

# India – Journey to the promised land

Following years of exponential growth forecasts in India's industrial gases sector, is India's time to shine on the horizon?



**STUART RADNEDGE**  
gasworld, Web Editor

As with the election of any new Prime Minister in a country, sweeping changes usually ensue. India's 15<sup>th</sup> and recently elected leader, Narendra Modi, is no different and momentum from his appointment continues to swell.

But before Modi, industrial gas growth in India over the decade from 2003-2013 was a healthy 14% annually, according to figures from gasworld Business Intelligence. Closer analysis of the figures reveals this growth almost ground to a halt in 2011 and 2012, demonstrating the vigorous nature of its growth in this timeframe as a whole. Richard Jones, Senior Analyst from Business Intelligence explained that the global recession was the reasoning behind the dip with a 'deceleration notable' and "market increases reduced to around 5% as opposed to the huge double-digit leaps in the mid-noughties."

With the proverbial storm weathered, a change in financial forecast is indicated on the barometer. "India is actually better placed to enjoy decent growth than many of the major economies

around the world, including its fellow BRIC members. It's low exports to China (amounting to around only 5%) mean it will not be impacted by the slowdown in the Chinese market the way others will. Quantitative easing (QE) measures by the Bank of Japan will likely severely impact manufacturing across East Asia, but India's service-led economy will mean it will not bear the brunt of this in the same way its neighbours will. The huge drop in Brent crude oil prices we are currently experiencing – 40% in six months – will actually leave India with more money to spend given its status as a chief importer, rather than exporter, of the commodity. India is actually a leading light for the global economy heading into 2015 – its stock market has recently been experiencing record-highs, and the IMF is actually increasing its growth forecasts rather than lowering them, as it is doing for other big powerhouses. Deflationary concerns that are causing policy-makers around the world sleepless nights will actually be welcomed by those in New Delhi – recent high-inflation could be on its way down," stated Jones.

This positivity is shared in the country, as leaders from around the world clamour

to 'do business' with Modi and the new-India currently being born, among both those in power and those without. Modi has united a nation, it seems. Following my visit to India, to attend the inauguration of Mack Valves' new manufacturing plant in the city of Pune, it was clear confidence in Modi's leadership was bringing a new dawn for the country and the people who work there. Streets were being cleaned in Mumbai, curb stones were being painted for the first time in what appeared to be a long time. I asked my taxi driver if this was a community event? His reply described the situation perfectly. "Modi want us all to be proud of who we are and what we offer.

**"The timing for this new 'open for business' India is very good for the country..."**

That's why change is coming."

More than just a country with cheaper labour, when compared to westernised societies, India also provides options for further growth and vital transport links to the emerging markets in the East.

Ravin Mirchandani, Chairman of Mack Valves, explained why the company chose India for its expansion. He said, "We looked at investing outside Australia as part of a major change in strategic direction at Mack Valves, changing from being an Australia/Oceania focused business to a global manufacturing and supply outlook. When we made the decision to invest overseas, we obviously wanted to have

our second manufacturing operation in a lower cost base region."

"Our choices were China and India. Our assessment showed that China posed challenges that a business our size would find difficult to surmount. India, on the other hand, had a legal system based on Commonwealth law, a workforce that speaks English, a strong engineering base and a significant pool of casting/foundry industry suppliers. The choice to invest in a factory in India was a logical conclusion for Mack Valves."

The timing for this new 'open for business' India is certainly good for the country's economics and the people that live there. But why has this countrywide change in outlook among the public suddenly occurred? Can everyone really believe that the future is that bright for India?

VRV's Asia Pacific Managing Director, Mr. G.L. Rangnekar, appears to think so. "Since 1989 there has been a coalition government in India, as no single party had the majority in Lok Sabha elections (Central election). But in 2014 BJP (the political party), under the leadership of Modi, had a clear mandate and formed the government with a majority (BJP won 282 out of 543 seats) and elected members selected Modi as their leader – and he became Prime Minister of India," he said. "Modi's image is very clean with a high level of integrity and commitment to society. During the election his manifesto promised to build a new India; improving infrastructure, technology

and the construction of 100 new cities, he would fight corruption in politics, and ensure that a conducive, enabling environment is created, making 'doing business' in India easy."

Rangnekar continued, "Due to various reforms there is going to be a good demand-supply gap, naturally. Business leaders will certainly fill that up, as there is a conducive environment to do business. India has the correct cost region for labour (with reforms already underway), the impending improvements in infrastructure, and an excellent location of the country and its links to emerging economies will only strengthen India's role in the global market for the future."

**Seizing the moment**

At the time of writing, it was announced that India has received its largest shipment of LNG as the country looks to diversify supplies to meet rising energy demands. Projections of a booming LNG trade in India have been frequently stated during the last three years, but with the aforementioned increase in LNG cargo size, delivered to Gujarat from Qatar, the revolution and resulting boom in economy really could be about to begin.

With attitudes firmly positive between the public and politicians on economic growth, the Indian dream seems to be more of a question of 'when it will happen' rather than an 'if it will happen'.

Kiran Karnawat, CEO and Managing Director of Matheson K-Air, spoke of the need for India to seize the moment, "I think this is the best bet India has and can't afford to miss this time. Also, many other economies are reeling which makes it even more important for India to not squash opportunities coming its way in order to boost the investor fraternity within and outside."

"India, undoubtedly, has potential provided it brings in an environment of business friendliness with long term commitment and not just some periodic flashes."

Mark Stoelinga, Country Manager India for Air Products, added, "2015 is indeed expected to be a positive year for India as

many businesses certainly expect to grow. That said, it will take a little longer to unlock the potential of large infrastructure projects and stimulate larger industries such as steel and automotive."

"We expect that to happen in 2016-17 and once realised, it should really benefit the Indian economy by generating some solid year-on-year growth."

So, is it India's time to shine? Modi is doing his utmost to spread positivity throughout India, and the country is well positioned for significant economic growth. For the gases business, it is clear that momentum is building in the country –

and the industry is keen to seize upon its window of opportunity. 