



Japanese Companies in India

Expectations, Achievements & Challenges

A NCAER-PRI Dialogue

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Japan External Trade Organization (JETRO)

December 20th, 2016

While JETRO does its utmost to provide accurate information, it is up to the individual reader to verify the information provided and decide whether to take action based on it within his or her own cognizance.

1. What is JETRO?

2. Overview of Japanese Companies in India

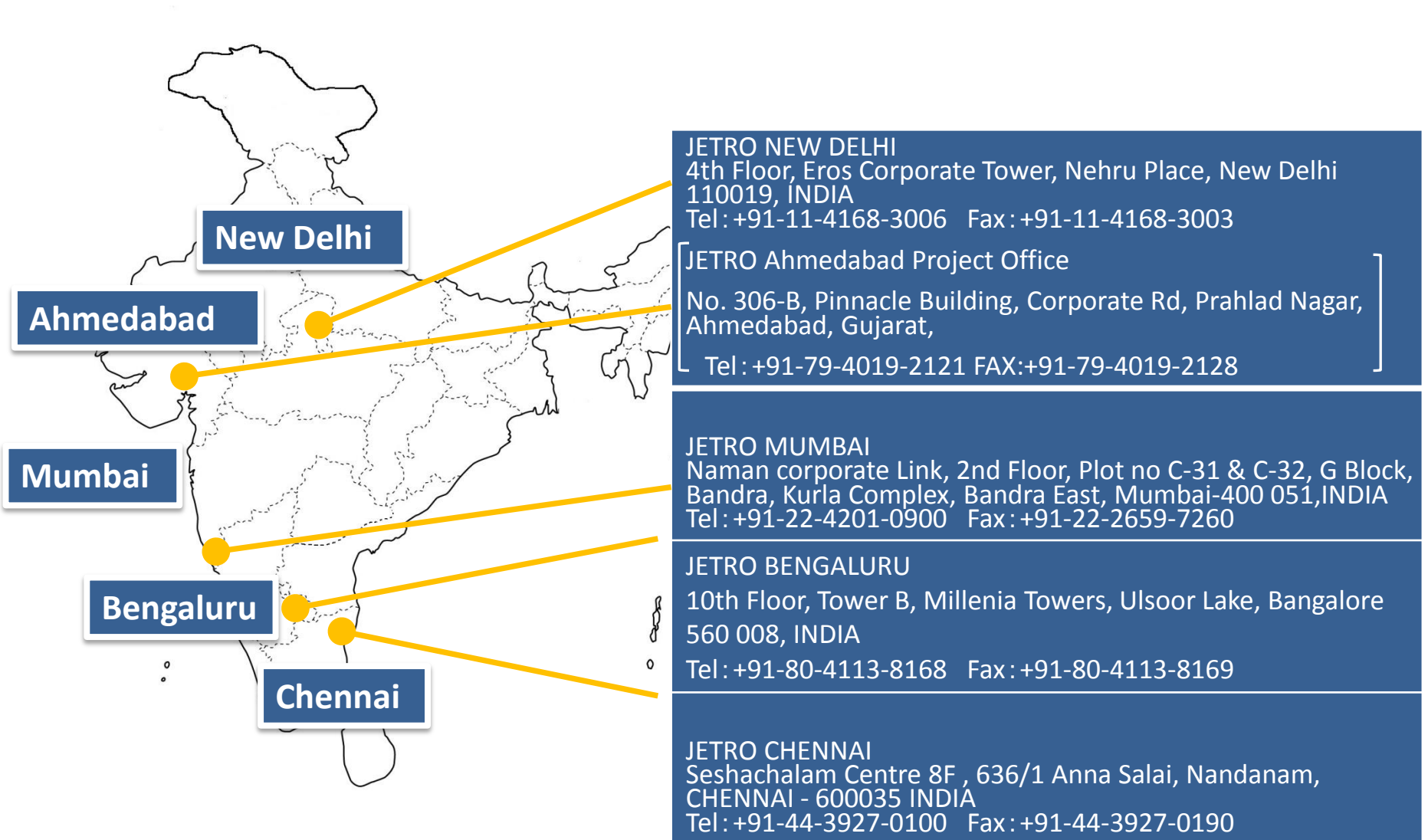
3. Hints for Success in Indian market

45 Domestic Offices



75 Overseas Offices

JETRO supporting India through 5 locations



(1) Promoting Overseas Japanese Business Activities

Foreign business missions and seminars

SME overseas expansion platforms, and consulting services

Developing and utilizing global human resources



(2) Connecting Foreign Companies and Governments with Japan

Hosting foreign business delegations and (co)organizing investment seminars

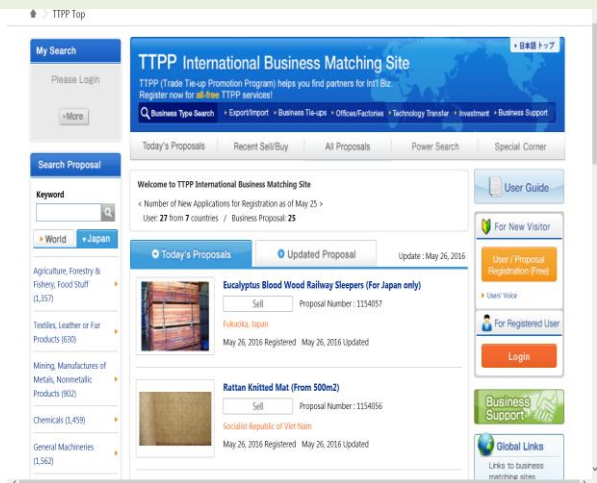


(Sep. 2014 @ Tokyo)

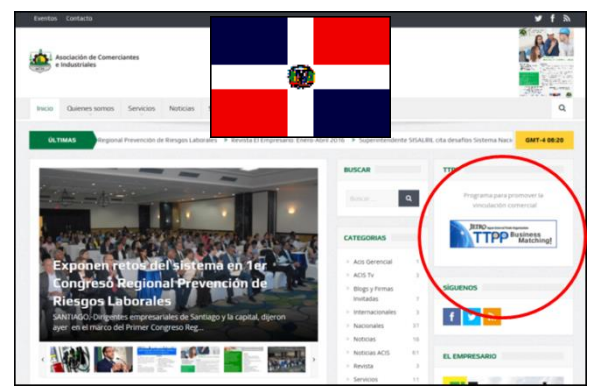


(Sep. 2015 @ Tokyo)

TTPP(Trade Tie-up Promotion Program) helps to find your potential business partners



<https://www.jetro.go.jp/ttppoas/index.html>



Building Relationships “Japan – India Innovation Seminar” in New Delhi (Dec. 2015)



JETRO Recent Activities : AP Public-Private Committee Delegation

Japan External Trade Organization

Date: 22nd to 25th of May, 2016

Place: State of Andhra Pradesh (Vijayawada, Amaravati and Chittoor), India

Representatives : State Minister of Economy, Trade and Industry, Mr. Yosuke Takagi

Executive Vice President, JETRO, Mr. Shigeki Maeda , VIPs from Private Sectors

Objective: Industrial Cooperation & Investment Promotion, New Capital City & Infrastructure Development



<Andhra Pradesh Public-Private Joint Conference @ Vijayawada on 23rd May>



<Site Visit @ Amaravati on 24th May>

JETRO Recent Activities : Collaborating with the Indian IT Industry

Japan External Trade Organization

Explore the brand-new business opportunities based on the idea of “India – Japan IoT Investment Initiative.”

India-Japan IT-BPM Business Forum @ New Delhi , April 30th 2015



“India – Japan IT Innovation Seminar ” @ Tokyo, June 15th 2016



JETRO Investment projects supported by JETRO (2003~2015)

Japan External Trade Organization

JETRO Supported

over **14,000** projects



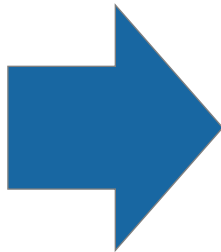
HINDUJA TECH
Technology for Business Excellence

