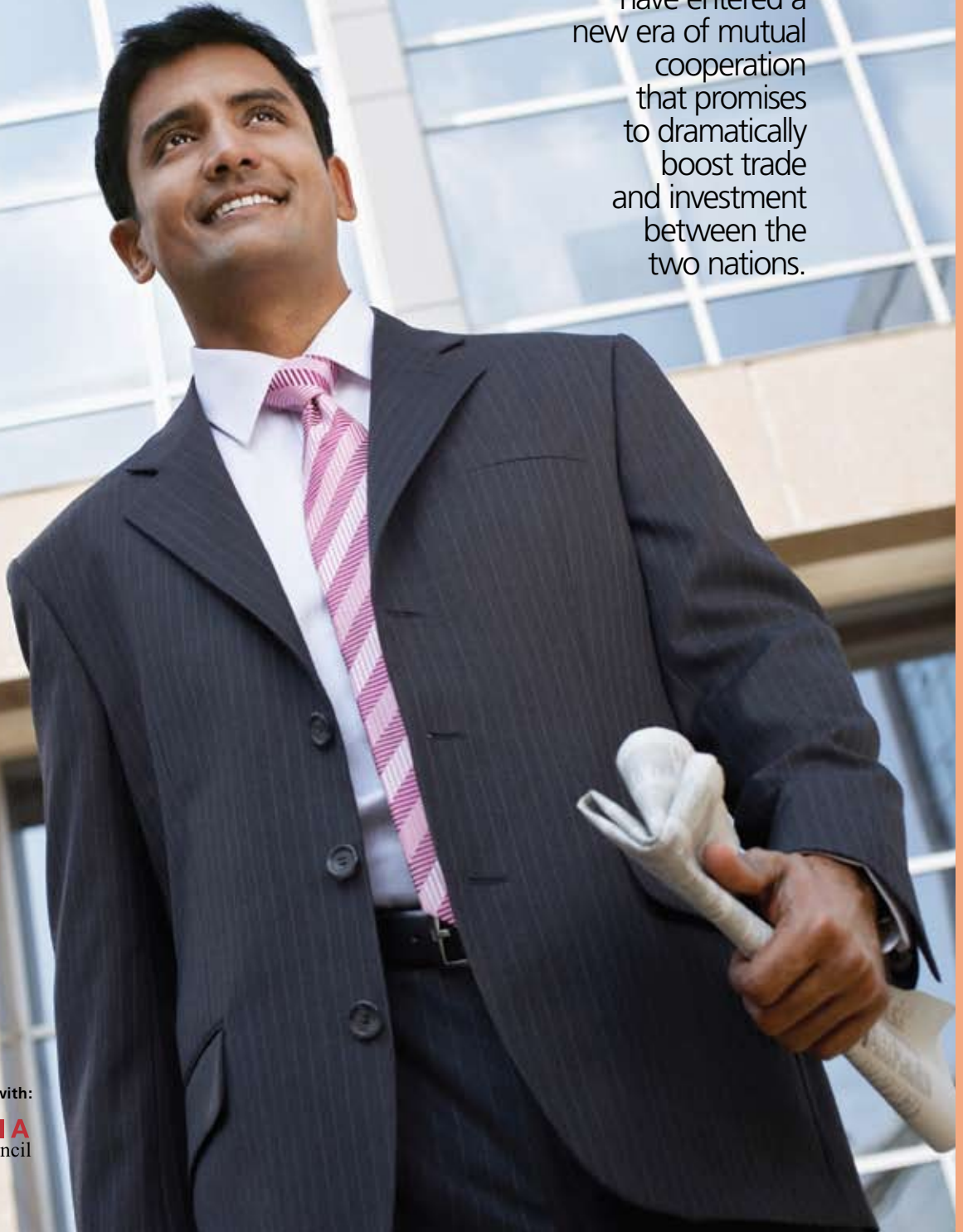


India 3.0

U.S.-India relations have entered a new era of mutual cooperation that promises to dramatically boost trade and investment between the two nations.



