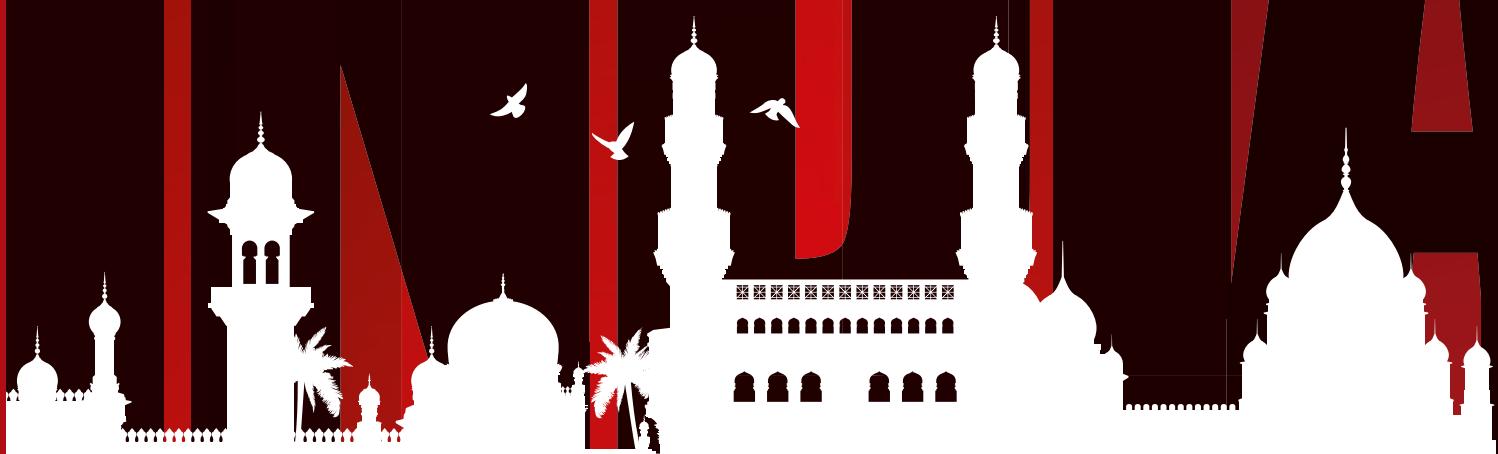


Over the past two years, India's economy has been slow, mainly as a result of investments grinding to a halt due to the election. However, all this has changed since Narendra Modi was elected as the new prime minister last year. Since Modi came to power, foreign and local investments have been positive, with expectations for further economic growth in the next two years, and opportunities for the security industry in growing project demands.

• BY Lisa Hsu

India: Land of Opportunities, IN 2015



Before the election in 2014, foreign investments were slow due to investor hesitation and uncertainty in what the new government would bring. Now, Prime Minister Narendra Modi's plans to build 100 smart cities and increase the speed of project clearances has resulted in positive foreign and local investments. Combined with the prospect of rate cuts, GDP growth is still likely to rise to 6.4 percent in 2015 from 5.6 percent in the previous year.

The government's reform agenda to revive economic growth in the country

includes increasing foreign direct investment in the insurance sector from 26 percent to 49 percent, which is predicted to result in US\$6 to 8 billion in capital inflow, and to amend archaic labor laws to reduce regulatory interference while coaxing employees with more benefits, whilst also promoting the "Make in India" campaign. As having the largest private-public partnership (PPP) market in the world, 3P India will be implemented to introduce more PPPs into the mainstream of project execution, as well as plans to upgrade infrastructure in 500 urban areas. Along with this, land purchase rules will be changed to allow for easier acquisition of land for infrastructure and industrial projects.

India's GDP advanced to 5.3 percent in the third quarter of 2014, Barron's Asia forecasted India's economic performance in 2015 to continue optimistic growth as new Prime Minister Modi brings in higher private sector investment. To further boost GDP growth, the government also plans to introduce value-added tax (VAT) that can replace more than a dozen taxes that increase incentives for corruption, which will add another 1.7 percentage points to GDP growth if successful. With the implementation of all of Modi's reform agenda, the next few years for India will be very promising.



"Today, India has an elected new government with a good majority in the upper house of parliament to help and take firm policy decisions. This will attract foreign investments and help the economy to pick up quickly. Signs of improvement have already started, I believe within a year, we can see a clear shift," said Anil Dhawan, Chief Executive of DB Secure Solution.

According to an industry expert, with the help of the new government, dramatic changes can be seen, and opportunities will open up for big cases. 2015 will be a very promising year for various security members due to the political situation, which will help generate more businesses.

