KPMG

India – An opportunity dawns

Opportunities for South African Companies in the Indian Financial Services Sector

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Preface

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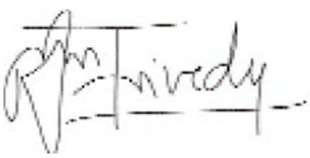
The Indian economy is on the fulcrum of a arobustly increasing growth curve. With positive indicators such as a stable GDP annual growth rate in the range of 8-9 percent, booming capital markets, rising FDI and FII inflows and increased business confidence, India is drawing global players to explore new avenues of expansion.

The services sector of the economy has been booming with IT and ITES at the forefront of this growth. Financial services, which is a major portion of the services sector has also been growing at a fast pace. The consumption-led boom triggered by favorable demographics has fuelled the growth of financial services in India. The attractive opportunities in this sector have led to the entry of global majors into the Indian market.

The South African financial services sector backed by a sound regulatory and legal framework has one of the most advanced financial sectors of all emerging market economies. The South African financial services sector has several key strengths and capabilities, which can be leveraged in the Indian context. These include new product development, risk management and the ability to service a diverse customer base.

The opportunities in various sub-sector of the Indian financial services industry have been analysed in this report based on the market opportunity, growth drivers and future outlook and regulations governing the entry of foreign players in India. The sub-sectors such as banking and financing, insurance, capital markets and other emerging sectors promise to provide investment and growth opportunities.

We hope you find this report useful in terms of tapping the growth and investment opportunities in India.



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Contents

Executive Summary

The India Growth Story

India is the second fastest growing economy in the world, with a GDP growth rate of 9.4 percent in the financial year 2006-07. The average growth rate over the past four years has been 8.6 percent which is the fastest since its independence in 1947. This stellar performance can be attributed to favorable macro-economic, demographic and psycho-graphic factors, amongst a combination of other factors. The resultant impact of rapid GDP growth has been an increase in the per capita GDP and also an increase in the income levels of both rural and urban households.

Over the past few years, India has witnessed a shift towards the services sector which has led to an increase in disposable incomes and a growing shift in consumerism. The consumption-led boom in India has fueled the demand for lifestyle products, consumer durables and financial products among others.

India's favorable demographic mix, its abundance of educated and talented manpower, and among the youngest populations in the world, has further catapulted the economy to an enviable position.

The attractiveness of the Indian economy has resulted in an increase in foreign investment in the country. Besides, increasing confidence levels among retail investors and the prevalent liquidity owing to foreign inflows into the economy, has led to favorable growth in the Indian equity markets.

South Africa's Financial Services Capabilities

South Africa's financial services sector, backed by a sound regulatory and legal framework, has witnessed the presence of a large number of domestic and foreign institutions providing a full range of services - commercial, retail and merchant banking, mortgage lending, insurance and investment.

South Africa's banking sector compares favourably with those of industrialised countries. South African banks are well managed and utilise sophisticated risk-management systems and corporate-governance structures in conducting their business. The stock markets have been performing well with exponential growth in the 1990's and there has also been a rise in the share of foreign transactions.

Players in the South African financial services sector possess several key capabilities that can be leveraged in India. Players possess the necessary expertise on new product development, risk management and the ability to serve a diverse customer base, which would be valued in India.

The Indian Financial Services Sector

The services sector in India has been witnessing a boom in recent times. In addition to the strong growth in IT/ ITES, the Indian financial services sector is considered to be stable and progressive, and has been a major beneficiary of India's growth story.

Retail lending has powered the explosive growth in the financial services sector with players focused on the retail segment registering impressive top-line growth. The retail portfolio now accounts for a significant share of the total lending for most players.

Increasing prosperity coupled with rising consumerism of Indian consumers has fueled a remarkable boom in retail credit demand. Rapid growth by the corporate sector has generated a need for capital which has resulted in growth of institutional finance. A large number of Non-Banking Finance Companies (NBFCs) have been operating in the country. This has helped drive asset penetration on account of a wider distribution reach.

The growing attractiveness of the financial services sector has triggered the entry of global majors. Aggressive plans of incumbents coupled with the entry of new players are expected to further drive the growth of the sector.

The financial services sector analyzed comprises the following key sub-sectors:

- Banking and Financing – Consumer Finance, Small and Medium Enterprise (SME) finance, Agriculture and rural finance, Institutional Finance and Project Finance
- Insurance – Life and Non-life insurance
- Capital Markets – Asset Management, Pension, Wealth management, Investment Banking and Securities Broking
- Emerging Opportunities – Wealth Management, Structured Finance, Private Equity, Distressed Assets, Real Estate Finance, Leveraged Finance and Non-recourse Lending

Attractive Investment Opportunities

The opportunities in Indian financial services have been analysed in detail based on parameters such as market size, growth, profitability, intensity of competition, future outlook and government regulations governing entry. An analysis of the various sub-sectors using the above criteria has yielded several attractive opportunities for entry in the medium term.

Banking & Financing

Banking Sector: The Indian banking sector is growing at a fast pace as players are aggressively targeting semi-urban and rural areas which are under penetrated. The increased focus on "financial inclusion" by the government has also led to introduction of newer products, such as 'no-frills banking accounts' and 'kisan (farmer) credit cards' to enhance banking access to rural and economically weaker sections of the population.

However, under the RBI's road map for presence of foreign banks in India announced in February 2005, it is expected to review the developments and accordingly allow full-fledged market access to global players post April 2009.

Consumer Finance: Rising consumerism and increasing focus by leading banks and NBFCs have resulted in rapid growth of the consumer finance sector in India. Since banking penetration in rural India remains significantly lower compared to urban India, it has become an attractive segment for players to gain an early mover advantage.

SME Finance: SME financing is witnessing strong growth due to the strong performance of the buoyant SME sector and increasing focus from banks owing to higher profitability. The burgeoning SME sector has also led to a focus on factoring services for working capital management and other advisory services.

Institutional Finance and Project Finance: An excellent performance by corporates in India coupled with their expansion strategies seeking inorganic growth, have resulted in a huge demand for institutional finance. Project finance in India is also witnessing participation from leading banks and financial institutions due to the lowered operational and execution risks.

Agri and Rural finance: About two-thirds of India's population resides in rural areas. There lies a huge customer base which is under-serviced providing a significant opportunity for agri-lending and rural finance for early movers.

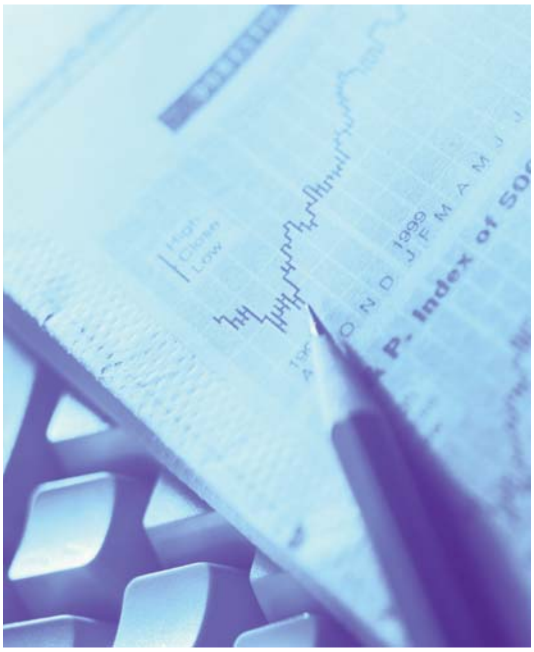
Insurance

The insurance sector in India has witnessed a paradigm shift since the year 2000 with the opening up of the sector for private participation. The ensuing competition has provided customers with a choice of products and providers, and also improved service levels immensely. Both life and non-life insurance in India has tremendous growth potential due to low penetration and per-capita spending in comparison to other nations. The non-life insurance sector is set to witness strong growth due to the recent de-tariffication of key categories including motor, fire, engineering and workmen compensation insurance. Health insurance has been among the fastest growing market segments and is expected to showcase a minimum growth of 30 percent going forward. There is a significant potential which is expected to be unlocked, especially in the semi-urban and rural areas in the future.

