

**ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM**  
**JUNE 20–22, 2013**

**Russia's New Horizons**  
**RUSSIA – INDIA**  
**Business Roundtable**

**JUNE 20, 2013**  
**14:00–15:15, Pavilion 5, Conference Hall 5.2**

**St. Petersburg, Russia**  
**2013**

**Moderator:**

**Sergey Cheremin**, Chairman of the Board of the Business Council for Cooperation with India, Minister of Moscow Government

**Panellists:**

**Chandrajit Banerjee**, Director General, CII

**Kris Gopalakrishnan**, President, CII; Co-Founder, Executive Co-Chairman, Infosys Ltd

**Sergey Kogogin**, General Director, KAMAZ JSC

**Ajai Malhotra**, Ambassador Extraordinary and Plenipotentiary, Embassy of the Republic of India in the Russian Federation

**Denis Manturov**, Minister of Industry and Trade of the Russian Federation

**Vsevolod Rozanov**, Chief Executive Officer, Sistema Shyam TeleServices Ltd

**Anand Sharma**, Minister of Commerce and Industry of the Republic of India

**Oleg Sienko**, General Director, Research and Production Corporation UralVagonZavod OJSC

**Front row participants:**

**Amitabh Kant**, Managing Director and CEO, Delhi Mumbai Industrial Corridor Development Corporation Ltd.

**Sergey Kislov**, President, Agro-Industrial Group of Companies Yug Rusi

**Satish Reddy**, Vice Chairman and Managing Director, Dr Reddy's Laboratories Limited

**Manikonda Venkata Satyaprasad**, President, Chief Executive Officer, ICICI Bank Eurasia LLC

**Kirill Shamalov**, Deputy Chairman of the Management Board, SIBUR LLC

**Yury Slyusar**, Deputy Minister of Industry and Trade of the Russian Federation

**S. Cheremin:**

Ladies and gentlemen, good afternoon. Our plenary session entitled 'Russia–India Business Dialogue' is now starting. In our discussion today, we will be hearing from: the Minister of Industry and Trade of the Russian Federation, Denis Manturov; the Minister of Commerce and Industry of India, Anand Sharma; the Ambassador Extraordinary and Plenipotentiary of the Republic of India to the Russian Federation, Mr. Ajai Malhotra; the President of the Confederation of Indian Industry, Kris Gopalakrishnan; the Director General of KAMAZ, Sergey Kogogin; the Deputy Chairman of the Management Board of Sibur, Kirill Shamalov; the CEO of UralVagonZavod, Oleg Sienko; the Director General of the Confederation of Indian Industry, Mr. Chandra Banerjee; and the Senior Vice President of Sistema, Vsevolod Rozanov.

Traditionally we hold this business dialogue on the first day of the St. Petersburg International Economic Forum. In the course of the last year many interesting events have taken place, such as the sixth Indo-Russian Forum on Trade and Investment, which was attended by representatives from the business communities of both countries. Another interesting event, which included a business forum attended by more than 200 business people from Russia and India, was held in Moscow in October of last year, as part of the ongoing regional cooperation between our two countries. We discussed projects on which we are cooperating in the field of municipal services and advanced technology, the creation of so-called Safe City systems, the creation of open government, and other interesting projects. Over the past year, there have been several business missions to various regions of India, including Mumbai, Rajasthan, and Gujarat. All this points to the fact that those in the Russian business community are become increasingly interested in collaborating with their Indian counterparts, regardless of the inherent difficulties which mean that it is not always easy to establish these business relationships. I am sure our speakers are going to be talking about the problems and challenges that we face. Nevertheless, we believe that our relations with India are privileged relations, and the trade figures confirm that these relations are constantly evolving. The figures for 2013 show that the volume of trade has already exceeded USD 11 billion. Of course, we are

still far from realizing our full potential for collaboration: our speakers will be talking about the challenges they face today in India, and following our discussion we will be submitting our recommendations directly to the leaders and governments of our respective countries. I would like to give the floor to the founder of India's largest IT company, Infosys. I am sure that this is a company that merits a mention in the Guinness Book of Records, as it currently has over 160,000 employees. Mr. Kris Gopalakrishnan.

**K. Gopalakrishnan:**

Thank you very much. Distinguished leaders of both countries, it is an honour to welcome this audience to the Russia–India Business Roundtable. The Confederation of Indian Industry, or CII, is privileged to participate in this Forum as in the previous three years. Such interactions deepen the strong bonds of friendship that India and Russia have enjoyed over the decades and help reinforce our economic cooperation. We are particularly privileged due to the presence of our ministers, who have guided and shaped bilateral economic engagement, at this platform. Your support is greatly encouraging. The last few years have been difficult for the global economy, and India too has not remained untouched from adverse developments. The recession in the Eurozone has affected the overall trade of both of our countries. Under these circumstances, we need to take strong steps to boost bilateral economic cooperation. The Indian private sector considers Russia a country of great opportunity and is keen to work with the two governments to develop sector partnerships which will benefit both economies. Both countries' private sectors have not been able to quickly adapt their synergies due to several reasons, including the global economic troubles and incomplete awareness. We need to devise new models of engagement that will bring the two sides together in specific formats. In India, we see the infrastructure sector as an area of high opportunity. Under the public-private partnership model followed by our government, investments by the Indian private sector in sectors such as roads and highways, power, ports, and urban amenities have increased over the past few years. An additional pillar to be researched under the PPP model is the participation of global companies. Most