PVM SYS
Efficiency through Integration

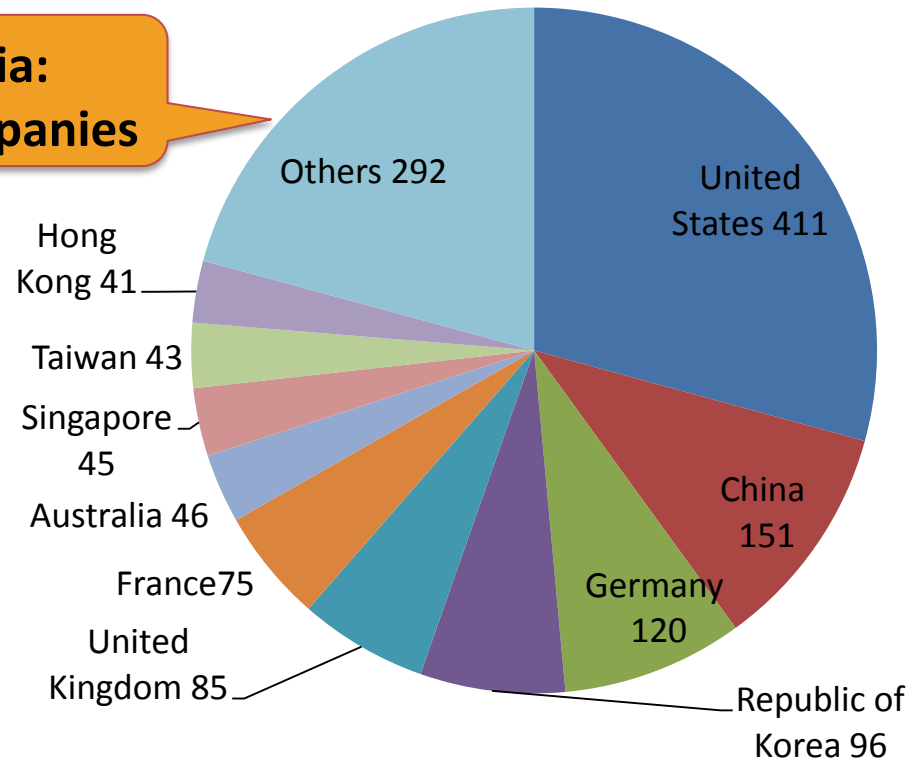
Tech Jini **Infosys**® **Etc.**

**India:
27 companies**

More than
1,400



Foreign companies' startups



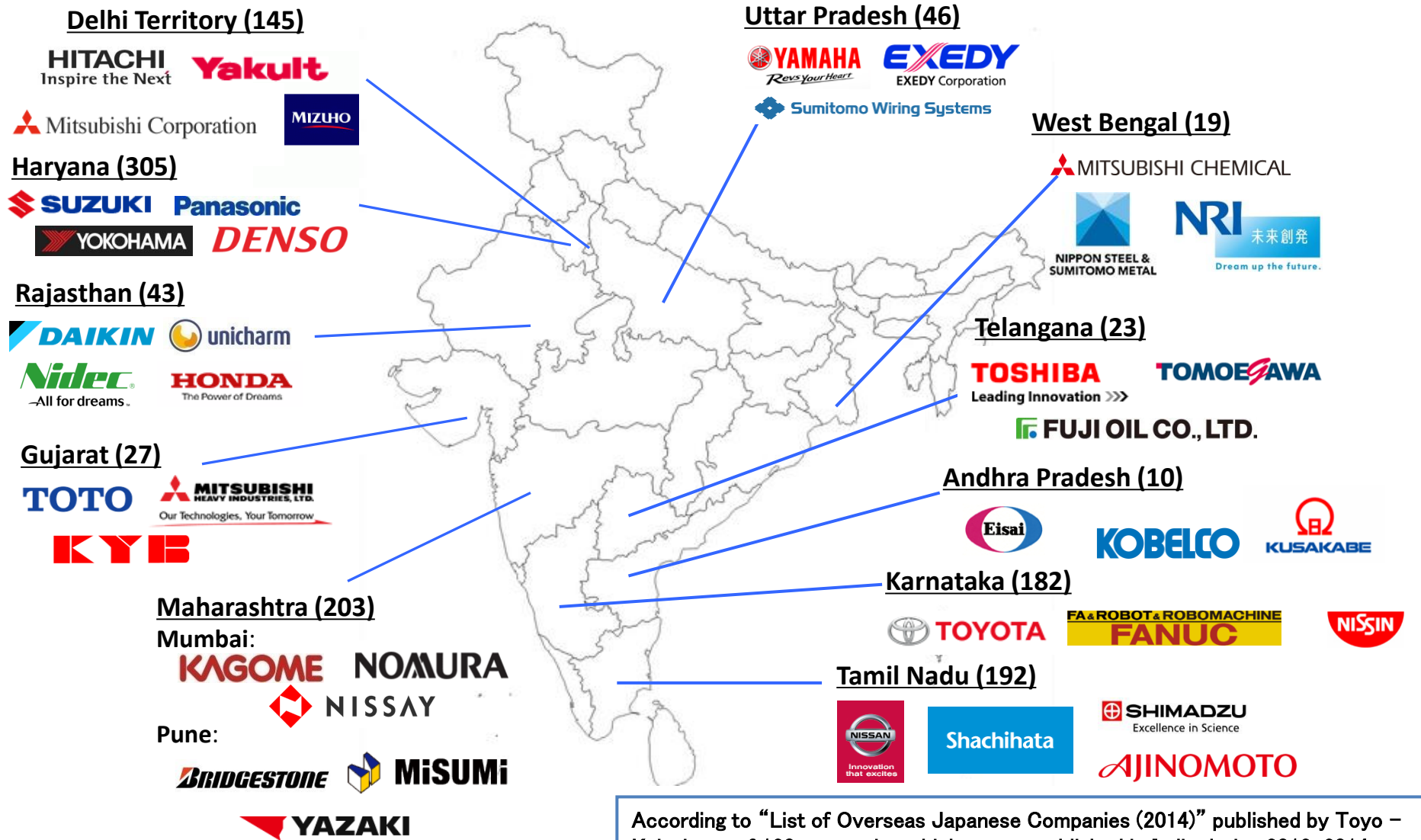
1. What is JETRO?

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Japanese companies growing in India :

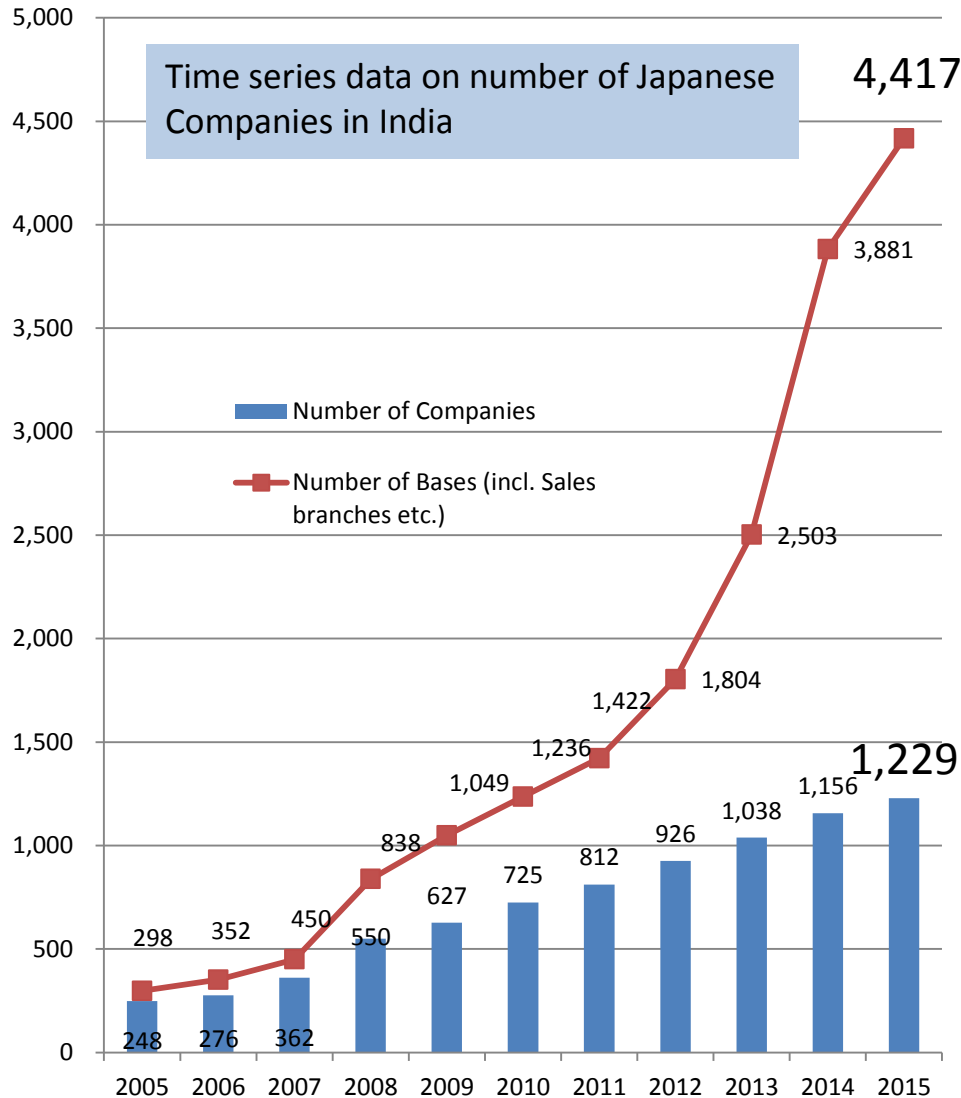
1,229 companies (4,417 sites)



Source: Japanese Embassy in India/JETRO New Delhi (as on October, 2015)

According to “List of Overseas Japanese Companies (2014)” published by Toyo – Keizai, out of 120 companies which were established in India during 2012–2014, **JETRO supported 109 companies (nearly 90% of the total)** by consultation and feasibility studies.

Japanese companies growing in India



- Automobile Industry
- Speed up “Diversification”
- Collaboration with local company (JV and M&A)
- Set up R&D Facilities
- Cost competitive products specially designed for India
- Very few Japanese SMEs
- Challenges on Infrastructure

Advantages and risks in investment in India

Advantages in investment environment

India (n=402)		(%)
1	Market scale/growth potential	86.3
2	Low labor costs	40.6
3	Few language issues/less difficulty in communication	23.4
4	Accumulation of partner (buyer) companies	12.7
5	Stable political/social situation	12.2

Source: Survey on Business Conditions of Japanese-Affiliated Firms in Asia and Oceania (2014)

High expectations for “market scale and growth potential”

As advantages in investment in India, almost 90% of respondent firms cited “market scale and growth potential”. Meanwhile, few firms chose other options. These results demonstrated that this advantage has been the driving force for investment by Japanese firms into India.

