Confederation of Indian Industry

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BUILDING
INDIA-JAPAN
BUSINESS COOPERATION

Investing in **India**

Sourcing from **India**

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INTRODUCTION

The global economic and trading environment stands at a critical juncture of a new normal, bedevilled by different shocks with the latest being the Coronavirus pandemic that has halted the world economy in its tracks. With multiple changes impacting economic engagement of countries, businesses need to restructure their strategies. A key component of this would be diversification of their external interactions.

For India and Japan, which have historically enjoyed close and warm friendship, the economic relationship has a deep potential to be greatly expanded. Japanese companies will find in India a vibrant and rapidly growing market, a facilitative investment climate and multiple sectors for investments. They would also benefit from competitive, high-quality, and wide spectrum of products that can be sourced from India. The engagement of Japanese companies over the years has been transformational for India's manufacturing sector which has extensively adopted Japanese ways of quality performance in cooperation with institutes such as JUSE.

With a hugely diversified economy and notable capacity in a range of sectors, India provides the entire supply chain for manufacturing. Its exports reach advanced economies where they are well-regarded for their quality and standards. In addition, India also exports to emerging economies to a large extent, which appreciate the appropriate technology levels, competitive price structures, and tailored products that India provides.

With many reforms having taken place over the last few years, including the notable Goods and Services Tax, the investment and sourcing environment in India has greatly improved. Many top Japanese companies are leveraging access to the Indian market for investments and attaining notable success.

The trade and investment opportunities in India are truly exciting and Japanese companies including small and medium enterprises can gain much from following the example of the leaders of the two countries and intensifying their engagement with India to invest and source from the country.

STRATEGIC BILATERAL CONTEXT

The India-Japan relationship is viewed as one of the most robust and fast-moving bilateral partnerships in Asia and the world. Based on age-old cultural links, the present contours of this relationship encompass multiple strategic, political and economic dimensions. It is seen as one of the significant players in the evolving Asia Pacific construct, contributing to stability and security of the region.

The two countries cemented their relations with the establishment of the Global Partnership in 2000 during the visit of Prime Minister Yoshiro Mori to India. This was further upgraded to Strategic and Global Partnership when Prime Minister Manmohan Singh travelled to Tokyo in 2006 and the Annual Summit meetings commenced thereafter.

The first ever visit of then Emperor Akihito and Empress Michiko to India in 2013 was a milestone for both countries.

Prime Minister Narendra Modi's visit to Japan in 2014, his first bilateral visit outside India's neighbourhood, led to the Special Strategic and Global Partnership. In December 2015, the visit of Prime Minister Abe resulted in substantial outcomes as the two sides agreed on broad convergence of their political, economic and strategic goals.

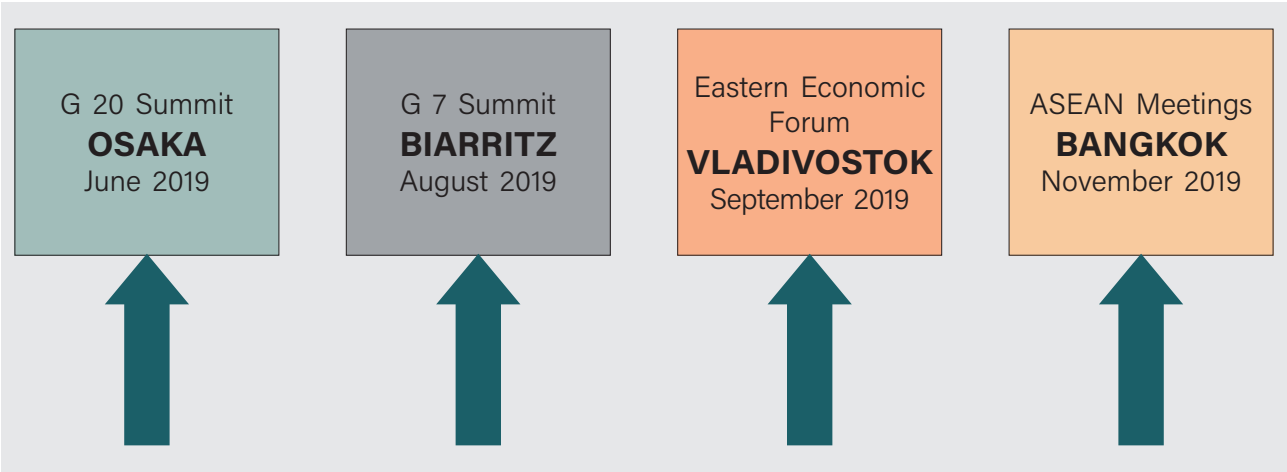
The regular annual meetings of the two prime ministers underpin an expanding collaboration in many areas. The two countries are core players in the US-India-Japan trilateral dialogue as well as the Quad discussions between India, Japan, the US and Australia. Regional security and peace are an important component of the relationship with defense ties growing to include more exchanges, joint exercises and agreements on transfer of defense equipment and technology. The two countries have also signed a nuclear cooperation agreement in 2016. From space to solar energy to skill development, many cooperation ventures are underway.

At the 13th Annual Summit when PM Modi visited Japan in October 2018, 32 agreements were signed, including Currency Swap Agreement of US$ 75 billion, loan of 316.458 billion yen for the Mumbai-Ahmedabad High Speed Rail, India Japan Digital Partnership and food processing.

Announcements by 57 Japanese companies and 15 Indian companies for investments in each other's economies were also made.

The wide spectrum of cooperation spheres and regular interactions point towards a clear and facilitative framework for driving the economic and commercial equation.

Chart 1: Meetings between PM Modi and PM Abe in 2019



i. India Japan CEPA

The India Japan Comprehensive Economic Partnership Agreement (IJCEPA) stands as a monument to the close relationship of the two countries.

IJCEPA was signed in February 2011 and entered into force in August 2011. The CEPA between India and Japan is a deep FTA as apart from tariff concessions, it features chapters on services liberalization, intellectual property, trade remedy measures, investment, technical cooperation etc. The agreement covers goods, services, Rules of Origin, Movement of Natural Persons, telecom, financial services, intellectual property rights, government procurement, Sanitary and Phytosanitary Measures, customs procedures and cooperation in other areas.

IJCEPA was part of a series of conscious policy decisions of India to integrate itself with South East and East Asia as part of its Look East (now Act East) policy since the 1990s. These two regions were among the fastest growing economies in the second half of the 20th Century and have developed value chains within the region and beyond. India looked at the CEPA and FTAs in general as a way to diversify and expand its export markets, access raw materials, intermediate products and capital goods for value added manufacturing, attract foreign investment (to stimulate manufacturing, generate employment and improve competitiveness) and prevent erosion of its existing preferences.

The IJCEPA is also the deepest FTA India has undertaken with any partner. Under the IJCEPA, India agreed to eliminate tariffs on 85.9% of its tariff lines and Japan agreed to eliminate tariffs on 88.9% of its tariff lines.

India offered 17.4% of tariff lines for immediate reduction of tariff to zero duty, as against 87% of tariff lines offered by Japan for zero duty on 1 August, 2011. From Indian side, tariff was proposed to be brought to zero duty in 10 years on 66.32% of tariff lines to give sufficient time to Industry to adjust to the trade liberalization. India's exclusion list covers 12.84% of all tariff lines and 9.9% of volume of trade, as against Japan's exclusion list covering only 8% of all tariff lines and 3% volume of trade.

IJCEPA provides for an institutional mechanism to encourage and improve business/ investment environment. India seeks greater investment by the Japanese companies.

ii. Japanese Overseas Development Assistance to India

Japan's strong engagement in India's development aspirations forms a cornerstone of the bilateral partnership. India is the top recipient of Japan's ODA and Japan has provided much-needed funds apart from knowhow and equipment for critical infrastructure sectors such as power, urban transport, railways, environment, public health and so on. The Japan International Cooperation Agency (JICA) conducts the ODA program, through loans, grants and technical cooperation.

Japanese ODA has played a transformational role in some of India's major infrastructure areas. For example, Delhi Metro came into being with the assistance of Japan and remains a flagship project of development, as it went on to become the role model for much of India's urban metro rail transport system. Similarly, the Delhi Mumbai Industrial Corridor and the Dedicated Rail Freight Corridor alongside it have both been driven with Japanese participation. Japan is also the partner for India's first high-speed rail project between Mumbai and Ahmedabad.

Table 1: ODA loan and Disbursements

(JPY in billion)

Year	Commitment	Disbursement
2010-11	203.566	123.84
2011-12	134.288	139.22
2012-13	353.106	113.964
2013-14	365.059	144.254
2014-15	71.39	74.36
2015-16	400	390*
2016-17	308.8	206.1
2017-18	384.132	246.325
2018-19	416.458	266.757

Source: *https://www.indembassy-tokyo.gov.in/india_japan_economic_relations.html*

While the Japan ODA assistance includes human development aid such as construction of hostels for underprivileged girls, skill development centres, secondary schools for Scheduled Tribes and so on, large projects are a key component. In October 2018, provision of yen loans was made for 316.458 billion for seven projects[1]:

- Mumbai-Ahmedabad High Speed Rail
- Renovation of a hydroelectric power station in Meghalaya
- Extension of Delhi Metro
- Bridge in North East India
- Pumped storage power station
- Peripheral ring road around Chennai
- Tree planting activities in Tripura

The MAHSR project envisages procurement from Japan on a tied basis, while other projects enjoy untied procurement terms.

Such projects create opportunities for Japanese firms for providing inputs as well as for investments in related projects.

iii. Special projects

Japan has undertaken a number of projects in India, providing technical inputs and assistance as well as funds on facilitative terms.

Japan Industrial Townships: These are planned as industrial parks with plug-and-play facilities and world class infrastructure for Japanese businesses. Special investment incentives are envisaged to be offered. In 2015, the two governments identified 12 sites in India for these JIT. State governments where these sites are located have suggested various incentives such as reduction in local taxes and electricity charges. These are attracting manufacturing sector investments in areas such as automobiles, food processing, engineering and textiles.

Smart Cities: JICA has agreed to build 3 Indian cities as Smart Cities, namely Ponneri in Tamil Nadu, Krishnapatnam in Andhra Pradesh and Tumkur in Karnataka. It would provide loan assistance for intelligent transport systems.

1 https://www.mofa.go.jp/press/release/press4e_002203.html

Japan India Institutes for Manufacturing: The two countries signed a memorandum of cooperation on the Manufacturing Skill Transfer Promotion Program in 2016. Under this, METI certified 2 institutes established by Maruti Suzuki India Limited and 7 Japanese affiliated companies as Japan-India Institutes for Manufacturing (JIM).

Technical Intern Training Program: As per a memorandum signed in 2018, the TITP sends Indian interns to Japan for 3-5 years of training. About 300,000 interns are to be trained through this program, creating a robust cadre of core professionals able to work both in India and in Japan.

Japan incentive

As part of its aggregate stimulus package to counter Covid-19 economic contraction, Japan earmarked US$ 2.2 billion to help Japanese companies to diversify their manufacturing operations outside China. While most of the amount is for relocation to Japan, the intent to shift reliance on China would encourage Japanese companies to explore the Indian investment environment. Notably, as Japanese majors are already well-entrenched in India to take advantage of the Indian markets, they could consider ramping up their capacities in India to avail of global opportunities.

Takeaway

The India-Japan relationship is a paradigmatic partnership with deep mutual understanding and respect. The overall strategic and global partnership forged over the last few decades and built on a solid cultural connect of millennia stands as a strong foundation for economic engagement.

JUBILANT LIFESCIENCES

STRENGTHENING TIES WITH JAPAN

A robust partnership of over two decades nurtured mutually through trust, transparency, quality and cost competitiveness, by offering products & services to Japanese companies in various business segments

Life Science Ingredients

Offering products like Pyridine, Picolines & their derivatives - Lutidines, Niacinamide

Pharmaceuticals

One of the largest exporters of oral solid formulations

Serving Generic companies by providing APIs (Active Pharmaceutical Ingredients)

Drug Discovery and Development Solutions

Offering capability in integrated drug discovery & synthetic chemistry to collaborate with a range of innovator companies

Jubilant Life Sciences is an integrated global pharmaceutical and life sciences company

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ECONOMIC CONTEXT

Japanese economy | Indian economy | Global trade profile

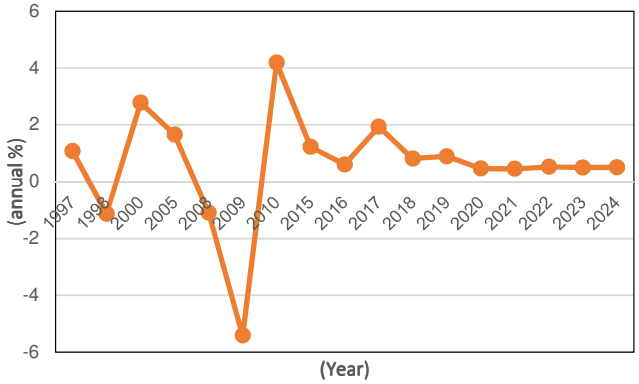
India and Japan stand at opposite ends of the development spectrum. While India has just stepped into the lower-middle income group, Japan enjoys one of the highest per capita incomes in the world. In terms of their growth pace, India has emerged as one of the fastest growing economies in the world and Japan has seen subdued growth in recent decades.

The economic experience of the two countries represents many synergies as both economies can look at each other for growth sources. This is further bolstered by the complementary demographic age structure of the two Asian economies. Whereas India has one of the youngest and still-growing workforces in the world, Japan is seeing a workforce contraction along with an aging population.

i. Japan Macroeconomic and Socioeconomic Environment

MACROECONOMIC ENVIRONMENT

ECONOMIC INDICATORS	TRENDS ANALYSIS
OVERALL GDP GROWTH	• The economic growth momentum of the Japanese economy has remained muted since 2015 owing to weakening domestic demand, falling exports and high levels of public debt. • Sluggish economic growth has manifested itself in GDP growth rates hovering around 0.61% in 2016 to an estimated growth rate of 0.81% in 2018. • In its April 2020 World Economic Outlook, the IMF projects a contraction of -5.2% in 2020 and 3% for 2021 owing to Covid-19 outbreak.

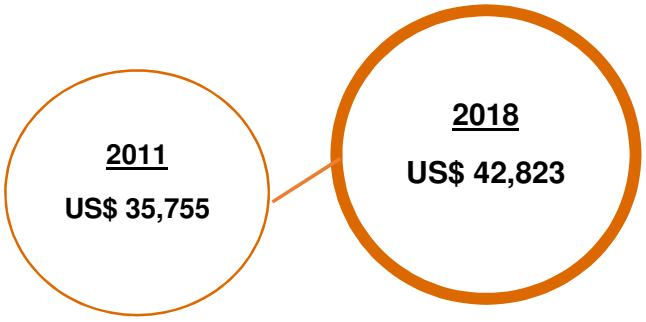


Source: *IMF World Economic Outlook 2019*

MACROECONOMIC ENVIRONMENT

ECONOMIC INDICATORS	TRENDS ANALYSIS

GDP PER CAPITA, US$ CURRENT PPP



Source: Country *Statistical Profile: Japan 2019, OECD*

- Japan is a high-income economy with one of the highest levels of per capita GDP amongst OECD countries.
- GDP per capita measured in current US$ increased by 1.2 times during the period 2011 to 2018, registering a CAGR of 2.6% during the period.
- This can be attributed to an-already high base of per capita income owing to historical periods of high GDP growth rates.

