

ROYAL INDIA RAJ

Building India for the new millennium

Manoj C. Benjamin, Chairman Royal Indian Raj International Corporation (RIRC) Vancouver, Canada. The son of immigrants, 44-year-old Benjamin is a highly successful local businessman who has taken some of the wealth he earned here and invested it in India. He is considered a hawk in North America elite business circle, who takes tremendous risk but with calculated plans and vision to follow them.

Manoj C Benjamin a pioneer in the rapidly developing Indian Infrastructure & Housing Sector. Being among the first approved FDI's in the Indian nation and recognized by India's, Business & Economy with a rank of 21 among the top 100 people for 2007.

RIRC is launching multi billion dollar master planned township communities under its Royal Garden Villas & Resorts, Royal Garden Cities. 135 hotels in various Indian Cities under the Choice Budget Brand and a national exclusive chain of Jack Nicklaus PGA courses.

When India opened its economy to the world in 1991, Benjamin started on the path to realizing his vision and dream to build communities that would stand out on the world's stage as being progressive and of the highest possible standards. Today, that dream is becoming a reality and RIRC is on the forefront of developing first-class resort communities and modern satellite cities in India under its Royal Garden City, Royal Garden Villas & Resorts and its hotel brands.

"We see the integrated township format as a key driver of future housing supply and as a catalyst for the much needed infrastructure investments in the rapid urbanization of India. The Indian government has spelt out key incentive policies to provide an impetus towards easing the flow of private investments and royal garden city is one of the first to have been conceptualized and planned to meet this objective," says Benjamin.

According to Anil K. Agarwal, President of ASSOCHAM (Associated Chamber of Commerce and Industry of India), leading international investors like Royal Indian Raj International, Blackstone Group, Goldman Sachs, Citigroup Property Investors, Morgan Stanley and GE Commercial Finance Real Estate are showing a keen interest and establishing their presence in Indian real estate.

Few years ago Benjamin began aligning himself with venture partners who also saw the potential for modernizing real estate in the Indian market and committed them to RIRC's objective of "Building India for the new millennium."

Over a projected 12-15-year program, RIRC will inject an estimated \$10 billion dollars into its premier real estate developments under the highly-touted Royal Garden Cities projects and its Royal Garden Villas and Resorts' brand.

India is truly emerging as the quiet lion about to roar. Benjamin's drive and vision is to create an economic and technological connection between East and West. His company is playing an integral part in the country's burgeoning infrastructure, finance and development sectors.



Manoj C Benjamin spoke his heart out during an interview with **Prashant Tewari**, Editor-in-Chief, touching wide ranging issues that includes his core business to macro business situation in the world.

He is extremely bullish on India Inc story and promised that all his words shall be followed with constructive action...

Q. Real Estate was the buzz word prior to the current economic tsunami, i remember you had rightly predicted doom for west and boom for east in 2005 during an interview session. Tell me it was a guess or well thought off statement?

My statements were based on demographic expectations that India and China with their vast markets and domestic markets had the weight and dynamism to transform the 21st-century global economy. The closest parallel to their emergence is the saga of 19th century America, a huge continental economy with a young, driven workforce that grabbed the lead in agriculture, apparel and the high technologies of that era such as steam engine, telegraph, and electric lights. Now the pendulum is swinging back to the East and with it a need to transform the national physical and economic infrastructure over here.

Q. Experts are betting heavily on India and China with Brazil and Russia (BRIC) on board to take the world out of recession, there are focused on economics without realizing the crucial value of internal dynamics like insurgency, population explosion, growth of religious fundamentalism, mounting external debt etc, do you think it is wise to continue with the same set of mind to predict the final outcome in respect to economic growth of BRIC?

In 2003, Goldman Sacs coined the term BRIC to cover Brazil, Russia, India and China pre-sagging a fundamental shift in the global balance of power.

The group of four countries represent the enormous potential of the emerging markets, and their populations will provide most of the world's growth in the decades to come. Indeed these nations represent four of the world's largest emerging economies, representing 40% of the world's population and 15% of the Global GDP estimated at 15 trillion dollars and its going to grow. In comparison to the USA economy which presently represents about 27.5% of Global GDP. The BRIC's having together greater economic weight than the traditional powers of the Group of Seven Industrial nations by 2032.