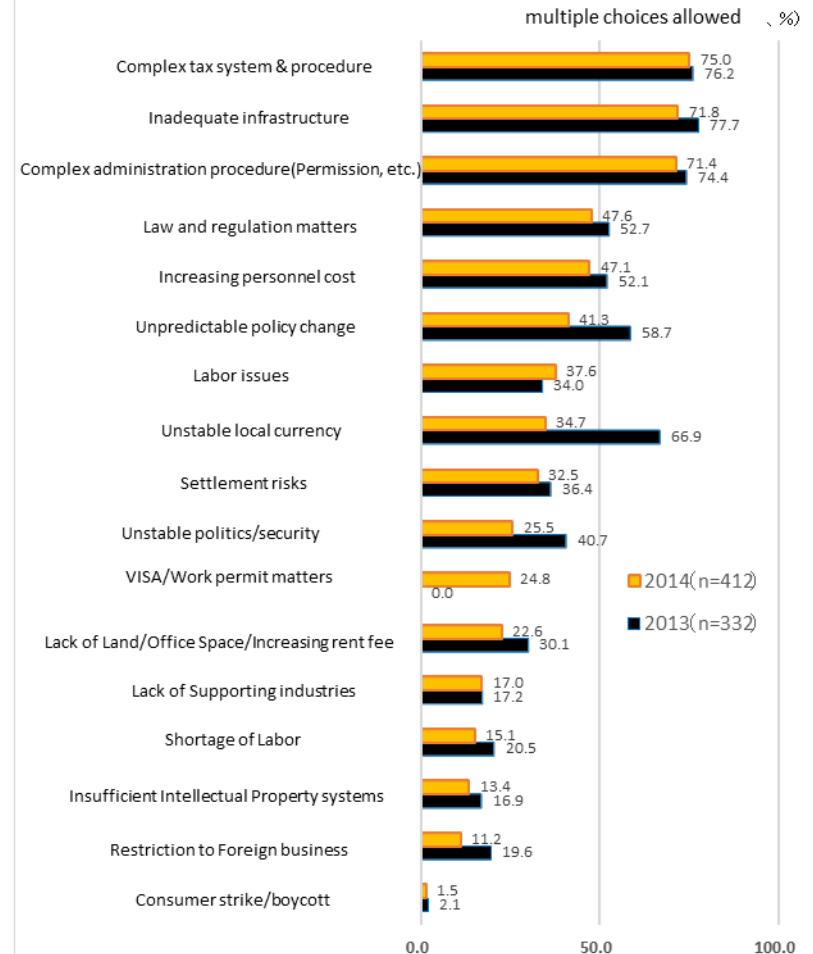
“Complex tax system and procedures” was the largest challenge

In many countries, the largest ratio of firms were concerned about “rising labor costs” as a risk in the investment environment, while in India, “complex tax system and procedures” ranked first. These results reflected India’s unique tax structure comprising a complex mixture of central, state and city taxes.

Concern about inadequate development in power supply and roads

Following the tax issue, many firms regarded “inadequate infrastructure development” as a risk, with 90% citing inadequacy in power supply and roads. In particular, due to frequent blackouts nationwide, some companies have established production structures relying not on power purchasing but on directly connecting production facilities to generators of their own. This requires three times more costs than for power purchasing, which consequently increases production costs.

Risks in Business Environment



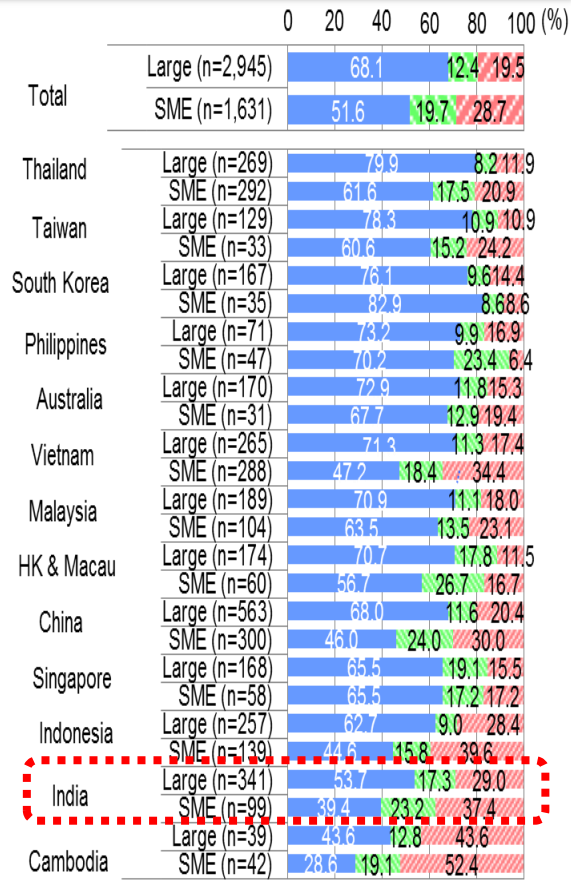
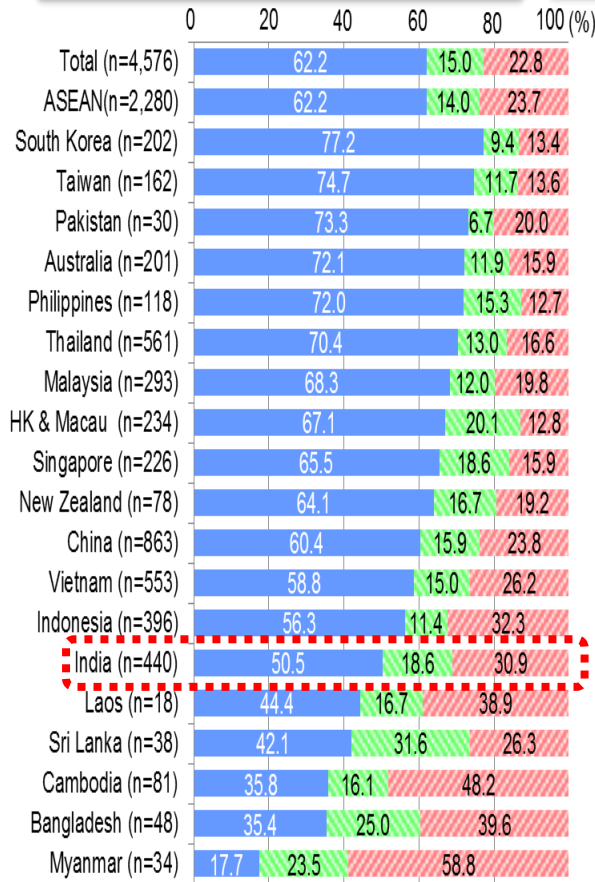
Source: Survey on Business Conditions of Japanese-Affiliated Firms in Asia and Oceania (2013/2014)

Operating Profit Forecast

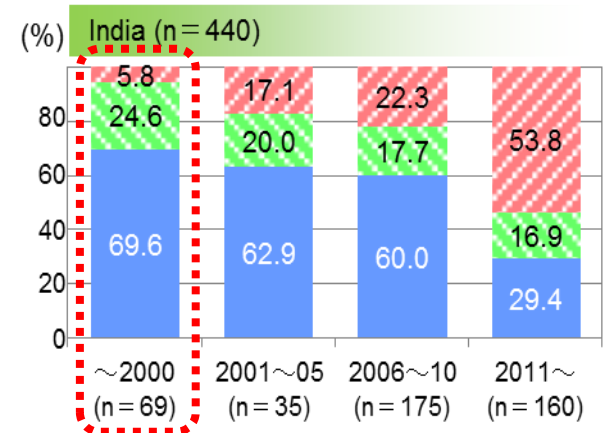
Only 50% of Japanese companies seeing profit in India. Among companies active for 10 or more years since establishment, near 70% seeing profit.

Operating profit forecast for 2015 (by country/region)

Operating profit forecast for 2015 (by country/region and company size)



Operating profit forecast for 2015 (by year of establishment)

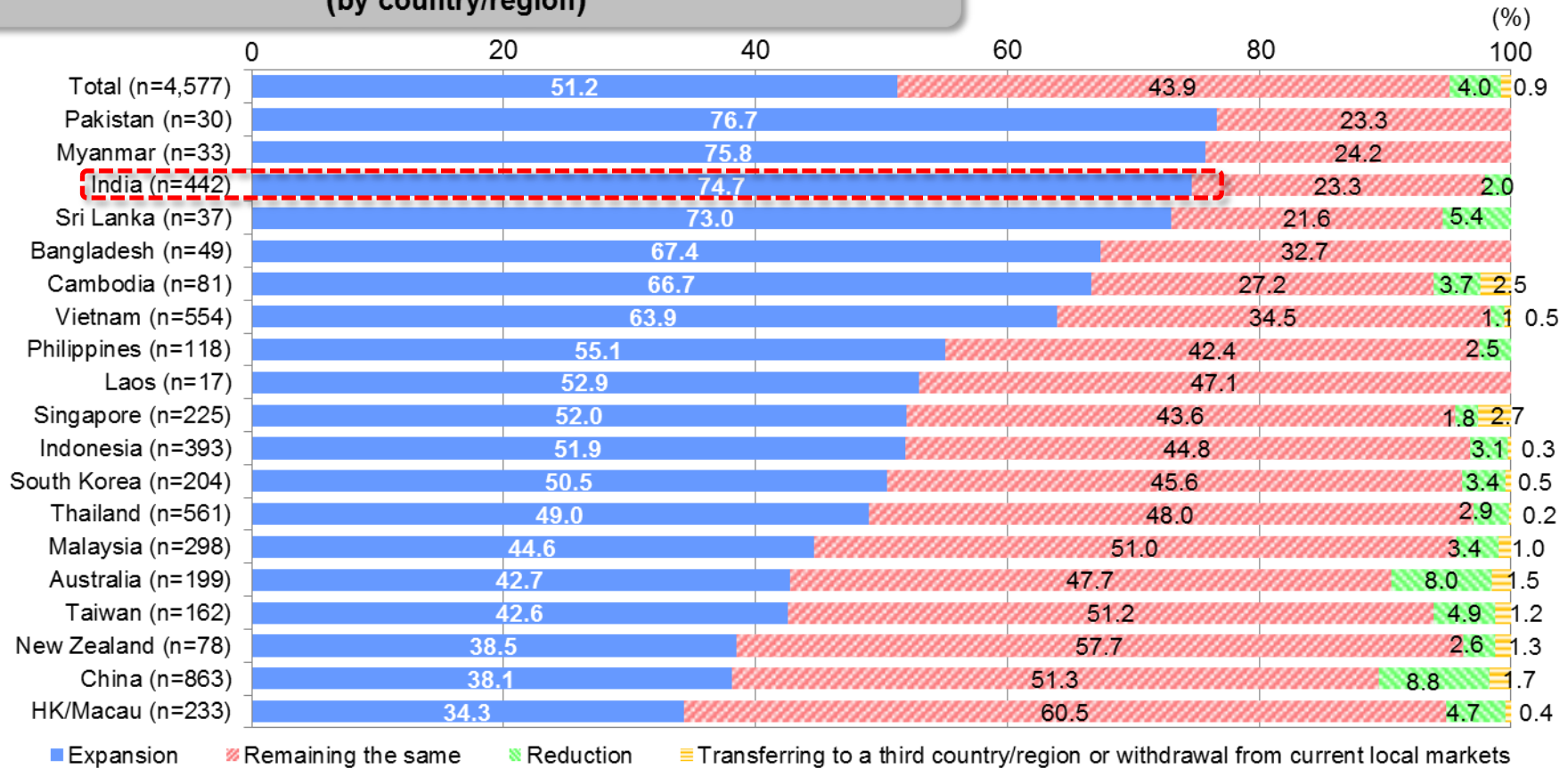


Source: 2015 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania

Future Business Plan (1)

Nearly 75% of Japanese companies in India plan to expand their business in 1 to 2 years.