of the infrastructure projects are 100% open to foreign investment, and approximately half of the proposed spending of USD 1 trillion over the next five years is expected to come from private sources, including overseas participants. Today, India is the second largest market for PPP projects in the world. Under these conditions, CII believes that Russia and India, and Russian and Indian companies could greatly extend cooperation in joint ventures to undertake infrastructure projects. Some examples of these joint projects are already present in power, roads, and highways. India has also invited Russia to participate in the upcoming Delhi-Mumbai Industrial Corridor and a presentation will be made on this. This arrangement converges the strengths of Russian engineers and technocrats with Indian understanding of business conditions. In order to take these initiatives forward and develop deeper cooperation, CII would like to conduct an infrastructure investment roadshow in Russia to raise awareness on the Indian PPP model and elicit interest from Russian companies. We are particularly keen to have Russian experts in the power sector and the roads and highway sector, which are deficient in India. Some other projects in Russia are also attractive for Indian companies. Several energy and pharmaceutical companies are actively investing in Russia. Pharmaceutical exports from India to Russia have surged by almost 40% in 2012–13, indicating future potential. In the area of energy, our trade can be increased. CII would be happy to partner with Russian institutions to organize investment roundtables in key Indian cities for these and other projects, such as automotive, machinery and equipment, and food processing projects, as well as others. In addition, the two governments have established strong institutional partnerships in areas such as defence, R&D, energy, space, nuclear energy, etc. We would suggest that the private sectors on both sides should be actively involved in such partnerships throughout the procurement and manufacturing processes, including those of defence offset projects. I am also happy to share with you that the India–Russia CEOs Council, led by Mr. Naik, Chair of L&T Group and Mr. Vladimir Evtushenko, Chair of Sistema Group, will be meeting here tomorrow in St. Petersburg to deliberate on a roadmap to enhance business links between our two countries. I would like to conclude by thanking our two governments for their

continued support for private sector engagement. We will continue to look to you for our engagement and for advice in our endeavour to strengthen bilateral economic cooperation. As the two prominent, emerging economies of this economic era, India and Russia can take the lead in driving the revival of the global economy through our historical friendship. Thank you.

**S. Cheremin:**

Ladies and gentlemen, I would like to give the floor to the Russian Minister of Industry and Trade, Mr. Manturov.

**D. Manturov:**

Mr. Sharma, Mr. Ambassador, ladies and gentlemen, and all those taking part in today's business dialogue, it is my pleasure to welcome you all here. It has become a great tradition every year at the Forum to hold this event, which gives companies involved in trade and economic relations the opportunity to gain a better understanding of how to collaborate and develop projects, and how to shape government policy in our two countries with regard to the development of industrial and infrastructure projects. This helps companies to focus their efforts and formulate their plans for the future; to ascertain which sectors feature strong prospects for growth, and in which industries the state's main priorities are taking shape.

Our friendly relations with India go back a long way. They are strategic, privileged relations, which have been developed not only in the time since modern Russia was founded, but also over many years of collaboration with the Soviet Union. From the 1960s to the 1980s, we sent experts and resources to India, and set up production facilities in the metallurgy, energy, and aviation sectors, and we are continuing to work together in these areas. Our collaboration in the pharmaceuticals industry – an area of great innovation – is developing fast, and this is a field in which our Indian partners have good experience and the ability to develop these relations. Russian companies are involved in joint projects with their Indian partners. I hope that we will continue to develop our relations in the years to come. The ambitious goals we have set ourselves in

order to increase the volume of trade are one aspect of our trade and economic relations. Our primary goal is to set up and develop joint projects in both Russia and India. This will give our relationship additional impetus and help it to grow. We are looking forward to developing our cooperation in the industries in which we believe we have potential, such as aviation, transport engineering, and car manufacturing. We can share our experience and our best practices and thereby develop opportunities to increase our presence in the Indian market.

The Indian market is large and has great potential, and it is constantly developing across many sectors. Mr. Sharma and myself recently discussed our shared interest in one of India's top-priority projects, which is evolving rapidly. This is the Delhi–Mumbai Industrial Corridor, where there are great prospects for Russian involvement. Mr. Sharma has agreed that Indian specialists will give a separate presentation about the project, and this should help our companies to get a clear sense of the potential for joint infrastructure development projects, and specific industrial projects in various sectors. This will give our Russian companies the impetus they need to get involved in this potential area of collaboration. I think that as we learn more about this project and the economics behind it, our companies' involvement in the project will grow. I hope we will also be able to engage our Indian colleagues in our own infrastructure projects, and in the creation of joint venture companies, not only in India but also in Russia. This is certainly possible in the pharmaceutical, car manufacturing, and mechanical engineering industries, so I hope that we will develop our relations and that Mr. Sharma and our other colleagues will support us in the projects which will allow our companies to realize their full potential. Mr. Sharma, over to you.

**S. Cheremin:**

In preparation for this plenary discussion, we discussed a number of very interesting projects, and you now have a unique opportunity to put some questions to Mr. Manturov. Please go ahead.

**From the audience:**

Russian Industrial Corporation. A bit of background: the company was founded on the basis of the Zarechnaya coal mine and engineering plant company, and that company's engineering assets. Our corporation has good production skills and highly qualified personnel in the fields of exploration, construction, operation, and staff training within the coal industry, enabling us to provide a full outsourcing service. As far as we understand it, this is a vital issue for the Indian economy.