Capital Markets

With India witnessing an economic boom, capital flows into the country via the FII route have been on the rise, positively impacting the Indian equity markets. The performance of Indian equity markets has been impressive, not only because of FII inflows but also due to increased confidence levels among retail investors in the country. The key sub-sectors that have benefited from this strong growth include asset management, wealth management, investment banking and securities broking services.

The Indian asset management industry has witnessed a massive increase in AUM, post the entry of large domestic and foreign players. However, there exists a huge opportunity on account of low penetration levels in comparison with other countries. Wealth management services are likely to witness heightened activity owing to increasing prosperity and awareness of financial planning. Increasing participation from retail investors due to a strong equity market performance has led to a robust demand for securities broking. The increasing appetite of Indian corporates for capital as well, as an acquisition-led inorganic growth strategy, has also resulted in a strong demand for investment banking and advisory services.



The changing Indian demographic mix and low pension coverage has sparked reforms in the pension sector which is set to dramatically change the pension landscape in India in the medium to long term.

Emerging opportunities

The vibrant Indian economy and robust financial services sector have led to the emergence of several emerging opportunities which are expected to gain prominence in the long term based on regulatory and market developments.

The Indian structured finance sector is dominated by asset backed securitization. Increasing regulatory clarity and initiatives to enhance liquidity is expected to increase the breadth and depth in the sector. The Indian distressed assets sector is also witnessing increasing attention due to the rapid economic growth and higher asset values with the real estate boom.

India has charted an ambitious infrastructure development program in the next five to seven years, wherein public-private partnerships are emerging as the preferred investment vehicle. Non recourse lending is emerging as the preferred lending route owing to reduced leverage, thereby obviating the need for security. Real estate funds are witnessing intense activity with significant participation from domestic (specifically High Networth Individuals) and foreign investors; estimates suggest that funds exceeding USD 12-15 billion are awaiting deployment in the Indian real estate sector.

The booming Indian economy and the robust corporate and SME performance has led to a massive inflow in Private Equity capital into India. The acquisition-led inorganic growth strategy of Indian corporates is also expanding the leveraged finance market in India.

Investment Considerations

The Indian financial services sector will continue to tread the high growth path in the medium term on the back of favorable structural drivers, which will continue to drive GDP growth. This provides South African firms an opportunity to enter an expanding market with high growth potential.

The Indian regulatory framework for entry into the Indian financial services sector has been defined by various regulators with respect to the entry vehicle (FDI or FII), mode of operations/ presence (branch, representative office or subsidiary) which have a significant bearing on the tax and reporting requirements. To develop a coherent strategy for entry into the Indian market, South African firms should consider the regulatory implications as well.

An India strategy is increasingly becoming a key imperative for any truly global corporation, and interested South African players need to weigh their options and choose the optimal strategy to leverage the India opportunity in the financial services sector.

India - Poised for Growth

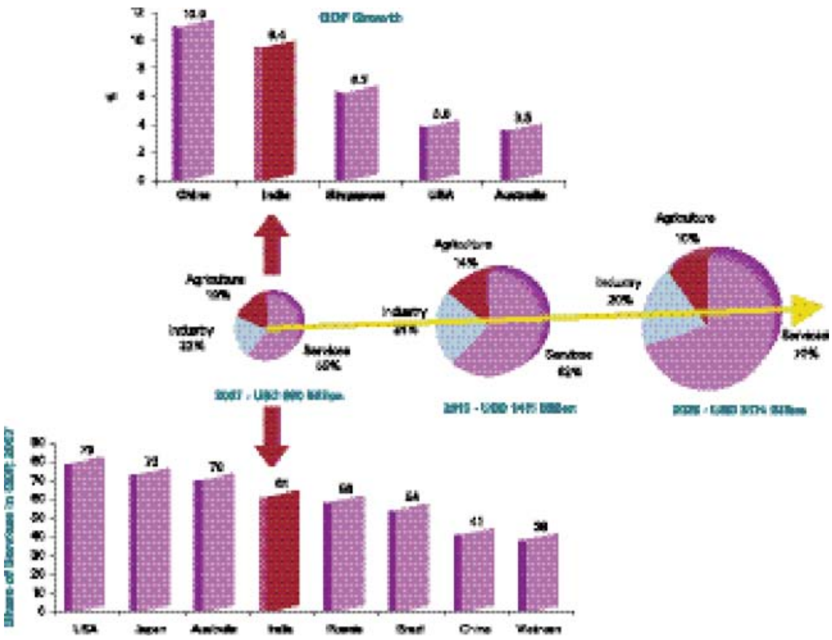
India is the world's largest democracy and ranks second in the list of fastest growing economies globally. The past decade has witnessed fundamental changes in the Indian economy with respect to government policy, business outlook and more importantly, the Indian mindset.

Some contributors to the dynamic growth of the Indian economy include, a new industrial resurgence, increased business and investor confidence, increased investment, relatively modest inflation in spite of spiraling global crude prices, laying of some institutional foundations for faster development of physical infrastructure and progress in fiscal consolidation.

Services-led Growth

Traditionally, developing countries have transitioned from being ‘primary’ agriculture-based to ‘secondary’ manufacturing-based and subsequently to ‘tertiary’ services-based economies. India has leap-frogged a stage through its direct transformation from a primary focused into a tertiary services based economy.

Structural Change in the Indian economy



Source: IMF World Economic Outlook, CIA World Handbook 2007, ‘Dreaming with BRICS’ – Paper no.99, Goldman Sachs, KPMG Analysis

Favourable Demographics: The Engine of Growth

A key factor driving India's growth is its large and young population. With a median age of around 24 years[1] and over 500 million Indians below the age of 21 years[2], a large percentage of India's population is expected to be in the working age even in 2025, when the median age shall be 31 years[3]. This large class of consumers is expected to drive India's impressive growth, making it the world's fifth largest consumer market by 2025,[4] surpassing Germany.

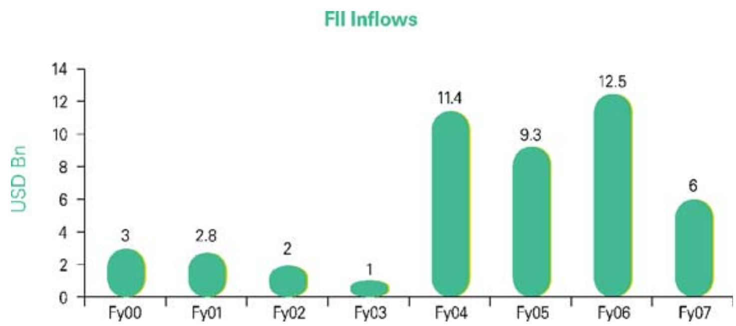
According to a study by the McKinsey Global Institute, India's growth is expected to create a vast middle class (Income of USD 5,000 – USD 25,000[5]), bigger than that of U.S. and Europe combined. This middle class, numbering around 600 million by 2025, is expected to account for over 60 percent of the total spending in the country[6].