Approach to future business challenges in the next 1 to 2 years (by country/region)

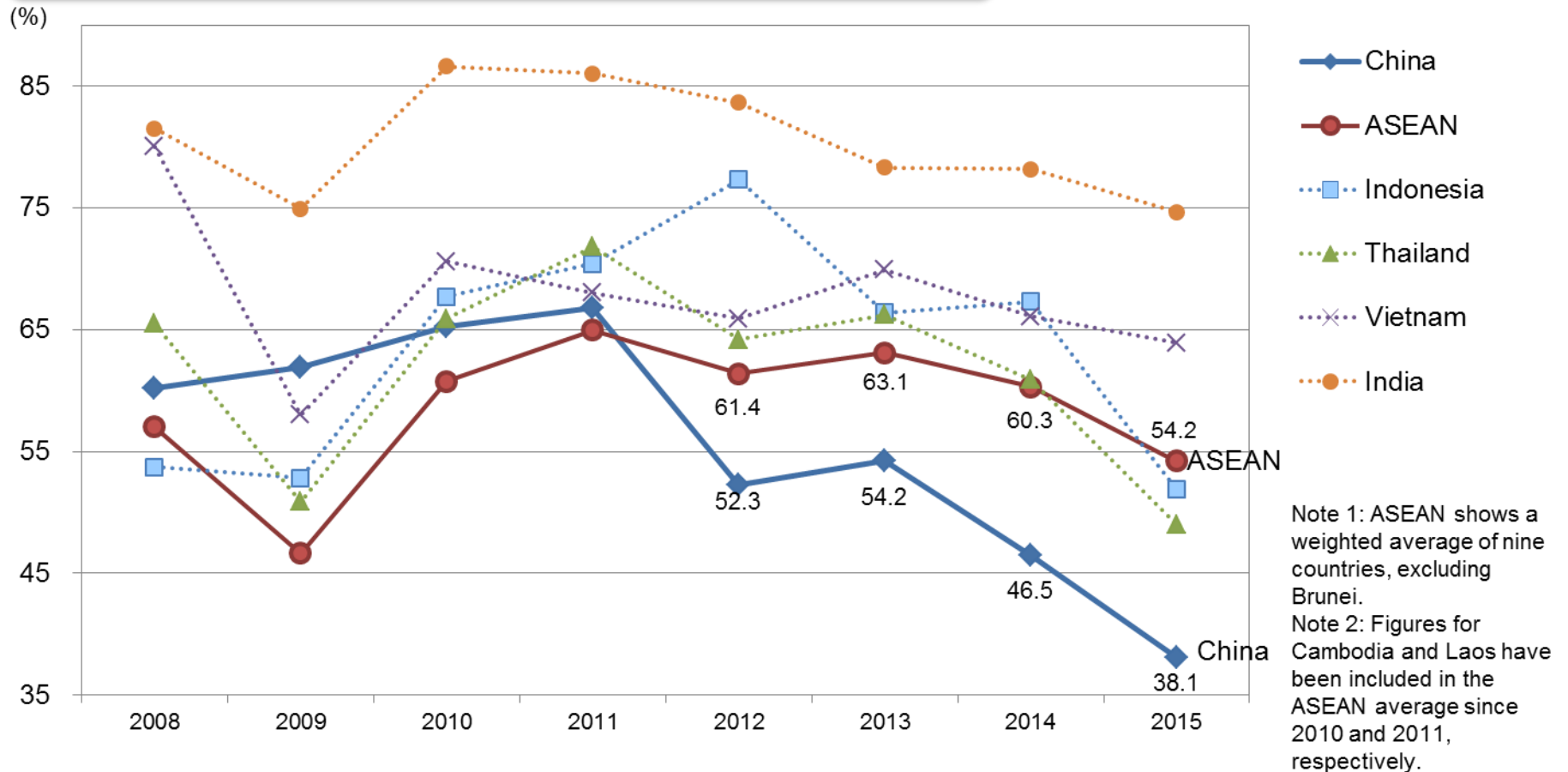


Source: 2015 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania

Future Business Plan (2)

India always tops in 8 years on the proportions of firms expecting to expand their business in the next 1 to 2 years.

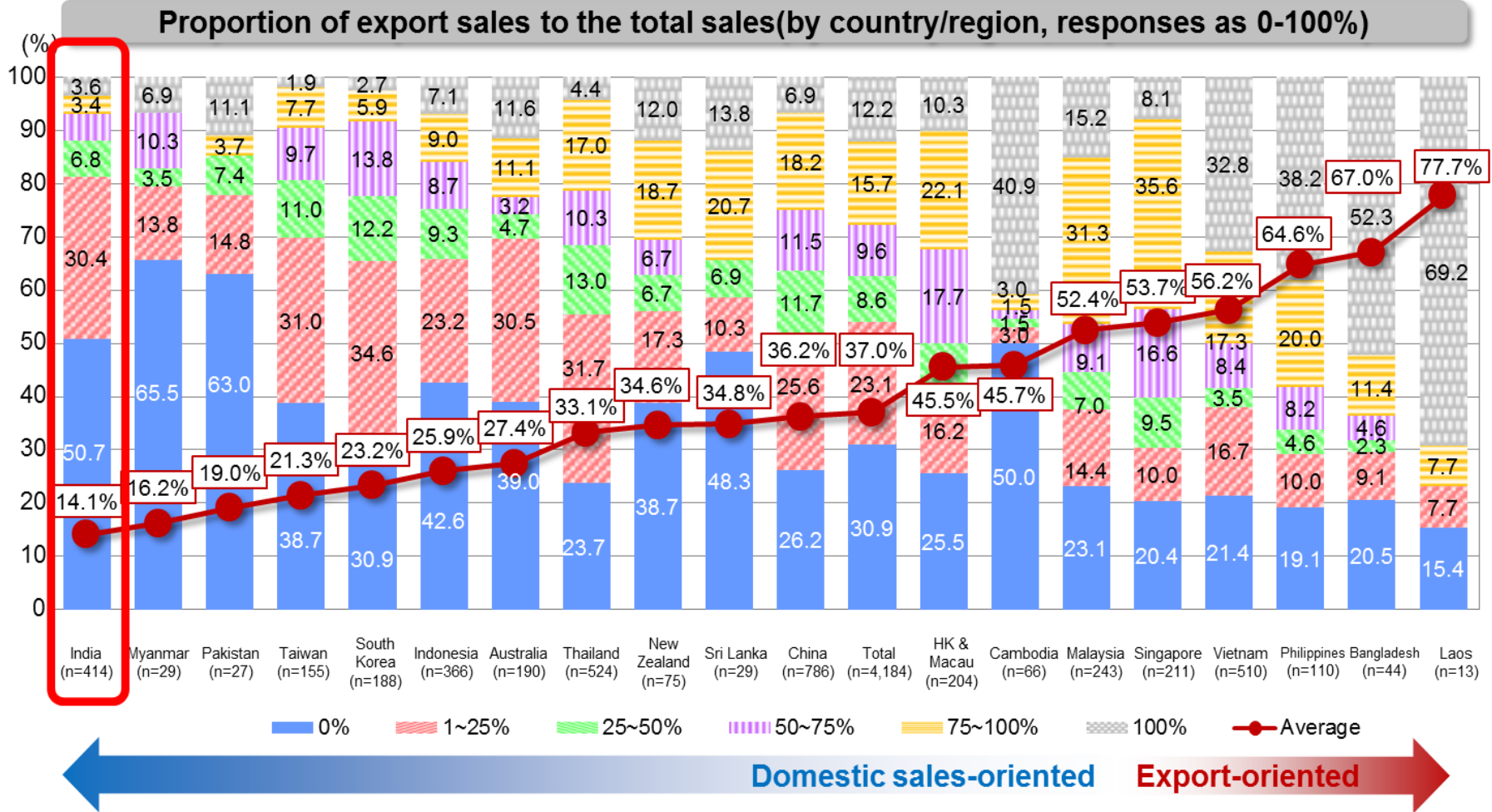
Proportions of firms expecting to expand in the next 1 to 2 years (2008 to 2015, China and other major countries in Asia)