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It's hard not to be upbeat about India. Sure, this expanding economy took a hit in the recession, its growth rate falling to below 6% this spring from 9% a year earlier. But the remarkable fact is, it keeps growing. Now, as other nations are starting to sense a global rebound, India is looking to share its growth with the rest of the world, particularly the U.S.

"We have been able to manage this period rather well," says Rajendra Singh Pawar, co-founder and chairman of the NIIT Group, an international training, outsourcing, and software development firm. "For India, it has been a good period, and it's looking better."

How did India manage so well? For one thing, the country has a strong domestic market, with a relatively small portion of its GDP stemming from exports. India was able to effectively sidestep the global credit crunch, shunning

the complex debt instruments that created so many problems elsewhere, says Ron Somers, president and CEO of the U.S.–India Business Council.

"Their banks are in darn good shape," he says. "India did not experience a rush of insolvencies as has been

the case in the West, and therefore there was no spooking of foreign investors. The banking system was tested, and it worked."

In many ways, the two economies couldn't be more different. True, they share a common background, since both were British colonies that inherited not only a common language but also a legal system based on British law. But India, having largely skipped the industrial revolution, is today racing to adopt best practices in a wide range of industries that are both benefiting from and fueling the country's rapid growth. The U.S., still suffering the pain of unemployment and recession, is struggling to redesign industries ranging from automobiles to health care.

In these differences, the two countries are finding common ground. The harsh financial discipline imposed by the global recession, for example, is now creating a variety of opportunities for Indian businesses.



A RISING STAR

India continues to be among the fastest-growing economies in the world.

Country	Nominal GDP 2008E (US\$ bn)	Real GDP Growth Rate 2008	Real GDP Growth Rate 2009E
USA	14,498	1.8%	0.5%
Japan	5,033	0.3%	-0.1%
China	4,149	9.6%	8.0%
Russia	1,621	7.0%	3.7%
Brazil	1,567	5.3%	2.4%
India*	1,186	6.3%¹	6.1%

* India metrics for FYE March 2009 and March 2010
Source: Economic Intelligence Unit

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Consider NIIT Technologies, the IT solutions arm of NIIT, where the push for greater regulation in the financial industries is seen as a potential business driver. "More regulation means more reporting," says Arvind Thakur, CEO of the unit that provides outsourcing and software development for the financial, travel, distribution, and retail industries. "More reporting means more IT systems. More IT systems means opportunity."

The Value Proposition

The discontinuity created by the recession, Thakur says, plays to India's strengths. "There has been a lot of restructuring, and that has slowed the pace of investment. Now everyone is looking at improving cost structures. What India has been able to deliver is what corporations are looking for—more value for less money."

From the American point of view, it is India's explosive growth that is so exciting. The story here is in the numbers: With the fourth-largest economy in the world, a rapidly expanding middle class of more than 300 million, and an inflation rate that is approaching zero, India is poised for the next phase of its economic

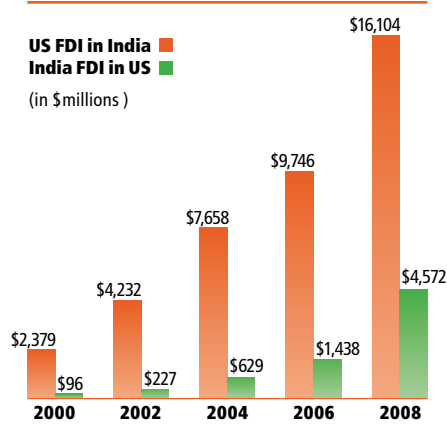
growth. It plans to do a lot of spending.

In the next five years alone India expects to invest half a trillion dollars in its infrastructure, building roads, power plants, airports, marine ports, and other projects. Then there's the \$45 billion that the country will spend to upgrade its security and defense systems. The



THE FLOW OF FUNDS

A look at bilateral foreign direct investment between India and the U.S.*



* Data is on a historical-cost basis

Source: US Dept. of Commerce, Bureau of Economic Analysis

demand for housing is rising, with a projected shortfall of around 20 million units. Currently, the country is about to assign a \$5 billion contract to modernize its locomotive system.

