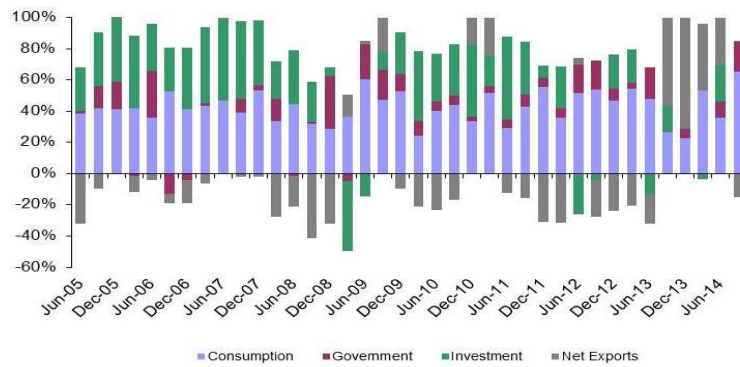
Manufacturing margins are correlated with commodity prices – with a 2-3 quarter lag implying that the favorable impact on margins shall be visible from Q2 2015 onwards.

We believe discretionary spending will increase among consumer due to higher disposable income after lower commodity prices.



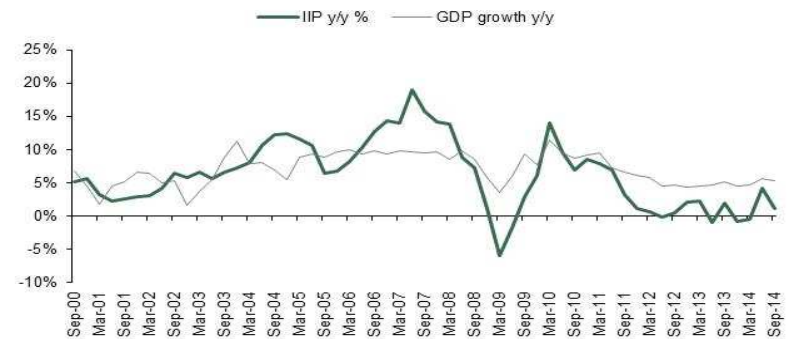
# India: On the path of gradual and sustainable recovery

## GDP growth: Domestic consumption picking up



Sources: Bloomberg; CMIE; BNP Paribas estimates

## Industrial growth volatile



Sources: Bloomberg; CMIE; BNP Paribas estimates

## Project revival has picked up in the last 2 quarters



Sources: Bloomberg; CMIE; BNP Paribas estimates

- Domestic consumption and investment are slowly picking up.
- IIP growth volatile but seems to be recovering...
- ... driven by a revival in investment projects.
- Still early days to call a revival in the investment cycle though.



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# Agenda of the new government

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

Sources: BNP Paribas



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## BNPP Indian economic forecasts