HIGH SECURITY AWARENESS

Criminal activity is the main driver for security's growth, not only in India, but the whole of South Asia. The tragic



❶ Santosh Pillai, Director & CTO, 2020 Imaging



❷ Maulik Shah, CEO, Facility Security Division, Autocop



❸ Sudhindra Holla, Country Manager, India, Axis Communications

❹ Anil Dhawan, Chief Executive, DB Secure Solution

❺ Ashutosh Fotedar, Assistant Sales Manager, Tamron India

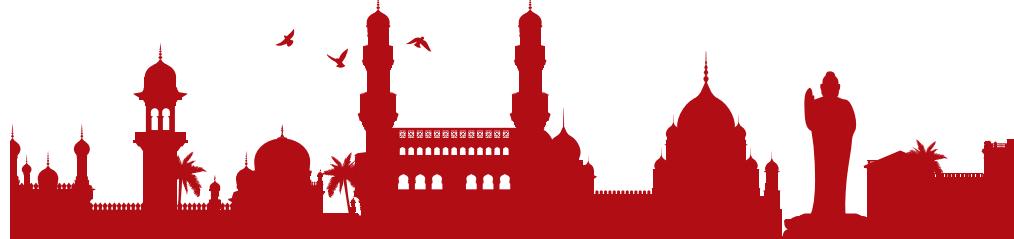
events that have taken place in the last decade, ranging from mass terrorist attacks to public crimes against women has created the need for safer cities. The South Asian Terrorism Portal has identified 179 terrorism groups operating in India, and the threat has worsened in recent years. In 2008, a series of attacks killed 172 people, and in 2011, three bomb explosions at different locations killed 26 people. Security awareness and security demand is therefore a major priority for both government and private sectors.

PROMISING INDIAN SECURITY MARKET, 2015

Today, the strong growth of the Indian security market has gained attention among foreign players as well as investors. According to an industry expert, compared to 2013, 2014 has seen a slightly higher growth in the security market. 2013 was slow, mainly because everyone was waiting and observing the market. Now, the Rupee against the US dollar is weak, creating pressure



The India construction industry is valued at over US\$126 billion, where 50 percent of the demand for construction in India comes from the infrastructure sector.



Make in India

The government has been strongly promoting to the entire world that India is the go-to manufacturing hub, with Prime Minister Modi stressing that the goods manufactured in India should have zero effect on the environment, as well as zero defects. According to Ashutosh Fotedar, Assistant Sales Manager of Tamron India, the country has potential in finding opportunities in OEM businesses to work with camera manufacturers. Indian companies may provide the prototypes, and shift the manufacturing to other places after customer's approval. The domestic industry will develop further in order to decrease the country's dependency on foreign manufacturers.

"In the past, India imported several products. The new government is encouraging locally manufactured products - MAKE IN INDIA," explained Anil Dhawan, Chief Executive of DB Secure Solution. "This will also apply to the security industry. Hopefully, it should replace many security products

currently imported from China. Many of the Chinese products are lacking the standard a good customer in India is looking at. This way it will be advantageous to improve the economy and also bring high quality locally supported equipment," he added. It is probable that some local companies will start to focus more on local manufacturing, though in the short term domestic demand is not high enough to sustain local manufacturing, as China's manufacturing services provide many advantages to companies, Dhawan warns.



on the economy, especially imported goods. However, the future for the market holds high expectations. Coupled with new technologies, new product launches such as HD over coaxial cable, the market demand will be stimulated. Growing awareness on the benefits of electronic security equipment among cities is expected to escalate demand for electronic security equipment in the near future. "The government will also bring another positive impact, which is to promote security awareness, as well as standards for installation and manufacturing, which will create an overall market growth drive," said Dhawan.

"Following the past two or three year's downturn, the minimum growth for 2015 will be at least 10 to 15 percent. As for the new government, a lot of infrastructure projects are being pushed forward, and it will take a minimum of at least 18 months before actual security demand comes in," Dhawan continued.

Another driver for the security market is the migration to IP, and demand from low-end IP cameras to quality IP cameras. According to an industry expert, at least 20 percent of his clients are turning towards IP, which can effectively create high revenue. "The IP market is

segmented, dividing between premium and low-end markets. A premium IP camera is reliable and has good quality, support service, and distribution, which has features such as VCA, facial recognition, and people counting," said Sudhindra Holla, Country Manager of India at Axis Communications. With price as a key issue, people are always looking for good quality products at low prices. "The total cost of ownership (TCO) depends on how hardware and software are made to work together. Unless we get this right, we are only working to drop device prices that in turn creates sub-optimal solutions and increased TCO," Santosh Pillai, Director and CTO of 2020 Imaging explained.