"These are big numbers," says the business council's Somers, who believes this work will create a significant number of American jobs. "India will buy high-end U.S. manufactured goods, and, in doing so, will help the U.S. get out of the recession."

It's a role that is welcomed by people like NIIT's Pawar, who says that India's democracy and its growing middle class grew out of the industrialization of the West. "We now have a tremendous opportunity to pay back," says Pawar, who sees the growing collaboration between the U.S. and India as one such effort. "What I see is two countries, each trying to do something more for the other."

India's recent election—which returned the Congress Party to power—is also seen as a good sign for U.S.-India relations, Pawar says. "We had an excellent election," he says. "Indians voted for stability and development, which is a very positive step."

Indeed, signs of increased collaboration abound.

Technology Ties that Bind

Last year, the big news was the signing of the U.S.-India Civil Nuclear Agreement, a landmark pact that overturned a three-decade ban on nuclear energy cooperation. This year, the Indian government took the next step toward nuclear power development, designating two sites where U.S. companies can eventually build nuclear power plants. The projects and the equipment that will be dedicated to them, to be located in Gujarat and Andhra Pradesh, are conservatively estimated to be worth \$10 billion each, Somers says.

Both countries also recently inked an agreement that allows end-user verification of any U.S. arms technology sold to India. That would give the U.S. the right to ensure that U.S. arms sold to India are



used as intended and that the technology is not passed on to other countries. The agreement will give India access to U.S. high-tech military technologies, allowing, among other things, the purchase of new American-made fighter jets.

Secretary of State Hillary Clinton has dubbed this expansion of the two countries' common agenda as "India 3.0." Speaking at the business council's Synergies Summit in June, Clinton said that the first era of cooperation opened with India's founding and lasted through the end of the Cold War. The second period culminated in the signing of last year's nuclear pact. Now, Clinton says, policies being drafted between the newly elected governments of both countries reflect the deep business, economic, and cultural ties that have already been forged between the two countries.

With trade doubling since 2004 to exceed \$43 billion today, and with over 90,000 Indian students studying in the United States, says Secretary Clinton, it is clear that "compared to other metrics of our cooperation, our official ties are past due for an upgrade."

She's making that upgrade a personal priority. "We need to make sure that the partnership between Washington and New Delhi, our capitals, will be as advanced and fruitful as the linkages that already exist between Manhattan and Mumbai, or Boston and Bangalore," she told those attending the summit.

Many hope that such partnerships with India will provide an innovation engine to develop new approaches to problems like global warming and the need for alternative energy sources; India is already the fourth-largest wind energy producer in the world. Somers points to India's success in telecom, which—unencumbered by a system of copper landlines—leapfrogged over old technologies to become a world leader. "If we can do it in telecom, why can't we do it in renewable energy?" he asks.

A Platform for Success

NIIT creates business tools to help customers manage change in turbulent economic times.



Dynamic Duo: NIIT Technologies CEO Arvind Thakur and co-founder and Chairman Rajendra Pawar in front of the company's campus.

The way NIIT Group sees it, working smart generally trumps working hard. So that's exactly what the international training, outsourcing, and software development firm is doing. And it's providing its customers with tools that will allow them to work smarter, too.

In the past year or so, NIIT has shifted its strategy toward the creation of broad-based "knowledge assets" that make it possible for clients to do more with less. Having already narrowed its focus to just four industries—travel, finance, distribution, and retail—the company is now building sophisticated intellectual property platforms that have the power to drive big changes in these industries.

Airlines, for example, often sell tickets on each other's flights. That means the airline companies must periodically do a revenue accounting to balance the books. "Instead of everyone building that solution themselves," says Arvind Thakur, CEO of NIIT Technologies, the company's IT arm, "we created a platform that will do the settlement for them."