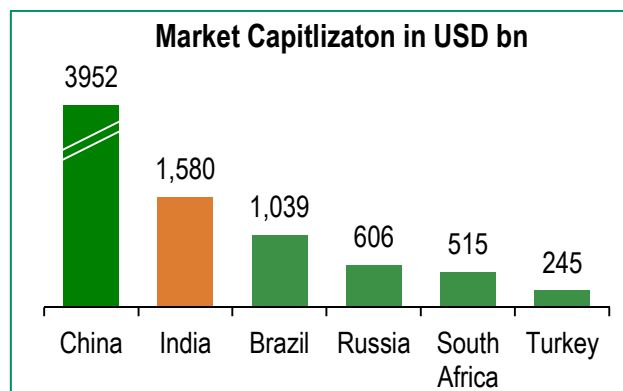
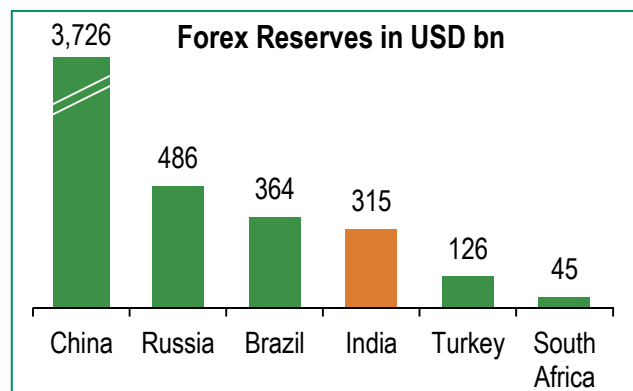
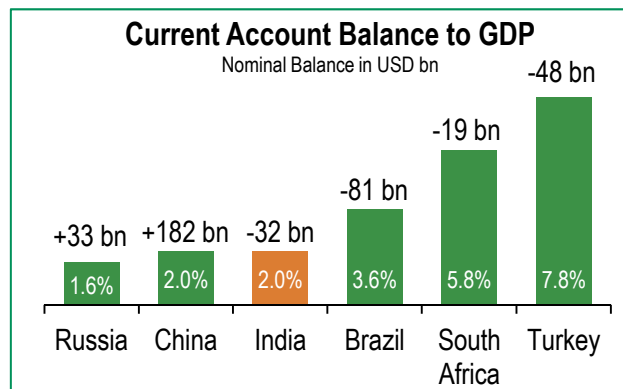
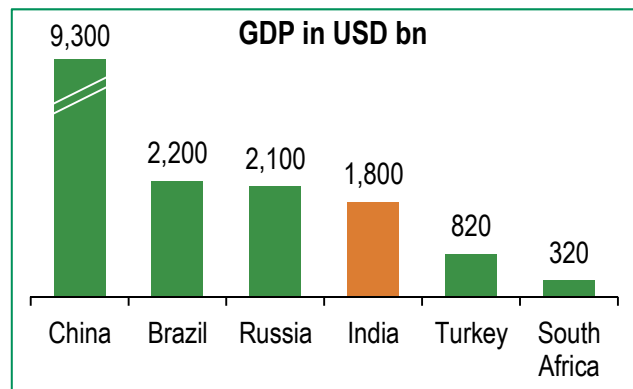
	FY 13	FY 14	FY 15E	FY16E
GDP	5.1	6.9	7.4	7.5
Agriculture	1.0	3.9	1.0	2.8
Industry	2.7	4.4	5.7	5.5
Services	8.0	9.1	11.2	9.9
CPI Inflation	10.2	6.7	5.8	6.7
Public consumption	1.7	8.2	10.1	1.4
Fixed investment	-0.3	3.0	4.3	5.1
Exports	6.7	7.3	-0.3	7.5
Imports	6.0	(8.4)	(1.6)	1.5
Budget deficit (% of GDP)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