We have been working with the Business Council for a long time. Our question is as follows: we are looking for an Indian partner to develop joint projects in India and in Russia. We are grateful to the Ministry for supporting us in the development of an automated production facility using unmanned machinery. The Ministry has been helpful in this regard, and we would like to realize our potential in India, in collaboration with our Indian counterparts. We have thought through the issue of developing a project of this kind. If we can find a good partner who has coal assets and is interested in engineering technologies, we are ready and willing to do everything required in order to set this up in India, and to transfer and localize the production of coal-mining equipment which is not available in India. What kind of support can we expect from the Ministry of Industry and Trade to help us implement such projects in the near future? We plan to create a facility which will solve a large number of problems here in Russia, and which will also be of particular benefit to India. We plan to complete work on it in 2017. If we receive assistance in the form of accelerated funding, we will be able to put a test prototype in the mine by 2014. In 2015, we will be able to begin experimental production.

**D. Manturov:**

That was not so much a question as a request for me to lobby companies in the Indian market – it would be better addressed to you, Mr. Sharma. For my part, I can assist my colleagues and provide not only moral and administrative support, but also access to export financing mechanisms via the recently created EXIAR export insurance agency, a subsidiary of Vnesheconombank. I am talking about preferential funding of export-oriented projects in our strategic markets,

particularly in Indian markets. We are ready and willing to support this project. We would ask you to go and find suitable partners in India with whom you can implement the technological solutions that have been developed and will continue to be developed in Russia.

**S. Cheremin:**

Mr. Sharma.

**A. Sharma:**

Thank you, Mr. Manturov, Mr. Sergey Cheremin, Ambassador of India in Russia, Ajai Malhotra, Kris Gopalakrishnan, and senior representatives of industry from Russia and India. Ladies and gentlemen, I was listening very carefully to my good friend Mr. Manturov. It is true that our two countries are engaged in a very important partnership which is both strategic and privileged. In the contemporary context, it has its own significance. But when you look at the historical engagement, it is true that our countries have deeply influenced each other over a long period in our respective histories. There has been a rich exchange that has taken place between our people, between our leaders, even way before India's independence and during the period of our struggle. Then, there was a very clear understanding between the leadership of the India National Congress and the leadership of Russia, not only on regional issues but on global developments. Our countries have acted in solidarity with each other, or spoken in support of each other. This is particularly true when we look at the enormous influence that Tolstoy had on Mahatma Gandhi, particularly with regard to the instrument that the latter chose and fine-tuned to lead the Indian people to their freedom. That instrument was influenced by the passive resistance concept of Tolstoy. And one of the early institutions that Gandhi established as he was uniting the Indian Diaspora in South Africa was the Tolstoy form. My generation grew up reading about it, and I am sure that the present generations of young Indians in the schools are reading about it. But you are also familiar with what happened after India's independence: the division in the leadership of this country; India's first prime minister Jawaharlal Nehru, as Mr. Manturov

mentioned; Russian support in the then-Soviet Union for India's quest for industrial development; its support for the establishment of institutions and undertakings which would help India utilize its human and natural resources; and its support for India's access to technologies in areas and services such as civil aviation, space science, nuclear science, and megasteel plants. These are all stories of Indian and Russian partnership. Currently, these include the issues that we have with the manufacture of planes by Hindustan Aeronautics Limited. And, I hope that the civilian aircraft or the passenger aircraft project which we are discussing will also take off soon. There has been some very commendable work done in the defence sector these last two years. But it is in the energy sector – oil and gas, the ONGC of India, and Bharat Electronics Limited – that we find the shining examples and standing symbols of our partnership and friendship, which is based on trust and mutual respect. Mr. Manturov and I, and his other colleagues among the Russian leadership, have had a number of occasions to discuss how we can move our partnership forward, ensuring that we access the available opportunities in both of our countries, recognizing the strengths and the priority sectors of engagement so as to create institutional mechanisms which will involve not only the governments, but our Apex chambers of commerce and industry between the two countries, the public sector and the private sector, and corporate leaders. I am happy, therefore, that the results have been encouraging – both from the trade and investment perspective – at a time when there is a global slowdown, a contraction in the global economy. We registered almost 25% of growth in bilateral trade last year, which gives us much optimism that if we remain focused and expand this engagement by diversifying those sectors that have not received adequate attention and invest in each others' economies, we can achieve much more: not only through the realization of the goals that we have, but through forming joint ventures, and accessing and assimilating available technologies. Russia has its strengths when it comes to technologies and when it comes to trained and skilled manpower. At the same time, there are some sectors today in which India has acknowledged strengths, including communication, information technology, pharmaceuticals, biotechnology, and nanotechnology. We can do an enormous amount of work together in these

areas. The focus in India has also been on job creation and infrastructure, as Kris Gopalakrishnan mentioned. Infrastructure remains a priority for us, as we have constraints here. Once we address those infrastructure bottlenecks, we will be able to mitigate transaction costs, which are fairly high and make our manufactured exports less competitive in the global context. The number is there – all of you have just heard it again: USD 1 trillion is to be spent on infrastructure projects, ranging from power projects, roads, highways, airports, ports, railway projects, and beyond. And the good part is that almost half of the investment will come from the private sector which in the previous five years barely covered 31–32%. In the national context this is a participation between government and industry. The government is not only listening to or talking to the industry, but also taking measures through policy interventions which welcome and support entrepreneurship and investments. We are going through a difficult phase, considering the economic challenges that we have, and the last year in particular has been fairly depressing due to the entire Eurozone crisis issue. There has been a lack of recovery in developed countries and an adverse impact on the emerging economies, including India. Therefore, whatever the two countries can do together to accelerate economic development and industrialization will be a very useful contribution and have beneficial rewards for both. You will soon see the presentations to be made. I was here about two months ago, and Mr. Manturov, his senior officials, and I had very purposeful discussions. We discussed infrastructure projects and the national manufacturing policy of India, which in my understanding is one of the most important policy rollouts India has made in decades. Over the decade, it will raise the manufacturing share of our GDP from a low of 16% to 26% and in the process create at least 100 million skilled jobs, establish world class industrial townships, and re-effectualize national investment and manufacturing zones. Thirteen of these have been approved and in addition to them there will be another investment zone dedicated entirely to IT called the IT Investment Region near Bangalore. Now, eight of these investment zones which I have mentioned are industrial townships which will be self-regulated and self-governed, which has never happened before when it comes to industrial zones in India. Therefore, it will be transformative and