ECONOMIC STRUCTURE: SHARE IN REAL VALUE ADDED (%)

SECTORS	2014	2015	2016	2017
Agriculture, forestry, fishing	1.1	1.1	1.2	1.2
Industry, including energy	22.3	23.6	23.5	23.5
Construction	5.6	5.6	5.6	5.8
Trade, repairs, transport, accommodation, food services	22.1	21.5	21.5	21.7
Information, communication	5.1	5.1	5	4.9
Finance and insurance	4.5	4.4	4.2	4.2
Real estate	11.8	11.5	11.5	11.4
Professional, scientific, support services	7.3	7.3	7.5	7.5
Public administration, defence, education, health, social work	15.7	15.5	15.7	15.6
Other services	4.6	4.4	4.3	4.3

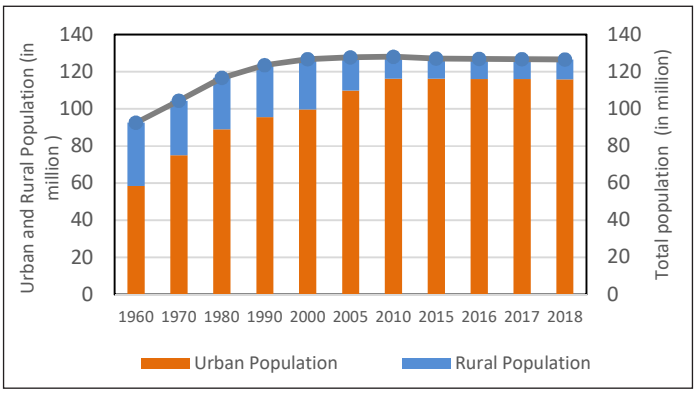
Source: Country Statistical Profile: Japan 2019, OECD

- The composition of the economic structure of Japan has remained consistent over a period of time, with the share of agriculture, industry and services remaining almost unchanged over the period 2014–17.
- The services sector is the major economic sector in Japan, contributing to around 70% of the country's GDP.
- The services sector is followed by the industrial sector and agriculture sector; these sectors together contribute around 30% to the country's GDP.

SOCIO-ECONOMIC CONTEXT

INDICATORS	TRENDS ANALYSIS

URBANISATION LEVEL



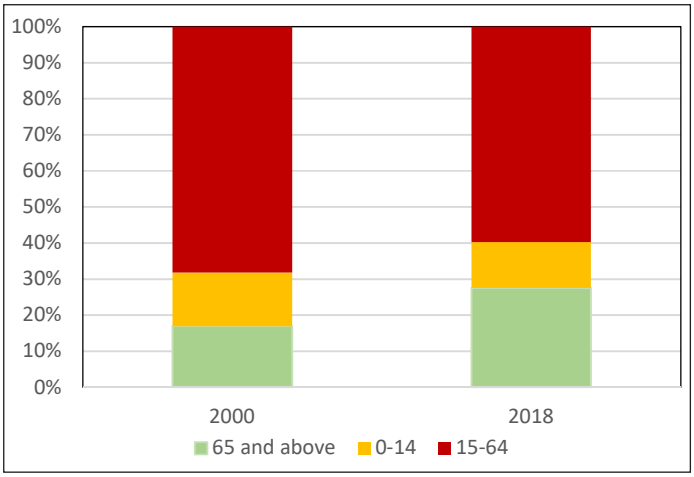
Source: *World Development Indicators, World Bank*

- Japan urbanised rapidly from the 1960s onwards, experiencing high levels of urbanisation; around 92% of Japan's total population now resides in urban areas.
- The rate of urbanisation has slowed down over the last two decades — the urban population in Japan increased from 100 million in 2000 to around 116 million in 2018, registering a CAGR of 1% during the period 2000–2018.
- This pace of Japan's urbanisation has resulted in Japan figuring amongst the top urbanised economies in the world.

SOCIO-ECONOMIC CONTEXT

INDICATORS

AGE-WISE DISTRIBUTION OF POPULATION



Source: MFS Analysis, World Development Indicators, World Bank

TRENDS ANALYSIS

- Japan has a large working-age population, with 76% of its population in the age group of 15–64 years.
- The trends reveal that it is the elderly population in the age group of 64 years and above that has exhibited the highest CAGR of 3% over the period 2000 to 2018.
- Further, the population in the 0-14 years age group and the working-age population years has experienced a deceleration in growth with a negative CAGR of 1% during the period 2000-2018.
- It projected by the United Nations that the highest growth of 6% will be recorded in the elderly population of those aged 65 years and above over the next 20 years.

The trends analysis as described above have implications on Japan's attractiveness from the perspective of trade and investment. These are summarised below:

AREA	PARAMETER	INDICATORS	IMPLICATIONS ON ATTRACTIVENESS OF TRADE AND INVESTMENT CLIMATE
Macroeconomic Environment	Economic growth	Overall GDP growth and trends in GDP per capita, current US$	**Low, negative impact**  • Growth is projected to decline to -5.2% in 2020. • High per capita incomes translate into high disposable income in the hands of the consumer. • The government is pursuing a number of policy measures aimed at ensuring macroeconomic growth and stability to put the economy back on track. It has announced $992 billion worth of stimulus to deal with fallout of Covid-19
	Economic structure	Economic structure: share in real value added (%)	**Medium, satisfactory impact**  • The composition of the economic structure of Japan has remained consistent over a period of time with the share of agriculture, industry and services remaining almost unchanged over the period 2014-17. • The higher share of services sector with increased share of professional services, information technology, etc., implies that Japan is an attractive investment destination for companies in the services sector.

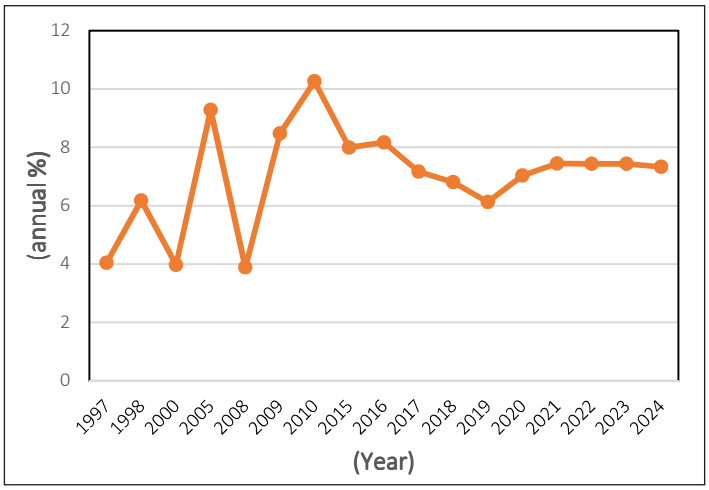
AREA	PARAMETER	INDICATORS	IMPLICATIONS ON ATTRACTIVENESS OF TRADE AND INVESTMENT CLIMATE
	Demographic trends	**Urbanisation level**	**High, positive impact** • With cities being the engines of industrialisation and economic growth, Japan's urbanisation level of 92% offers increased opportunities for business and investment in several areas, such as infrastructure, consumer and retail, and financial services. **Sectoral Opportunities** Infrastructure Retail and consumer Financial services
		Age-wise distribution of population	**High, positive impact** • The increasing numbers of the elderly is bound to translate into increased demand for healthcare, pensions, etc., thus creating opportunities in healthcare and financial services. • The need for specialised healthcare, including alternative medicine (e.g. ayurveda and homeopathy) and wellness treatments will boom. India is well-placed to export such services, as also investment in such centres in Japan. • India's expertise in financial services and financial innovations — especially insurance- and pension-related products — could be leveraged. **Sectoral Opportunitie** Healthcare, medicine Retail and consumer Financial services

ii. India Macroeconomic and Socioeconomic Outlook

MACROECONOMIC ENVIRONMENT

ECONOMIC INDICATORS	TRENDS ANALYSIS

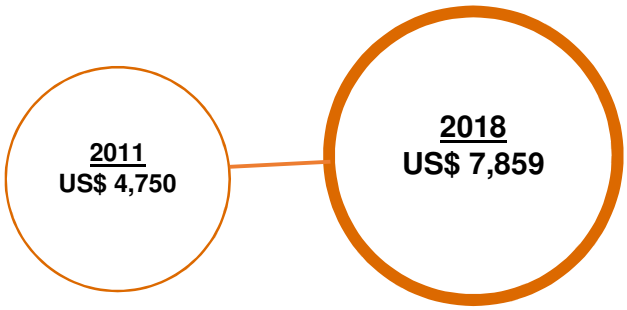
OVERALL GDP GROWTH



Source: *IMF World Economic Outlook 2019*

- The Indian economy displayed high economic growth rates during the period 2005–10, followed by a decline in GDP growth rates owing to lower private final consumption expenditure and fall in investment spending.
- In 2020, the GDP growth rate is expected at 4.2%
- In World Economic Outlook of April 2020, IMF has projected Indian economy to grow by 1.9% in 2020 due to Covid-19 related lockdown for 7 weeks and 7.4% in 2021

GDP PER CAPITA, US$ CURRENT PPP



Source: Country Statistical Profile: India 2019, OECD; IMF World Economic Outlook 2019

- India's per capita GDP measured in current US$ almost doubled during the period 2011 to 2018, registering a high CAGR of 7.5% during the period 2011-18.
- This can be attributed to the steady GDP growth rate during this period.

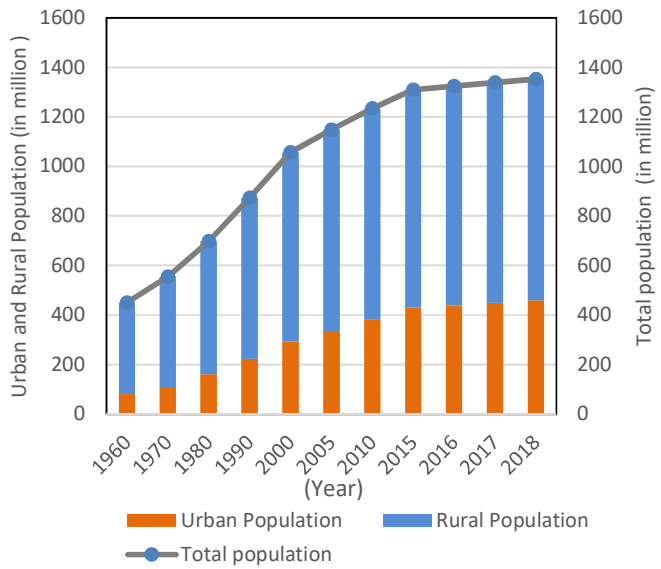
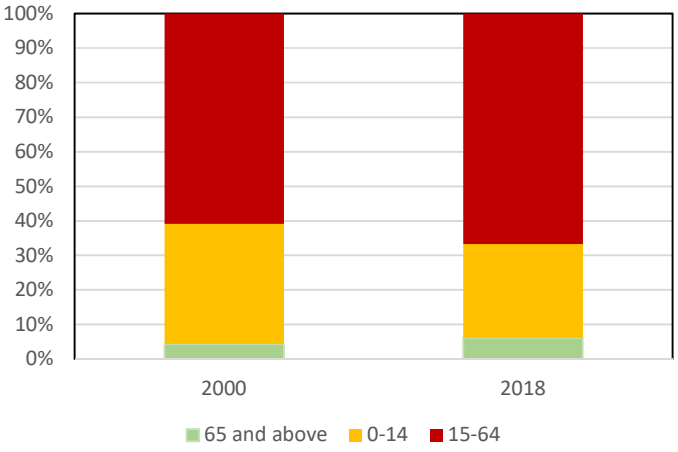
ECONOMIC STRUCTURE: SHARE IN REAL VALUE ADDED (%)

SECTORS	2014	2015	2016	2017
Agriculture, forestry, fishing	18.2	17.7	17.9	17.1
Industry, including energy	21.5	21.9	21.9	21.7
Construction	8.5	7.9	7.4	7.4
Trade, repairs, transport, accommodation, food services	18.3	18.3	18.2	18.5
Information, communication	-	-	-	-
Finance and insurance	-	-	-	-
Real estate	20.5	20.9	20.6	20.8
Professional, scientific, support services	-	-	-	-
Public administration, defence, education, health, social work	13.0	13.2	13.9	14.5
Other services	-	-	-	-

Source: Country Statistical Profile: India 2019, OECD

- Over a period of time, the composition of the economic structure of India has altered with steady decline in the share of agriculture and industry in favour of the services sector.
- The services sector is the major economic sector in India, contributing to around 60% of the country's GDP.
- The services sector is followed by the industrial sector and agriculture sector; these sectors together contribute around 40% to the country's GDP.

SOCIO-ECONOMIC CONTEXT

INDICATORS	TRENDS ANALYSIS
URBANISATION LEVEL  **Source:** *World Development Indicators, World Bank*	• The urban population in India increased from 292.3 million in 2000 to around 460.3 million in 2018, registering a CAGR of 3% during the period 2000–2018. • This pace of India's urbanisation has resulted in India figuring amongst the rapidly-growing economies of Asia.
AGE-WISE DISTRIBUTION OF POPULATION  **Source:** MFS Analysis, World Development Indicators, World Bank	• India has a relatively high working age population, with 67% of its population the age group of 15–64 years. • The trends reveal that it is the elderly population in the age group of 64 years and above hat has exhibited the highest CAGR of 3% over the period 2000 to 2018. • Further, while the population in the young age group (0–14 years) has experienced a deceleration in growth with negative CAGR of 0.01%, those in working age population have increased at CAGR of 2% during the period 2000–2018. • It projected by the United Nations that the fastest growth of all will be in the elderly population of those aged 65+, whose numbers are expected to increase at a CAGR of 3.3% over the next 20 years, followed by the working age population whose population is projected to increase at a CAGR of 1% over the next two decades.