Such systems can result in meaningful improvements in productivity, which will make them strategically important to companies competing in a post-recession economy. Salaries will remain a major cost, says NIIT Technologies' president Lalit

Dhingra. But NIIT's new non-linear approach will help companies grow their operations without also growing the number of employees.

"To double your revenues, you won't have to double the number of people," says Rajendra Singh Pawar, co-founder and chairman of NIIT Group.

Having launched its new strategic plan just prior to the recession, NIIT says it's already getting good response. Its non-linear projects already account for 25% of company revenues, and NIIT expects that number to grow to 40% in the next three years.

"These are challenging times," says Pawar. But it's precisely today's challenges that have focused NIIT on the need for even smarter business tools for its clients. ●

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One of the most critical collaborations may turn out to be a joint effort to combat global terrorism. In her speech to the business council, Clinton called for both a broader security relationship and increased cooperation on counterterrorism and intelligence-sharing. Others embrace that vision, saying the natural synergies between the two countries make security a clear priority.

"The next big thing in our partnership is to work together to address the global problem of terrorism," says NIIT's Pawar. "With terrorism as a common enemy, the old mindset of defense will recede into the background."

East Meets West

With each new partnership, U.S. and Indian firms are finding new ways to weave together the best of both countries. Large Western retail companies, for example, are now adapting their ways of doing business to local Indian customs. "Most of India's retail sector begins on a two-acre farm," says the business council's Somers. "The distribution of products is typically done in a day market under the hot sun, or in a night market, resulting in massive waste and spoilage."

Thus, the Wal-Mart style of retailing requires significant adaptation in order to make inroads into this system. And that, says Somers, is exactly what Wal-Mart is doing, entering the Indian market through a local partner to operate warehouse-style stores.

Real estate is also benefiting from the meshing of economic cultures. Consider fast-growing IREO, an Indian real estate development company financed with foreign private equity raised from investors like J.P. Morgan Chase, Sovereign Wealth Funds, the endowments of universities such as Stanford and Notre Dame, and global real estate developers including the Taubman and Reichmann families.

At IREO, the integration of cultures extends well beyond finances. Having recruited an executive team with inter-

national experience, the company not only has a global approach to business operations, but also a personal understanding of how residential developments are designed and built in places as diverse as California and Hong Kong.

"We are bringing best practices and cutting-edge design concepts to our projects," says IREO chairman Anurag Bhargava. It is a large-scale mixed-use residential and office project that combines Indian and Western taste, judgment and management techniques.

IREO has already raised \$2 billion, \$1.5 billion of which has been invested in 13 major projects that span the country from the Delhi area in the north to Pune in the West and Chennai in the south. It is also building a resort and residential development in the Goa region. The projects themselves are massive. IREO's mixed-use development in Gurgaon near Delhi, for example, is sited on 800 acres and will include several thousand residential units.

IREO, however, says its developments offer much more than square footage. Indeed, it's paying careful attention to infrastructure issues such as roads, power supply, water usage and even playgrounds. It's even leveraging the American style of home purchasing, including the procurement of a mortgage, to see how that might be adapted to its developments.

"People are traveling more, and more foreign companies are locating here," says IREO president Madhukar Tuls. "Expectations for quality have risen." The company sees its coordinated and integrated approach as one way to address those expectations.

Launched in 2003, IREO is now moving full speed ahead with its projects. Construction and leasing of three million square feet of housing and five million square feet of IT special economic zone development is already underway. The company expects to launch another eight million square feet over the next 12 months.



India's numbers are enticing: It has an expanding middle class of more than 300 million, and plans to invest billions in infrastructure, energy, and security projects.

A Workforce of Early Adopters

This rapid execution is typical of Indian business, says Laurence O'Neil, president and CEO of the Alexandria, Va.-based Society for Human Resource Management (SHRM). Having previously done a stint in India while working for a large bank, he learned that "creativity and the willingness to learn, adapt, and go very rapidly" is one of the hallmarks of the Indian business community. "In India, people really embrace change quickly," but they also focus on quality, he says.