is being done in partnership between the government of India and the state governments. I am sure that the coming presentation will reflect that component. Investors coming to India will not have to look for land because the land is the equity of the state governments. The trunk infrastructures are being funded by the government of India, and I use the word transformative because this single window approval mechanism has been put in place. It really will increase by orders of magnitude the comfort of doing business with India, as well as cut out the layers of red tape which has actually been an impediment to our faster growth. The Delhi-Mumbai industrial project itself is acknowledged by the World Bank as the largest infrastructure project currently under implementation in the world, and also as one of the most innovative infrastructure projects ever conceived. Now, look at the infrastructure and the companies that Russia has. This is an opportunity for you to take a serious look at India and access opportunities that will help both of our economies. Together, our economies account for more than USD 3 trillion. The numbers keep on changing, but they are changing upwards for both of our economies. I think we are heading towards USD 4 trillion, so in the global context, our two economies have huge significance. Russia is resource rich, so if we bring together our industries and ensure that there are joint ventures in all the sectors I mentioned (a list that is neither exhaustive nor complete) and also in the sectors which are of special interest to Russia – in particular, life sciences and pharmaceuticals, India Vision 2020, and also the initiatives which Russia has taken in the field of innovation – we can, besides being developmental partners and technology partners, be partners in innovation: because in India we have declared the present decade a decade of innovation. In a world where new technologies have brought about sweeping changes and also a paradigm shift in how manufacturing is done, we should be looking at all possible avenues. I am happy that this meeting is taking place. Later today, very shortly, Minister Manturov, our senior officials, and I will be sitting together reviewing our bilateral engagement, so I am not going to take up more time. I will leave it to other senior officials and to the dialogue between the business leaders. Thank you.

**S. Cheremin:**

Thank you very much, Mr. Sharma. You mentioned that India is currently implementing a number of unique projects, particularly in the area of infrastructure. One of the most ambitious projects, in my opinion, is the construction of the Delhi–Mumbai Industrial Corridor, which will completely change the face of the six Indian states in which industry is currently most heavily concentrated, generating almost 40% of India's GDP. I would like to ask Mr. Kant, who is the CEO of the project, to say a few words about it.

**A. Kant:**

Honourable ministers, distinguished guests, one of the key challenges for India is to grow at rates of 9–10% per annum year after year for three decades. As Minister Sharma said, the challenge for India is to grow its manufacturing sector to create 100 million jobs in the next decade. One of the key projects to drive this is the Delhi-Mumbai Industrial Corridor, which links the political capital Delhi to the economic capital Mumbai through a dedicated freight train. All the goods today that are produced in the northern part of India take 14 days to reach the ports, and therefore the logistic costs are very high in India. But in 2017, this dedicated freight corridor will put goods into the ports of India in 12 hours. So this will cause a paradigm shift in India's infrastructure development: there will be a high-speed train carrying nothing but containers, cutting the time from 14 days to 12 hours. And en route, this train will pass through six states in India – six of the most dynamic states, which contribute almost 50% to India's GDP. On both sides of this route we are creating eight new cities. One of the key challenges is that by 2050, India will have 700 million new Indians getting into the process of urbanization which is the equivalent of two-and-a-half times the present population of the United States, so one of the key challenges is to cater to the urbanization needs of a very young India. Therefore, these seven roads – I will come to the eighth one later – which are listed here, passing through six states in India, have been created, and one of the key things that we have done is to complete all the planning for these roads. The entire planning is based on sustainable new cities, smart cities of the future. We have examined how to use

cutting-edge technology, how to make the cities transit-oriented, how to make them walkable, liveable cities of the future, and how to interconnect them with road-rail communication systems. So as you will see, these seven roads – I will come to the eighth one, which is at the final planning stage later – but these seven cities, I have given, have been planned by leading consultants from across the world. As for the size of one of them, Dholera, it is 903 square kilometres, which is bigger in size than Singapore. And what we have done is focused on 2040 – these are designed for a population of around 2 million, varying from 1.5 to 2 million. We looked at the demand of the industrial pattern which will come into this, so we look at the sectors that will come in, and one of them, Dholera, is a swampy land much like what St. Petersburg would have been when Peter the Great started making the city, and therefore, this is really planning for a new India. What it does is create a completely new India. So we have done the master planning for 514 square kilometres. The next city is over 372 square kilometres in size. We have built a completely new industrial township; we are taking growth away from Mumbai and channelling it into two new cities near Maharashtra. One is close to port and is over 253 square kilometres in size, and the first one we are working on is 50 square kilometres in size. In all of these townships, we are not merely planning, but taking over the entire land. We take over the land and then we create a single window clearance. We create a special purpose vehicle which gives all of the approvals, so that there is just one agency which will deal with the entire development. We are doing a smaller development of 84 square kilometres. This is the first phase of development to take place. We are in Haryana doing over 402 square kilometres, and this is a concept master plan which has been done by Singapore. But in Rajasthan, we are building two major developments; one is Khushkhera-Bhiwadi-Neemrana, which is around 70 kilometres from Delhi. It has the potential to create 540,000 jobs catering to about 1.5 million residents. This plan has been completed and the first phase of land acquisition is over. It has been planned as a manufacturing city with world class infrastructure. We have taken over the land and we have done the development plan. This is wrapped around an area populace which is over 2,000 hectares of land around which the city in its entirety grows and prospers. This is