India has fast become a preferred investment destination for global investors and companies propelled by:

- Existence of a stable democracy and political system;
- Globalization of the Indian economy;
- Favourable regulatory reforms and institutional framework leading to integration with the global economy;
- Emergence as a global hub for manufacturing, software and BPO services;
- Robust earnings growth of the corporate sector and a booming capital market;
- Favourable demographics with a growing consuming and investing class; and
- Increased savings in the economy, channelized into the creation of productive assets

1 Source: Asian Demographics
2 Source: Asian Demographics
3 Source: Asian Demographics
4 Source: Asian Demographics
5 Source: McKinsey Global Institute
6 Source: McKinsey Global Institute
7 Source: ICRA report

Foreign Institutional Investment (FII)



Source: RBI report

Two hundred of the Fortune Global 500 companies[7] have already established their presence in India and the number is rising. This number is on the rise given the favourable economic environment in India. Infact, increasingly global players are expressing interest to enter the country in several sectors.

[7] Source: ICRA report

The Financial Services Sector in India

The Indian financial services sector is gradually emerging as a mature and sophisticated global economy. Reforms introduced in the early 1990s have positively impacted the productivity and stability of the Indian financial services sector enabling it to keep pace with the growing needs of corporates and retail borrowers.

Reforms and other developments

Financial sector reforms constitute an integral part of the overall economic policy reform in India. The reforms have been driven mainly by a thrust towards liberalization. However, there has always been a strong emphasis on regulations aimed at strengthening prudential norms, transparency and supervision to mitigate systemic risks. Today, the Indian financial structure is functionally diverse, efficient and globally competitive.

Nevertheless, some challenges continue to impact old players and new - some key structural gaps include the lack of an inter-bank interest rate benchmark, an inactive corporate debt market and an under-developed derivatives market. Notwithstanding these gaps, the cumulative effect of all reforms since 1991 has been quite encouraging.

Banking

The banking sector is the most dominant sector in the financial system in India. Post liberalization, the banking sector has witnessed several changes. There has been a paradigm shift in products, technology, operations and customer service. Key reform initiatives included banking licenses to new private sector banks, de-regulation of interest rates, adoption of Basel II norms and a roadmap for foreign banks entry unveiled by RBI in 2005.

The financial health of commercial banks has improved manifold with respect to capital adequacy, profitability, asset quality and risk management. Further, deregulation has created new opportunities for banks to increase revenue by diversifying into investment banking and other sub-sectors.

Insurance

The Indian insurance industry witnessed a landmark event with the enactment of the Insurance Regulatory and Development Authority Act in 1999 to regulate, promote and ensure orderly growth of the insurance industry. Under the new dispensation, private and foreign insurance companies have been permitted to operate in India with some restrictions on FDI limits (currently at 26 percent).

Given that the Indian insurance market is largely under penetrated especially in the non-life segment, there exists a huge potential for investment due to the burgeoning middle-class that can afford to buy life, health, disability and pension products. The recent detariffication of key non-life insurance categories is also expected to give a fillip to motor, fire and engineering insurance, while increasing focus of all players towards health insurance.

Capital Markets

The Indian capital market is one of the oldest capital markets in Asia (the Mumbai stock exchange was established in 1875). Post introduction of reforms in 1992, when the Securities and Exchange Board of India (SEBI) was elevated to a full-fledged capital market regulator, capital markets in India have increasingly progressed towards becoming more stable and mature. An important policy initiative in 1993 was the opening of capital markets to Foreign Institutional Investors (FIIs). To inject an international standard to the Indian stock market, the National Stock Exchange was started in 1992 which has increased transparency. Further, share dematerialization systems were also introduced to enhance the efficiency of the transaction cycle.

Future Potential

The financial services sector is in the process of rapid transformation with structural reforms aimed at improving productivity in the economy. Financial institutions have combated margin pressure by constantly innovating and targeting attractive consumer segments. The sector is expected to witness increasing consolidation, sophistication and maturity in the future.

A study of the various sub-sectors in the Indian financial services space from a perspective of the market and regulatory environment and the South African companies' capabilities and strengths, enables identification of sectors with relatively high entry potential.

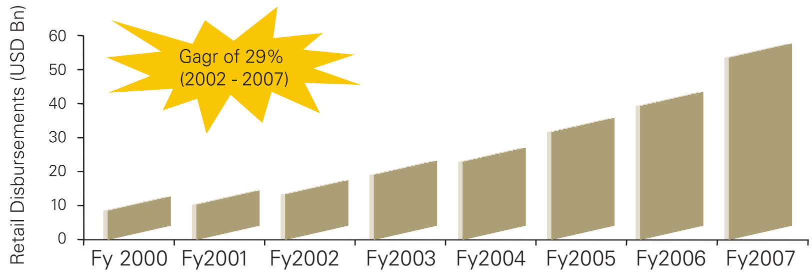
Key sub-sectors have been analyzed in the following section to identify attractive opportunities for investment by South African players using a multi-pronged approach.

Investment Opportunities in the Indian Financial Services sector

Consumer Finance

Growth in the consumer finance segment in India is mainly driven by an increase in the per capita income, increase in working population vis-à-vis population base and increasing consumerism. Increasing competition and shrinking margins in the commercial lending space has led to a shift in focus to retail lending. The consumer finance sector reached a market size ~USD 51 billion in FY 2007, registering a robust Compounded Annual Growth Rate (CAGR) of 29 percent between 2002 and 2007.

Consumer Finance Disbursement trend (2000-2007)



Source: SSKI report (NBFC Report)

The aggressive growth plans of leading Indian private sector banks and NBFCs will lead to a rapid increase in asset penetration, especially in the semi-urban and rural locations where competition is not as intense. The high growth potential and the fragmented nature of the Indian consumer finance industry are increasingly attracting global players. Strong growth drivers are expected to sustain the current growth albeit tempered by the prevailing high interest rate in the medium term.

Newer NBFCs, such as Reliance Capital and Future Capital are also ramping up their operations. Consolidation is anticipated in the consumer finance sector in the next two years, which is expected to result in a few dominant players emerging in the market.

SME Finance

Small Scale Industries (SSI) is one of the significant segments of the Indian economy, contributing about 30 percent[8] of India's GDP across trade, manufacturing and services and is also the largest employment provider in the country. India has a vibrant SME sector, whose role in terms of employment creation, and upholding the entrepreneurial spirit and innovation, has been crucial in fostering competitiveness in the economy. The Indian SME sector comprises 95 percent[9] of all the industry establishments.

SME lending enables higher spreads vis-à-vis corporate banking and also has attractive fee income opportunities for players. SME lending also has significant potential for wallet expansion by bundling trade, cash and foreign exchange products and services. Players are increasingly offering advisory services to SME customers to emerge as their preferred financial solutions provider and partner them in growth.

The SME funding opportunity is estimated to be about USD 45 billion[10] currently without including the benefits of cross-selling retail finance products. Indian SMEs require advisory services in several areas such as country/ sector analysis; capacity building in areas such as quality and safety; and fee based opportunities such as loan syndication. The attractive fee-income potential and higher profitability is expected to result in a rapid growth of the SME financing market to reach levels comparable with commercial lending.

Agri and Rural Finance

Rural India is home to more than two-thirds of India's population and contributes almost half of India's GDP. However, the penetration of banking services in rural India remains significantly lower than in urban India. The Government has identified financial inclusion as a key policy objective and has taken several initiatives in this direction including priority sector lending norms, Kisan (farmer) Credit Cards and 'No Frills' banking, among others.

The key challenges involved in catering to the rural market include tapping the heterogeneous customer base dispersed across wide territories, smaller ticket size per transaction, low technology awareness and usage, largely cash-based transactions and lack of credit information. These challenges are being tackled by innovative channels including technology-enabled kiosks, biometric cards and Self Help Groups (SHGs). SHGs are being increasingly used as a credit delivery and management channel because of their efficiency, cost effectiveness and specialized/local knowledge.