And that is one reason why SHRM—the world's largest organization dedicated to HR—recently opened an Indian office, installed a senior executive, and launched a website for the Indian market. It has also begun conducting forums on timely topics, designed to provide networking opportunities so that executives can address common issues.

Iconic design: IREO's plans for an ultra-modern Special Economic Zone in Pune.



"I think the rapid growth in emerging markets like India has created new organizational challenges," O'Neil says, noting that Indian business has a real thirst for best policies and best practices that will continue to fuel improvement. "We need to go to places like India to study, advise, and learn collaboratively, and then disseminate what we've learned to others."

Indeed, O'Neil sees the lessons being learned in India as having broad application elsewhere. Indian growth can be so explosive that companies sometimes need to add 50,000 new workers at a time. "That presents major business challenges in scaling, adding top talent and management of that top talent, and moving talent to where it is needed," he says. "When we emerge from this period of economic difficulty in the U.S., we will grow rapidly, too. Then we will use those lessons."

SHRM's expansion into India came just as the worldwide recession was taking hold, but the organization stuck with its strategic plan. And as the recession deepened, the Indian venture became a kind of blueprint of the future. "It became increasingly clear that we need to do two things," O'Neil explains. "We need to manage our organization effectively in tumultuous times. The other is to invest in the future."

SHRM, with members in 140 countries, sees its expansion to the Indian market as the next step in its globalization. "This is about learning with each other in a true cross-border international manner," he says. "Our goal is to create a leading association of HR professionals in India, and to continue to build a global network of HR professionals."

Not surprisingly, there is a sense of optimism in India these days, and that upbeat tone is being carried into a

number of American business communities. Based in Atlanta, Lalit Dhingra, President of NIIT Technologies, Inc., says his operation is well integrated into the local business community. "Around 40% of my staff is located in the U.S. and hired in the U.S.," he says, citing Indian business as a source of job generation.

He also points to the Atlanta Chamber of Commerce as a demonstration of the intertwining of interests. One recent meeting focused on India-U.S. business alliances and the ease of doing business in India. "I don't know what is happening in other parts of the U.S., but I am very happy to see that things are moving pretty nicely between Georgia and India," he says. ●

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India's Building Boom

Developer IREO is poised to transform the real estate market with large-scale mixed-use projects across the country.

For the past few years, real estate development company IREO has kept a remarkably low profile while putting together its plans to transform the Indian real estate market.

"We've been very quiet," says IREO partner Steven Wisch. "You may not have heard our name before."

But that is about to change. The six-year-old company, whose projects reflect a mix of Indian and American sensibilities and management styles, is now launching its developments with a singular commitment to quality.

"Our vision is to be the most respected real estate and infrastructure developer in India," says IREO chairman Anurag Bhargava. To do that, he says, the company is drawing on top international design talent and embracing sophisticated master-planning concepts. The result: projects designed to of-

fer a lifestyle until now uncommon in India that features community centers, parks and recreational facilities, schools, hospitals and high-quality infrastructure throughout.

IREO has the private-equity financing to back up that vision. "This is long-term capital," says Wisch, noting that IREO's investors appreciate both the structural opportunities provided by India's growing real estate sector and the way IREO is doing business.

The scale of IREO's projects is dramatic, especially given the country's history of fragmented housing development. By providing a mix of commercial, residential and retail space, IREO will be creating whole communities in carefully selected locations, with some developments covering more than one square mile. Because these huge projects benefit from significant economies of scale, they can offer a wide range of amenities that

have the potential to broadly reshape lifestyle expectations.