The trends analysis as described above have implications on India's attractiveness from the perspective of trade and investment. These are summarised below:

AREA	PARAMETER	INDICATORS	IMPLICATIONS ON ATTRACTIVENESS OF TRADE AND INVESTMENT CLIMATE
Macroeconomic Environment	Economic growth	Overall GDP growth and trends in GDP per capita, current US$	**High, positive impact** ↑ • Steady economic growth with rising per capita incomes translates into high disposable income in the hands of the consumer. • These are expected to spur domestic consumption even further with increased demand for imported commodities.
	Economic structure	Economic structure: share in real value added (%)	**High, positive impact** ↑ • The composition of the economic structure of India is skewed in favour of the services sector as manifested by its rising share. • Also, the lower share of manufacturing sector in GDP offers significant scope for expansion and investment opportunities by Japanese investors.
	Demographic trends	Urbanisation level	**High, positive impact** ↑ • The urbanisation trends in India have resulted in over one-third of India's total population (34%) residing in urban areas. • With cities being the engines of industrialisation and economic growth, these urbanisation prospects offer increased opportunities for business and investment in several areas, such as infrastructure, consumer and retail, and financial services. **Sectoral Opportunities** Infrastructure Retail and consumer Financial services

AREA	PARAMETER	INDICATORS	IMPLICATIONS ON ATTRACTIVENESS OF TRADE AND INVESTMENT CLIMATE
		Age-wise distribution of population	**High, positive impact** • The increasing numbers of the elderly population is bound to translate into increased demand for healthcare, pensions, etc., thus creating opportunities in healthcare and financial services. • The increasing working-age population implies demand for new skills/skill upgradation, which will translate into opportunities for investments in education, skilling and the consumer retail segment. **Sectoral Opportunitie** Healthcare, medicine Retail and consumer Financial services

iii. India's trade profile

India's exports reached $330 billion in 2018-19. Its goods travel to almost all countries of the world. Its two largest markets are North America and the EU which together account for over 35% of total exports. West Asia and North East Asia (China, Japan, South Korea, etc.) are the next largest destinations with about 25% of the share, while ASEAN nations enjoy over 11%. Emerging economies in Africa and South Asia have a significant share of about 13% together. This demonstrates India's capability to be a source of appropriate products at the right price points for markets across the development spectrum.

Table 2: Top Countries for India's Exports in 2018-19 (US$ billion)

Rank	Country	Exports (US$ billion)
1	USA	52.41
2	United Arab Emirates	30.13
3	China	16.75
4	Hong Kong	13.00
5	Singapore	11.57
6	UK	9.31
7	Germany	8.90
8	Netherlands	8.81
9	Belgium	6.73
10	Vietnam	6.51

Source: *Export Import Data Bank, Department of Commerce*

While India's top export products are mineral fuels, gems and jewellery, machinery and engineering goods, organic chemicals and automotives are among its highest exports. The country has developed excellent capabilities in various manufacturing segments such as pharmaceuticals, auto parts, and garments, where it enjoys high share in the world exports.

Table 3: India's share of world exports in top 5 exported items, 2018

HS Code	Commodity	India's Exports (US$ billion)	World Share (%)
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.	47.92	14.52
71	Natural or cultured pearls,precious or semiprecious stones,pre.metals,clad with pre.metal and artcls thereof;imit.jewlry;coin.	40.45	12.25
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.	20.97	6.35
29	Organic chemicals	18.24	5.53
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof.	18.10	5.48

Table 4: India's Top 10 Exports in 2018-19 (US$ billion)

HS Code	Commodity	India's Exports (US$ billion)
27	Mineral Fuels, Mineral Oils and Products of Their Distillation; Bituminous Substances; Mineral Waxes.	47.92
71	Natural or Cultured Pearls, Precious or Semiprecious Stones, Precious Metals, Clad with Precious Metal And Articles Thereof;Imit.Jewlry;Coin.	40.45
84	Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof.	20.97
29	Organic Chemicals	18.24
87	Vehicles Other Than Railway or Tramway Rolling Stock, and Parts and Accessories Thereof.	18.10
30	Pharmaceutical Products	14.75
85	Electrical Machinery and Equipment and Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, and Parts.	12.73
72	Iron and Steel	9.74
62	Articles of Apparel and Clothing Accessories Not Knitted or Crocheted.	8.34
10	Cereals.	8.16

Source: *Export Import Data Bank, Department of Commerce*

Table 5: India's Top 10 Imports in 2018-19

HS Code	Commodity	India's Imports (US$ billion)
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.	167.87
71	Natural or cultured pearls, precious or semiprecious stones, precious metals, clad with precious metal and articles thereof;imit.jewlry;coin.	64.72
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers,and parts.	52.05
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.	43.84
29	Organic chemicals	22.39
39	Plastic and articles thereof.	15.25
72	Iron and steel	12.58
15	Animal or vegetable fats and oils and their cleavage products; pre. Edible fats; animal or vegetable waxes.	9.99
90	Optical, photographic cinematographic measuring, checking precision, medical or surgical inst. And apparatus parts and accessories thereof;	9.63
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, or radi. Elem. Or of isotopes.	7.62

Source: *Export Import Data Bank, India*

Many of the products that India exports to the world are of interest to Japan and it can closely look at the products that it can import from India. An examination shows that its sourcing from India of key products are relatively low. For example, in goods such as mineral fuels or gems and jewellery, its imports from India are minuscule. This also applies to pharma products where India is one of the world's top producers of generic drugs, machinery and parts, automotives, and electronics.

There is much more scope for Japan to make India a major sourcing hub for its exports to the world. The detailed outline of the exact items at the 6-digit level that Japan can source from India profitably are mentioned in the next section.

iv. Japan's trade profile

Japan is the fourth largest trading nation in the world and has built an enviable presence in global supply chains. It has a strong presence in automobiles, electronics, and machinery.

The country enjoys the reputation of high standards of quality in goods, innovation and consumer focus, and constant improvement.

In 2019, Japan's imports stood at $721 billion and its exports at $706 billion. Its neighbouring countries of China and Republic of Korea were among its top five trade partners, with the US in the list as well.

Table 6: Japan's Top 5 Trade Partners

Import partners	Export partners
China	United States of America
United States of America	China
Australia	South Korea
South Korea	Chinese Taipei
Saudi Arabia	Hong Kong

Source: *International Trade Centre*

Table 7: Japan's Top 10 Exports in 2019

HS Code	Product label	Exported value in 2019 (US$ billion)
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	148.85
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	137.12
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	103.04
99	Commodities not elsewhere specified	44.94
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	39.08
72	Iron and steel	26.10
39	Plastics and articles thereof	25.22
29	Organic chemicals	17.86
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	14.01
89	Ships, boats and floating structures	13.80

Source: *International Trade Centre*

Table 8: Japan's Top 10 Imports in 2019

HS Code	Product label	Imported value in 2019 (US$ billion)
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	155.71
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	98.78
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	70.54
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	28.23
30	Pharmaceutical products	27.23
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	23.76
26	Ores, slag and ash	22.22
39	Plastics and articles thereof	16.17
29	Organic chemicals	16.11
62	Articles of apparel and clothing accessories, not knitted or crocheted	14.30
61	Articles of apparel and clothing accessories, knitted or crocheted	13.66

Source: *International Trade Centre*

Takeaway

The Indian and Japanese economies can leverage mutual complementarities and synergies arising from their development structures, age profiles, and growth opportunities. As one of the most vibrant economies of the world, India remains a key destination for future investments.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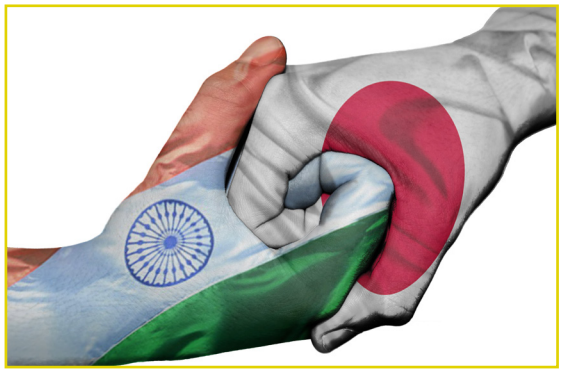
BILATERAL TRADE RELATIONS

Trends in Trade | Top Traded Items | Potential Export Items from India to Japan

With the objective of providing a comprehensive guide to Japanese companies to source products from India, CII has prepared a special tool, using innovative techniques to identify Indian exports of high potential to Japan at the HS 4-(6) digit level. As per this tool, a range of 42 products has been highlighted that can be sourced effectively from India to Japan.



i. India-Japan Trade

Going into the details of total trade, Japan is India's 12th largest trading partner as per Indian Ministry of Commerce estimates.

During 2009-10, Indian exports to Japan stood at US$3.63 billion, which went up to US$ 6.8 billion during 2013-14, growing at a compound annual growth rate of 13.43%. Thereafter, Indian exports contracted from around US$ 5.4 billion in 2014-15 to around US$4.8 billion in 2018-19, recording a negative CAGR of around (-) 2.05%. The decline was on account of various factors, including factors and the continuing impact of the global recession. Over the last decade i.e. between 2009-10 and 2018-19, Indian exports to Japan recorded a CAGR of around 3%.

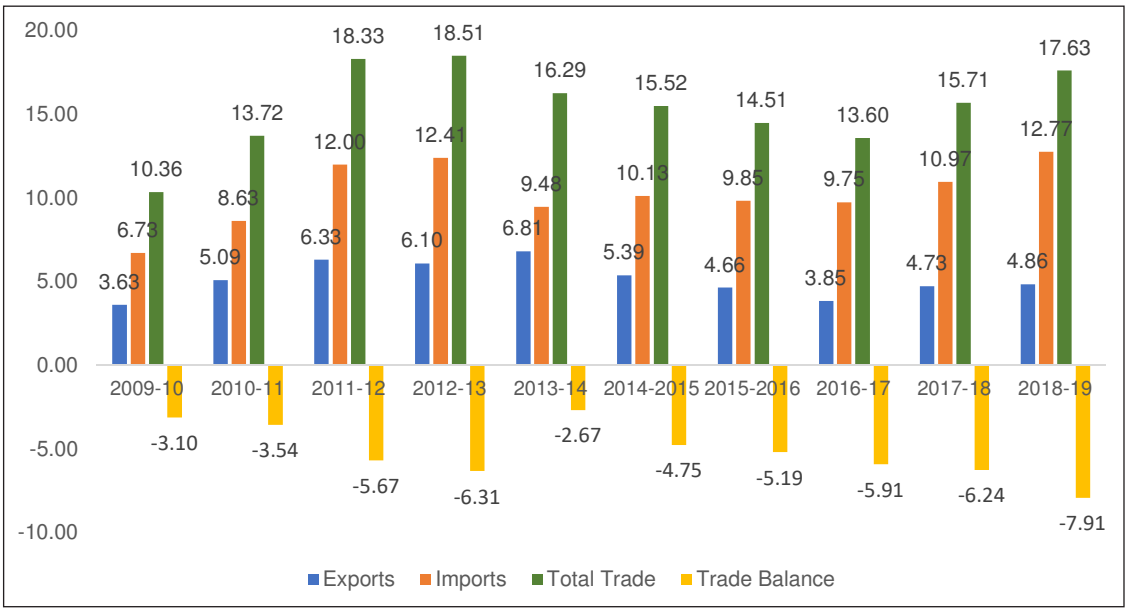
Table 9: India-Japan Bilateral Trade (US$ billion)

Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Exports	3.63	5.09	6.33	6.10	6.81	5.39	4.66	3.85	4.73	4.86
Imports	6.73	8.63	12.00	12.41	9.48	10.13	9.85	9.75	10.97	12.77
Total Trade	10.36	13.72	18.33	18.51	16.29	15.52	14.51	13.60	15.71	17.63
Trade Balance	-3.10	-3.54	-5.67	-6.31	-2.67	-4.75	-5.19	-5.91	-6.24	-7.91

Source: *Export Import Data Bank, Ministry of Commerce*

On the other hand, Indian imports from Japan during 2009-10 stood at 6.73% which increased to around US$ 9.48 billion during 2013-14, recording a CAGR of 7.09%. Thereafter, Indian imports slightly moderated, falling to around US$ 9.48 billion during 2013-14 before rising again to reach US$ 12.77 billion during 2018-19, registering a CAGR of 2.58%, during this period. Over the 10-year period between 2009-10 and 2018-19, Indian imports from Japan registered a CAGR of 6.61%.

Chart 2: India-Japan Trade: 2009-10 to 2018-19, ($ billion)



Source: *CII calculations based on data from Export Import Data Bank, Ministry of Commerce*

India-Japan total trade grew from US$ 10.36 billion to US$18.51 billion between 2009-10 and 2012-13 before slightly moderating to around US$16.29 billion during 2013-14, and then again rising to around US$ 17.63 billion during 2018-19. During the 2009-10 and 2013-14 period total trade between the two partners registered an impressive growth, recording a CAGR of around 9.47%. Over the last decade, between 2009-10 and 2018-19, India-Japan total trade grew at a compound annual average growth rate of around 3%. The moderation in CAGR is mainly on account of the contraction in exports during the 2014-15 and 2018-19 period.

India's trade deficit with Japan during 2009-10 stood at US$ (-)3.10 billion. During 2013-14, the trade balance improved slightly in favour of India recording US$ (-)2.67 billion. During 2018-19, India's trade deficit with Japan stood at US$ (-) 7.91 billion.

During April-Jan 2019-20, Indian exports to Japan stood at US$ 3.82 billion, while imports stood at US$ 10.6 billion.

ii. Top Exports and Import Items

Top Indian exports to Japan at the 2-digit HS code level during the 2018-19 period were in the categories of mineral fuels and products (HS 27); organic chemicals (HS 29); natural or cultured pearls and stones (HS 71); nuclear reactors and mechanical appliances and parts (HS 84) and fish and crustaceans (HS 03). Total exports of the top product i.e. mineral fuels and products stood at US$ .54 billion, closely followed by organic chemicals at US$ .53 billion. Other top items were in the categories of aluminium and parts (HS 76); electrical machinery and equipment (HS 85); cotton (52); pharmaceutical products (HS 30), etc.

The cumulative value of the top 20 export products stood at around US$ 4.2 billion, accounting for about 1.3% of total Indian exports.

On the other hand, top Indian imports from Japan during 2018-19 belonged to the categories of nuclear reactors and mechanical appliances and parts (HS 84); electrical machinery and parts (HS 85); iron and steel (HS 72); organic chemicals (HS 29) and plastic and articles thereof (HS 39). Imports of nuclear reactors, the top imported item from Japan stood at US$ 3.4 billion, followed by electrical machinery and parts, imports of which stood at around US$ 1.41 billion. Other top imports were in the categories of optical and photographic equipment (HS 90); vehicles and parts (HS 87); articles of iron and steel (HS 73); natural or cultured pearls (HS 71), etc.

The top 20 Indian imports from Japan are listed in table 2 below. Total export value of these top imported products stood at US$ 12 billion, accounting for 2.34% of India's total imports.