Source: 2015 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania

EXPORT is Keyword – Japanese Companies in India

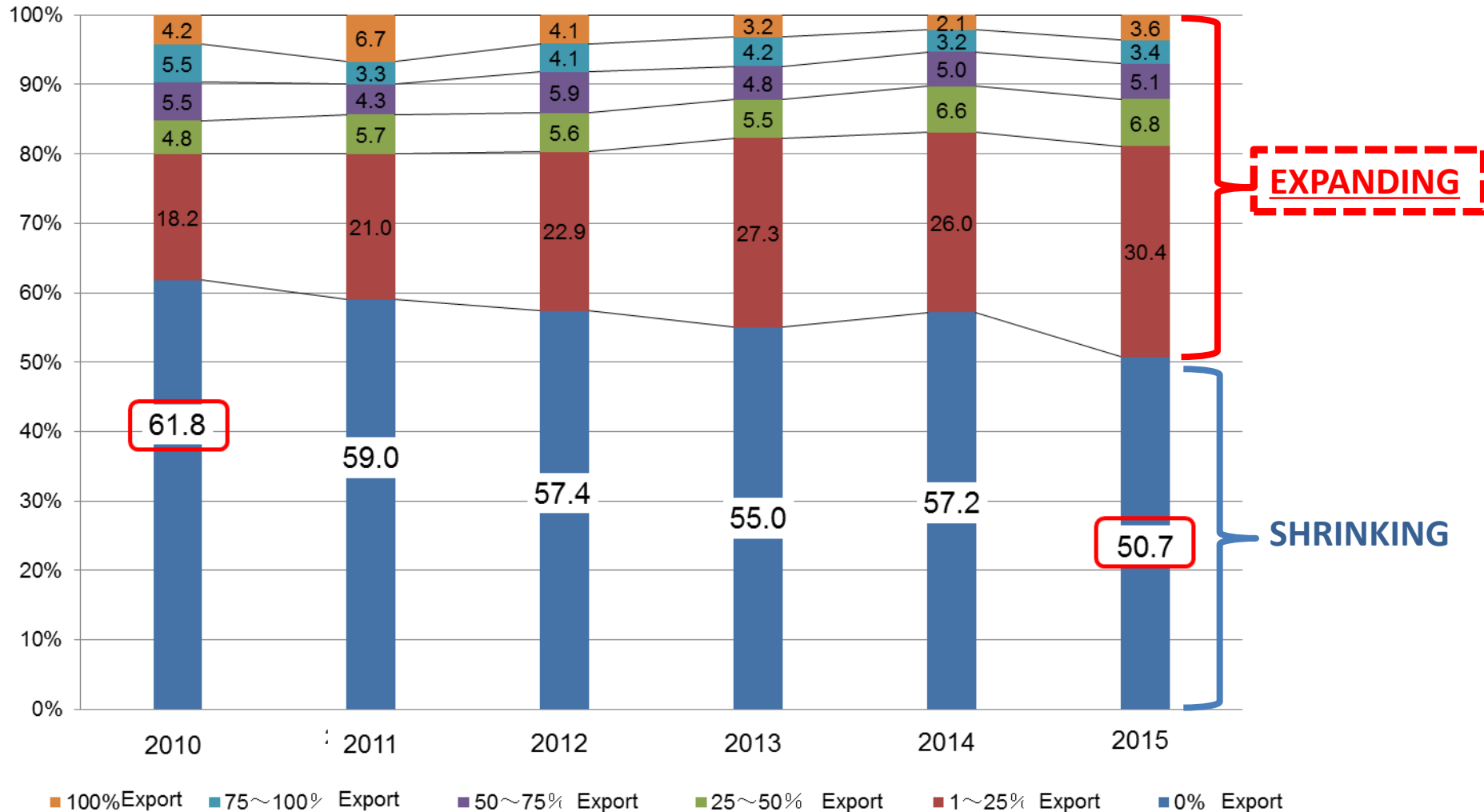
Export sales of Japanese companies in India is the lowest in Asia



<JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania>
 To understand the current business activities of Japanese-affiliated companies operating in Asia and Oceania and to disseminate those findings widely. Valid response: **4,635** firms from **20** countries/regions

Keyword : EXPORT – Japanese Companies in India

Business strategy of Japanese Companies in India is gradually changing. “Export from India” is a Key to earn profits and maintain their production base.

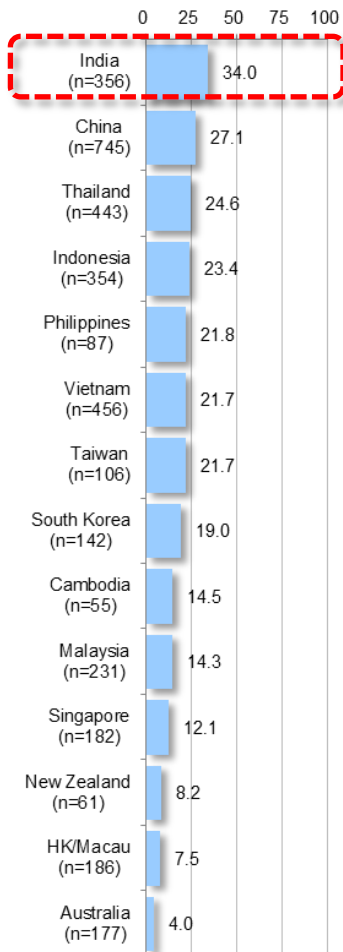


Reference : JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania

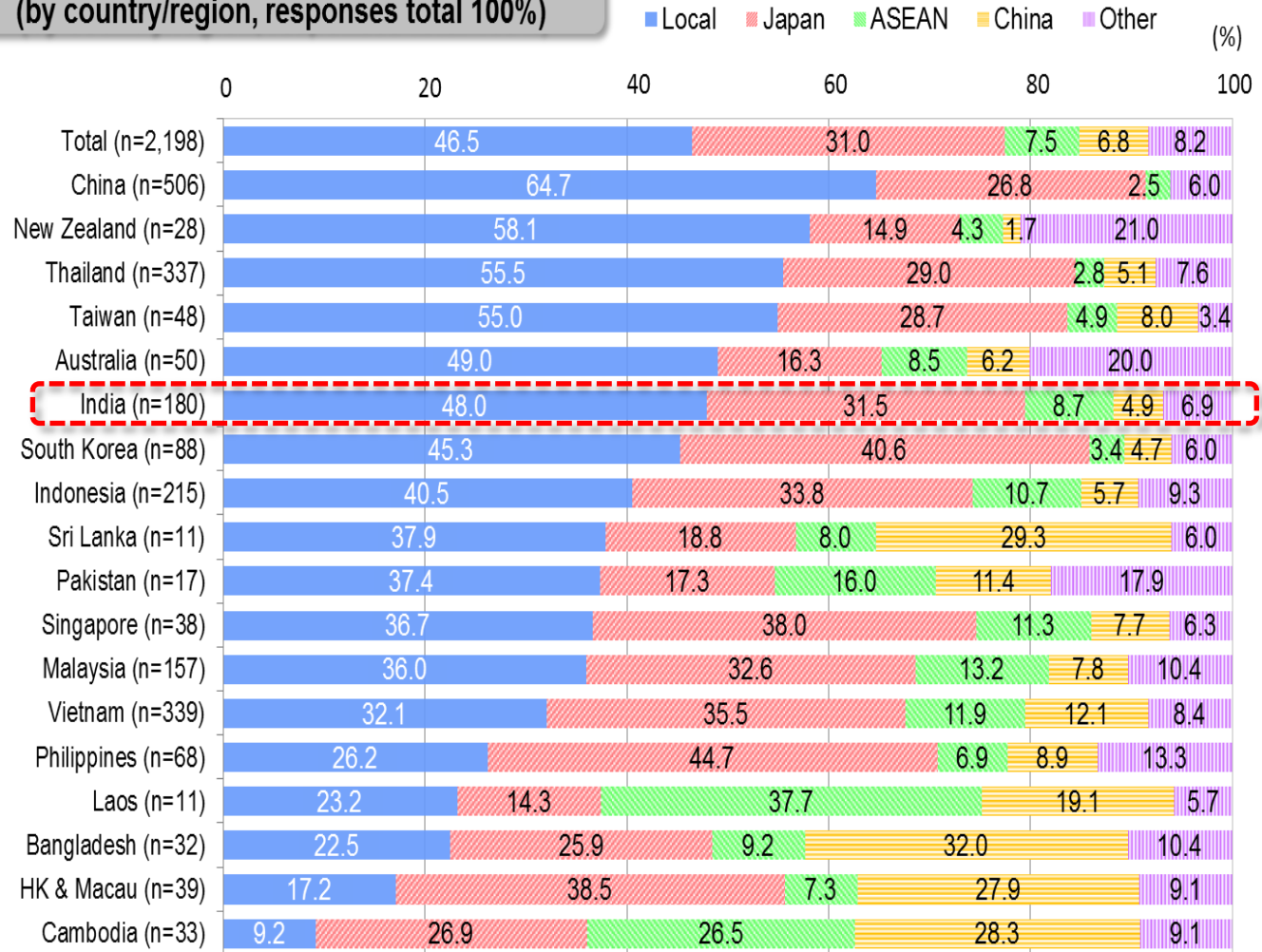
Procurement of Raw Materials and Parts(1)

Local Procurement Ratio is still less than 50% in India. Almost same result as last year.

Cost-cutting by increasing local procurement rate



Procurement sources for raw materials and parts (by country/region, responses total 100%)



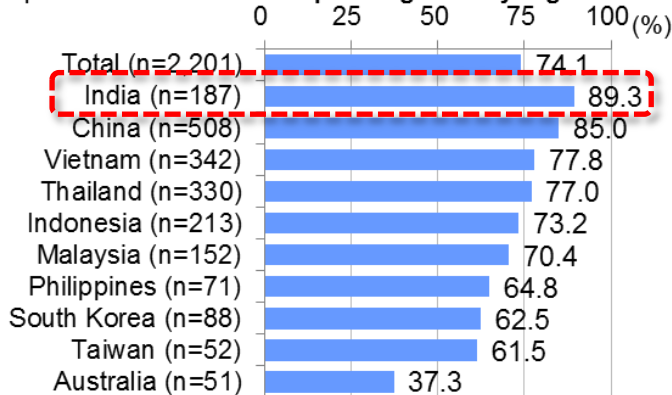
Source: 2015 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania

Procurement of Raw Materials and Parts(2)

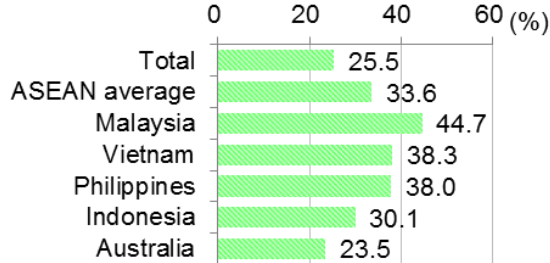
Future raw materials/parts procurement policy (by country/region, multiple answers)

Note: Countries/regions for which n ≥ 50.