At present trends by mid century it is conceivable that two nations China and India will account for half the world's global output. Indeed the troika of China, India and the USA-the only industrialized nation with significant population growth-by most projections will dwarf every other economy.

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The BRIC'S nations will continue to grow they are characterized by all having large and competitive domestic economies, large populations among emerging markets with India expected to hit 1.6B people mid century overtaking China. China and India have two of the fastest economic growth rates in the world. All have strong natural resources, with Brazil and Russia being a cornucopia of commodities and energy which in the past have been inadequately exploited. Escalating energy and commodity pricing of the last five years has brought rapid growth to Brazil and Russia enabling them to develop active consumer sectors. Finally access to capital is strong with China sitting on foreign exchange reserves of more than \$2 trillion, Russia has more than \$500 billion, India close to

\$300 billion and Brazil around \$200 billion allowing them great latitude in policies. China has recently announced a \$600 billion stimulus plan which it can easily afford concentrating on a more vibrant domestic market.

However, internal dynamics like insurgency, population explosion, growth of religious fundamentalism, mounting external debt etc certainly are factors to consider. Add to this several other factors such as economic structure, open economic policies as well as cultural/political and legal environment not to mention ecological degradation will have a role to play



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in the levels and rates of growth. With this in the background is the somber reality that political ineptitude blunts growth. Now that the global downturn has hit, the four countries have diverged and some of the bright future of the BRIC's might be derailed.

Russia looks to be most at risk, with the latest UN population projections suggesting that its population may fall from 142 million to 100 million by mid century. Russia has been transformed from an emerging market posting a growth rate of 8.1% in 2007 into a corrupt kleptocracy without rule of law and with only oil exports propping it up. Its consumer pricing are rising at a 14% clip, its currency is collapsing -down by a third in the past year- and stock prices are down by 80% from its high of last year.

Brazil will remain a successful growth story, albeit at a moderate rate with only a 1.6 growth rate in 2009 better than most places, interest rates at 12.5% in-

flation high at 6% -to high but at least it avoids deflation and its stock market down only 4% in 2009, which is more than investors can say for Wall Street with a budget deficit under control. Large finds in off shore reserves of oil which begin production in 2012 promise to make Brazil a premier oil exporter.

India did well 2004-2008 largely due to reforms of the previous government. However the present government has made almost no reforms with the Indian economic machine showing clear signs of running down. 2009 growth rate was about 5% with the budget deficit as high as 12% of GDP. But India is not China: It does not have the huge foreign exchange reserves to finance such a deficit yet. Thus, the rating agencies are considering downgrading India's debt. Given the financing issues it may be likely that any growth may be thwarted by lack of foreign exchange pulling us back to 3% to 4% growth rates. A growth rate that's nowhere near enough to lift its India's rapidly growing populations out of poverty. In which case the governments overspending and opposition to reform of the last five years will continue. India will then remain in an enormously frustrating enigma, a country with huge growth possibilities that is shackled by a corrupt and incompetent government bureaucracy incapable of building the economic, legal and physical infrastructure the nation needs.

China will remain the main engine of world growth despite current difficulties the Asian giant appears to be having. It has an enormous stimulus plan of more than \$600 billion. However with roughly \$2 trillion in foreign-exchange reserves, huge domestic savings and a budget that is close to being balanced, it seems likely that China can afford its stimulus. and by increasing domestic demand the stimulus will pull the nation out of recession. China is expected to grow 9% plus this year as well China's shares have risen by 20%. Its physical and economic infrastructure is robust attracting record FDI and its population growth rate in control.

The corruption index of Transparency International reports however is not so flattering. Brazil, China and India sharing a lowly 72nd place and Russia off the charts at 143rd place. They also have low ranking on the World Bank's "ease of doing business" index. China comes in best at 93rd in the world, Russia at 96, Brazil at 121 and India at 134.

So there is a lot of work to be done by the BRIC'S here to improve efficiency which certainly will bring growth. However despite markets going up and down there is sure to be many boom and har-

rowing bust cycles. However over the long haul these markets will remain strong having survived earlier crises and have immense untapped potential. There rising consumer classes will drive innovation and hopefully the real risks of social strife, war and financial crisis will be managed properly.