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[8] Source: Ministry of Small Scale Industries
[9] Source: Ministry of Small Scale Industries
[10] Source: KPMG analysis

The vast customer base and low asset penetration presents a massive lending opportunity for early movers. The increasing focus of leading players and regulatory thrust are expected to result in a rapid growth in the rural and agri finance sector. The sector is projected to grow at a healthy CAGR of 23 percent[11] till 2009. However, innovative models of delivery are critical to enhancing penetration while keeping tabs on transaction costs.

Institutional Finance

The robust performance of Indian corporates has resulted in strong balance sheet growth. There is an increasing need for credit to fund capacity expansion and acquisition-led inorganic growth. Several banks and other institutions active in India have been able to finance large ticket transactions and have emerged as the preferred and trusted partners for leading corporates.

The key players in this sub-sector include Developmental Finance Institutions (DFIs), Public Sector Banks, Indian Private Banks and Foreign Banks. Given the nature of the industry, success depends on the ability to nurture strong relationships and maximize the wallet share. The other factors that determine success include a focus on innovation, syndication and structuring with the ability to offer a complete product offering.

Indian corporates are currently showcasing high growth levels. The sector is expected to witness strong demand for funds in the future, due to planned capacity expansion and associated fixed tenure and working capital funding requirements. However, increasing competition and prevailing high interest rates vis-à-vis foreign borrowings is expected to result in increasing pressure on margins and would thus impact the profitability of this sector.

Project Finance

The steps taken by the Indian Government to boost infrastructure development has stimulated investment in the core sectors, including cement, steel and power leading to a rise in demand for project finance. The project finance sector includes both fee-based (project advisory) as well as fund-based (fund disbursement) opportunities. Owing to shrinking spreads, leading players are focusing on fee-based income streams.

The key institutions providing project finance include DFIs, public sector banks, private banks and foreign banks. However, newer sources of capital including the capital market, private equity (PE) groups, investment banks and syndicated loans have emerged in recent times.

[11] Source: NABARD, CLSA, KPMG analysis

A strong balance sheet with low cost of capital, sound project appraisal capabilities and appetite for India's sovereign credit risk are critical for success. The recent upgrade of India's sovereign rating to 'investment' grade is expected to significantly ease supply side constraints to investment.

Life Insurance

The Indian life insurance industry has experienced tremendous activity since the opening up of the insurance market in 2000 to private and foreign investments. Though the industry is still dominated by the public sector behemoth, the Life Insurance Corporation of India (with a 64 percent[12] market share in FY2007), private players are catching up rapidly. The new entrants have been able to garner market share by aggressively building the distribution network (in the form of agents) and reaching rural and semi-urban areas, to take on the market leader. Besides, the private players are focusing on unit-linked policies, which have contributed to their increasing market share vis-à-vis LIC in value terms.

The growth in the life insurance sector has been catalyzed by increased awareness of the need for life insurance and introduction of unit linked policies and products which are more acceptable to the Indian masses. The insurance industry in India has tremendous growth potential, due to a large population, fast and rapid growing economy and constant improvement in the standard of living. Besides, life insurance penetration in India is low, in comparison to other developed nations.

Life insurance penetration in India is slated to grow rapidly due to the increasing reach of players in Tier II and Tier III cities. Micro-insurance is expected to significantly increase the size of the target population as it increases the affordability of the product. The anticipated increase in Foreign Direct Investment (FDI) limit from the current 26 percent is expected to spur the entry of global players into this sector. The market size for FY 2007 was USD 18.9 billion, and is projected to grow to USD 41.1 billion by FY 2010.

Life Insurance Market Size: Current and Projected

Source: IRDA

12 Source: IRDA website

Non-life Insurance

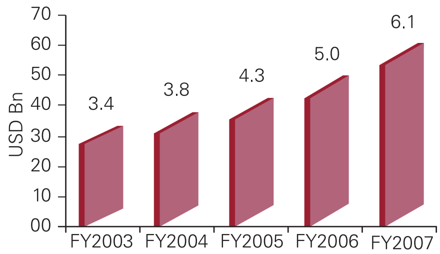
The Indian Non-life insurance sector witnessed the entry of several global majors after the sector was opened up to private sector players in the year 2000. The entry of private sector insurers marked a paradigm shift in this industry and has triggered several changes in product features and service levels. However, the growth potential was not fully realized due to fixed tariffs and relatively low scope for customization.

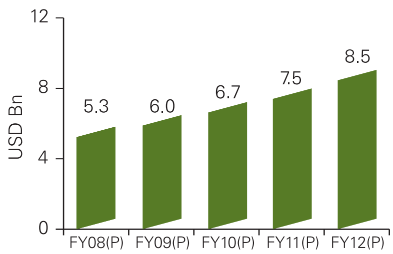
India has an extremely low insurance penetration with tremendous scope for improvement to reach levels comparable with other emerging markets. In fact, non-life insurance density is very low in comparison to other nations, indicating the tremendous opportunity.

The entry of new players and introduction of new products coupled with increasing distribution reach is helping increase awareness among customers. The changing demographic profile with rising incomes and a young population is also leading to increased per capita expenditure on insurance products.

With saturated markets in most developed nations, global insurers are increasingly interested in India for sustaining growth. The anticipated increase in the FDI limit for foreign companies and recent de-tariffication is expected to significantly increase global interest in this sector. The non-life insurance industry is currently worth around USD 6.1 bn and is projected to grow at a CAGR of 13 percent in the foreseeable future.

Growth in Non-Life Insurance: Actual and Projected





Source: IRDA, Asia Insurance Post, KPMG Research, Company Reports

The insurance regulator is encouraging the entry of more players so that insurance penetration levels can further increase. Several initiatives are also being planned to promote the establishment of standalone health insurance companies.

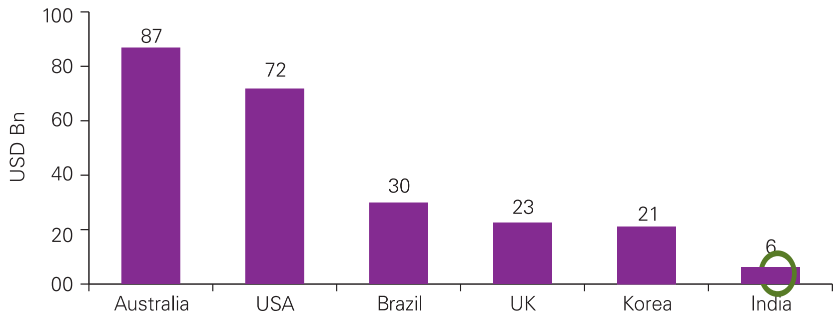
The recent de-tariffication of motor, fire, engineering and workmen compensation insurance since January 2007, is expected to result in increasing focus on product innovation and risk-based pricing. Health insurance has been among the fastest growing market segments in recent times and is expected to continue showing a minimum growth of 30 per cent going forward.

Asset Management

The Indian asset management industry has come a long way from being a single player industry (Unit Trust of India) for almost 23 years to a fast-growing sector with 32 players[13] today and several more waiting in the wings. Investors have a wide variety of schemes as well as fund houses to choose from.

At present, the industry manages assets amounting to approximately USD 97.8 billion[14] (June 2007) but is still in its infancy when compared to global standards. The ratio of Assets Under Management (AUM) to GDP is just 6 percent in India compared to 20-85 percent in developed economies.

AUM as a percent of GDP (2006)



Source: CLSA Asia Pacific Markets

The asset management sector is witnessing high growth in recent times due to several factors including rising incomes, increasing awareness of financial products, focused distribution efforts, strong equity market growth and robust performance of leading funds.

Complex, innovative and sophisticated products form a small part of the industry AUM at present. However, going forward with rising investor awareness, these schemes are expected to attract greater investment.