actually one of the most dynamic developments near Delhi. We are also linking it with a new road, and there is another city with all its components in place. There are several early bird projects including an aerotropolis which is in the final stages of land acquisition and which will be taken to the market shortly. We are doing another very major development called the Jaipur Pali-Parwar Region, which is an existing industrial area where we are developing a sustainable manufacturing city. It is planned between Jaipur and Pali; its total area is 120 square kilometres. It incorporates sustainability principles, a green field township, and targeted industries. If you look back at both Khushkhera-Bhiwadi and Jaipur Pali, both of them are based on unique developments. One of them is based on non-manufacturing, knowledge-based industries and the other is based on manufacturing. Both of them are based around green field townships. Then, in UP we are doing the Dadri-Noida-Ghaziabad Investment Region and a multi-modal logistic hub. But along with these townships, there are large multi-modal logistic hubs which will cater to the dedicated freight corridor. This will drive the container-less traffic on both sides, therefore opening up very vast opportunities. It opens up opportunities for private public partnership; it opens up opportunities for Russian consultants, contractors, operators, and it opens up opportunities for Russian equipment suppliers – for rolling stock suppliers and of course for financing. We have a very long relationship. Actually, much of India's industrialization and urbanization was spurred on by Russians, and I grew up in one of those townships. I am fully aware of the kind of unique developments that Russia has done in India. There is a need for re-invigorating and providing a new impetus to this relationship. And there is no better project: this has been named by the World Bank as one of the most innovative infrastructure projects. Conceptually, it is one of the finest projects, and KPMG described it as the best project to drive India's growth into the next century. So we look forward to a very fruitful partnership with Russia, and I will be very happy to share all further details. Thank you very much, Minister.

**S. Cheremin:**

Thank you, Mr. Kant. Your presentation was full of optimism and energy, and it left no room for doubt that this 20-year project will be a success.

We often discuss the opportunities for collaboration between Russia and India in the pharmaceutical industry. One of the largest Indian companies is Dr. Reddy's, and I would now like to give the floor to its Chairman and CEO, Mr. Satish Reddy.

**S. Reddy:**

Thank you so much. As far as the pharmaceutical sector is concerned, there is certainly plenty of opportunity for joint partnerships between Indian companies and Russian companies. Especially since Pharma Vision 2020 was laid out in Russia, there has been a lot of activity. There have been a lot of collaborations that have been announced in the pharmaceutical sector, especially for our company, Dr. Reddy's. We have been in this market for almost 20 years and we are the largest pharmaceutical company here. We have partnered with a local company, a Russian company called R-Pharm. The partnership between these companies, Dr. Reddy's Laboratories and R-Pharm, is an area of high-technology. It is an area of biotechnology for a particular product. This company, the local pharmaceutical company, has built a world class manufacturing facility, and we at Dr. Reddy's are providing the technological know-how; we are providing assistance in terms of the manufacturing training and the quality standards that are to be maintained. This has been working really well so far, and we hope to launch the product in the next two years. So this is not a small thing; it is in the high-tech area, a very high-technology area, and we are very confident that this will serve as a good example of the kind of partnerships that can translate into something very valuable to the Russian population. Because once this comes out – it is a cancer product – it will certainly help the Russian government to reduce its healthcare expenditures. For, our company makes affordable medicines, and this kind of partnership in which high-technology is transferred will enable the launch of such products. I think there is plenty of scope for both countries to continue to partner together, not just on products but in various areas as well. Russia can likewise access Indian markets by launching

products which have been developed in Russia, and they can partner with Indian companies, so that we can then help them launch in India or even in international markets. All of this suggests plenty of scope for partnerships. That is what I would like to say. Thank you for the opportunity.

**D. Manturov:**

Mr. Reddy, you gave us a very unambiguous description of the results of your collaboration with your Russian partners. I agree that we need to establish a two-way street in the transfer of technologies and the presence of our companies in both Russia and India, which is a large market that is potentially of great interest to our companies. But you did not mention any problems. Have you encountered any problems in implementing your projects? You only talked about the positives, but have there been any difficulties? Can I and my colleague Mr. Sharma contribute in any way to the development of joint Russian–Indian projects?

**S. Reddy:**

So one of the major problems, Minister, is the problem of registering products in Russia, which is a problem that most of the pharmaceutical companies face. It is very expensive, which is one of the reasons why not very many Indian companies have entered the Russian market with their products. We have been there for quite some time, we have invested heavily into Russia, and we have registrations, but one of the major issues would be the registration of products. That would be issue number one. The second issue concerns manufacturing in Russia. This is one of the things being talked about as part of Pharma 2020, which calls for international companies to localize their manufacturing. I think it is a great step forward because it certainly helps companies. Everyone localizing their operations would also help the Russian government improve its standards. As for making this happen, I think the reasons for companies wanting to invest is very obvious because the government spells it out. But as for the way companies want to go about it, I think a lot more can be done. That is why I would not say it is a problem. I would actually say it is an opportunity for companies because companies would certainly like to invest. So I think it would be quite useful if

there is a way by which we can get more cooperation from the Russian government to enable this to happen. After all, the manufacturing issue would be about the cost, which would be quite expensive in Russia to begin with. However, once we scale up and increase the volumes, we will be much more competitive. Therefore, I think that this will give us the opportunity to help us get started.