Table 10: Top 20 Indian Exports to Japan during 2018-19

HS code	Commodity	Export (US$ Million)
27	Mineral Fuels, Mineral Oils and Products of Their Distillation; Bituminous Substances; Mineral Waxes	541.54
29	Organic Chemicals	526.73
71	Natural or Cultured Pearls, Precious Or Semiprecious Stones, Precious Metals, Clad With Precious Metal And Articles Thereof; Imit. Jewlry; Coin	434.06
84	Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof	416.68
03	Fish and Crustaceans, Molluscs and Other Aquatic Invertebrates	404.55
72	Iron and Steel	235.59
87	Vehicles Other Than Railway or Tramway Rolling Stock, And Parts and Accessories Thereof	235.05
62	Articles of Apparel and Clothing Accessories, Not Knitted or Crocheted	184.91
76	Aluminium and Articles Thereof	177.50
39	Plastic and Articles Thereof	140.46
26	Ores, Slag and Ash	136.48
85	Electrical Machinery and Equipment and Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, And Parts	119.40
38	Miscellaneous Chemical Products	109.29
08	Edible Fruit and Nuts; Peel or Citrus Fruit or Melons	83.59
32	Tanning or Dyeing Extracts; Tannins and Their Deri. Dyes, Pigments and Other Colouring Matter; Paints and Ver; Putty and Other Mastics; Inks	82.49
23	Residues and Waste from The Food Industries; Prepared Animal Fodder	81.02
90	Optical, Photographic Cinematographic Measuring, Checking Precision, Medical or Surgical Inst. And Apparatus Parts and Accessories Thereof;	74.45
52	Cotton	65.61
28	Inorganic Chemicals; Organic or Inorganic Compounds of Precious Metals, Of Rare-Earth Metals, Or Radi. Elem. Or of Isotopes	60.26
30	Pharmaceutical Products	58.22
Total		4167.88

Source: *Export Import Data Bank, Ministry of Commerce*

Table 11: Top 20 Indian Imports from Japan during 2018-19

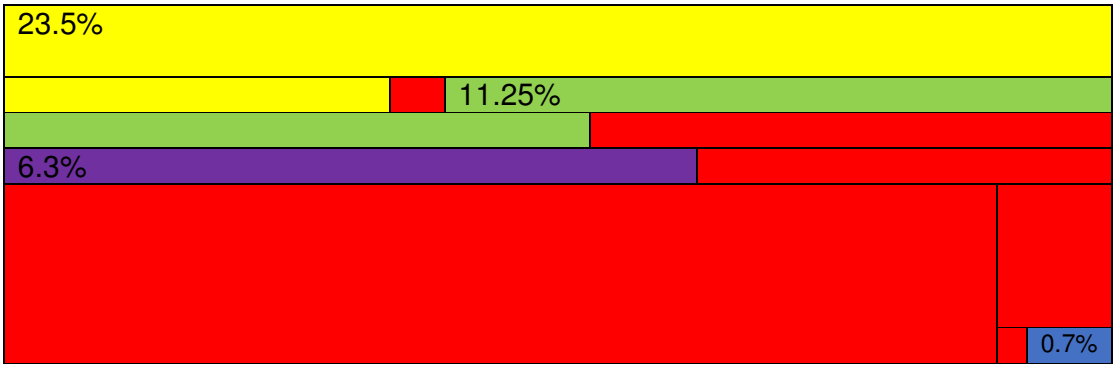
HS Code	Commodity	Import (US$ million)
84	Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof	3413.46
85	Electrical Machinery and Equipment and Parts Thereof; Sound Recorders And Reproducers, Television Image And Sound Recorders and Reproducers, And Parts	1408.09
72	Iron and Steel	1259.14
29	Organic Chemicals	940.53
39	Plastic and Articles Thereof	891.82
90	Optical, Photographic Cinematographic Measuring, Checking Precision, Medical or Surgical Inst. And Apparatus Parts and Accessories Thereof;	754.18
74	Copper and Articles Thereof.	493.75
87	Vehicles Other Than Railway or Tramway Rolling Stock, And Parts and Accessories Thereof	491.61
73	Articles of Iron or Steel	425.73
40	Rubber and Articles Thereof	287.27
27	Mineral Fuels, Mineral Oils and Products of Their Distillation; Bituminous Substances; Mineral Waxes	246.4
89	Ships, Boats and Floating Structures	228.78
38	Miscellaneous Chemical Products	217.96
71	Natural Or Cultured Pearls, Precious Or Semiprecious Stones, Precious Metals, Clad With Precious Metal And Articles Thereof; Imit.Jewlry; Coin	215.79
28	Inorganic Chemicals; Organic or Inorganic Compounds of Precious Metals, Of Rare-Earth Metals, Or Radi. Elem. Or of Isotopes	215.06
82	Tools Implements, Cutlery, Spoons and Forks, Of Base Metal; Parts Thereof of Base Metal	154.03
48	Paper and Paperboard; Articles of Paper Pulp, of Paper or of Paperboard	132.81
98	Project Goods; Some Special Uses	97.74
34	Soap, Organic Surface-Active Agents, Washing Preparations, Lubricating Preparations, Artificial Waxes, Prepared Waxes, Polishing or Scouring Prep	97.56
32	Tanning or Dyeing Extracts; Tannins and Their Deri. Dyes, Pigments and Other Colouring Matter; Paints and Ver; Putty and Other Mastics; Inks	78.49
Total		12050.20

Source: *Export Import Data Bank, Ministry of Commerce*

iii. Identifying potential exports from India to Japan

Japan imported goods worth about $721 billion in 2018; it imported just $5.4 billion from India, comprising just 0.7% of its total imports. Japan ranked 19th among India's export destinations in 2018-19 with a share of less than 1.5% in India's export basket. Clearly, Japan can import much more from India as it stands as the world's fourth largest importer after the US, China and Germany.

Chart 3: India's share in Japan's imports, 2018



Representative image: *Yellow – China; Green – USA; Purple – Australia; Blue – India; Red – Rest of world*

Using data from the International Trade Centre (ITC), this paper uses an innovative technique deploying the Export Specialization (ES) Index to identify potential Indian exports to Japan, wherein the specific market characteristics of the partner country/market are also factored in. Details of the methodology are in the Annex.

Table 3 below presents the top 5 Indian products of high potential to the Japanese market. The full list of products is included in the Annex.

Table 12: India's top potential exports to Japan

HS Code	Product Label	Japan's Imports from World (in US$ billion)	ES Index
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. ...	13.75	2.48
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	13.74	1.81
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	3.94	18.81
760110	Aluminium, not alloyed, unwrought	3.62	1.95
841112	Turbojets of a thrust > 25 kN	2.76	2.66

The top performers of Indian exports with very high potential to Japan are in the broad categories of mineral fuels and oils (HS 27); pharmaceutical products (HS 30); aluminium and articles thereof (HS 76); and machinery and products (HS 84).

Takeaway

India and Japan must explore a wider range of products for meeting Japan's needs. The CEPA positions India as a key sourcing destination for Indian goods at competitive cost structures and zero tariffs.

Import procedures in Japan for exports

Goods exported to Japan can be categorised into following three categories:[1]

i. **Goods that do not require an import license:** Most goods do not require an import license and can be freely imported in Japan.

ii. **Goods that require an import license:** Import licences are required for certain goods, including hazardous materials, animals, plants, perishables, and in some cases, articles of high value. Licences are also required for products subject to import quotas, including certain fish products and controlled substances listed in the *Montreal Protocol on Substances that Deplete the Ozone Layer.*

iii. **Goods that are prohibited for imports in Japan:** Import of following goods is prohibited in Japan:[2]

   i. Heroin, cocaine, MDMA, opium, cannabis, stimulants, psychotropic substances, and other narcotic drugs (excluding those designated by Ministry of Health, Labour and Welfare Ordinance).

   ii. Firearms (pistols, etc.), ammunition (bullets) thereof, and pistol parts.

   iii. Explosives (dynamite, gunpowder, etc.).

   iv. Precursor materials for chemical weapons.

   v. Germs which are likely to be used for bio-terrorism.

   vi. Counterfeit, altered, or imitation coins, paper money, bank notes, or securities, and forged credit cards.

   vii. Books, drawings, carvings, and any other article which may harm public safety or morals (obscene or immoral materials, e.g., pornography).

1 http://hong-kong-economy-research.hktdc.com/business-news/article/Small-Business-Resources/Trade-Regulations-of-Japan/sbr/en/1/1X000000/1X006N03.htm
2 https://www.customs.go.jp/english/summary/prohibit.htm

viii. Child pornography.

ix. Articles that infringe upon intellectual property rights.

Import Procedures[3]

1. Declare the goods to be imported to the Director-General of Customs
2. Deposit the Customs duty along with necessary documents
3. Getting goods verified
4. Obtaining an import permit

The following documents are to be submitted for clearance of imported goods:[4]

Customs declaration form (C-5020), along with prescribed fee and following documents must be filed:

1. Invoice
2. Bill of lading or Air Waybill
3. Certificate of Origin (where a WTO rate is applicable)
4. Generalized System of Preferences, certificates of origin (Form A) (where a preferential rate is applicable)
5. Packing lists, freight accounts, insurance certificates, etc. (where deemed necessary)
6. Licenses, certificates, etc., required by laws and regulations other than the Customs Law (when the import of certain goods is restricted under such laws and regulations)
7. Detailed statement on reductions of, or exemption from Customs duty and excise tax (when such reduction or exemption is applicable)
8. Customs duty payment slips (when goods are dutiable)

Various forms related to customs can be accessed via link:

https://www.customs.go.jp/english/law/customsform/form_C_e.htm

3 https://www.customs.go.jp/english/summary/import.htm
4 https://www.customs.go.jp/english/summary/import.htm

Annex – I

India's Potential Exports to Japan

HS Code	Product Label	India's Exports to World, (in US$ billion)	Japan's Imports from World (in US$ billion)	ES Index	Current Preferential Rate (As on 1st April 2020)
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. ...	14.74	13.75	2.48	
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	10.74	13.74	1.81	0%
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	32.00	3.94	18.81	NA
760110	Aluminium, not alloyed, unwrought	3.05	3.62	1.95	0%
841112	Turbojets of a thrust > 25 kN	3.17	2.76	2.66	0%
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	3.27	2.05	3.69	0%
260112	Agglomerated iron ores and concentrates (excluding roasted iron pyrites)	0.89	1.77	1.16	0%
711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not ...	11.57	1.73	15.53	0.38%; 0.39%;
880330	Parts of aeroplanes or helicopters, n.e.s. (excluding those for gliders)	1.64	1.7	2.23	0%
030617	Frozen shrimps and prawns, even smoked, whether in shell or not, incl. shrimps and prawns in ...	4.35	1.5	6.72	NA
732690	Articles of iron or steel, n.e.s. (excluding cast articles or articles of iron or steel wire)	0.76	1.45	1.22	0%
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves, ...	0.77	1.36	1.32	0%

HS Code	Product Label	India's Exports to World, (in US$ billion)	Japan's Imports from World (in US$ billion)	ES Index	Current Preferential Rate (As on 1st April 2020)
020230	Frozen, boneless meat of bovine animals	3.32	1.36	5.66	No Preferential Tariff
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	1.79	1.21	3.41	0%
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	0.67	1.17	1.33	0%
090111	Coffee (excluding roasted and decaffeinated)	0.52	1.15	1.04	0%
940360	Wooden furniture (excluding for offices, kitchens and bedrooms, and seats)	0.52	1.14	1.05	0%
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	2.76	1.13	5.67	0%
390761	Polyethylene terephthalate, in primary forms, having a viscosity number of >= 78 ml/g	1.05	1.09	2.23	0%
720241	Ferro-chromium, containing by weight > 4% of carbon	0.93	1.07	2	0%
853890	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537, ...	0.48	1.04	1.07	0%
840999	Parts suitable for use solely or principally with compression-ignition internal combustion ...	0.82	0.86	2.2	0%
710239	Diamonds, worked, but not mounted or set (excluding industrial diamonds)	24.24	0.85	66.11	0%
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding ...	0.44	0.84	1.22	0%
230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	0.88	0.76	2.69	0%

HS Code	Product Label	India's Exports to World, (in US$ billion)	Japan's Imports from World (in US$ billion)	ES Index	Current Preferential Rate (As on 1st April 2020)
420231	Wallets, purses, key-pouches, cigarette-cases, tobacco-pouches and similar articles carried ...	0.48	0.75	1.5	1.16%: 0.73%;
848190	Parts of valves and similar articles for pipes, boiler shells, tanks, vats or the like, n.e.s.	0.42	0.71	1.37	0%
870830	Brakes and servo-brakes and their parts, for tractors, motor vehicles for the transport of ...	0.49	0.7	1.6	0%
841480	Air pumps, air or other gas compressors and ventilating or recycling hoods incorporating a ...	0.3	0.66	1.06	0%
030743	Cuttle fish and squid, frozen, with or without shell	0.62	0.63	2.28	0%
420221	Handbags, whether or not with shoulder straps, incl. those without handles, with outer surface ...	0.41	0.63	1.52	1.02%; 1.16%; 0.58%; 0.73%;
293399	Heterocyclic compounds with nitrogen hetero-atom[s] only (excluding those containing an unfused ...	0.77	0.6	2.98	0%
721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ...	0.48	0.6	1.88	0%
850300	Parts suitable for use solely or principally with electric motors and generators, electric ...	0.48	0.57	1.93	0%
848340	Gears and gearing for machinery (excluding toothed wheels, chain sprockets and other transmission ...	0.43	0.56	1.78	0%
620520	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets and ...	0.79	0.55	3.34	0%

HS Code	Product Label	India's Exports to World, (in US$ billion)	Japan's Imports from World (in US$ billion)	ES Index	Current Preferential Rate (As on 1st April 2020)
293359	Heterocyclic compounds with nitrogen hetero-atom[s] only, containing a pyrimidine ring, whether ...	0.34	0.55	1.45	0%
620640	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or ...	0.58	0.54	2.46	0%
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding ...	1.05	0.54	4.5	0%
293339	Heterocyclic compounds with nitrogen hetero-atom[s] only, containing an unfused pyridine ring, ...	0.53	0.52	2.35	0%
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	1.53	0.51	6.99	0%
392062	Plates, sheets, film, foil and strip, of non-cellular poly"ethylene terephthalate", not reinforced, ...	0.35	0.5	1.64	0%

Annex - II

Data and methodology for identifying potential goods to be sourced from India

While conventional measures such as the Revealed Comparative Index (RCA), frequently used in trade and international economics to assess a country's export potential, have been employed in various studies to identify products with high competitiveness, the CII report employs the ES index, a slightly modified version of the RCA index to identify products for specific markets and partners. This index while assessing export potential, also considers market specific characteristics rather than world export shares (as used in the RCA), which is useful to identify products relevant to specific markets.

As per WITS, the ES index is calculated as the ratio of the share of a product in a country's total exports to the share of this product in imports to specific markets or partners rather than its share in world exports:

$$ES = (x_{ij}/X_{it}) \ / \ (m_{kj}/M_{kt})$$

Where x_{ij} and X_{it} are export values of country i in product j, respectively, and where m_{kj} and M_{kt} are the import values of product j in market k and total imports in market k.