With the thriving economy increasing funds for public and private sectors, the security market is expected to flourish with the growing economy. "As the new government settles the new budget, many projects in infrastructure can be seen, such as for smart city, and even

the commercial sector is improving," said Holla. The security market in India grew from \$882 million in 2013 to \$953 million in 2014, and is forecasted to reach \$1.1 billion in 2015, according to Gartner. "Performance in 2015 will pick up, especially in sectors such as smart city, transportation, infrastructure, government, banking, and education," he added. Verticals like banking and financial services, that have had a strong focus on security, are now investing in technology approaches that can enable them to grow their business securely.

CONSTRUCTING 100 SMART CITIES

Investments of approximately \$1.2 trillion will be required over the next 20 years across areas such as transportation, energy, and public security to build smart cities in India, according to PricewaterhouseCoopers. The government's plan to build 100 new smart cities and develop modern satellite towns around existing cities will open up opportunities for the security industry, mainly for surveillance projects and green building solutions.

Safe City Projects, Ready to Roll Out

Covering every area of security from surveillance through PSIM to other physical security equipment, safe city projects will create huge opportunities for security companies. A budget of \$1.2 billion will be allocated for smart cities in the 2014-15 budget, and under the flagship "safe city" project the Union Ministry proposes \$333 million to develop seven big cities (Delhi, Mumbai, Kolkata, Chennai, Ahmedabad, Bangalore, and Hyderabad) with a total investment of \$100 billion to focus on technological advancement and

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automation rather than manpower.

India's first ever safe city project is already underway in Surat, which will be the first city to implement surveillance cameras at every corner. Establishing a partnership with Microsoft and its partners Itronics and SoftTech, the project will be implemented in five phases, which will deploy a network of 5,000 surveillance cameras across 500 locations, covering an area of 150 square kilometers in Gujarat's second largest metropolis.

Smart Buildings on the Rise

India is expected to emerge as the world's 3rd largest construction market by 2020, by adding 11.5 million homes every year to help with the urban housing shortage, according to PricewaterhouseCoopers. Moreover,

with the launch of the smart cities program, smart buildings are essential to help in the successful implementation of smart cities. The intelligent building management systems market is around \$621 million and is expected to reach \$1.9 billion by 2016. As of August 2014, more than 2,771 green buildings projects were registered with the Indian Green Council, and will be able to deliver integrated lighting, improved comfort and air quality, and most importantly, greater physical security.

According to McKinsey & Company, India can save approximately \$42 billion every year with efficient energy management. Currently, buildings in India consume approximately 40 percent of total energy generated, and 20 percent of water, as well as 40 percent of carbon emissions, 30 percent of solid waste and 20 percent of water effluents. However with smart buildings, 30 percent of water usage, 40 percent of energy usage, and a reduction of building maintenance costs by 10 to 30 percent can be saved.

BRIGHT FUTURE AHEAD

As India continues to boom, many who seek will find opportunity in the constantly evolving country. High hopes are held with Modi leading India to the way of success, with expectations for great success in the smart cities project, which will open up opportunities to give the security industry a boost it needs to get back on track. 



Indian Security Industry Turns to Solutions

Currently, India's security market is still quite product driven, where people are familiar with various products and is fast to accept them. However, the market competition over price has resulted in companies competing for market share by reducing product price. One major network camera vendor pointed out that their unit prices were forced to drop approximately 10 percent in 2014.

Therefore, many security companies turn to solutions or try to enhance products for application use. "Although many vendors claim to be solution providers, very few take a problem-centric solution approach, therefore education and promotion are needed to bridge the gap," Santosh Pillai, Director and CTO of 2020 Imaging explained. With companies such as Autocop India (Facility Security Division) transitioning to become a solution provider, focusing on end to end solutions, systems integrator (SI) partners are able to

gain better margins from value added services. According to Maluik Shah, CEO of FSD at Autocop, "We provide central monitoring systems, command and control systems to SIs so they can provide central monitoring services to end users. For example, in events with banks that have more ATMs and branch offices, a central monitoring system can provide ATMs with better protection."

Tamron also has moved to targeting customers through an application based approach rather than just box selling their products, educating customers that their lenses give good quality results for instances in automatic number plate recognition and facial recognition. The company will penetrate deeper into the market, with their main focuses on city surveillance, petroleum, oil and gas, ITS, and industrial sectors, said Ashutosh Fotedar, Assistant Sales Manager for Tamron India.