**D. Manturov:**

If I understand you correctly, there are two main points here. Firstly there is the registration procedure, and I would like to comment on that. When an application is made to import a drug produced in India into the Russian market, the drug must first pass the registration procedure – and this applies to all foreign drugs. If you develop and produce the drug with Russian partners inside Russia, then from the outset this procedure would be less stringent, and not for discriminatory reasons, but simply by dint of the fact that the product is manufactured here in Russia. The fact that you are now developing pharmaceutical drugs alongside Russian partners will accelerate the registration procedure.

As regards initial investment, investment decision-making, and support at the initial stage of production, it would be appropriate to use the tools that are available today in India to support export-oriented companies, and also the tools that we have here in Russia. We have federal target programmes such as the programme for the development of the pharmaceutical industry, which is run in conjunction with your ministry, and through which you and your Russian partners can play an active role in financing the development of drugs. If you were to do this in partnership with Russian companies, it would make the process much swifter and more efficient in terms of government support and co-financing.

**S. Cheremin:**

Thank you very much. KAMAZ is one of the largest companies currently operating in India. It is the biggest manufacturer of lorries and diesel engines in Russia. I would like to give the floor to the Director General of KAMAZ, Mr. Sergey Kogogin.

**S. Kogogin:**

Thank you. I would like to share with you our experience in the Indian market – not that our experience has been in any way unusual or different. Quite simply, three years ago our company decided to expand its operations into at least one of the major BRICS markets. We chose India. Why? Because India is a huge market with fantastic economic potential. The lorry market in India is three times the size of the market in Russia. Of course, there are plenty of manufacturers already in India, but we also analysed the kinds of investments that are being made in infrastructure, in order to maintain the demand for vehicles in the long term. Today, the Minister has talked about the kinds of investment being made in infrastructure. We analysed the situation carefully and came to the conclusion that this was not just a one-off project, but a strategy the government was pursuing in order to develop the country's infrastructure. It was in our interests, therefore, to get involved in this government programme, if at all possible.

We purchased a plant in Hosur, in the state of Tamil Nadu, and began gradually expanding production. It has not been easy, but we still believe that this factory will be successful, as the automotive industry in India is fairly well developed at this point. We are particularly pleased with the excellent quality of the automotive components being produced in India. As a result, it is easy to localize the production of KAMAZ trucks in India. We are now sending SKD kits to the factory, to be assembled and sold on the Indian market. At the same time, we are also working on product localization. I honestly do not know of any other country in which we operate where we have managed to localize 50% of our production in a year. These are the kinds of opportunities we enjoy today. These are the kinds of opportunities that present themselves today.

Of course, by negotiating with suppliers of automotive components, we are not only opening the door to our India-based facility for them, but also to KAMAZ in Russia as a whole. This can be great business for our suppliers, as we are not talking about 1,000 vehicles, but 40,000–50,000 vehicles. Indian automotive part manufacturers are very mobile, take decisions very quickly, and offer excellent quality products. We see European companies placing orders in India time and

again and selling the automotive parts under their own brand around the world. This is now becoming standard practice. We held a conference for parts suppliers in Naberezhnye Chelny. About 70 companies attended the conference and we showed them the automotive clusters in our area. I think we have taken some important first steps in our collaboration with our Indian suppliers.

I would also like to say something to Russian businesses looking to do business in India about the problems we encounter there, as these problems could well affect you too. As we see it, we do not have sufficient knowledge of the legislation in India. There was a great deal we did not know, and when you procure an asset in India, if you get a good audit report, be prepared to find a nasty surprise lurking in there somewhere, which will cost you later. What other difficulties have we encountered in India? The legislative base varies widely between different states. As we have just the one production facility, we have created a fairly wide network of dealerships, and the terms on which the vehicles are sold vary, which forces us to adjust the price. What I mean by this is that the tax burden on consumers in one state differs significantly from the tax burden in other states. We are therefore required to make changes to our prices, offering different terms and conditions. In our country, federal legislation trumps everything else: it is clear what is established by the regional authorities and what is established by the federal authorities.

I should also mention the fact that we were not ready to deal with the trade unions, which have a strong influence on the production process in India. In the three years we have been operating in India, we have had to deal with a total of one-and-a-half years of strikes. The state government was slow to implement court judgments in our favour. This resulted in huge losses. But we believe we have made the right investment and are going down the right path.

We often hear about the status of our relations at conferences and meetings of intergovernmental commissions. In this regard, I would like to take a look at logistics. If you were to draw a line on a map between our two countries, you would see that India is not very far away at all. It is clear that we should be able to develop a standard logistics plan to deliver cargo from India to us and vice versa. But this logistics plan does not work and we are forced to transport goods

halfway around the globe. It takes forty-five days to deliver goods in a container. I heard in a presentation about an investment project that reducing the delivery time from twelve weeks to twelve days would be amazing, if only it were possible. How much working capital are we and our Indian suppliers tying up because of this? A huge amount, so it would be good if a transport corridor could be put in place to enable us to work more effectively and streamline the transportation process. The flow of goods is significant: we are not talking about millions of dollars here, but about tens of millions of dollars. If we look ten years down the line, the flow of goods will only increase. This continues to be something of a sore point, as our competitiveness is suffering because of the high logistics costs.