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



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## Comparables: 2013-14



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



## Italy – India economic relationship

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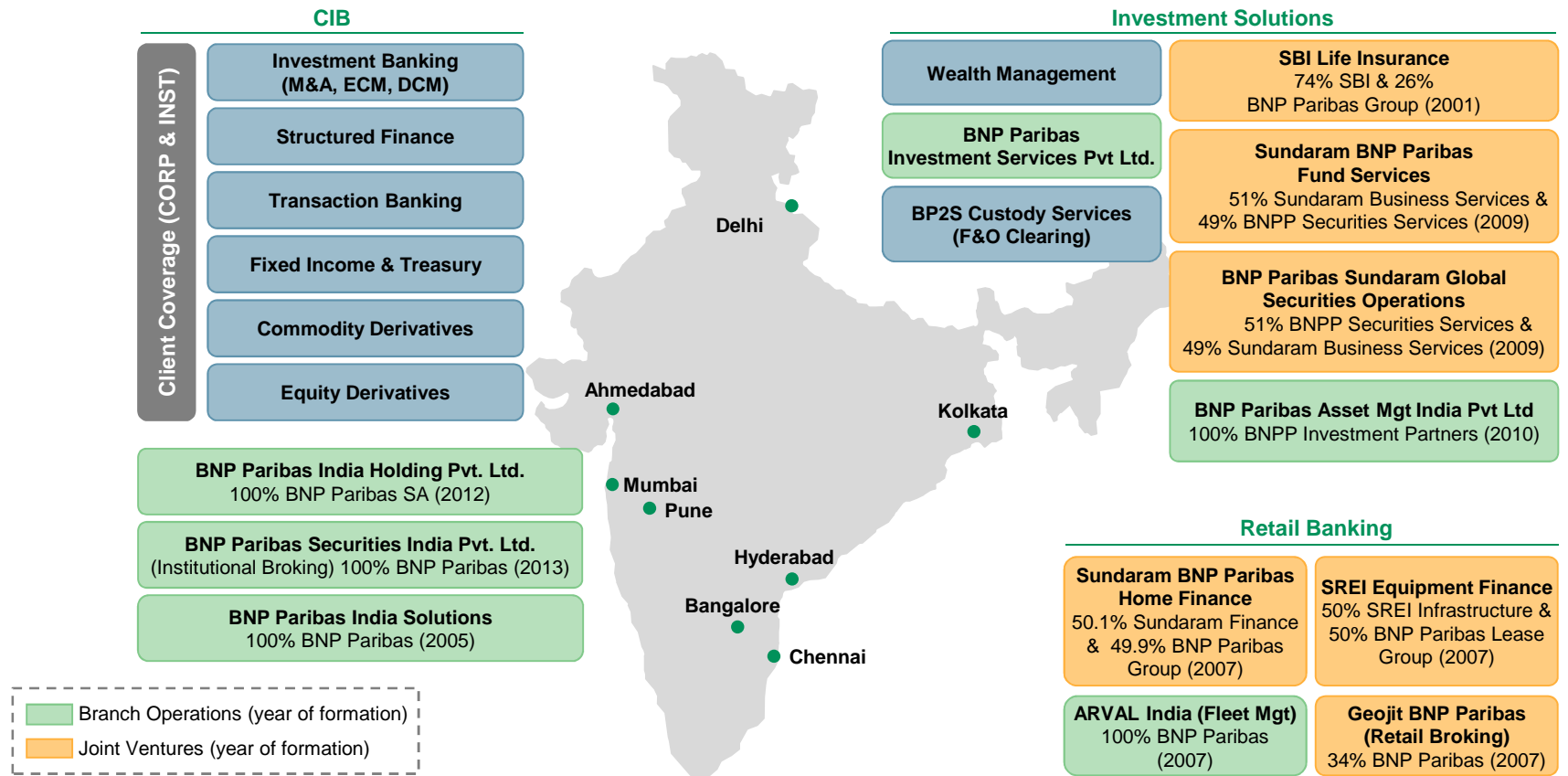
- Italy is the 5<sup>th</sup> largest trading partner for India in the EU and the 12 largest investor in India
- Bilateral trade has grown 10x from Eur 708 M to Eur 7.1 Bn in the last two decades
- The states of Tamil Nadu, Maharashtra and Haryana are the top 3 investment locations for Italian companies in India.
- Italian exports to India are led by machines and machine tools, metals and metal products
- Indian exports to Italy comprise chemicals, iron and steel products, garments, leather accessories, general purpose machines