[13] Source: AMFI website
[14] Source: AMFI website

With the Indian economy growing at a rapid pace and the capital markets performing well, the asset management industry in India is likely to witness high growth rates. Increasing retail participation and large amount of surplus liquid funds with institutional Investors, the industry is expected to grow at a CAGR of 25 percent[15] between FY2007 and FY2010.

Pensions

The current demographic dividend that India enjoys may not last indefinitely. As a result of declining birth rates and longer life expectancy, the elderly will constitute a large proportion of the total population. Even today, while the population of the elderly is proportionately lower, in absolute terms, it is till a very significant number. The changing demographic dynamics calls for a critical look at the pension support system in India. Less than 10 percent[16] of the estimated working population in India is covered under formal old-age income security schemes. The penetration by way of the Public Provident Fund (PPF) account is less than 1 percent of the entire working population.

In the past few years, there have been numerous discussions on permitting participation from the private sector and foreign players in the Indian pensions industry, powered by the proposed introduction of favorable regulatory initiatives. The regulations planned for the pension and provident fund industries require structural and procedural modifications.

The formation of the interim Pension Fund Regulatory and Development Authority (PFRDA) kicked-off the reform process. The pension reforms in the country then acquired momentum with the announcement from Reserve Bank of India (RBI) regarding norms for management of pension funds by banks.

Implementation of pension sector reforms is expected to have a salutary impact on the Indian pension and provident fund sector. PFRDA has already laid down the eligibility criteria for pension funds. Though the RBI norms intend to eventually permit private and foreign banks to enter the business of pension funds management, the definition of the roadmap for future growth is still awaited.

Investment Banking

In the last few years, the number of investment banks operational in India has increased significantly, because of the rise in the number of global merger and acquisition (M&A) deals involving Indian companies. High-value deals such as the Tata-Corus deal and the Hutchison-Essar stake sale is creating further interest amongst global players, with respect to the Indian investment banking space.

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[15] Source: KPMG analysis

[16] Source: KPMG Pension report

M&A Advisory has been the most significant contributor to Investment Banking revenues. With an increasing number of Indian companies looking at overseas acquisitions, this activity is likely to increase in prominence.

The strong regulatory mechanism and capital market environment has attracted the interest of leading Wall Street investment banks, who are focusing on their India operations. Deregulation has also opened opportunities to offer more services like risk management, distressed debt, proprietary investing and leveraged finance, apart from other conventional offerings.

Investment banking is a people-driven business and requires human resources with experience in the industry, track record of success, ability to win and execute deals, strong negotiation skills and excellent relationship management skills. Going forward, players need to focus on skilled professionals having domain expertise, given that increased activity in the investment banking space has resulted in a talent crunch.

Securities Broking

The Indian stock broking industry is witnessing increased global attention with increase in number of mergers and acquisitions and rising trading volumes. The continued Foreign Institutional Investor (FII) interest in the Indian capital markets and robust stock market performance is fueling retail investor interest in equity products. The immense potential offered by leveraging the latent demand in semi-urban and rural markets is driving aggressive expansion plans of leading Indian broking houses.

The Indian broking industry currently includes a number of players with a regional or sectoral focus. Large brokerage houses are growing and scaling up through geographical expansion. This process is expected to continue with the entry of global majors into the industry. However, increasing competition is expected to reduce margins in the industry thereby impacting profitability.

The entry of aggressive players such as Reliance Capital through its portal 'Reliance Money' is expected to significantly increase the reach and penetration of securities broking services in India. Several large global players are also mulling an entry into the Indian market in the near future.

This sector is therefore set to witness increasing action with intensifying levels of competition among existing players and new entrants leading to the emergence of large players with a pan-India presence and a significant share in the total market volumes. Players are also positioning themselves as retail financial services brands to improve share of wallet and enhance customer retention.

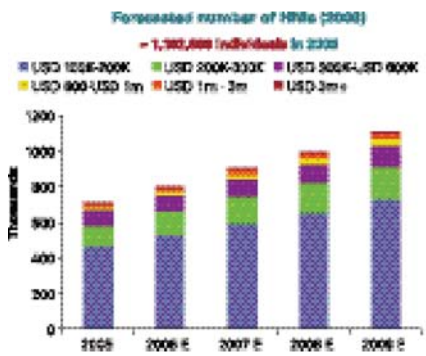
Wealth Management

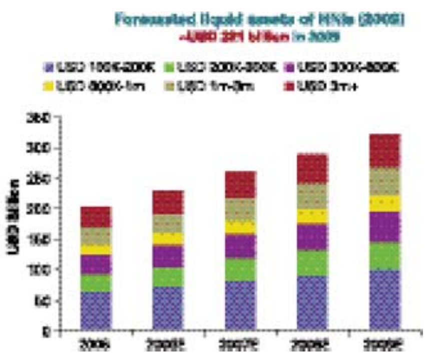
The booming Indian economy, rising stock prices and increase in salaries has turned the spotlight on the Wealth Management sector. Key products and services include investment advisory - in debt, equity, mutual funds and derivatives; besides tax advisory; estate planning; and insurance advisory.

The wealth management space was hitherto considered the preserve of some foreign banks, which offered 'exclusive services' to select high networth customers. Today, several private banks offer these services, while there is virtually no participation from the large nationalized banks. Further, international players are increasingly offering dedicated wealth propositions with more evolved products than their Indian counterparts.

The growing number of affluent Indians coupled with increasing awareness of financial planning has resulted in expanding the base of potential wealth management customers.

Liquid Assets of HNIs





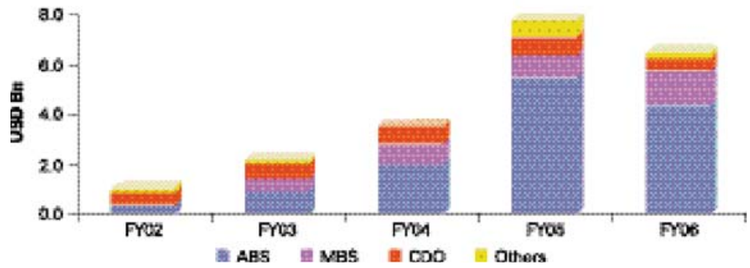
Source: Datamonitor Reports on Wealth Management

Source: Datamonitor reports on Wealth Management

Structured Finance

The Indian Structured Finance market is dominated by securitization in general and Asset Backed Securitization (ABS) in particular. Securitization was introduced in 1992; since then, volumes have been scaling new peaks every year with a cumulative growth rate of nearly 100 percent between 2002 and 2005.

Structured Finance Market Volumes



Source: ICRA report

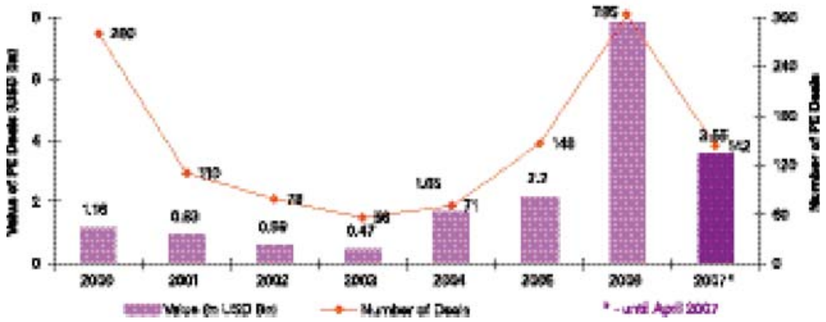
Basel II capital constraints are expected to result in increasing participation by public sector banks and new NBFCs pursuing aggressive growth strategies. The low size of retail securitization in relation to the underlying retail finance market highlights the tremendous growth potential in this sector.