I would now like to say a few words about our domestic Russian problem: our famous law on transfer pricing. At the price level we see today in the Indian market, we either work there or we do not work at all. But when the tax authorities audit us, they assess the tax rate based on the Russian prices for our products, and use public sources to find these prices. They use the Internet to find out the cost of an engine. Well, who tells the truth on the Internet? Therefore, based on these sources, the tax authorities may simply refuse to leave the company alone, imposing one fine after another, and aggravating the economic situation even further. So in my opinion, law 227 is in fact an anti-export law. It was adopted in order to bring some order to the raw materials industry, but as far as high-tech or engineering products are concerned, it is a different ball game. And whilst you are very aware of the need to export, you begin to think twice. Then you begin to realize how many problems the internal state structures in Russia create, and, like it or not, everything in Russia begins to grind to a halt. This is simply one of the problems we face today, unfortunately. On the one hand we have a stable exchange rate, but on the other hand we have federal law 227. In these circumstances, companies like ours all agree that the share of added value in Russia from exports will keep falling towards zero. But we will still have the assets, and the same products will be made from parts produced in the Indian and Chinese markets. From the point of view of its automotive parts

industry, India is already in the top five countries in the world in terms of quality and price.

**S. Cheremin:**

Thank you very much. Despite these difficulties, KAMAZ continues to be a leader in the engineering and automotive manufacturing industry in Russia. I hope that despite the fact that India has such active labour unions, you will be able to survive there and overcome the problems with state legislation and transfer pricing.

One of the most effective means of interaction between the Business Council and our business communities is the Confederation of Indian Industry. I would like to give the floor to the Director General of the Confederation, Mr. Banerjee. How do you envisage our relations developing, and what are the prospects for collaboration between our business communities?

**C. Banerjee:**

Thank you, chairman, ministers, respected dignitaries on dias, ladies and gentlemen. It is now four consecutive years that we have been participating in this forum and we have been led by strong industrial delegation which is coming from India to Russia to participate in SPIEF led by our minister. It is every year that we see difference and the growing attention towards India not only from Russia but the rest of the world. We have really enjoyed coming to this forum, and this year is no exception. It is great to be back here and we are really glad to be participating as an Indian industry over here. I will be brief and I will just raise several points and issues which have been raised already. My point number one is basically this. We have seen the private sector between the two countries operating and collaborating with a lot of success but we Indian companies who the members of the Confederation of the Indian industry understand that identifying viable and suitable projects that are feasible for implementation in Russia and vice versa are an important issue. We think that we need to look at an institutionalized mechanism which could help in identification of such projects and give more information. The second issue has not been talked about at this

forum which is the small to medium enterprises of both the countries. It is a vast potential from India connecting small to medium enterprises which is a vibrant group which really constitutes a good deal of economy to Russia and the other way around. We are looking at an institutionalized mechanism to support this. We from Indian industry would be happy to create such a mechanism. The third issue that I wanted to leave for consideration is .... we are connecting youths and students and one of the things the Indian businesses would like to do is to collaborate with Russian universities to see how we can get Russian youth to India and give them experience in Indian economy, Indian business. We have done this across the world and we would be very glad if we will be able to do this with the Moscow University and other universities in Russia. The fourth and the last thing I would like to mention is collaboration between India and Russia on technology. This is one I think we still have a lot to do about in India. What we do is encouraging governments of two countries, India and another country, come together along with the private sector where the two partners give fifty per cent each and Indian industry contributes fifty per cent each in terms of collaborative research and collaborative R&D. We have created an institution in India with government and business participating on a private public partnership model called the Global Innovations and Technology Alliance. We have participators from countries like the US, Canada, Israel, and it would be very important for us to see how we can make use of such an alliance. We really look forward to collaborating on that.

**S. Cheremin:**

Thank you, Mr. Banerjee.

We will now hear from the CEO of a unique company that brings together 20 major design centres and research institutes. This company is UralVagonZavod. I would like to give the floor to the CEO of UralVagonZavod, Mr. Oleg Sienko.

**O. Sienko:**

Thank you very much. This morning you expropriated ten of our subsidiaries, but I am still glad to welcome you, Minister Sharma and Mr. Manturov. Thank you for giving me the opportunity to speak.

I agree with what was said earlier and would like to stress that Russian–Indian relations are evolving. As a corporation, we are active participants in this process. Our volume of trade has reached USD 11 billion and whilst this is a tremendous amount of money, there is plenty of room for us to grow further. As my colleague Mr. Kogogin said, we have a glorious tradition in general, heavy, and transport engineering, as well as in the automotive manufacturing industry, and we are not using our full potential. Today, both our countries are members of the BRICS organization, which brings together more than half of the world's population in countries with developing economies. To develop the infrastructure of these countries, not to mention the trade relations between them, we need to engage our tremendous potential in the mechanical engineering industry, which will surely be the main driver of our relations.

We have gained extensive experience in working with Indian companies. Three years ago, we opened a defence facility in Chennai. We believe that this company, which is helping to increase the defence capabilities of our Indian friends, has been a successful venture. We are continuing to develop in these sectors, and many of us here are involved in joint cooperation projects. Along with KAMAZ, we are developing a new artillery platform. This is the latest step in our collaboration with Indian companies. We wish to state that at the moment, as we observe the growth trends in our countries, we are confident that we can offer our Indian colleagues even stronger cooperation. We may well be able to move on from the simple and banal 'buy-and-sell' relationship to more ambitious joint technological developments, to the creation and localization of production facilities in India.

I listened to the fascinating presentation by the distinguished Mr. Kant, in which he said that India is set to make a very important step in the development of its infrastructure and roads. I want to say that whilst we, of course, need to put in a lot of effort to achieve this, as leaders in transport engineering we are ready and willing to put all our resources at your disposal in order to help you implement

these projects more rapidly. We have all the technology required in order to develop your entire transport infrastructure. We can provide the technology to build new rolling stock. If you claim to be creating millions of jobs, then that means you will need to shift hundreds of millions of tonnes of cargo. That is in the long-term perspective, but we have already invested a lot of money into developing new rolling stock, using cutting-edge technologies and composite materials. You will need all of this, and we can provide it.