In other words, the numerator is the ratio of a country's total exports of a specific commodity to the country's total exports while the denominator is the ratio of the partner country's imports

of the commodity to the partner country's total imports. While the numerator, like the RCA index captures the country's share of a specific commodity in its export's basket, the denominator in the ES index captures the partner country's share of the commodity under consideration in its import basket, unlike the world shares in the RCA index. This throws light on the relevance of a particular commodity in a specific market which is an important criterion for understanding potential exports to specific markets.

The ES is similar to the RCA in that the value of the index less than unity indicates a comparative disadvantage and a value above unity represents specialization or comparative advantage of the product under consideration.

The CII report uses exports and related data from ITC at the HS 6-digit level to identify Indian exports with high potential to Japan. Expanding production of the identified products are likely to further enhance India-Japan bilateral trade.

Data on the following variables, required for the construction of the ES index have been sourced from ITC at the HS 6-digit level, for the latest available year i.e. 2018.

(i) India's exports to world (ii) Japan's imports from world (iii) India's total exports and (iv) Japan's total imports.

After collecting data on the variables above, products for which Japan's world imports and India's world exports exceed US$250 million are identified, while rest are excluded. This is done to ensure that there is substantial demand for the product in the partner country (Japan) as well as adequate production capability in the exporting country (India).

In the next step, the ES index is calculated for all the remaining products. All products for which the value of the index is less than 1 are excluded, as an index value less than 1 indicates a comparative disadvantage of the product in the market.

At the end of the exercise, a total of 64 products remain for which the index value is greater than 1, indicating specialization or comparative advantage of these products in the specific market.

To make the results even more precise, an additional filter is applied to the remaining products for identifying the final list of potential exports, wherein only those potential exports products are considered for which Japanese imports are greater than US$ 500 million. This leads to a total of 42 products which are considered as high potential exports.

The final products are sorted as per Japan's import values. The top 5 products with high import values along with the ES index are classified as top performers in the Japanese market, while the rest are classified as products with high export potential.

GLOBAL VALUE CHAIN INTEGRATION

Potential Sectors for Japanese Investments and Expansion of GVCs

Japan is well integrated into the global economy and a key player in global value chains. According to the OECD Trade in Value Added database, foreign content of Japan's exports stood at 11.4%, lower than the OECD average of 25%. Almost all sectors saw increase in imported inputs between 2005 and 2015. For India, the foreign content in exports has climbed down from over 25% in 2012 to 16.1% in 2016.

This report identifies potential Indian exports to the Japanese market that can boost India-Japan bilateral trade relations. In this section, using the potential exports identified in the paper, further analysis is conducted to identify potential products and sectors which have the ability to invite greater Japanese investments into the country.

Many of the Indian exports with high potential identified in this report belong to the intermediate inputs category. Therefore, Japanese investments in the sectors producing these inputs could in turn help in Japanese production processes, by allowing them to export such products back to their country in a more cost effective and efficient manner.

This in turn will also strengthen both countries participation and integration into global value chains (GVCs) leading to greater trade and investment prospects. As Japan is part of one of the major interconnected production hubs (along with China and South Korea) for extensive trade in parts and components, both countries could mutually benefit. By allowing production to be split across countries, greater cooperation and collaboration between the two partners will lead to better exploration of each nation's comparative advantage, which in turn will drive down costs and raise standards.

Methodology for Identifying potential sectors for Japanese Investments for expanding GVCs

In determining the potential export sectors for inviting greater Japanese investments, the top Japanese imports and top Indian exports are considered for determining Japanese demand and Indian production capabilities respectively, for these products.

The top ten Indian exports and top ten Japanese imports at the 2-digit HS code level are first matched to arrive at the common categories of products, as these would represent a demand supply match between the two partner countries. These products are then mapped with the potential Indian exports identified in the paper at the 6-digit HS code level (See Table in Annex - I).

Comparing and matching top Japanese imports and exports, it is found that there are (tables 4 and Table 8) five categories at the 2-digit HS code level for which there is potential demand from Japanese markets, represented by their imports and sufficient capabilities, in the Indian market, represented by top Indian exports. The categories include nuclear reactors and mechanical appliances and parts (HS 84); electrical machinery and equipment (HS 85); pharmaceutical products (HS 30); vehicles and parts (HS 87); and organic chemicals (HS 29).

Additionally, one of the top ten Japanese imports, plastics and articles thereof (HS 39) is also found in the potential Indian exports list. Therefore, this category is also added as a potential sector of investment.

These products also figure in Japan's top ten export categories, indicating that the country has high exposure to global value chains in these sectors.

In the next step, the high potential Indian exports identified in the paper at the 6-digit HS code level are mapped to the above categories of products at the 2-digit HS code level.

For this exercise, only intermediate categories are considered, final consumer product categories such as apparel and garments (HS 61; HS 62) are excluded, even though these feature as top Japanese imports. Additionally, categories such as gems and jewellery (HS 71), ores and slag (HS 26) and mineral oils (HS 27) are excluded as these are consumed within Japan rather than used for further value addition and exports.

Table below lists the final Indian products at the 6-digit level identified from the potential exports list as potential sectors for Japanese investments. A total of 18 products have been identified at the 6-digit HS code level that have the potential to attract greater Japanese investments.

Table 13: Indian Potential Sectors for Japanese Investments

HS Code (2 digit)	HS Code (6 digit)	Product label
29	293399	Heterocyclic compounds with nitrogen hetero atom[s] only (excluding those containing an unfused ...
	293359	Heterocyclic compounds with nitrogen hetero atom[s] only, containing a pyrimidine ring, whether ...
	293339	Heterocyclic compounds with nitrogen hetero atom[s] only, containing an unfused pyridine ring, ...
30	300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...
39	390761	Polyethylene terephthalate, in primary forms, having a viscosity number of >= 78 ml/g
39	392062	Plates, sheets, film, foil and strip, of non-cellular polyethylene terephthalate", not reinforced, ...
84	841112	Turbojets of a thrust > 25 kN
	848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves, ...
	840999	Parts suitable for use solely or principally with compression-ignition internal combustion ...
	848190	Parts of valves and similar articles for pipes, boiler shells, tanks, vats or the like, n.e.s.
	841480	Air pumps, air or other gas compressors and ventilating or recycling hoods incorporating a ...
	848340	Gears and gearing for machinery (excluding toothed wheels, chain sprockets and other transmission ...
85	853890	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537, ...
	850300	Parts suitable for use solely or principally with electric motors and generators, electric ...
87	870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...
	870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...
	870830	Brakes and servo-brakes and their parts, for tractors, motor vehicles for the transport of ...
	870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...

The Indian automobile industry has achieved a global footprint with rising exports of both finished car and component products. The industry constitutes almost half of India's manufacturing GDP and is often perceived as a success story in GVCs.

Many global original equipment manufacturers (OEMs) and component majors have their establishment in India and perceive India as a significant global sourcing hub for auto components as well as specific products such as small cars. Further, local automobile majors such as Tata Motors, Mahindra and Mahindra, Hero, Bajaj and TVS Motors, components suppliers such as Bharat Forge and Sundaram Fastners, have a significant global presence.

The increase in the IT-embeddedness of automobile components and India's established capacity in IT-enabled services and design has led to companies in India further strengthening their position within component design and manufacture segment of automobile industry vale chain.

Many of the 6-digit level products identified in the report belong to the broader category of vehicle and parts (HS 87) as well as electrical machinery and equipment (HS 85) and thus these sectors in particular could be exploited and production capacities can be enhanced further for attracting greater Japanese investments.

Similar possibilities also exist in the Indian pharmaceutical sector (HS 30) for greater collaboration and investment opportunities from Japan. With Japan's older population and high demand for generic drugs and the focus on increasing mutual cooperation in the sector as laid out in India's CEPA, the Indian pharma sector stands to gain much from Japanese investments. In turn Japan could benefit from quality and affordable medicines from India.

Japan is also a large importer of plastics and articles (HS 39), which India has sufficient capabilities of producing. Therefore, Japanese companies might find it beneficial to invest in manufacturing facilities of Indian plastic industry for sourcing cost effective intermediate inputs for Japan's import needs.

Focus Sectors

a. Automobiles[5]

The automobile industry is a key Indian industry. It has played a major role in driving India into the global economy. The industry has also become a major stakeholder in India-Japanese relations. Various Japanese joint ventures have been at the forefront of this transformation. In 1982, the first Japanese company to enter India was the Suzuki Motor Corporation. Under the leadership of its Chairman Osamu Suzuki, the company mass produced the popular Maruti 800 in India. This micro-car went on to change the dynamics of the Indian car market. The cooperation in the automobile sector further continued with Honda, Toyota, Yamaha and Nissan setting base in the country.

5 https://www.makeinindia.com/article/-/v/partners-since-the-past-ever-growing-business-possibilities-for-japan-in-india

Major Japanese automotive assemblers have identified India as a strong base for the production of small cars in their global strategy and have launched indigenously manufactured, cost-efficient cars specifically for other emerging markets. The sales in automobiles in India have witnessed a spike from US$ 20 billion to US$ 30 billion in the FY 2011-2016. The sector in India is predicted to reach a market size of US$ 300 billion in annual revenue by 2026. Furthermore, it is likely to generate 65 million additional jobs.

India has the potential to become one of the world's leading consumer markets. In addition, industry analysis shows that India is an attractive base from which to export cars to third country markets. Exporting cars from India to the world market is 35% cheaper than Europe. Thus, as long as the Indian economy continues to grow, Japanese automobile companies will continue to both sell and export cars in India.

The automotive industry is one of the core industrial sectors of strength of Japanese economy. Japan is one of the world's top 3 car producing countries and some of its very well-known global auto brands such as Toyota, Honda, Nissan, Mitsubishi, Subaru, Mazda, Lexus etc. already have presence in India.

China is a key supplier of parts to auto plants around the world, shipping nearly $35 billion of parts in 2018, as per UN data with India importing components worth $4.6 billion.[6] Given the current COVID-19 situation and massive negative impact on the global supply chains, many factories in India have been struggling to find alternative sources for procurement after China closed down and this is where Japanese companies have the opportunity to step in.

The evolving Indian automotive electronic space also provides a massive opportunity for innovation and investment, widening the playing field for Japanese auto industry in India.

b. Electronic Systems

The Electronics System Design & Manufacturing (ESDM) industry includes electronic hardware products and components relating to information technology (IT), office automation, telecom, consumer electronics, aviation, aerospace, defense, solar photovoltaic, nano electronics and medical electronics. The industry also includes design-related activities such as product designing, chip designing, Very Large-Scale Integration (VLSI), board designing and embedded systems.

The Indian electronics market is one of the largest in the world and is expected to value $400 billion by end of 2020. India's digital base is the second largest in the world and is growing at the second-fastest rate among the 17 leading economies. The Digital India program has been transforming the country into a digitally empowered

6 https://auto.economictimes.indiatimes.com/news/auto-components/indian-auto-industry-staring-at-disrupted-operations-on-coronavirus-scares/74292866

society and knowledge economy since its launch in July 2015. India is the third biggest start-up hub in the world. In 2018 alone, 1200 new tech start-ups were added.

The major investment opportunities are in manufacturing of mobile phone; semi-conductor wafer fabrication; Light Emitting Diode (LED); wearable devices; solar cells and modules; LED and Liquid Crystal Display (LCD); research, innovation and skill development support can be provided in emerging technology areas such as Augmented Reality (AR), Virtual Reality (VR), drones, robotics, additive manufacturing, etc and research and development of automotive electronics and power electronics for mobility.

c. Electronics

The Japanese electronics industry is one of the largest in the world, producing computers, mobile phones, televisions, camcorders, audio and video players, etc.

Major Japanese electronics companies include Akai, Brother, Canon, Casio, Citizen, Fujifilm, Fujitsu, Hitachi, JVC Kenwood, Konica Minolta, Kyocera, Mitsubishi Electric, NEC, Nikon, Nintendo, Olympus, Panasonic, Pioneer, Ricoh, Seiko Group, Sharp Corporation, Sony, TDK, Toshiba and Yamaha.

India is one of the largest electronics markets in the world and is anticipated to be $ 400 billion by 2025. The consumer electronics and appliances industry in India is expected to become the fifth largest in the world by 2025 while the electronics market is projected to grow at a CAGR of 17% during 2014-2020.[7]

With 100% FDI allowed under the automatic route, the sector is ripe for investments and expansion. The Indian government has recently instituted a new incentive policy for electronics comprising of Production Linked Incentive Scheme for Large Scale Electronics Manufacturing (PLI), Electronic Manufacturing Clusters (EMC), and Scheme for promotion of Manufacturing of Electronic Components and Semiconductors (SPECS).

The PLI scheme offers an incentive of 4-6% on incremental sales over base year of goods produced in India for five years after the base year. It covers mobile phones and specific components such as printed circuit boards, SMT components, sensors, passive components, as well as assembly, testing, marking and packaging units.

The modified EMC scheme aims to support world class infrastructure with common facilities, Ready Built Factory sheds, and plug and play models for global electronics manufacturers and their ancillaries. It provides financial assistance for establishing EMC products and Common Facility Centres (CFCs) and is open from 1 April 2020 to 31 March 2023 for receipt of applications. The approved projects can avail of funds up to 5 years further. Applications are to be made to the Project Management Agency and approved by Project Review Committee.

7 https://www.investindia.gov.in/sector/electronic-systems

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Collaborate. Innovate. Accelerate.

BILATERAL INVESTMENTS

Investment climate in India | Investment climate in Japan
Sectors of potential

Complementary conditions are in place for mutual investments. Japan is traditionally a large player overseas, with close to $ 600 billion outward investments in four years between 2015 and 2018 as per UNCTAD. India, on the other hand, is a favoured destination for FDI, garnering over $225 billion worth of inward flows in this period. With India's continued rapid growth and an improving investment climate, it can be a hotspot for Japanese outward FDI.

i. Investment Climate in India

The Indian government's favourable policy regime and robust business environment have ensured that foreign capital keeps flowing into the country. The government has taken many initiatives in recent years such as relaxing FDI norms across sectors such as defence, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others.

According to the Department for Promotion of Industry and Internal Trade (DPIIT), FDI equity inflows in India stood at US$ 456.79 billion during April 2000 to December 2019, indicating that government's effort to improve ease of doing business and relaxation in FDI norms is yielding results.