## BNP Paribas India

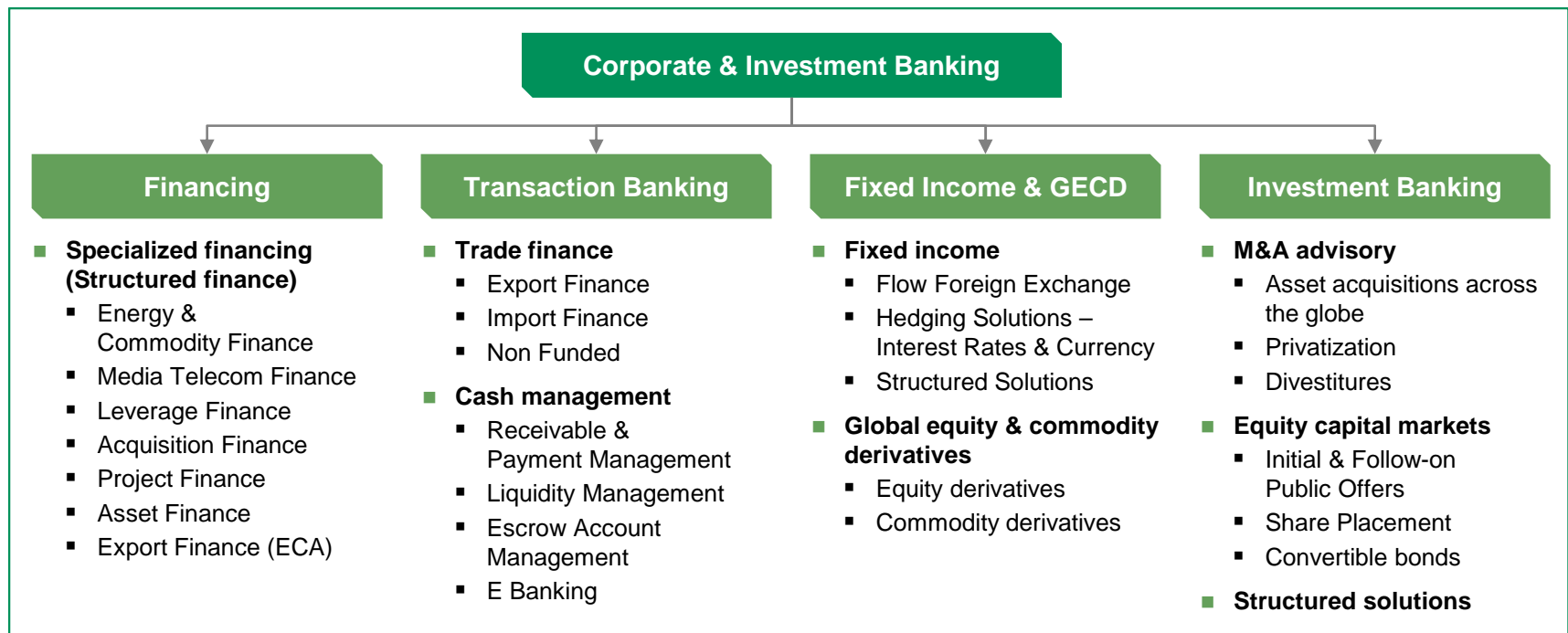


# BNP Paribas Group in India



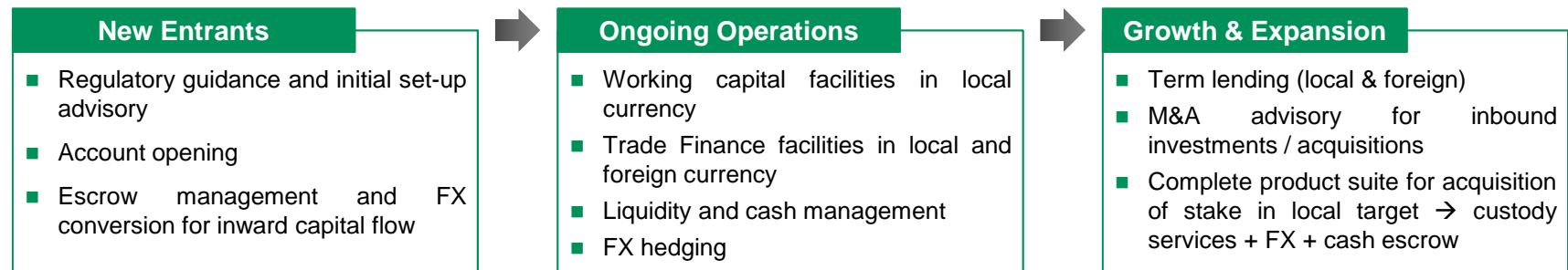
# BNP Paribas Corporate & Investment Banking Franchise in India

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



# BNP Paribas India – Dedicated MNC Coverage Team

- Dedicated support to MNC Subsidiaries across the following spectrum



- 13 member MNC team covering 8 Cities : Mumbai, Delhi, Chennai, Kolkata, Bangalore, Pune, Hyderabad & Hyderabad
- Client base of 360+ customers and growing
- Dedicated desk for Italian clients
- Strong INR balance sheet & lending capabilities – Very competitive Base Rate
- Strong Cash Management product capabilities – Ranked No 3 in India by Euromoney Polls in 2014
- Trade & Supply Chain Funding Solutions – Connexis Trade a differentiator, Ranked No 1 in Euromoney Trade Polls in 2012
- Fixed Income solutions – One of the few market makers on options
- Structured Funding Solutions – Capital market solutions covering Non Convertible Debentures (NCD) and Commercial Paper (CP)
- Corporate Finance Capabilities