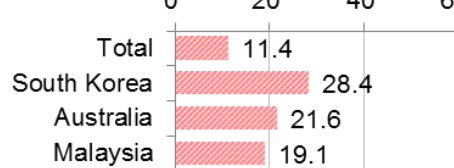
Ratio of firms that responded that they would raise the local procurement rate **in the operating country/region**



Ratio of firms that responded that they would raise the procurement rate from **“ASEAN”**



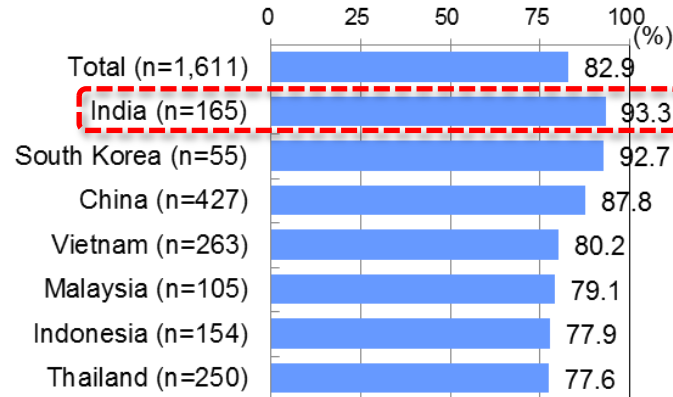
Ratio of firms that responded they would raise the procurement rate from **“China”**



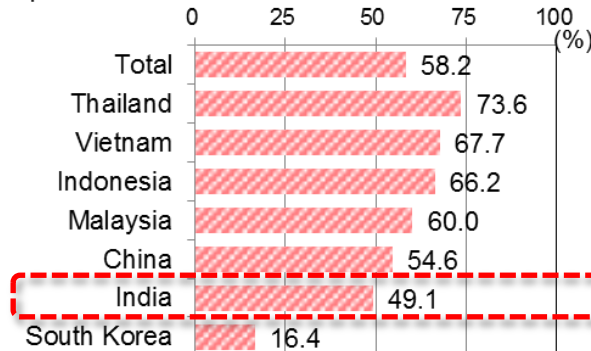
Important local procurement sources to raise the local procurement rate (by country/region, multiple answers)

Note: Countries/regions for which n ≥ 50.

Ratio of firms that responded that **local companies** are important for raising the local procurement rate



Ratio of firms that responded that **Japanese-affiliated companies** are important for raising the local procurement rate

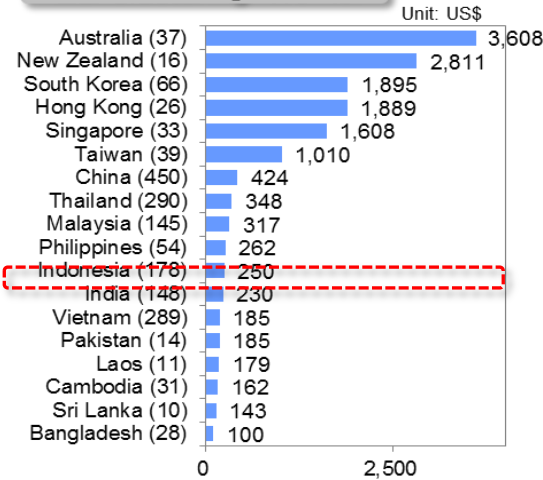


Source: 2015 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania

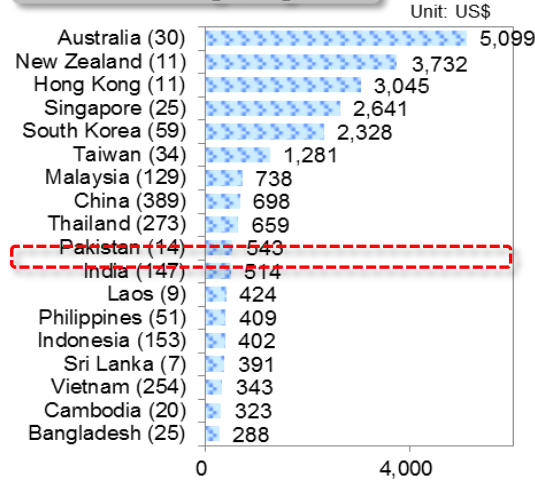
Wages - Monthly Base salary-

India is not so competitive with regard to Wages. In most categories, the wage in India is almost similar to China or Thailand.

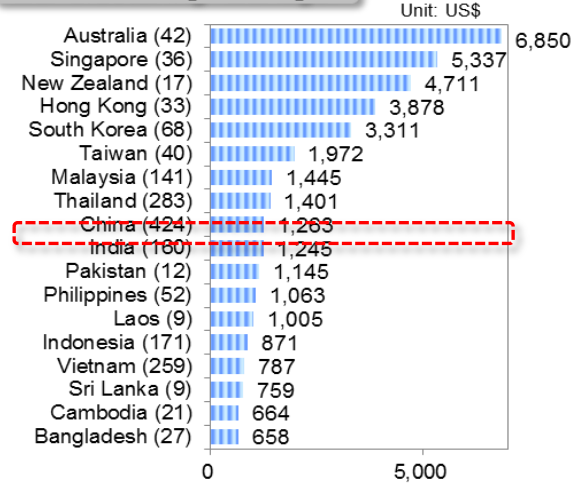
Manufacturing - Worker



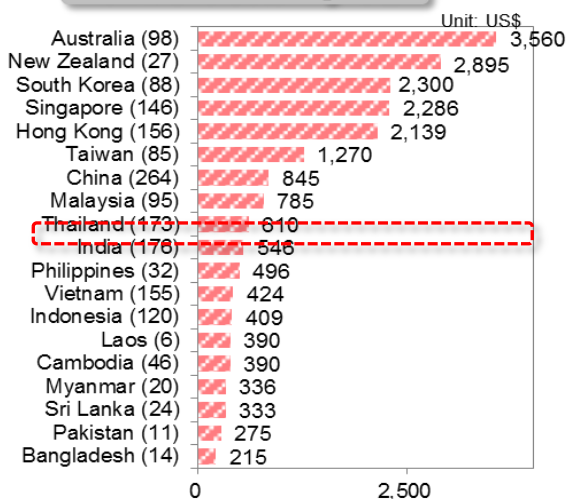
Manufacturing - Engineer



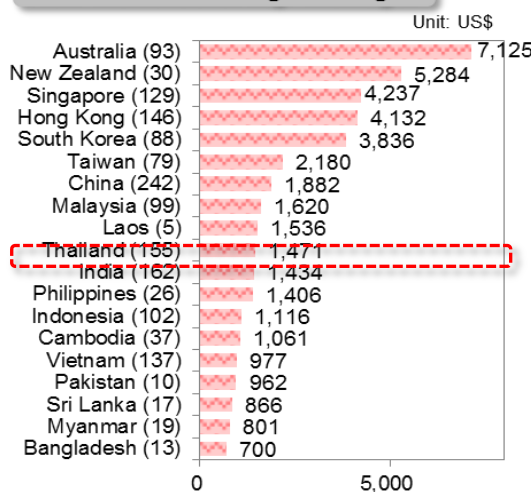
Manufacturing - Manager



Non-Manufacturing - Staff



Non-Manufacturing - Manager



Source: 2015 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania

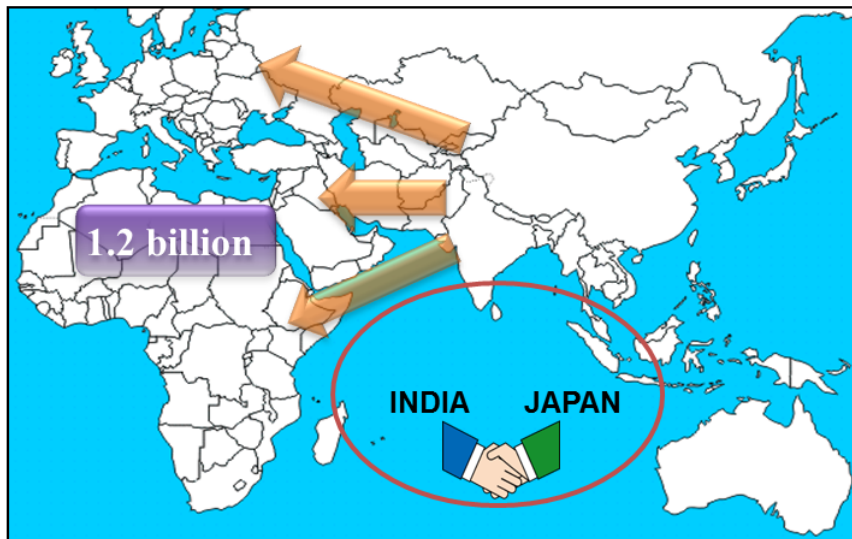
- 
- An outline map of India, showing the country's borders and internal state boundaries. The map is centered on the page and serves as a background for the text.
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Indian export by destination Jan-Nov for each year