Q. Royal Raj Corporation is investing heavily in India via dedicated India specific fund created in USA in real estate sector, now that there is a slowdown in the real estate sector world-wide though not so evident in India and China, do your company is planning to venture out in other vibrant sectors ?

The slowdown in the real estate sector in India will be temporary as natural population growth fuels demand along with the huge Indian housing shortage. Our focus remains national Urban Infrastructure and Housing with Township development at its fore-front. This brings with it a greater integrated focus in the development, construction, ownership and operation of infrastructure covering green self sustainability, bio-degradable and environmental technologies, water supply, waste to energy generation, water and sewage treatment/management. We are also developing a greater depth in Pre-Fab construction and road building and recycling and hope to be active in these fields in the years to come.

Q. How do you rate the future of India and China economy in general and real estate sector in specific in the coming years keeping in view the current boom is largely fumed by government stimulate plans which might be creating another asset bubble in the zone?

For the past two decades, China has been growing at an astonishing rate of 9.5% a year and India by 6% and has benefited from globalization. Given their young populations, high savings, and the sheer amount of catching up they still have to do, most economist figure that China and India possess the fundamentals to keep growing in the 7% to 8% range for decades and will become 21st century heavy weights. Indeed by mid century, China certainly will overtake the U.S as No#1 and India will vault over Germany to take 3rd place. At present China's FDI inflows have increased to US \$62bn, while India's FDI inflows are in the region of \$6B a ratio of 10:3 in China's case comfortably financing its stimulus plans. China's FDI's success has been primarily due to its large economic zones as well as the adequate infrastructure, highly stream lined admin-

istration, cheap yet skilled labor force, flexible labor laws, low corruption, strong legal environment, better bureaucratic delivery system, and favorable regulatory and tax treatments. This policy benefits the development of real estate infrastructure where China has been busy building new cities, bullet trains, industrial zones, research centers, roads, ports, etc. For example in 1990, Shanghai seemed caught in a socialist time warp, today Shanghai has erected enough high-rises to fill Manhattan.

On the real estate sector analysis, India has a 27 million housing shortage today, a population increasing by 180m



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every ten years adding a requirement of 3 million to 5 million new homes annually and a population set to reach 1.6B by mid century, India has a incredible task in front of her needing to address power, telecoms, retail and urban infrastructure and housing. Presently it is lacking the means of production to satisfy such large scale demands. Urban Infrastructure and Housing as a sector is still enormously inefficient and lacks the capital structure to prosper internally although strides have been made in the residential mortgage market while finance in the commercial market remains enormously difficult. This despite its critical importance in attracting much needed FDI's and its vital role in building the nation. So despite this based on demographics alone there is incredible upside in the under represented real estate economy. As more reforms and refinement in this sector occurs a powerful catalyst for

change develops as demand is there. !

Q. Developed nations are amidst worst recession since great depression, forcing millions of people to change business pattern and lifestyle. You have a good exposure of western lifestyle and thought process; predict life after the current shock for western block?

There is no doubt the recent American recession has forced many to re-define business patterns and rethink lifestyles in the West. This brings with it a stronger emphasis on practicality, affordability and sustainability. This re-assessment can be seen as a end to a cycle with established nations particularly USA recognizing its need to break its bubble-and-bust cycle economy with a new way of thinking. This is resulting in the calling for a new economic foundation for these nations. In the case of USA the leader of the developed nations with 27.5% of the Global GDP this foundation would be built on better schools, alternative energy, more affordable health care and a more regulated Wall Street and financial markets.

An excerpt of this new way of thinking is reflected by the American President Barack Obama and The Times's David Leonhardt during an interview in the Oval Office on April 14, 2010

"But I actually think that there was always an unsustainable feel about what had happened on Wall Street over the last 10, 15 years, and it's not that different from the unsustainable nature of what was happening during the dot-com boom, where people in Silicon Valley could make enormous sums of money, even though what they were peddling never really had any signs it would ever make a profit. That doesn't mean, though, that Silicon Valley is still not a huge, critical, important part of our economy, and Wall Street will remain a big, important part of our economy, just as it was in the '70s and the '80s. It just won't be half of our economy. And that means that more talent, more resources will be going to other sectors of the economy".