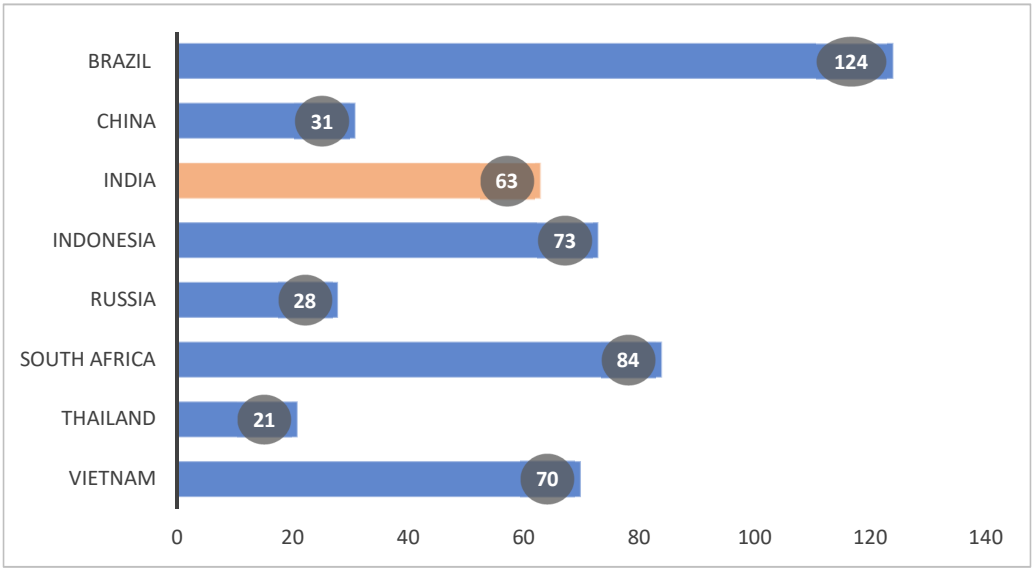
FDI equity inflows in India stood at US$ 36.79 billion during April-December 2019. Data for 2019-20 indicates that the service sector attracted the highest FDI equity inflow of US$ 6.52 billion, followed by computer software and hardware – US$ 6.34 billion, telecommunications sector - US$ 4.29 billion and trading – US$ 3.52 billion.

Table 14: Cumulative FDI into India from April 2000 to December 2019

S. No.	Financial Year (April-March)	Amount of FDI Inflows		%age growth over previous year (in terms of US$)
Financial Years 2000-01 to 2019-20		In Rs Crores	In US$ Million	
1.	2000-01	10,733	2,463	–
2.	2001-02	18,654	4,065	(+) 65%
3.	2002-03	12,871	2,705	(–) 33%
4.	2003-04	10,064	2,188	(–) 19%
5.	2004-05	14,653	3,219	(+) 47%
6.	2005-06	24,584	5,540	(+) 72%
7.	2006-07	56,390	12,492	(+) 125%
8.	2007-08	98,642	24,575	(+) 97%
9.	2008-09	142,829	31,396	(+) 28%
10.	2009-10	123,120	25,834	(–) 18%
11.	2010-11	97,320	21,383	(–) 17%
12.	2011-12^	165,146	35,121	(+) 64%
13.	2012-13	121,907	22,423	(–) 36%
14.	2013-14	147,518	24,299	(+) 8%
15.	2014-15	181,682	29,737	(+) 22%
16.	2015-16	262,322	40,001	(+) 35%
17.	2016-17	291,696	43,478	(+) 9%
18.	2017-18#	288,889	44,857	(+) 3%
19.	2018-19#	309,867	44,366	(–) 1%
20.	2019-20# (up to December, 2019)	258,009	36,769	–
Cumulative Total (From April, 2000 to December, 2019)		2,636,896	456,911	

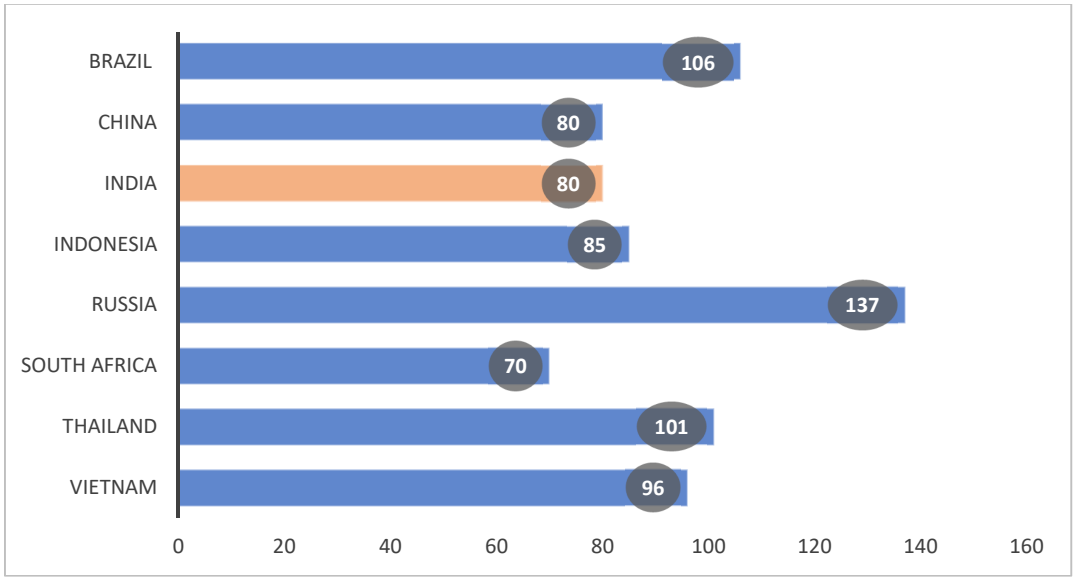
India compares with other emerging economies on global rankings on Ease of Doing Business, Corruption Perceptions Index, and Logistics Performance Index. As a large and populous country, it is on its way to raising human development as per the UNDP Human Development Index.

Chart 4: Doing Business Rankings 2019



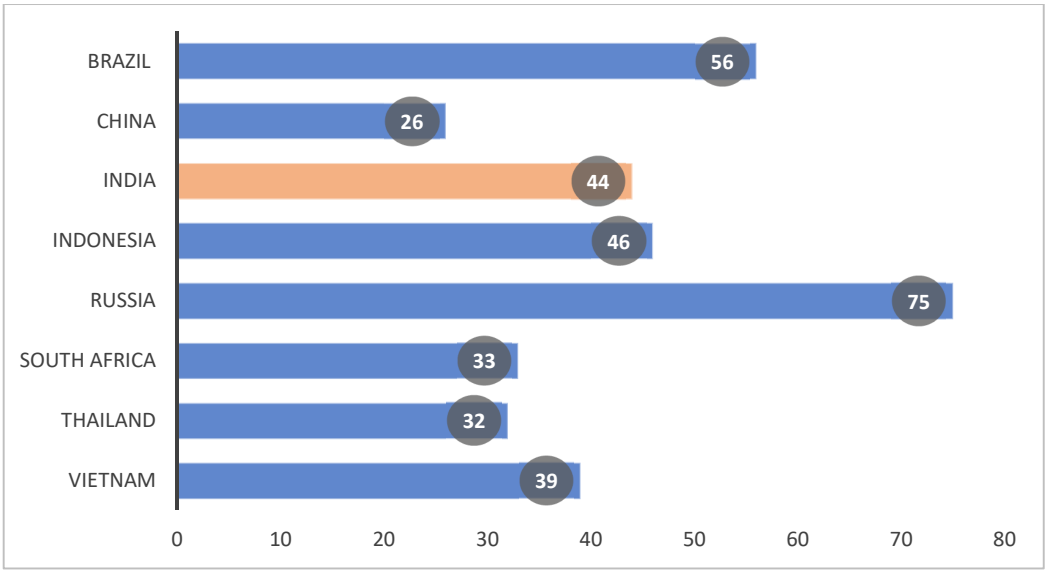
Source: *World Bank*

Chart 5: Corruptions Perceptions Index Rankings 2019



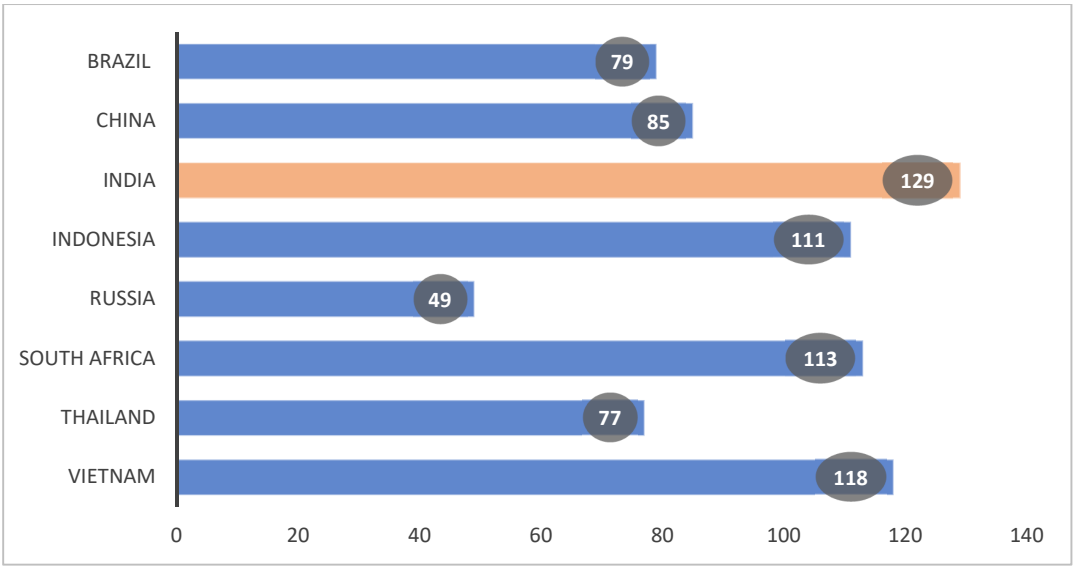
Source: *Transparency International*

Chart 6: Logistics Performance Index Rankings 2018



Source: *World Bank*

Chart 7: Human Development Index Rankings 2019



Source: *UNDP*

Key Reforms implemented in India

A strong agenda of economic reform policies that has been set in motion, including implementation of GST, Insolvency and Bankruptcy Code, and liberalizing FDI norms among others, is gathering momentum and has hastened India's climb up the economic ladder by opening many new avenues for investment. India is fast emerging as a strong market, a favored investment destination and a focal point for the global economy.

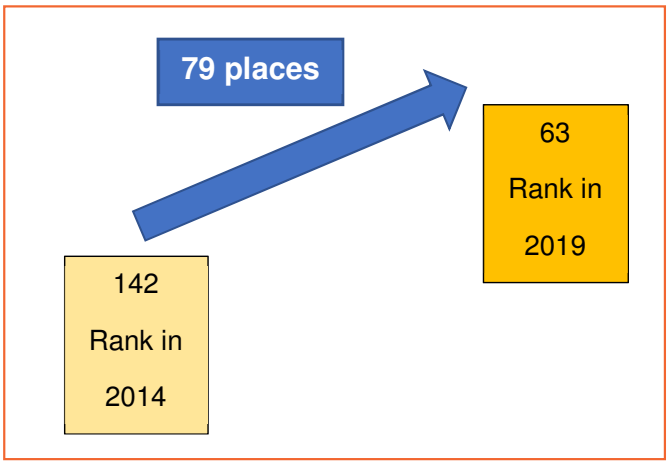
India, today, is one of the most open economies for FDI in the world with most sectors open to 100% under the automatic route. The Government is continuously working on making the FDI policy facilitative and congenial. In August 2019, it announced changes to FDI in single brand retail, coal mining and contract manufacturing.

- 100 per cent FDI under the automatic route has been allowed in coal mining for open sale (as well as in developing allied infrastructure like washeries).
- FDI norms in several sectors, including non-banking financial companies, single brand retail and construction have been relaxed.
- One hundred per cent FDI under the automatic route has also been allowed in contract manufacturing and in single brand retail.
- 26% FDI has been permitted under government route for uploading/ streaming of News & Current Affairs through Digital Media, on the lines of print media.

Overall, the Indian Government is committed to ensuring that foreign investors have a good experience in India. Other macroeconomic indicators such as fiscal deficit, current account deficit and inflation are within reasonable targets.

To attract investments, Ease of Doing Business has been taken up in mission mode through initiatives by the central and state governments for faster and simpler procedures and clearances. As a result, India's EODB rank has improved significantly over the last 4 years, jumping up from 134 in 2014 to 63 in 2019- underscoring the government's firm resolve to improve the business environment.

Chart 8: India's improvement in Ease of Doing Business



Numerous foreign companies are setting up their facilities in India on account of various government initiatives like Make in India and Digital India.

The Government launched the Make in India initiative with an aim to boost the manufacturing sector of Indian economy, to increase the purchasing power of an average Indian consumer, which would further boost demand, and hence spur development, in addition to benefiting investors. It aims to take share of manufacturing in GDP up to 25 per cent from the current 17 per cent. Besides, the Government has also come up with Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and increasing digital literacy.

ii. Japanese investments in India

According to a recent survey conducted by the Japan Bank for International Co-operation, India is one of the most favoured investment destinations for strategic Japanese investments. As per DPIIT, FDI from Japan accounted for about US$33.08 billion from April 2000 until December 2019, which is about 7% of the total FDI into India during this period. Japan is the 3rd largest investor in India. In fact, Japan is the largest investor in India, if we do not include Singapore and Mauritius which often act as conduits for investments originating in different countries.

Japan Plus: As per the India-Japan Promotion Partnership announced in 2014, Japan pledged to raise its investments in India. Accordingly, the two governments established Japan Plus as a cell for facilitating Japanese investments in India. Professionals from the Indian Government and from Japanese Ministry of Economy, Trade and Industry and JETRO man the desk with the intent of identifying Japanese investors, providing information and coordinating with Indian ministries and state governments as required. Japan Plus has provided assistance to about 20 Japanese companies every month on average.

