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Setting the Context

FDI Inflows from Japan

FDI Inflow in India - from Japan ($ mn)

- Japan has contributed about 5% of total FDI to India – around $16 bn in 2013-14
- The total number of Japanese companies registered in India is 1,209

Top sectors that attracted FDI inflows from Japan:
- Drugs & Pharmaceuticals (28%)
- Automobile Industry (16%)
- Services Sector (15%)
- Metallurgical Industries (9%)
- Electrical Equipment (4%)

Source: Department of Industrial Policy and Promotion, Government of India

FDI inflow from Japan to India is not substantial...
Setting the Context

Japanese FDI Outflow

FDI Outflow from Japan to World and India

- Total Japan's Outward FDI (USD bn)
- Japanese FDI outflow to India as %age of Total FDI Outflow

• India got a share of only 1.6% of total FDI from Japan in 2013
• Manufacturing Sector accounts for over 60% of the total FDI outflow from Japan

Top Countries and Sector that attracted FDI outflows from Japan:

<table>
<thead>
<tr>
<th>Top 5 Countries (% of total outflow)</th>
<th>Top 5 Manufacturing Sectors (% of total outflow)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. USA (34.3%)</td>
<td>1. Food (23.6%)</td>
</tr>
<tr>
<td>2. Singapore (6.2%)</td>
<td>2. Transportation Equipment (8.6%)</td>
</tr>
<tr>
<td>3. China (5.7%)</td>
<td>3. Metals (5.9%)</td>
</tr>
<tr>
<td>4. Thailand (4.5%)</td>
<td>4. Chemicals (5%)</td>
</tr>
<tr>
<td>5. UK (4.3%)</td>
<td>5. Gen. Machinery (4.1%)</td>
</tr>
</tbody>
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... vis-à-vis other countries

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India was cited as among the most promising destinations for expanding businesses in areas of:
- Smart Cities
- Urban & High-speed Railways
- Power Generation (Coal and Nuclear)
- Electricity Transmission and Distribution
- Advanced IT networks
- Sewage Systems
- Roads and Bridges
- Water Supply
- Wind power Generation
- Smart grids
- Photovoltaic power generation

Positive Sentiment

- A JBIC Survey (November 2014) of Japan’s manufacturers ranked India 1st among countries with promising prospects for business operations both over mid-term (next three years) and long term (next ten years)
- The Top 4 reasons for viewing India as promising were:
  1. Future growth potential of local market
  2. Inexpensive source of labor
  3. Current size of local market
  4. Supply base for assemblers

India presents advantages of not just market size, opportunities and skilled resources, but can be leveraged as a hub for serving the region and global supply chain.
Key Opportunities

Significant Spend in Infrastructure Planned

- Outlay on Infrastructure for 12th Five year Plan is around $ 1 tn – 130% growth over actual 11th Five year Plan Expenditure on Infrastructure
- Power and Transport Infrastructure accounts for about 50% of outlay
- Two major themes of opportunities in Infrastructure sector are:
  - Smart Cities - Brownfield (around $113 bn over 20 years) and Greenfield (about $85 bn– over 10 yrs)
  - Industrial Corridors (investment outlay* estimated at $ 400 bn)

Significant Outlay in Infrastructure favors – an improved investment environment and an opportunity for Japan to invest

* Estimated based on investment outlay of $100 bn for Delhi Metro Industrial corridor
Key Opportunities
Land Acquisition Related Reforms

The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act (Amendment) Ordinance, 2014

• The Ordinance exempts land acquisition for infrastructure projects for public purposes to be exempt from provisions on social impact assessment and consent clause for affected parties
• The Infrastructure purposes are:
  • national security or defense production
  • rural infrastructure including electrification
  • Affordable housing
  • Industrial corridors
  • infrastructure and social infrastructure projects including PPP projects where land ownership continues to vest with the Government
• Expected to reduce the time taken to acquire land for select infrastructure based projects
• States like Gujarat has empowered GIDC to collate a land bank
  • Linked with GIS applications – ensures land possession application disposal within 45 days
• AP also has GIS based Land Management to enable investor to understand locational feasibility

Post Acquisition processes (State Level)

• Computerised land records, registration and title (e-Dhara Bhulekh) in Gujarat - Time to issue various land certificates reduced to less than a day
• IT based registration processes and access to digitized land records (Karnataka, AP) – time taken to register land takes 1 to 3 days
## Key Opportunities

### Simplification of Labour Laws

#### Improving the Compliance

- **Unified Shram Suvidha Portal** - manufacturers to register and file a single harmonized annual report for 16 Central labour laws
- Curb the arbitrariness of labour inspections by four central agencies — EPFO, Employees’ State Insurance Corporation, Central Labour Commissioner and Director General of Mines’ Safety
- **Apprentices (Amendment) Act, 2014** - Removes need for compliance and replaces penal imprisonment provision with Monetary fine
- For compliance at State level, Rajasthan, Haryana and Uttar Pradesh have made online portals for registration/ renewal under Factories Act
- **Maharashtra (Mahashramm - Labour Management System)** has reduced compliance period from 15 days to 0.5 days (DIPP study)

#### Leveraging the Demographic Dividend

India offers significant demographic dividend with nearly 50% of population under 25 years & about 200 million expected to enter the workforce over the next decade. A multipronged approach has been conceived as follows:

- **About 17 ministries** are currently engaged in undertaking various skill development initiatives, with a combined target of imparting skills to 350 million people by 2022
- **Key agencies to play the role**
  - National skill Development Authority (Apex level)
  - State Skill Development Missions (state level)
  - National skill Development
  - Sector specific Skill council
- **Apprentices (Amendment) Act, 2014** - aims to augment the number of apprentices from the existing 0.2 million (Japan has 3 million)
Challenges to be Overcome
But there are Challenges…

**Infrastructure**
- Underdeveloped Infrastructure ranked 1st among issues faced by Japanese Manufacturers in India ¹
  - Power and Transport Infrastructure cited as major bottlenecks

**Land Acquisition**
- Procedural delays in Land acquisition is a key bottleneck ²
  - Average time taken to acquire land is 14 months ²

**Land Related Approvals post Acquisition**
- India ranked 121 on indicator pertaining to property registration³
  - Land end use conversion may take more than 6 months ⁴
  - On an Average it takes 47 days to register a property ³

**Labour and Skill**
- Labour problems feature among the top 5 issues reported by Japanese Manufacturer in India
  - Renewal of factory license may take more than a month ⁴
  - Arbitrary inspections reported ⁴

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¹. JBIC Survey of Japanese Manufacturers 2014
². CII – Ease of doing Business Survey 2014
³. World Bank Study on Doing Business 2015
⁴. Planning Commission - Survey on Business Regulatory Environment for Manufacturing – State Level Assessment 2014