It will also be tempered by the competitive forces of the new global economy and its inter-relationships with nations like India and China with their growth patterns possessing the weight and dynamism to transform the 21st century economy over a complete spectrum of consumer markets, investors, producers and users of energy and commodities providing a "future shock" to the established nations. Along with this changing pattern of behaviour will come

a need for new world economy . Globalization and transformation will translates into layoffs and lower wages for a changing America. However everyday life will go on with a little belt tightening in the West

Q. Royal Indian Raj International Corporation has tremendous depth and great vision for future strategic business plans but the company has restrain itself in going for aggressive branding in India.RRC is running huge projects and have even larger plans for future in India, do you foresee continuation of same strategy or RRC will be pro active and aggressive in coming days to promote its brand, products and services?

Our presence in North America and our focus on India, generally regarded as a developing economy ,has routinely encountered a cultural divide in the West with mis-conceptions around eastern customs, land ownership practices, laws, norms ,long gestation times and bureaucracies in the Indian Urban Infrastructure and Housing sector as well as numbers and logistics unfathomable in the west , .Progress can easily be misconstrued by the developing nature of rules and regulations in the nascent Indian Realty sector and forces not understanding the long gestation times, our anti corruption policy and the complexities such large endeavors require in India .

For example our inaugural 12,000 CR International Township in Bangalore North ,Karnataka India one of several was slated to start in 2005 .Despite gaining FIPB permissions from the Central Government in 2005 the first in the nation to get FDI sanction under the Integrated Township category and being heralded by the NRI Minister of that time Jagdish Tytler. Since then the project has been delayed at the State Level by zoning changes, four-failed state government, in-efficient state government bureaucracy resulting in stalled RIRIC project permissions. A second Royal Garden Villas & Resort project in the region suffers a similar fate.

This can be construed and regarded by western sources as negative and derogatory to Bangalore and India. We have chosen to be moderate on branding until such time as full project permissions are gained to avoid this. We do anticipate project clearances shortly and at which time we will certainly promote these exciting township projects and others like this throughout India and take active participation in "Building a New India" .

Q What will be the key points as per your view for Vision 2020 India?



GROWTH BAROMETRE: Bombay Stock Exchange

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India remains a country with huge growth possibilities and can close in on China and exceed it by building on its democratic legacy and creating a favorable environment similar to that of China by replicating her extraordinary ability to mobilize workers and capital laying down the nations physical and economic infra-

structure .This can be achieved by institutional reforms in a more accountable and transparent way, imperative for the country. It calls for the creation of special economic zones, improvement in urban infrastructure and housing , policy stability, introduction of labor reforms, establishment of a strong legal environment, streamlining bureaucracy ,and the elimination of corruption. This will aide in increasing larger FDI flows, helping in the financing of large scale growth the nation is capable off achieving .This should not be a daunting task if there is a adequate political will with respect to the economy ,laying down the ground work for decades of new growth. This will however requires a new way of thinking and electorate that has the force to counter the political ineptitude that can blunt growth .

Population demographics will also has a role to play, India has nearly 500m people under the age of 19 and has high fertility rates. India's rising middle class expected to hit 700m between 2020 to

2030. By mid century the population rises to 1.6B with 220 million more workers than China. Opening power, telecoms, commercial real estate and retail sectors to FDI's will lure big capital flows. Other factors can include harnessing the Global NRI's and PIO's Diaspora and the Internet/information age may well contribute meaningfully to a new way of thinking, defining the management and governance of the Indian nation into the decades to come..

Q. Is there any future plan to capitalize Indian Stock Markets?

I think we may look at capitalization on the Indian Stock Markets as it remains in our strategic plans 12 to 24 months down the line after several of our proposed Townships and a Special Economic Zone (SEZ) get their final clearances from the government agencies involved.