Table 15: Top 10 Japanese companies operating in India

	Jobs created	Total Investment (US$ million)
Suzuki Maruti India	21,192	5,407.20
Edelweiss Tokio Life	6,229	948.80
Panasonic (Matsushita)	9,539	636.30
Hitachi	5,330	975.60
Honda Motorcycle & Scooter India	16,843	1,250.70
Toyota Kirloskar Motor (TKM)	10,734	1,763.10
Mitsubishi Heavy Industries (MHI)	1,626	238.90
Nissan Motor India	2,095	365.40
Mitsui OSK Lines (MOL)	1,354	636.70
Nippon Paint	2,164	288.30

Source: *fDi Intelligence from The Financial Times Ltd*

Table 16: Top sectors in India for Japanese FDI (from January 2000 to December 2018)[8]

Rank	Sectors	Amount of FDI Equity Inflows (in US$ million)	% FDI Equity Inflows from Japan
1.	Automobile industry	5,700.47	19.26
2.	Drugs and pharmaceuticals	4,463.87	15.08
3.	Services sector	4,083.83	13.80
4.	Metallurgical industries	2,586.25	8.74
5.	Telecommunications	21,59.29	7.30
	TOTAL	18,993.71	64.18

Table 17: Top FDI inflows into Indian companies (January 2000 to December 2018)

S. No	Indian Company	Japanese Collaborator	Sector	FDI Inflow Amount (in US$ million)
1.	Tata Teleservices Ltd.	NTT Docomo Inc.	Activities of maintaining and operating paging, cellular and other telecommunication networks	1,457.66
2.	JSW Steel Ltd.	JFE Steel Corporation	Manufacture of semi-finished iron & steel products	1,060.26
3.	MCPI Pvt. Ltd.	Mitsubishi Chemical Corporation	Manufacture of organic and inorganic chemical compounds	474.78
4.	Suzuki Motor Gujarat Private Limited	Suzuki Motor Corporation	Manufacture of passenger cars	460.95
5.	Reliance Life Insurance Company Ltd.	Nippon Life Insurance Company	Life insurance, health insurance and annuity business	543.02
6.	Toshiba Transmission & Distribution Systems	Toshiba Corporation	Manufacture of transformers	273.39
7.	Renault Nissan Automotive India Pvt. Ltd.	Nissan Motors Company	Manufacture of transport equipment and parts	274.67
8.	Kotak Mahindra Bank Ltd.	Sumito Mitsui Banking Corporation	Banking activities, including financial services	303.47

8 https://dipp.gov.in/sites/default/files/Japan_iii_18.pdf

There were 1,441 Japanese companies registered in India as of December 2019.[9] These companies have 5,102 business establishments spread across states such as Rajasthan, Karnataka, Tamil Nadu, West Bengal and Gujarat. With a share of 7% of the total FDI inflows in India, Japan was third-largest investor in India in 2019.[10]

Japan has taken a strong position in Indian startups which are among the world's five largest startup sectors. SoftBank is the most active and has poured in funds into Indian tech companies, many of which have gone on to emerge as unicorns. Some of its investments include OYO, Paytm, Flipkart, Ola and so on. Other Japanese investors who have rushed to Indian startups are Mistletoe, Incubate and Beenos.

iii. Indian Investments in Japan

Indian investments in Japan are limited and mostly in the field of IT. A number of companies, such as TechMahindra, Tata Consultancy Services, Cyient etc. have established operations in Japan.

According to data from fdimarkets.com, Indian companies invested a total of a total capital investment of US$ 579.05 million between January 2003 and January 2020 thereby creating a total of 3,836 jobs.

Table 18: Top 10 Indian Companies Operating in Japan

	Jobs created	Total Investment (US$ m)
TechMahindra	125	5.70
Tata Consultancy Services (TCS)	632	27.30
ShimBi Labs	44	12.40
Amagi	22	6.20
Annik	11	9.70
Canara Bank	15	34.80
Carbogen Amcis	86	7.30
Claris Lifesciences	154	28.90
Crimson Interactive	11	9.70
Cyient Limited	10	6.40

Source: *fDi Intelligence from The Financial Times Ltd*

9 https://www.investindia.gov.in/team-india-blogs/how-japanese-companies-have-made-home-india
10 https://dipp.gov.in/sites/default/files/FDI_Factsheet_27May2019.pdf

iv. Future Outlook

While Japan is the third largest investor in India, its total commitment in India is a small share of its total outward investments which can be substantially increased. Japanese companies have had a beneficial experience in India.

Japanese companies have been venturing into the vast growing Indian market, utilizing its resources especially the human talent pool and using India as an export base. The signing of the historic India-Japan Comprehensive Economic Partnership Agreement (CEPA) and its implementation from August 2011 has accelerated economic and commercial relations between the two countries opening up opportunities for businesses.

During the visit of Prime Minister Modi to Japan in September 2014, PM Abe pledged $35 billion in investment in India's public and private sectors over the next five years as well as to double the number of Japanese companies operating in India. Japan has also pledged to train 30,000 people in India over next 10 years via the Japan-India Institute for Manufacturing (JIM), providing Japanese style manufacturing skills and practices, in an effort to enhance India's manufacturing industry base and contribute to "Make in India" and "Skill India" Initiatives.

Japan is a significant global player in services. Yet the presence of Japanese services and firms in the Indian market is much less than in other parts of Asia. Given India's strong presence in the global services market especially as the top player in IT services, this trend needs to be reversed. Sectors of interest to the two sides are IT, accounting, financial services, infrastructure related services, legal services, retail, telecommunication services, tourism and health services.

In addition, to promote Indian investment in services in Japan, Indian business leaders suggest that barriers like economic needs test for services export from India to Japan should be addressed as soon as possible. There is a need to conclude mutual recognition agreements for professional qualifications. Another major issue is the non – conformity of standards between the two countries. Concluding mutual recognition agreements between the standards setting bodies of both countries can boost trade and investments in both countries.

v. Major Sectors for Investment in India

Indian manufacturing and services sectors present strong avenues for growth for Japanese companies. The key sectors identified for investments by Japanese companies are given below. The section also mentions emerging areas of potential where the market in India is set to boom and where India enjoys high growth potential. The major sectors of automobiles, electronic systems and design and electronics are mentioned in the previous chapter as key sectors for global value chain integration.

a. Medical Devices

The Indian healthcare industry is on a high growth trajectory having evolved significantly in the last decade. However, healthcare provision remains inequitable and challenges in access to quality, affordable healthcare persist in large parts of the country.

The medical devices sector has also grown considerably during this period and plays a critical role at each stage of the healthcare continuum. Although it has been instrumental in improving access and affordability of healthcare services, a number of ecosystem constraints have led to a high dependence on imports for addressing domestic demand.

The current demand and supply side dynamics provide a significant opportunity and rationale for manufacturing medical devices in India. The Government of India's 'Make in India' initiative presents a platform for the sector to revisit the operating model, identify key imperatives for growth and explore possibilities for creating a step change in the medical devices sector.

India's medical device market is projected to grow to $50 billion by 2025 from $10 billion in 2019. It is the fourth largest in Asia, after Japan, China and South Korea. Currently, India has 750-800 medical device manufacturers, with an average investment of INR 170-200 million and an average turnover of INR 450-500 million. India allows 100% foreign direct investment in medical devices on the automatic route.

b. Textiles and Garments

The textiles and apparel industry in India has strengths across the entire value chain from fiber, yarn and fabric to apparel. It is highly diversified with a wide range of segments from products of traditional handloom, handicrafts, wool and silk products to the organized textile industry. The organized textile industry is characterized by the use of capital-intensive technology for mass production of textile products and includes spinning, weaving, processing, and apparel manufacturing.

The domestic textiles and apparel industry stood at $140 billion in 2018 (including handicrafts) of which $100 billion was domestically consumed while the remaining $40 billion was exported.

Further, the domestic consumption of $100 billion was divided into apparel at $74 billion, technical textiles at $19 billion and home furnishings at $7 billion. Exports comprised of textile exports at $20.5 billion, apparel exports at $16.1 billion and handlooms at $3.8 billion. India has become the 2nd largest manufacturer and exporter in the world, after China, with a share of 5% of the global trade in textiles and apparel.

The performance of textile industry is given below:

Table 19: Performance of Indian Textile Industry

Item	2016-17	2017-18	2018-19 (Prov.)
Spun Yarn (million Kg)	5659	5680	5862
Man-made Fibre (million Kg)	1364	1319	1443
Manmade filament yarn (million Kg)	1159	1187	1159
Cloth Production (millionSq.Mtr)	64421	67779	70980

The government has taken several policy initiatives to promote textiles industry and help it becoming globally competitive.

Rebate of State and Central Taxes and Levies (ROSCTL): With effect from 07.03.2019, the Central Government has launched a new scheme viz. Rebate of State and Central Taxes and Levies (ROSCTL) on Export of Garments/Made-ups. The ROSCTL Scheme provides rebate of State and Central Taxes and Levies in addition to the Duty Drawback Scheme, through the Scheme on Export of Garments/Made-ups at notified rates and value caps. The policy has been extended up to 31 March 2021.

Enhanced Customs Duty to boost domestic manufacturing: Basic Customs Duty has been increased from 10% to 20% on 501 textile products.

Special Package for Textile and Apparel sector: A package of INR 60 billion was launched in June 2016 to boost employment and export potential in the apparel and made-up segments. This package consists of Remission of State Levies for garments and made-ups; additional production and employment linked subsidy of 10% under Amended Technology Updgradation Fund Scheme (ATUFS) for garments; assistance for the entire 12% employers' contribution towards Employees' Provident Fund; fixed term employment in garmenting, increasing overtime caps; and income tax concessions under section 80JJAA for the garmenting sector.

Enhanced Duty Drawback Coverage / Rebate of State Levies (ROSL) on Export of Garments/Made-ups: This scheme is in operation from 20th September 2016 for a period of three years.

Amended Technology Up-gradation Fund Scheme (ATUFS): The amended Scheme was launched in January 2016 with an outlay of INR 178.22 billion for technology upgradation of textiles industry with one time capital subsidy for eligible machinery. The scheme has been designed to mobilize new investment of about INR 950 billion and employment for 3.5 million persons by the year 2022.

SAMARTH: This is a Scheme for Capacity Building in Textile Sector (SCBTS) for the entire value chain of textile sector, excluding Spinning and Weaving in the organized sector, for a period of three years from 2017-18 to 2019-20 with an outlay of INR 13 million to provide skilling and skill-upgradation in the traditional sectors. 1 million persons will be trained under the scheme by March, 2020.

National Handloom Development Programme and National Handicrafts Development Programme: These programmes aim at holistic development of handloom and handicrafts clusters through integrated approach. The strategic interventions under the programme include financial assistance for new upgraded looms and accessories, design innovation, product and infrastructure development, skill upgradation, training, setting up of Mega clusters for increasing manufacturing and exports, easy access to working capital through customized Mudra loans for weavers and artisans and direct marketing support to weavers and artisans.

India Handloom Brand: This Scheme has been launched by the Government in 2015 to enhance the quality in weaving, designing and defect free handloom products for safeguarding the interest of the buyers in the domestic and international markets. It will promote production of niche handloom products with high quality, authentic traditional designs with zero defect and zero effect on environment. Since its launch, 1232 registrations have been issued under 122 product categories as of March 2019.

Silk Samagra: Government of India has been implementing a Central Sector Scheme "Silk Samagra" for development of sericulture in the country with components such as Research & Development, training, transfer of technology and IT initiatives, support to seed organisations, coordination and market development, and quality certification systems and Export Brand Promotion and Technology Upgradation. R&D efforts have also been initiated to evolve new products by blending silk with other fibres such as wool, coir, cotton etc., which have demand in international markets.

Scheme for Integrated Textile Park (SITP): This scheme is implemented in Public Private Partnership mode to attract private investments in developing new clusters of textiles manufacturing. Government of India provides financial assistance up to 40% of the project within a ceiling of INR 400 million.

c. Food Processing

Food processing has an important role to play in linking Indian farmers to consumers in the domestic and international markets. The Ministry of Food Processing Industries (MoFPI) is making all efforts to encourage investments across the value chain. The industry engages approximately 1.85 million people in around 40,000 registered units with fixed capital of $ 32.75 billion and aggregate output of around $ 158.69 billion.

Major industries constituting the food processing industry are grains, sugar, edible oils, beverages and dairy products. The key sub-segments of the food processing industry in India are dairy, fruits and vegetables, poultry and meat processing, fisheries, food retail, etc.

The Japanese food processing industry is one of the world's most advanced and sophisticated, with yearly output valued at over $200 billion. Government of India has signed Memorandum of Cooperation with Japan in the field of food processing sector, focusing on best practices, market access and exchange of technologies.

Japan is keen to invest in the processing of fruits and vegetables as well as spices and make India a prospective base and export hub.[11]

Japanese companies such as Ise Foods Inc., Kagome Co., Ltd., Nissan Steel Industry Co., Ltd., Shinmei Co., Ltd. and Innovation Thru Energy Co., Ltd., have launched their business in India.

11 https://timesofindia.indiatimes.com/business/india-business/japan-keen-to-invest-in-indias-food-processing-sector-badal/articleshow/57432439.cms

d. Chemicals

The chemicals industry in India is highly diversified, incorporating production of nearly 80,000 commercial products. The industry is broadly classified into Bulk chemicals, Specialty chemicals, Agrochemicals, Petrochemicals, Polymers and Fertilizers.

The chemical industry in India stands at $163 billion as of 2018, contributing to 3.4% to the global chemical industry. It provides employment to more than 2 million. The current per capita consumption of chemical products in India is 1/10th of the world average. The sector ranks at the 6th position in the world and 4th in Asia in terms of size. India ranks 17th in the world export of chemicals and is positioned 7th in the world imports of chemicals. 100% FDI is allowed under the automatic route in the chemical industry, except in the case of hazardous chemicals.

The Government of India has launched several schemes and initiatives to encourage growth of the sector

i. Petroleum, Chemicals and Petrochemical Investment Regions (PCPIRs)

PCPIRs provide investors with a transparent and investment friendly policy and facility regime. PCPIR is a cluster approach to promote petroleum, chemicals and petrochemical sectors in an integrated and environmentally friendly manner on a large scale.

Each PCPIR is a specifically delineated region spread over an area of about 250 sq. km. They have manufacturing facilities, along with associated logistics and other services. The required infrastructure along with a non-processing area will be developed, to include residential, commercial and other social and institutional infrastructure.

The projected investment on full realisation of PCPIRs is $1091.4 billion.

ii. Plastic Parks

The Department of Chemicals and Petrochemicals has formulated the scheme for setting up Plastic Parks with the objective of need based plastic parks, an ecosystem with state-of-the-art infrastructure and common facilities. The units will be consolidated through the cluster development approach. The Government of India will provide grant funding of up to 50% of the project cost subject to a ceiling of $5.7 million. The remaining project cost is to be funded by the State Government or State Industrial Development Corporation.

Plastic Parks in States of Madhya Pradesh, Odisha, Jharkhand, Uttar Pradesh, Assam & Tamil Nadu are being set up under the scheme of Plastic Parks.

iii. R&D

Focus on innovation and R&D by setting up “Centres of Excellence” to support chemical sector’s movement up the value chain from bulk chemicals to more value-added chemicals is being done by offering investment allowances and tax deductions on acquiring plant and machinery. Additional incentives are being offered depending on the scale of investment for the industry sponsored R&D initiatives and set-up of dedicated in-house R&D facility.

iv. Centres of Excellence (CoE) in Polymer Technology

The scheme aims at improving the existing petrochemicals technology and research in the country and to promote development of new applications of polymers and plastics. In phase-I of the Scheme implemented up to the year 2017, the Government of India provided financial support to the extent of maximum of 50% of the total cost of the project subject to an upper limit of INR 60 million over a period of 3 years. In Phase II – the Scheme was extended upto year 2020 with modified guidelines, which aim at promoting applied research and technology transfer from Lab to Industry and funding of INR 50 million per CoE.

Additionally, the Department of Chemicals and Petrochemicals has taken various initiatives like standards and regulations towards health and safety, along with environment protection from Chemicals.

v. Standards

The Department of Chemicals and Petrochemicals has initiated steps to make standards mandatory in public interest under section 16 of the Bureau of Indian Standard Act 2016 for:

(i) Protection of human, animal or plant health

(ii) Safety of the environment

(iii) Prevention of unfair trade practices

(iv) Protection of National Security

vi. Regulations (Safety of Human Health and Environment)

The government is formulating Chemical (Management & Safety) Rules with the objective to ensure a high level of protection of human health and the environment impacted by the use of chemicals. It is expected that the full implementation of this regulation shall promote innovations in greener and safer chemistry within chemicals manufacturing, transport, use and disposal, and enhance the competitiveness of domestic chemical industry.