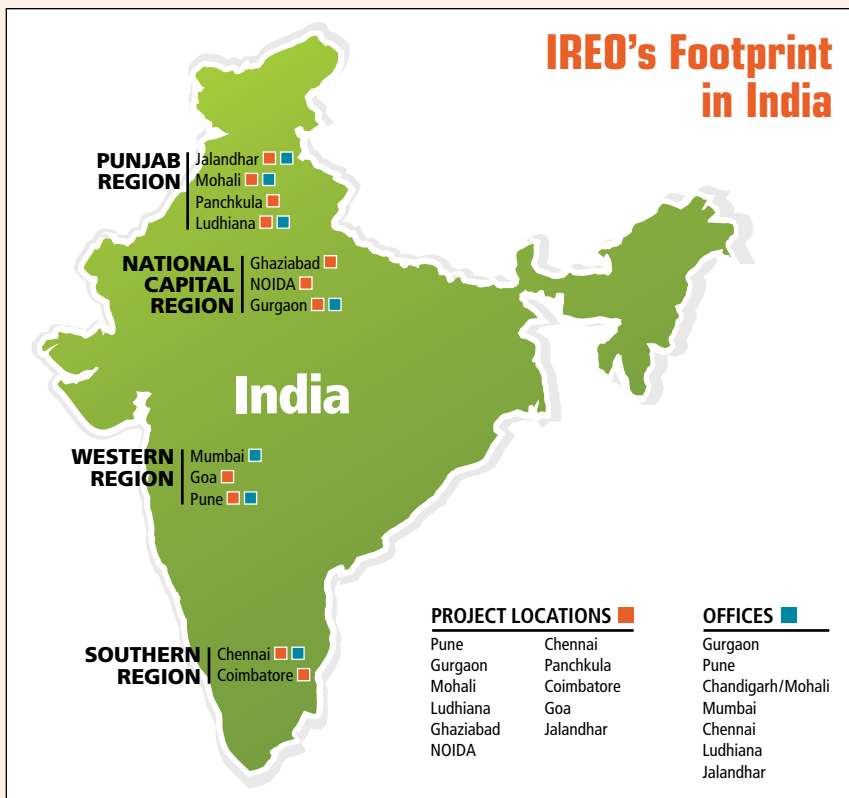
Development sites have been specifically chosen to take advantage of demographic trends, business needs and India's planned infrastructure improvements. For example, the residential, commercial and special economic zones being built in Gurgaon will be walking distance from the New Delhi Metro light rail line. With roughly 75% of its construction dedicated to villas and apartments, the company is making significant use of green technology such as solar power, improved insulation techniques, energy efficient mechanical equipment, and groundwater recharge zones.

"As a startup, we are making a strong promise to the marketplace that people will receive the quality they deserve," says Lalit Goyal, vice chairman and managing director. "Quality in property maintenance, quality in power and water sources, quality in traffic flow—a higher quality of life."

What's the market? Current demographic trends in India are powerful, says partner Louis Klein. "But there's also a need to redefine India's standard of living to show Indians worldwide what's possible." IREO intends to do just that. The company expects its projects to generate significant interest from Indians living abroad who may want a home for themselves, as an investment or for family members.

Indeed, IREO is selling more than just a place to live. With its blue-chip financing, the company is offering buyers the financial security of knowing that their project will be completed on time. With its integrated mixed-use design, it is providing true community living. By directly controlling the development process from the planning and construction to the ongoing management, it is providing peace of mind. And by establishing new global real estate standards throughout the country, it is moving India toward its future.

As IREO sees it, it's offering India "the next level of living." ●



Bringing the next level of living to India



IREO is one of India's leading property developers and its largest foreign investor in real estate, with nearly \$2 billion of capital deployed since 2003. Its portfolio comprises approximately 3,000 acres of land across more than a dozen projects in prime locations throughout India such as Gurgaon, Ludhiana, Pune, Chennai, Panchkula, Coimbatore, Jalandhar, Mohali and the Goa region. IREO is supported by a blue chip set of global investors and has a world-class professional management team with industry leading experience in India and internationally. Committed to delivering superior quality residences, service and customer satisfaction, IREO is poised to take the real estate experience in India to the next level.



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