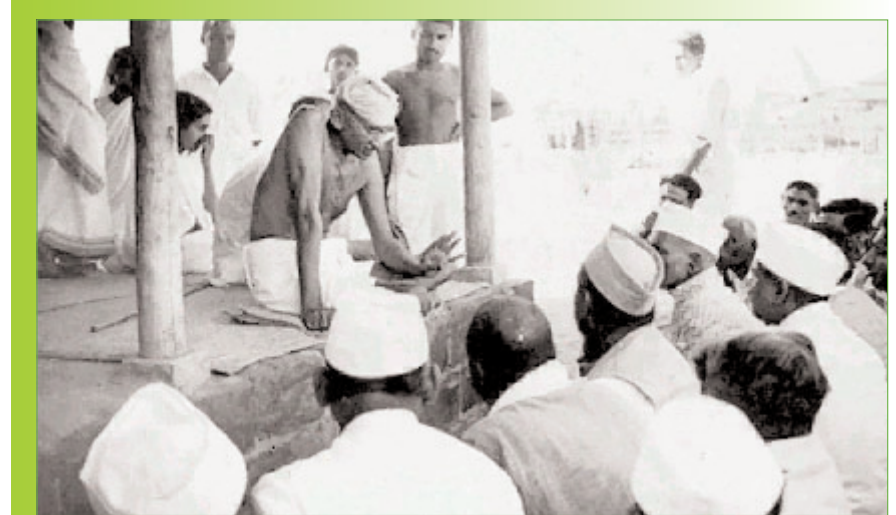
Q. Share information on the social work done by Royal Raj Corporation to honor its corporate social responsibility?

RIRIC has an interest in poverty alleviation, adoption agencies, homeless shelters, health clinics, missionary projects, peace organizations, libraries, war on illiteracy, single mother's micro loans and medical research leading to curing or containing disease. In the past we have been involved in schooling contribution to village children and mentoring and educating homeless peoples.

Q. Manoj C Benjamin is a recognized business name in corporate world, but let us know about your political and business hero's and why do you admire them?

On the business front great business leaders possess more than the celebrated traits of charisma and an appetite for risk. They have "contextual intelligence"- a profound ability to understand the zeitgeist of their times and harness it, to create successful organizations. Entrepreneurial innovation, savvy management, and transformational leadership. Those that stand out in my mind are...

Jamsetji & Jrd, TATA, for being the creator of modern Indian industry. Dhirabhai Ambani, Chairman and Managing Director of Reliance Industries for revolutionizing the Indian stock exchange also named the Indian Entrepreneur of the 20th Century by the Federation of Indian Chambers of Commerce and Industry (FICCI) with The Times of India in 2000 voting him "great-



MY HEROES: On the political frontGandhi ..for the incredible and extraordinary concept of satyagraha non-violent protest to his battle for right and wrong and its contribution to Indian independence. Mandela for his adaptation of this and his certain knowledge of right in bringing a end to Apartheid in South Africa. George Washington and Thomas Jefferson for the championing of democracy and the Religious Charter of Freedoms freeing minds around the earth..Underdogs like, Ho Chi Minh .a leader of astonishing quality and organizational skills who lead his nation to victory against two of the world's great powers, France and USA. Winston Churchill for his resolve and leadership during WW2

est creator of wealth in the century". N. Murthy, Infosys a revolution in software, Azim Premji - Indian billionaire businessman of the Wipro software company., Lakshmi Mittal - Mittal Steel Company chairman for developing a world wide steel conglomerate and Forbes 2005, 3rd richest man in the world. Muhammad Yunus - Bangladeshi economist and founder of the Grameen Bank that has pioneered Microcredit. And Sunil Mittal for connecting India via the telephone. Samuel M. Walton, Wal-Mart the world's largest retailer incredible vertical standardization, Walt Disney for making children laugh, William H. Gates III Microsoft for championing the beginning of the information age and a new world economy, Gordon E. Moore & Andrew S. Grove Intel for the Pentium chip, Henry Ford, Ford Motor & Alfred P. Sloan Jr. General Motors for standardization and giving the world a ride. George Eastman Kodak for capturing the world on film, Asa G. Candler Coca-Cola for giving the world a coke,

Howard Schultz, Starbucks for making water into liquid gold. John F. Welch Jr. General Electric for making home life easier. Raymond A. Kroc, McDonald's for giving the world a burger. Frederick W. Smith Federal Express for delivering things. John D. Rockefeller Sr. Standard Oil for fueling it all.

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