In conclusion, I would like to say that our trade relations first took root hundreds of years ago. As you know, in the fifteenth century our famous traveller Afanasy Nikitin visited India as part of his Journey Beyond Three Seas, and this was the first step in our trade relations, when our people first began to develop the northern trading route and to trade with each other. But we want to expand on this of course, and create joint technological processes so that we can all realize our plans. These projects will allow our people to take a step forward in terms of our global economic position. Thank you for listening.

**S. Cheremin:**

Thank you very much, ladies and gentlemen. We have got a few minutes left, and I would like to give the floor to the Deputy Chairman of the Management Board of Sibur. Last year, Sibur and Reliance Industries created a joint venture in the petrochemicals industry. We would appreciate a few words about your experiences.

**K. Shamalov:**

Thank you. After what has been said by many of my colleagues here today, we would simply like to inform you about the status of this project. This is one of two major international projects that we have. One is being implemented in China and the other in India, in conjunction with Reliance Industries.

In February of this year, we threw ourselves into a joint venture. The project involves the transfer of our technologies, something that is of great importance to us. The total budget is about USD 450 million, and we plan to open the facility in 2015. Our Indian partners are providing a site in Jamnagar and the raw materials

required for this venture. Thus far, we have not experienced any difficulties with our Indian partners, or with the regulators. So it was useful to hear about the problems experienced by KAMAZ. We will take this into account in our planning and preparation. But so far we have not faced any really major difficulties. Through this project, we will gain a lot of experience in exporting technology to India.

**S. Cheremin:**

Thank you very much. Sistema is the leader in terms of direct investment in India. You have probably all heard about the difficulties they were experiencing, but this year they have put all those problems behind them. I would like to give the floor to Mr. Rozanov, who for many years led a joint venture in India and has achieved exceptional results.

**V. Rozanov:**

Thank you, Mr. Cheremin. Mr. Manturov, Mr. Banerjee, Ambassador, colleagues: Sistema is indeed the largest Russian investor in India. We have invested more than USD 3.5 billion in a variety of industries. We have pharmaceutical projects and IT projects, and we are actively looking for opportunities to expand our operations in India. Of course, Sistema's core business in India is telecommunications, in which we have invested approximately USD 3.3 billion. Originally, when we started five years ago, and I was lucky enough to take my place at the head of this company, we planned to invest USD 5 billion, in a very large and meticulously planned infrastructure development project in the areas where it was most needed by the Indian government — the semi-rural, rural, and remote areas. But around the time we had invested USD 2.5–3 billion, we began to experience the difficulties which we discussed in depth at the last Forum.

I am not going to finish on that point. The unbending, patient, and constructive attitude of Sistema's shareholders, the support of the Russian Government, including our top leaders, and a gradual understanding of our problems and, ultimately, support on the part of the Government of India allowed us to overcome these problems. We managed to hold the team together, something

which is important in India, and we held onto the core business. In March of this year, we were given a new lease of life. I cannot say that the situation is completely rosy now, but we were able to overcome this crisis and the very difficult situation we were in. You must understand that all investments in India require a great deal of patience and a long-term view. I can state with confidence that the majority of industries in India are not highly profitable. In some sectors it is possible to get quick returns, but mainly only in the very long term, over five, seven, or even ten years.

Mr. Kogogin summed up the key lessons perfectly. I completely agree with every point he made. I can add four more points of my own. Firstly, Russian companies must be prepared to operate in conditions of very intense competition at low margins, which forces you to work on reducing costs. This means that it is not enough simply to position your products on the market, you must also work constantly on reducing your costs, and not all Russian companies are willing to do that.

The second issue of great importance is that the labour market in India is extremely competitive, and in India you need to pay a great deal of attention to establishing a team of local experts. This is not an employer's market, as is often the case in Russia in many industries: it is an employee's market, and you need to attract these employees to your company. It worked well for us as we were able to attract employees to the MTS brand, which is one of the world's top 100 brands. This was a very important factor for us. The fact that Sistema is a public company is also quite an important factor. In India, employees have the opportunity to choose between hundreds of thousands of employers, and their future is very important to them. In other words, attracting and retaining staff is crucial.

The third point I would like to make is the importance of having a local partner. It is very hard to operate without a local partner, but it is important to be aware that the local partner must contribute more than just some kind of political or administrative resource, which may disappear at a moment's notice, given the multi-party system and the active political struggle. This partner must invest hard cash into the business; this is the key to success.

And, of course, you need patience, as I said. Doing business in India can be interesting. You can gain a lot of experience there that you can then transfer to Russia in order to improve the operational efficiency of companies here. But it takes extreme patience to learn how to do business in India. We will certainly continue to invest in this country. We hope that Mr. Sharma and his colleagues in the Cabinet will raise the limit on foreign investment, which is currently restricted. We are in a situation in which Indian companies are not ready to invest in telecommunications in India, whilst foreign investors – not only Sistema, but also Telenor and MegaFon – are ready to raise the barrier from 74% to 100%, or at least up to 98%, which would simplify our work considerably and enable us to attract additional funds for business development purposes. Thank you very much.

**S. Cheremin:**

Thank you very much. Mr. Manturov, Mr. Sharma, Your Excellency the Ambassador of India to Russia Ajai Malhotra, and honourable participants in the discussion, I would like to thank you all for taking part in our plenary session, and wish you all success at the St. Petersburg International Economic Forum. Until next time.