## India : Industry Recognition & Awards

- Ranked No 5 in India in the DCM League in 2014 with 10 mandates
- Number 3 Cash Management Bank in India in 2014 by Euromoney
- Number 3 Cash Management Bank in India from 2009 to 2012 and Number 2 in 2013 by Euromoney
- The Best Trade Solutions Provider in India for 2 consecutive years by Euromoney
- Best Electronic Banking and Cash Management solution in India by AAA





# Fixed Income Awards and Rankings



## Asiamoney Corporate FX Poll 2014

- No.1 Overall FX Services to Corporates
- No.1 FX Options to Corporates
- No.2 FX Research and Market Coverage
- No.3 FX Products and Services to Corporates



## Asia Risk Corporate Rankings 2014

- No. 4 INR Currency Products



## Euromoney FX Survey 2014

Rank by Market Share with Financial Institutions

- No.6 in India Overall (6.28%)
- No.3 FX Options
- No.6 FX eTrading products



## Best Corporate Bond

Bharti Airtel US\$1.5 billion 5.125% March 2023;  
BNP Paribas joint bookrunner

[The Asset Triple A Regional House and Deal Awards 2013](#)  
(November 2013)



## Best Deal of the Year - India

Bharti Airtel US\$1.5 billion 5.125% March 2023;  
BNP Paribas joint bookrunner

[The Asset Triple A Country Awards 2013](#)  
(November 2013)

## AsiaRisk

## AsiaRisk Institutional Rankings 2013

- No.3 Interest Rate Products : Indian Rupee



## Asiamoney Corporate FX Poll 2013

- No.3 FX Research & Market Coverage for Corporates in India



## Euromoney FX Survey 2013

Rank by Market Share with Financial Institutions

- No.7 for FX Options (2.22%)
- No.7 for Emerging Markets Products (2.98%)



## Asia Risk Interdealer Derivative Ranking 2013

- No.2 Interest Rate Products : INR
- No.4 Currency Products : INR



## Example of successful deals completed in 2014

 <b>USD 1 billion</b> 5.350% due 2024 <b>EUR 750 million</b> 3.375% due 2021 Joint Bookrunner May 2014	 <b>USD 2.21</b> Bio-equivalent dual currency triple-tranche issuance Joint Bookrunner July 2014	 <b>INR 19,938 million</b> Rights Issue Joint Lead Manager & Underwriter April 2014
 <b>EUR 2.3 billion</b> Syndicated Facilities Multi-currency, Multi-tranche Mandated Lead Arranger & Bookrunner October 2014	 <b>USD 200 million</b> Convertible Bond Joint Bookrunner September 2014	 <b>USD 1.5 billion</b> Syndicated Term Loan 5.5 & 7 years MLA & Bookrunner November 2014
 <b>USD 1.5 billion</b> 4.950% due 2020 5.950% due 2024 Joint Bookrunner July 2014	 <b>USD 1.25 billion</b> 3.822% due 2019 4.875% due 2024 Joint Bookrunner April 2014	 <b>USD 900 million</b> 1 year Bridge Financing Mandated Lead Arranger March 2014
 <b>USD 1.5 billion</b> Bridge Loan Mandated Lead Arranger January 2014	 <b>USD 300 million</b> 5.000% due 2019 Joint Bookrunner March 2014	 <b>CHF 350 million</b> 3.000% due 2020 Joint Bookrunner March 2014
 <b>USD 350 million</b> 4.500% due 2019 Joint Bookrunner April 2014	 <b>CHF 175 million</b> 3.000% due 2019 Joint Bookrunner February 2014	





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

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## Italian Desk: Bridge between India and Italy

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- ✓ Formal set up of an Italian Desk in Mumbai in May 2011 and subsequently moved to Delhi in October 2011
- ✓ Desk established to support Italian companies in India through a single – window concept
- ✓ To provide local support (both commercial and operational) and advice on local market practices, banking environment and applicable regulations
- ✓ To hand–hold companies' inbound business into India through a two pronged approach : active marketing to Italian companies by Maurizio Accinni, International Business Development Manager, BNL based in Rome in co-ordination with Head Italian Desk in Delhi followed by onboarding of the clients by local teams

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

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



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