Given the rapid increase in credit off-take and the proliferation of NBFCs, securitization would act as an increasingly important funding tool in the future. The expected launch of Real Estate Mutual Funds (REMFs) in the near future may also facilitate institutionalization of the real estate sector and encourage Residential Mortgage-Backed Security (RMBS) and Commercial Mortgage-Backed Security (CMBS) issuance. With increasing regulatory clarity and moves to enhance liquidity of security receipts, this sector is on the cusp of rapid growth and is attracting interest from global players.

Private Equity

In the past few years, India has become one of the top five PE destinations in the Asia Pacific region with PE funds constituting over 25 percent of FDI inflows into India. Liberal foreign investment policy encouraging foreign participation and availability of targets at attractive valuations relative to other emerging markets have resulted in a rapid growth of private equity investments in the country.

Private Equity Market Size



Source: Evalueserve, IVCA,GT and Venture Intelligence India

Private equity capital is being preferred over traditional sources of funds to leverage their brand equity, sector knowledge and relationships.

PE investment in India was earlier limited to the IT and ITES industry with a focus on early stage ventures. However, in recent times, PE investment has extended to a large number of sectors besides IT and ITES. PE players are increasingly focusing on attractive opportunities in real estate, media and entertainment, telecom, financial services and manufacturing and auto industry. With investments of over USD 20-25[17] billion needed by India in the infrastructure sector alone, the current high growth trajectory in the private equity sector is expected to continue in the medium term.

Distressed Assets

India has an estimated stock of USD 40 billion[18] in non-performing assets, including soured credits at cooperative lenders, non-banking finance companies and loans written off by banks, as per ARCIL, the leading Indian asset reconstruction company. Following the landmark enactment of the SARFAESI Act (Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act) in 2002, investor appetite for Indian assets as well as non-performing loans is growing as the economy expands at a record pace.

The country's growth has pushed up the value of the plants, machinery, land and buildings used as collateral by borrowers now in default, making the task of recouping loans easier. Regulatory measures by way of recognition of Pass-Through Certificates (PTCs) as securities could provide a significant boost to the market by allowing FII investment into the market.

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17 Source: Business World and KPMG analysis
18 Source: RBI, ARCIL

Global players are therefore contemplating entry into the asset reconstruction space, given the attractiveness of the opportunity. The entry of more domestic and foreign players into this space in the future is also expected to result in heightened activity, thereby enhancing pricing and recovery.

Real Estate Finance

The real estate and construction sector in India has witnessed an unprecedented boom in recent times. Strong residential and commercial demand in major cities has resulted in rapid project development and capacity creation.

In the past few years, real estate funding witnessed a dramatic change with the automatic approval of 100 percent FDI investment. The increasing transparency and high returns of the Indian real estate sector have attracted strong foreign and domestic investors to Indian realty firms. Indian real estate majors have also been able to leverage the capital markets and overseas (AIM) routes to raise capital.

The real estate finance sector is anticipated to be very active in the near future with several anticipated developments which include:

- Influx of foreign funds – The funds available for real estate investment is expected to exceed USD 12 billion. Global funds have already raised over USD 12-15 billion[19] for investment in Indian real estate in the next five years.
- Introduction of REMFs – The anticipated introduction Real Estate Mutual Funds (REMFs) in the Indian market is expected to significantly increase the availability of funding from retail investors
- Regulations - FDI in real estate is set to witness increased regulatory scrutiny to contain the asset price bubble. The preferential equity and convertible debenture routes have been virtually closed due to new regulations. FII investment in real estate is likely to have similar restrictions in the future.

Leveraged Finance

Indian corporates are also increasingly using an acquisition-led inorganic growth strategy to expand their capabilities and assets. The key drivers for the growth of leveraged finance in India include the increasing global ambitions of Indian corporates as part of their geographical diversification strategy.

In the Indian context, Leveraged Buy-outs (LBOs) have been more common in the manufacturing sector. This is due to the presence of collaterals, in the form of fixed assets, as well as successful track records. Further, technology and service companies entail higher business risk and also have minimal fixed assets as security.

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[19] Source: ICICI Securities Report

The leverage finance sector is set to witness continued growth owing to a favorable economic environment, high business confidence, and easing regulatory restrictions with corporates. As per the recent regulations, corporates are allowed to fund up to 200 percent of their net worth to overseas subsidiaries to acquire overseas targets. Rising private equity inflows and improvement in India's sovereign credit rating are enabling increased access to foreign capital at competitive rates. It is expected to fuel the growth of this sector in the medium term.

Non-Recourse Lending

The Indian Government's Committee on Infrastructure has envisaged massive infrastructure related investments during the seventh plan period (2007-2012). Given governmental priorities to rein in the fiscal deficit and increase spending in the social sector, public investment must be supplemented by Public-Private Partnerships (PPPs). In many cases, investment may have to be made exclusively by the private sector.

The political consensus on infrastructure development, coupled with acceptance of user charges and ease of financing, is now attracting private players to the Indian infrastructure sector.

The infrastructure sector is expected to witness high growth with investments estimated at USD 500 billion in the next five to seven years. Power, roads and non-residential real estate are expected to be the key sectors for the non-recourse lending needed to support this.

The near future could also mark the culmination of several innovations in financing models and the creation of alternative sources of capital, spurring the development of this sector.

Regulatory Framework for Financial Services in India

In the last decade, India has emerged as a preferred destination for foreign capital flows. Private equity investors and FIIs have contributed to the strengthening of the Indian capital markets.

A sound regulatory mechanism has played an important role in shaping the Indian Financial Services sector. In India, certain agencies are responsible for the regulation and supervision of the institutions and market participants in the financial sector.

The regulatory framework for investment in India is summarized in the following sections.

Regulators in Financial Services

The Reserve Bank of India (RBI), the central bank, regulates and supervises a major part of the financial system. Its supervisory domain covers Commercial Banks, Non-Banking Financial Companies (NBFCs), Urban Cooperative Banks (UCBs), some of the All-India Financial Institutions (AIFIs) and Asset Reconstruction Companies (ARCs). Some AIFIs, in turn, regulate and/or supervise other institutions in the financial sector. Accordingly, the Regional Rural Banks (RRBs) and Central and State Cooperative Banks are supervised by the RBI through the National Bank for Agriculture and Rural Development (NABARD), and the Housing Finance Companies through National Housing Bank (NHB).

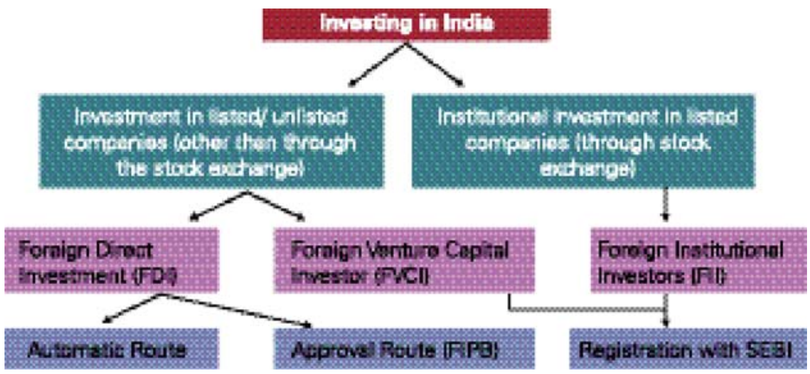
Entities in the insurance sector are regulated by the Insurance Regulatory and Development Authority (IRDA). The apex regulatory body for pension funds is the Pension Fund Regulatory and Development Authority (PFRDA).

The Securities and Exchange Board of India (SEBI), the capital market regulator, regulates the capital markets and supervises several institutions including the stock exchanges, mutual funds, asset management companies, securities dealers and brokers, merchant bankers, credit rating agencies, FIIs, venture capital funds, etc.