Unit: million dollars

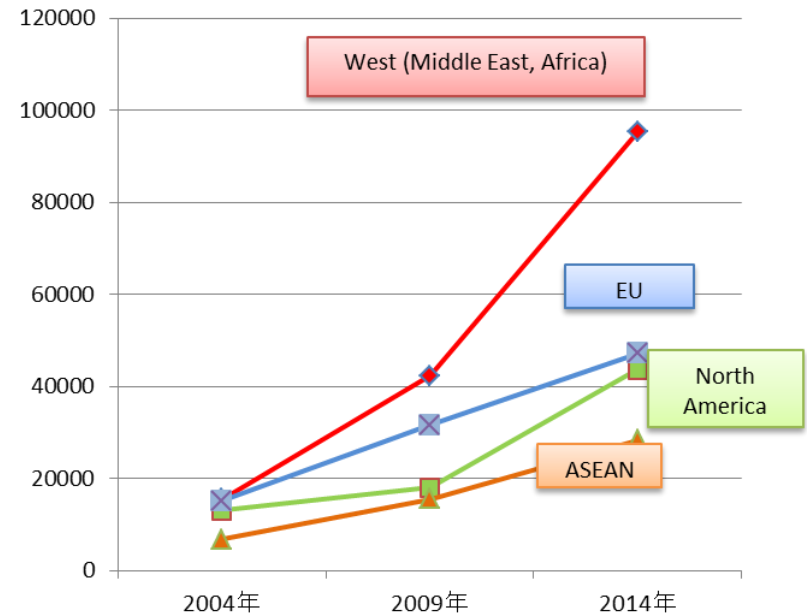
	2004		2009		2014	
	Export	Share	Export	Share	Export	Share
Middle East	11293.64	16%	30685.93	21%	63997.04	22%
EU	15141.09	22%	31593.47	21%	47173.62	16%
North America	13046.59	19%	18055.59	12%	43561.46	15%
North East Asia	9936.107	15%	22658.57	15%	36339.64	12%
Russia, CIS	966.6268	1%	1396.242	1%	3224.47	1%
Africa	4232.526	6%	11613.86	8%	31286.06	11%
ASEAN	6730.719	10%	15571.09	10%	28290.81	10%
South Asia	4126.672	6%	6706.18	5%	18506.07	6%
Latin America	1417.755	2%	3236.282	2%	12509.24	4%
Other	1588.538	2%	7154.981	5%	6881.006	2%
Total	68480.27	100%	148672.2	100%	291769.4	100%

Source: World Trade Atlas



“Look West” with the strategic partnership between India and Japan

Unit: million dollars



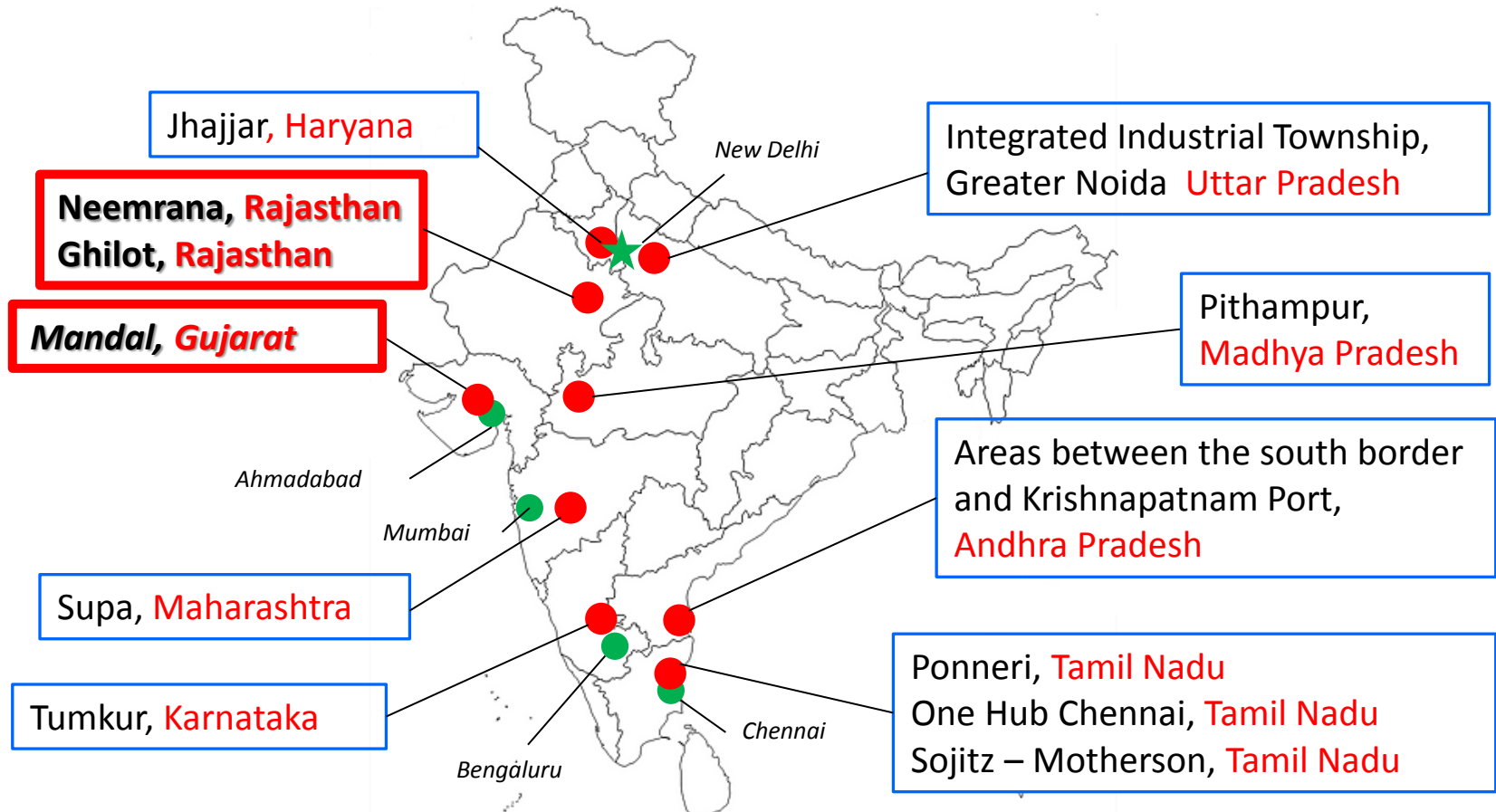
Source: World Trade Atlas

10 key phrases

1. Geographic predominance
2. Historical and cultural nexus
3. Similar market characteristics
4. Similar market maturity
5. English-capable HR
6. Profoundness of industry and HR
7. Wealth of natural resources
8. Network of Indians abroad
9. Eagerness of local firms to expand
10. Support from Indian government

Japan Industrial Townships

April 2015, METI Minister Miyazawa and Ms. Nirmala Sitharaman, Minister of State for Commerce and Industry, signed the Action Agenda for “India-Japan Investment and Trade Promotion and Indo Pacific Economic Integration”. The Action Agenda included mutual approval of the identification of 12 candidate sites for Japan Industrial Townships (JITs).



Japanese Industrial Zone

**Rajasthan
(Neemrana, Gilot)**

Gujarat (Mandal)

Maharashtra (Supa)

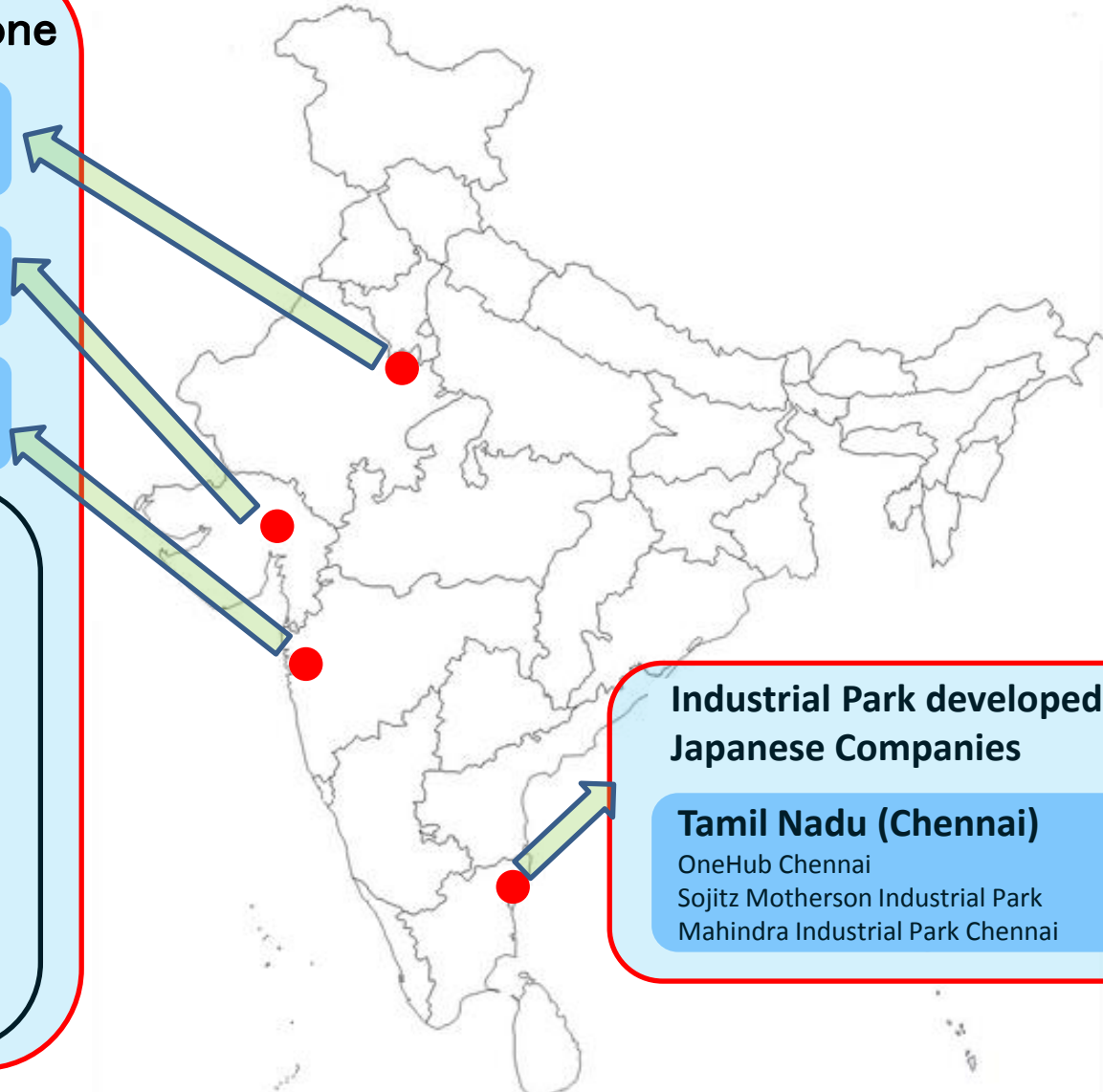
【Japanese Industrial Zone】

Based on the MOU with JETRO and State Government

*State Government provides specific industrial land only for Japanese Companies.

