

MEDIA SYNOPSIS

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Thik Hai Magazine

India: Japanese companies' favored investment destination

India remains a desirable investment destination for Japanese companies. Today, over a thousand Japanese companies operate in India, versus 550 in 2008. Despite the fascination with India, what challenges do Japanese companies face as they grow their India operations? Miyuki Morozumi, Director of Japanese Client Service of Spire Research and Consulting, shared her views in Thik Hai Magazine, a leading periodical of the Japanese community in India.

Japanese companies are clearly adopting a more aggressive stance in entering the India market. Morozumi remarked that the National Capital Region (NCR) in particular has been a magnet for Japanese foreign direct investment (FDI) into India. Out of the 1,804 Japanese companies located in India, approximately 29% of them (517) were located within this region as at November 2012.

She observed that Japanese investment in India is largely focused on manufacturing, with industrial and automotive production concentrated in the South. However, Japanese FDI is slowly diversifying, with more investments in software, media and infrastructure. Japanese private equity and venture

capital firms are also entering the India market, such as SoftBank, Netprice and SBI Holdings.

Despite its popularity as an investment destination, doing business in India remains challenging for Japanese firms. Morozumi discussed how Japanese companies should be mindful of the following when operating in India:

- Opaque administration and tax compliance procedures which vary from state to state;
- Lagging sea and air freight infrastructure with unreliable supply of electricity and non-potable water, in most cases;
- Rising labor costs;
- A lack of good partners and suppliers of raw materials, components and services, as compared with say China. Furthermore, as most Indian conglomerates are vertically integrated, it is difficult for Japanese firms to acquire suppliers without affiliation to a much bigger Indian group with which they may in some sense compete; and
- Differences in culture; Japanese business persons might perceive Indian business culture to be unstructured and insincere, due to slower response rates, lack of enthusiasm and unpunctuality.

On the other hand, adapting to life in India is gradually becoming easier for Japanese expatriates. There are now more clustered residential developments catering to the Japanese community, especially in Gurgaon. There are readily available cultural institutions and schools catering to Japanese expatriates as well.

Japanese FDI into India is likely to increase, especially in the sectors of infrastructure, renewable energy, electronic system design and manufacturing (ESDM), consumer electronics as well as next-generation cars.



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