Reserve Bank of India (RBI)					Insurance Regulatory & Development Authority India (IRDA)	Securities and Exchange Board of India (SEBI)	Pension Fund Regulatory & Development Authority of India (PFRDA)
Scheduled Commercial Banks	Financial Institutions	Co-operative Banks	Non – Banking Finance Companies (NBFC)	Asset Reconstruction Companies	Insurance Companies	Capital market intermediaries	Pension Fund Managers/Inter me diaries
• Complete Range of commercial banking activities • Diversified with regards to products as also footprint of operations • Comprise : • Public Sector Banks • Old Private Sector Banks • New Private Sector Banks • India Branches of foreign banks	• Development finance institutions sponsored by State or Cenral Goverments • Role largely to develop markets through refinance and development activities • Comprise : • Development Finance Institutions • Specialized Finance Institutions • Investment Institutions • Refinance Institutions	• Regional/ Community/oriented Banks • Perform role of regional aggregate is in semi urban & rural areas • Extensive coverage with a developmental role in familiarizing the economically backward sections with banking habits	• Financial intermediaries involved in equipment leasing, hire purchase, lending and investing • Two broad categories : • Deposit taking • Non-deposit taking	• SARFAESI Registered Companies	• Life Insurance • Non-life Insurance	• Asset Management • Broking • Wealth Management/Portfolio Management Services • Venture capital • FII • FVCI • Merchant Bankers • Unde writers Custodians & Depositaries	• Regulatory role includes designing of basic • Products, and fixing auennes for investment

Foreign Investment in India

The regulatory approval process has been substantially liberalized to facilitate investment into India. The foreign investment into India is depicted in the chart below:



Policy on FDI

The government has set the regulations that apply to foreign-equity participation in the financial services sector.

The compliance aspects of FDI are embedded in the FDI Policy, Foreign Exchange Management Act, 1999, and various other regulations prescribed by the RBI from time to time.

FDI can be classified into two broad categories: Investment under the automatic route and investment with prior approval of the Government.

Investment under the Automatic Route:

There is no requirement for prior regulatory approval, but only post-facto filing/ intimation with the RBI. The procedure involves filing of intimation with RBI within 30 days of receipt of investment money in India and filing of prescribed documents and particulars of allotment of shares within 30 days of allotment of shares to foreign investors.

19 financial services activities are permissible under the automatic route subject to certain minimum capitalisation norms. The 19 activities include Merchant banking, Underwriting, Portfolio Management Services, Stock Broking, Asset Management, Venture Capital, Custodial Services, Factoring, Leasing & Finance, Housing Finance, Credit card business, Micro Credit, Rural Credit, Credit Reference Agencies, Credit rating Agencies, Forex Broking, Money changing Business, Investment Advisory Services and Financial Consultancy.

The minimum capitalisation requirements depending on the level of FDI in the above fund-based non-commercial banking activities, under the automatic approval route are as under:

FDI limit	Minimum capitalization required	Comments
Up to 51%	USD 0.5 million	Upfront capital infusion
Above 51% and up to 75%	USD 5 million	Upfront capital infusion
FDI beyond 75% and up to 100%	USD 50 million	USD 7.5 million to be brought upfront and balance in 24 months

RBI permits any foreign bank with presence in India to hold shares in any other private sector bank only up to 5% of the paid up capital of the investee bank. In the interest of diversified ownership of the banks, no single entity or group of related entities (except foreign bank and private sector bank) are permitted shareholding or control, directly or indirectly, in any bank in excess of 10% of the paid up capital of the private sector bank. Any higher level of acquisition will be with prior approval of RBI.

FDI in insurance sector is permissible up to 26% of the Indian joint venture company under the automatic route, subject to IRDA approval.

Investment with prior approval of the Government
Under the prior Government approval route, investment in activities/industries can be made by seeking approval, where the automatic route is not available or previous venture in India in the same field or if investment in excess of 24% in small scale unit is required or if investment exceeds sectoral caps. Such approval is granted by the Foreign Investment and Promotion Board (FIPB).

Policy on FVCI Investment
A Foreign Venture Capital Investor (FVCI) is one that is incorporated and established outside India, is registered under the FVCI Regulations, 2000 laid down by SEBI and proposes to make investments in accordance with them.

The regulations stipulate investment of at least 66.67 percent of the investible funds into unlisted equity shares of a Venture Capital Undertaking (VCU). A VCU is defined as a domestic company whose shares are not listed and one that is engaged in the business of providing services, production or manufacture of articles or things but does not include activities which are specified in the negative list (sectors in which foreign investment is not currently permissible).

Further, not more than 33.33 percent of the investible funds may be invested towards the following purposes:

- Subscription to an Initial Public Offering (IPO) of a VCU
- Any debt/debt instrument of a VCU in which the FVCI has already made equity investments
- Preferential allotment of shares of a listed company subject to a lock-in period of one year

Policy on FII Investment

Foreign Institutional Investors (FII's) are governed by SEBI (FII) Regulations, 1995. The following entities are eligible to be classified as FII's:

Pension funds, Mutual funds, Investment trusts, Asset management Companies, Banks, Insurance companies, Re-insurance companies, Institutional portfolio managers, Investment Managers, Investment Advisors, Foreign Government Agencies, Foreign Central Banks, International or Multilateral Organizations or Agencies thereof, Trustees or 'Power of Attorney' holders and entities that have existed for at least five years (University funds, Endowments, Foundations, Charitable trusts or Charitable societies).

When a bank acts on behalf of an intermediary, a sub account is opened for each of the intermediaries' clients, to hold their funds in their name. The account can only be operated, and the funds can only be used, according to the terms of a written agreement (Power of Attoney) that is given to, and approved by, the bank. Eligible entities for Sub-accounts are:

Broad based funds; proprietary funds; foreign corporates and foreign individuals (other than Non-Resident Indians and Overseas Corporate Bodies)

FII's are categorized according to the percentage of equity investments:

- 100 per cent equity FII - Investment in equity and equity-related securities should be at least 70 per cent of total FII investments
- 100 per cent debt FII – limit on investment in debt to be approved by SEBI
- No foreign corporate or foreign individual to invest through 100 per cent debt sub-account route.

The Investment framework specifies the securities eligible for FII investment. These are:

Shares, debentures, warrants of unlisted, listed or to be listed companies on recognized stock exchanges (other than Asset Reconstrution Companies (ARC's)), security receipts, mutual fund units (listed or otherwise), dated government securities including treasury bills, derivatives traded on recognized stock exchange, commercial paper.

Investment restrictions

Investment by FII on their own account or behalf of sub-account cannot exceed 10 per cent of the paid-up equity capital of investee company and in case of foreign corporate or individual, the ceiling is 5 per cent of the paid-up equity capital of the investee company.

Further, all FIIs and their sub-accounts taken together cannot acquire more than 24 percent of the paid up equity capital of an Indian company. The investment can be increased up to the sectoral cap/statutory ceiling, as applicable to the said company. This can be done by passing a resolution by the Board of Directors, followed by the passing of a special resolution to that effect by its General Body.

Also, all FIIs/sub-accounts can transact in dematerialized form through a recognized stock broker and on a recognized stock exchange and are required to give or take delivery of securities.

Investment Vehicles for Foreign Investors

Depending upon their respective business needs, foreign companies considering a business presence in India can choose between setting-up a liaison office, branch office/project office or incorporating a company. This could be either a wholly owned subsidiary or a joint venture with another person.

Liaison office

A liaison office (LO) is set up to act as a channel of communication in India for the head office. It is not permitted to undertake any commercial/ trading/ industrial activity, directly or indirectly. Establishing an LO requires the approval from RBI, which also monitors its activities.