*JETRO promotes these land on behalf of the state government and forms Japanese Industrial Cluster.

→After starting manufacturing, JETRO continuously supports their operation with the State Government.



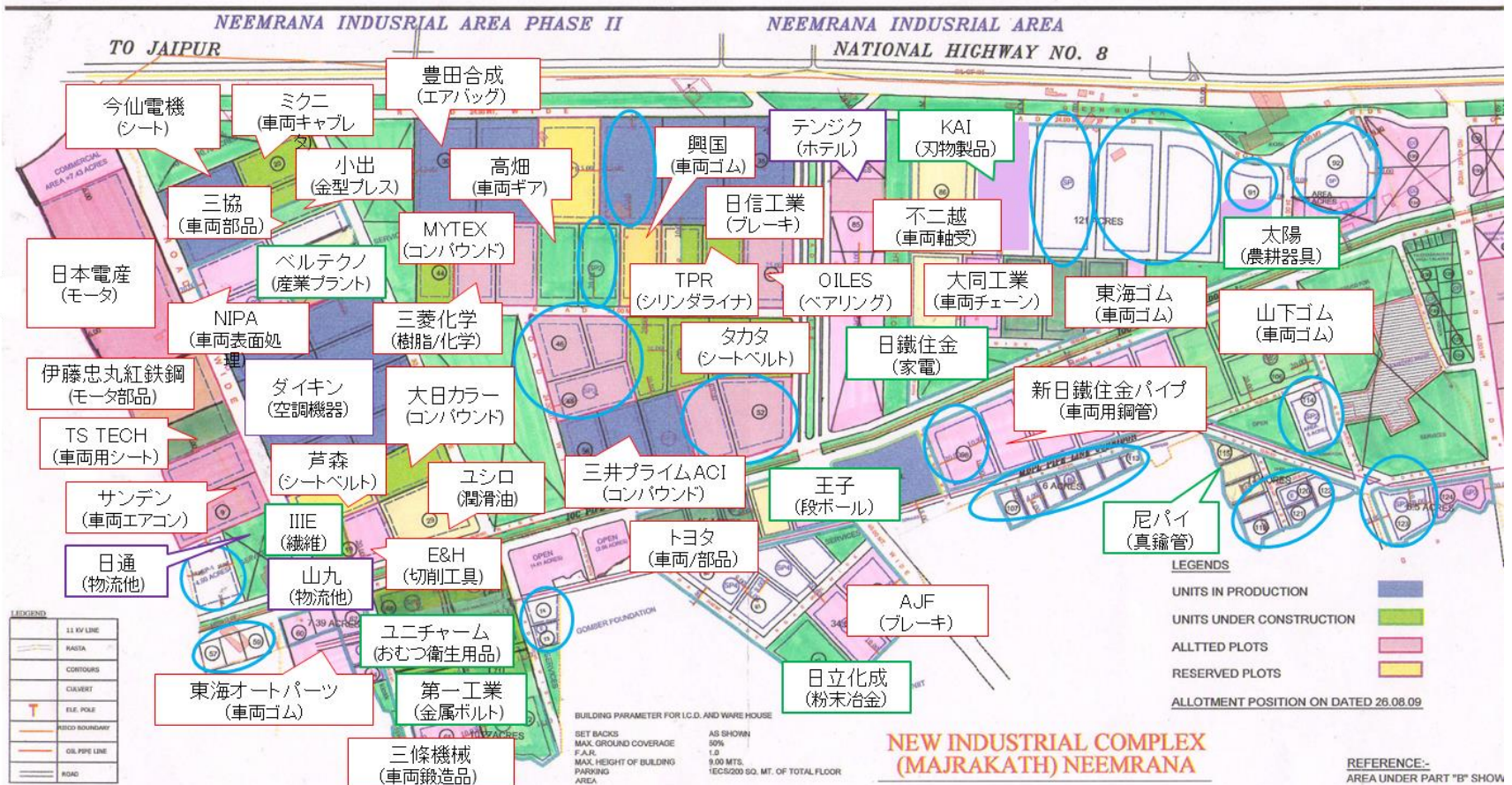
Industrial Park developed by Japanese Companies


Tamil Nadu (Chennai)

OneHub Chennai
Sojitz Motherson Industrial Park
Mahindra Industrial Park Chennai

Neemrana Japanese Industrial Zone (Rajasthan)

46 Japanese factories are already operational in the industrial zone as of December 2016. Japanese SMEs are also having manufacturing base in this zone.

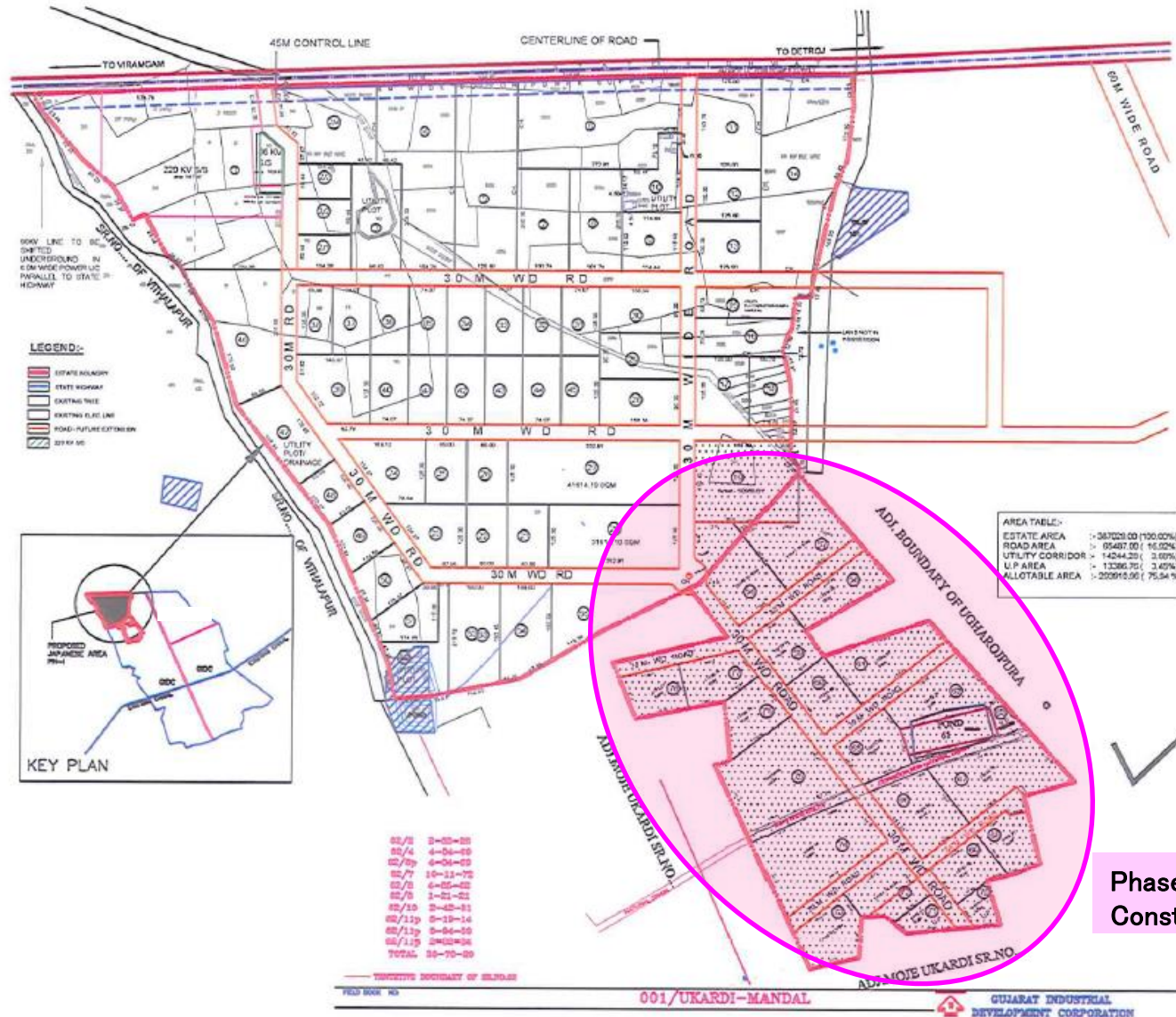


 : Available (Source: RIICO)



Mandal Japanese Industrial Zone (Gujarat)

5 Japanese factories (including 1 Rental Factory) are already operational.





- Complicated Tax System

- Goods and Service Tax (GST) should be introduced at the earliest
- Simple and Reasonable operation on Minimum Alternative Tax (MAT), Permanent Establishment (PE) and Transfer Pricing (TP).

- Inadequate Infrastructure

- Reform on present “industry- unfriendly” Land Acquisition Law.
- Upgrade the major road and port connectivity, quality and quantity of power supply and Industrial Park

- Administration Procedure

- Relaxation on External Commercial Borrowing (ECB)
- Relaxation of mandatory certification of IS for steel products etc.

Reference : Suggestions for Government of India by Japanese Chamber of Commerce in India (JCCII) 2016, etc.