Foreign insurance companies setting up an LO in India would require approval from the IRDA.

Branch office/Project office

Foreign companies undertaking projects in India can set up project/ site offices (POs). The setting up and operation of these offices is regulated by the RBI. Prior approval to set up a PO is no longer required (subject to certain conditions). A PO can only undertake activities related to and incidental to the execution of specific projects in India.

Companies engaged in manufacturing and trading activities, on the other hand may set up Branch Offices (BO). Foreign Banks can presently set-up operations in India as BO with prior approval of the RBI. A BO can carry out activities permitted by RBI; however, the activities generally do not include manufacturing (unless set up in an SEZ) and retail trading.

Local subsidiary or Joint Venture Company

A subsidiary or a joint venture company can be formed either as a private limited company or a public limited company (except insurance joint venture which can be only public company). A company is regulated inter alia (amongst other things) by the Registrar of Companies (ROC) under the Companies Act, 1956.

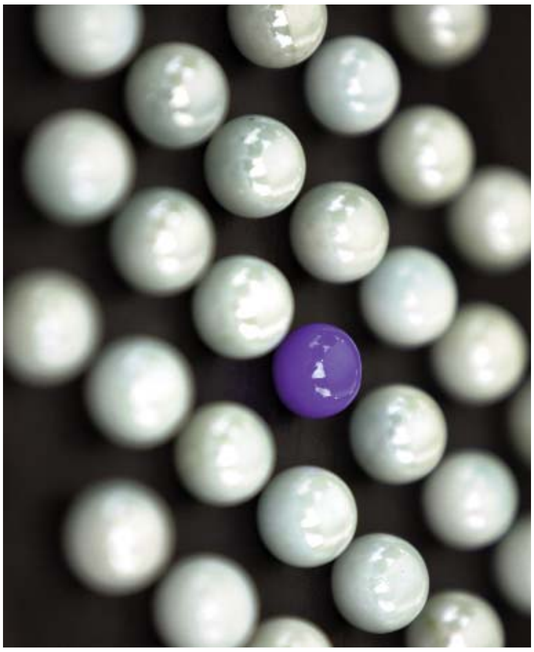
The key differences between a private company and a public company have been set out in the table below:

Sr. No.	Particulars	Private Company	Public Company
1.	Minimum number of shareholders	Two	Seven
2.	Maximum number of shareholders	Fifty	Unlimited
3.	Minimum number of directors	Two	Three
4.	Maximum number of directors	Seven	Twelve (can be increased with Government approval)
5.	Minimum paid-up capital requirement	INR 1,00,000 (Approx. USD 2200)	INR 5,00,000 (Approx. USD 11000)

Statutory requirements for formation of companies

Typically, the incorporation process envisages filing of various documents/ information with the ROC. After verifying the documents, the ROC issues a 'Certificate of Incorporation', which is the proof of incorporation. A private company can commence business immediately after obtaining this certificate. A public company is required to obtain a 'Certificate of Commencement of Business' by filing additional documents with ROC.

About KPMG



KPMG is the global network of professional services firms of KPMG International. Our member firms provide audit, tax and advisory services through industry focussed, talented professionals who deliver value for thebenefit of their clients and communities. With nearly 1,13,000 people worldwide, KPMG member firms provide services in 148 countries.

KPMG's member firms in India were established in September 1993. As members of the cohesive business unit, they respond to a client service environment by leveraging the resources of a globally aligned organization and providing detailed knowledge of local laws, regulations, markets and competition.

In India, KPMG's range of services includes Audit, Tax, and Advisory services to over 2,000 international and national clients. Clients range across five sectors namely financial services; consumer markets; industrial markets; information, communication and entertainment; and infrastructure and government. KPMG has offices in India in Mumbai, Delhi, Bangalore, Chennai, Hyderabad, Kolkata, and Pune. The firms in India have access to more than 2,200 Indian and expatriate professionals, many of whom are internationally trained. KPMG provides rapid, performance-based, industry focused and technology enabled services, which reflect a shared knowledge of global and local industries and experience of the Indian business environment.

KPMG also operates India Desks in a few countries around the world. The objective of the India Desk is to help clients on India related issues such as conducting industry reviews; developing business strategies to invest in new projects; identifying opportunities for partnerships and acquisitions; rendering transaction advisory, and providing advisory on investment structures from a regulation and tax perspective.

KPMG's Financial Services (FS) practice has undertaken a number of pioneering projects in sectors such as consumer banking, credit cards, SME banking, agri & rural banking, life insurance, general insurance, asset management and wealth management amongst others. These projects cover solutions such as market assessment, strategy formulation, business planning, policy formulation, demand assessment, partner selection, process design, business continuity services and program management.

KPMG assists companies in the financial services sector who are exploring entry into India.

Successful implementation of an India entry strategy requires a structured approach right from the strategy development stage through implementation. This approach encompasses a wide range of services from assessing market potential to defining the strategy and making it operational.

Successful implementation of an India entry strategy requires a structured approach right from the strategy development stage through implementation. This approach encompasses a wide range of services from assessing market potential to defining the strategy and making it operational.

Market Assessment and Business case	In line with your global positioning and strategy. This includes an assessment of various relevant aspects – market sizing, growth potential, customer segments, products, competitors, regulatory issues and future trends
Evalution of market entry options	Evaluating the right approach (wholly owned subsidiary, JV and acquisition) for entering the Indian market
JV Partner / Acquisition Target Strategy and Search	Development of key selection criteria and assessment of potential partners/ acquisition targets (for JV /acquisition entry route) based on strategic fit, brand, financial strength, distribution capabilities, customer base etc. Negotiations of enterprise value and close deal with structure and transaction terms
Capital Structuring and Tax Advice	Assisting new entrants on tax and regulatory compliance around entity structuring, company registration and drafting the JV and Shareholders' Agreements
Business strategy and planning	Development of a business strategy and financial plan, driven by the strategic vision of the JV partners. The plan includes strategies for target segments –products, distribution, geographies, operations, and customer services
Operation set up	Designing an operating and reporting structure, organization model, performance management framework, information technology strategy and application selection
Implementation and roll-out	Program management services to support the planning, prioritising, monitoring and reporting of all implementation activities. KPMG's leverages its understanding of risk, to assess and mitigate program risks, thus enabling the successful, time-bound implementation of the new venture.

Glossary

Abbreviation	Full form
ABS	Asset Backed Securitisation
AIM	Alternate Investment Market
ARCIL	Asset Reconstruction Company India Limited
AUM	Asset Under Management
BO	Branch Office
CAGR	Compounded Annual Growth Rate
CMBS	Commercial Mortgage-Backed Security
DFI	Development Finance Institutions
FDI	Foreign Direct Investment
FII	Foreign Institutional Investor
FIPB	Foreign Investment Promotion Board
FVCI	Foreign Venture Capital Investors
FY	Financial Year
GDP	Gross Domestic Product
IRDA	Insurance Regulatory Development Authority
IT	Information Technology
ITES	Information Technology Enabled Services
LIC	Life Insurance Corporation
LO	Liaison Office
M&A	Merger and Acquisition
MNC	Multi National company
NBFCs	Non Banking Finance Companies
PE	Private Equity
PPPs	Public Private Partnerships
PTC	Pass-through Certificates
RBI	Reserve Bank of India
REMFs	Real Estate Mutual Funds
RMBS	Residential Mortgage-backed Security
ROC	Registrar of Companies
SARFAESI	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act
SEBI	Securities Exchange Board of India
SHG	Self Help Group
SME	Small and Medium Enterprise
SSI	Small Scale Industry
USD	United States Dollar
VCU	Venture Capital Undertaking

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