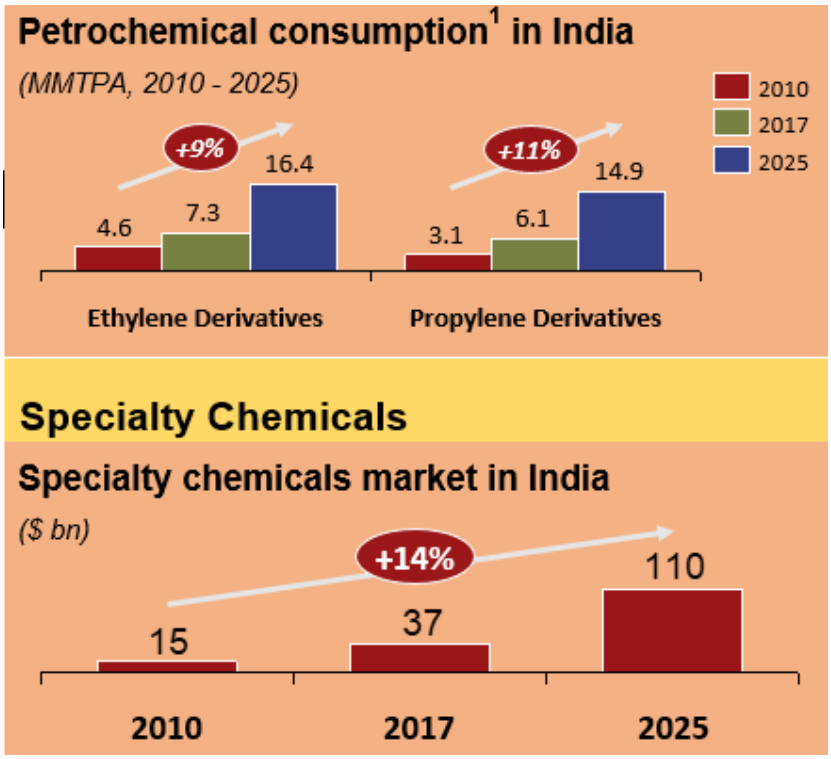
In recent times, there has been a global shift towards Asia as the world's chemical manufacturing hub. The chemical industry in India is anticipated to grow at a rate of 9% per annum and reach $304 billion by FY 2025. The growth is expected to be driven by rising demand in end-use segments for Specialty Chemicals and for petrochemical intermediates.

Key reasons for Indian Chemicals segment's fast growth

- Strong domestic demand driven by robust economic growth
- Changing customer behaviour with increase in purchasing power
- Underpenetrated domestic end markets
- Promising export potential

The Indian Chemicals and Petrochemicals Industry has huge investment potential:

- Investment in exploring alternate feedstock or investment in setting up plants in resource rich nations to secure feedstock.
- Investment in exploring the right product mix to be competitive and profitable using the available feedstock in India i.e. Naphtha and its derivatives.



Source: *CII DPIIT Consultation Forum: Make in India*

- Exploring possible merger and joint venture opportunities for technology, capital or access to international market by taking advantage of increasing expansion of western companies in India.
- Investment in exploring strategic energy management and strategic water management to cut down their energy costs and contain water availability concerns.
- Investment in upcoming PCPIRs in India and overcome challenges related to infrastructure, power and water availability.
- There are good opportunities in segments such as Speciality Chemicals, Speciality Polymers, for catering to huge emerging domestic demand as also as a manufacturing hub.

e. Renewable Energy

In 2019, India was ranked as the fourth most attractive renewable energy market in the world. The country has set an ambitious target of 175 GW of renewable power by 2022, which includes 100 GW of solar power; 60 GW from wind power; 10 GW from biomass power and 5 GW from small hydro power. This is the world's largest expansion plan in renewable energy. Up to 100% FDI is allowed under the automatic route for renewable energy generation and distribution projects subject to provisions of The Electricity Act, 2003.

India is the 4th largest importer of oil and the 15th largest importer of petroleum products and Liquefied Natural Gas (LNG) globally. The increased use of indigenous renewable resources is expected to reduce India's dependence on expensive imported fossil fuels.

Major investment opportunities in the sector are listed below:

- Green Energy Corridor with an estimated investment of $5.8 billion has been set up to ensure evacuation of renewable energy from generation points to the load centers by creating transmission infrastructure.
- Scheme for development of solar parks and ultra-mega solar power projects has an approved capacity of 40,000 MW. This entails setting up of at least 50 solar parks, each with a capacity of over 500 MW. A planned Central Government financial support of $1.2 billion is provided for the scheme.
- Upcoming 100 smart cities under the Smart City Project have huge scope for being powered by renewable energy.
- Hydro projects are exempted from competitive bidding until 2022.
- Setting up of small hydro projects has been declared as 'Priority' under the National Mission on Small Hydro. Upgradation of watermills and micro-hydro projects under the same scheme is planned.
- Battery packs for Electric Vehicles are set to be a major industry in India.

f. Urban development

The highlight of Japan's investment is the $90 billion Delhi-Mumbai Industrial Corridor, spread across six Indian states, which will involve building new cities, industrial parks, ports, airports, and a 1,483 km high-speed rail. In addition to new manufacturing hubs, DMIC will envisage development of infrastructure linkages like power plants, assured water supply, high capacity urban transportation and logistics facilities as well as important interventions like skill development programme for providing employment opportunities of youth.[12]

With opportunities available across the infrastructure belt, Japan can help fill in the gap in India's infrastructure development efforts.

12 https://www.indembassy-tokyo.gov.in/india_japan_economic_relations.html

g. Transport & logistics

Transportation system in Japan is considered to be one of the best in the world in terms of punctuality, safety and comfort.

To revolutionize connectivity and change India's transport sector, Japan has brought Shinkansen or bullet trains to India. Japan and India have been collaborating in the construction of the Mumbai-Ahmedabad high speed rail.

Japan is also building the Western Dedicated Freight Corridor (DFC), a rail freight corridor of 1504 km from Dadri to Jawaharlal Nehru Port, India's largest port on its western coast, in an effort to reduce the congestion in the Delhi-Mumbai route. The project is executed through JICA funding of JPY 550 billion with total disbursement of loan till July 2018 at JPY 443 billion.

Being at the top of the world chain in technologically advanced transport and as a leader of global logistics, Japan and its companies can help modernize and develop India's transport infrastructure.

vi. Emerging Areas of Cooperation

a. Digital India: Japan's prowess in IT hardware can also help drive the Digital India initiative of the Government. Not only is Digital India expected to create a huge demand for IT hardware, it is also expected to lead to demand for new talent, thereby opening a new area of cooperation between the two nations. India and Japan could jointly look at present day education policies and content to enable adoption of Industry 4.0.

b. Cybersecurity: India's major strength lies in its large pool of IT professionals, where Japan is facing a shortage of trained cybersecurity experts. For Japan, its strength lies in its public-private partnership, which is essential to maximise the country's cyber-defences, but is actually one of India's weaknesses. Once again, we can see the complementarities between India and Japan which need to be exploited.

a. There is a need for industry to be involved in cybersecurity collaboration between India and Japan to protect critical infrastructure and share cyberthreat intelligence to make cyberattacks cost-prohibitive to attackers.

b. While industry plays a key role in running critical infrastructure, owning operational and security technologies, and understanding customers' interests and concerns, the government is responsible for crafting national and international strategies and policies. Public-private partnerships are crucial to make policy practical.

c. Advanced Manufacturing: Japan has been in the forefront of innovations and advanced manufacturing practices and truly championing the areas globally. India looks forward to more collaboration and partnership with Japanese academic institutions, research labs and industries for co-creation of knowledge for its exploitation for a shared future.

Given India's strong focus on developing the manufacturing sector in the country, there is a need for India and Japan to cooperate on co-creation of knowledge in advanced manufacturing with Japanese academic institutions, research labs and industries with a focus on automation, the internet of things (IoT), 3D Printing, AI, robotics, and 5G technology.

d. **Infrastructure:** There is a need for sustained Japanese Investment in the Indian infrastructure sector including roads, railways, seaports, airports, power generation and smart grids, water treatment facilities, industrial complexes, and other elements of infrastructure including the Dedicated Freight Corridor (DFC) construction project, the Delhi Mumbai Industrial Corridor Project (DMIC) and related projects.

e. **Development of the Andaman and Nicobar Islands:** India and Japan have identified the need to develop smart islands in India. Given India's renewed focus on developing its Andaman and Nicobar Islands, there is a need to considerably upgrade the infrastructure and digital connectivity in these islands. Japan is already collaborating with India in laying submarine optical fibre cables, connecting Chennai and the Andaman islands, to address the need for significant digital connectivity in the islands. Beyond physical infrastructure, where Japan is a leading actor, Tokyo can also help build a model for a smart island through sustainable methods like renewable energy, waste management, and eco-tourism.

f. **Defence:** A major landmark was achieved when Mahindra Defence signed a Memorandum of Understanding with ShinMaywa Industries Limited, Japan – the manufacturer of Amphibious Aircraft US-2. Signing this MOU offered both the companies to join forces in order to set up MRO services / manufacturing and assembling of structural parts & components for US-2 amphibian aircraft. This will go a long way in addressing the near-term issues of maritime surveillance and intercept capabilities in the Indian Ocean region.

g. **Space Cooperation:** Japan and India are key actors in using space for research and development, earth observation, outer space surveillance, communication and satellite navigation. Closer cooperation on transparency and confidence building measures in outer space, as well as on space security and safety and space debris mitigation should be developed.

Indian Industry also welcomes the technological collaboration between JAXA and ISRO in the Joint Lunar Polar Exploration Mission.

Takeaway

With improving business environment due to reforms in India and strong external focus of Japanese investors, it is the right time for Japanese companies to strategise for undertaking much more business with India.

INVESTMENT CLIMATE

India | Taxation | Opening a Business

Japan | Opening a Business

i. Business climate in India for Japanese investment

India has been progressively liberalizing its investment climate and opening up to FDI. Currently, it has one of the most open FDI regimes in the world with most sectors free for foreign participation, largely under the automatic route.

a. Sectors prohibited for FDI in India[13]

a) Lottery business including government/private lottery, online lotteries, etc.

b) Gambling and betting, including casinos, etc.

c) Chit funds

d) Nidhi companies

e) Trading in Transferable Development Rights (TDRs)

f) Real estate business or construction of farmhouses; real estate business shall not include development of townships, construction of residential/commercial premises, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under SEBI (REITs) Regulations 2014

g) Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes

h) Activities/sectors not open to private sector investment; for instance, atomic energy and railway operations

b. Corporate taxation

India's tax structure for foreign companies is clearly outlined.

Residence – A corporation is resident if it is incorporated in India or if its place of effective management, in that year, is in India.

A partnership firm, LLP or other non-individual entity is considered resident in India if any part of the control and management of its affairs takes place in India.

13 https://dipp.gov.in/sites/default/files/FDI_Circular_2016.pdf

Basis – Residents are taxed on worldwide income; nonresidents are taxed only on Indian-source income. Indian-source income may include capital gains arising from the transfer of any share or interest in a company or entity registered or incorporated outside India if the share or interest directly or indirectly derives its substantial value from assets located in India. Foreign-source income derived by a resident company is subject to corporation tax in the same way as Indian income. A branch of a foreign corporation is taxed as a foreign corporation.

Taxable income – Tax is imposed on a company's profits, which consist of business/ trading income, passive income and capital gains. Income resulting from the indirect transfer of assets located in India is included. Normal business expenses, as well as other specified items, may be deducted in computing taxable income.

Taxation of dividends – Under earlier regime, Indian companies were required to pay DDT @20.56% on dividends, leading to Effective Tax Rate (ETR) of 37.93% (on base rate of 22%). To rationalize ETR and promote foreign investments, levy of DDT on dividend payments on or after 1 April 2020 has been abolished.

Capital gains – The tax treatment depends on whether gains are long or short term. Gains are long term if the asset is held for more than three years (one year in the case of listed shares and specified securities, and two years in the case of unlisted shares and immovable property (land, buildings or both)).

Long-term gains on listed shares and specified securities are exempt if the transaction is subject to securities transaction tax (STT). The exemption generally is not available if the equity shares were acquired on or after 1 October 2004 and the acquisition was not chargeable to STT; however, the Central Board of Direct Taxes has clarified that the exemption is available in specified cases (such as acquisitions under preferential allotment, off market acquisitions, acquisitions during a delisted period, etc.). However, with effect from 1 April 2018 (i.e. assessment year 2019-20), the exemption is restricted to INR 100,000. Any gain in excess of INR 1,00,000 is chargeable to tax at the rate of 10% (plus applicable surcharge and cess).

The cost of acquisition (i.e. the tax basis) of long-term capital assets acquired on or before 31 January 2018 is the actual cost or fair market value as on 31 January 2018, whichever is higher. Further, if the full value of the consideration on a transfer is less than the fair market value, the full value of the consideration or the actual cost, whichever is higher, is deemed to be the cost of acquisition.

Where gains on listed shares and specified securities are not subject to STT, a 10% tax applies (without the benefit of an inflation adjustment). The applicable tax rate on long-term capital gains derived by a nonresident from the sale of unlisted securities is 10% (without the benefit of foreign currency conversion or an inflation adjustment). Gains on other long-term assets are taxed at 20%, but with the benefit of an inflation adjustment.

Short-term gains on listed shares and specified securities that are subject to STT are taxed at 15%; gains from other short-term assets are taxed at the normal tax rates. A surcharge and cess also are imposed.

An unlisted domestic company is liable to pay an additional tax of 20% on income distributed to a shareholder on account of a buyback of the company's shares.

Losses – Business losses and capital losses may be carried forward for eight years, with short-term capital losses offsetting capital gains on both long- and short- term assets, and long-term capital losses offsetting only long-term capital gains. Other than unabsorbed depreciation (which may be carried forward indefinitely), losses may be carried forward only if the tax return is filed by the due date. Unabsorbed depreciation may be offset against any income, whereas business losses may be offset only against business profits in subsequent years.

Losses incurred from the letting out of "house property" may be offset against other heads (categories) of income up to INR 200,000. Unabsorbed losses from house property may be carried forward for up to eight years for offset against the income from house property of subsequent years.

Rate – The standard rate is 40% for foreign companies and branches of foreign companies. Taking into account the surcharge and cess, the highest effective rate is 43.68% for foreign companies.

Surtax – A 7% surcharge applies to domestic companies if income exceeds INR 10 million (2% for foreign companies), and a 12% surcharge applies if income exceeds INR 100 million (5% for foreign companies). An additional 4% cess is payable in all cases.

Alternative minimum tax – Minimum Alternate Tax (MAT) is imposed at a rate of 18.5% (plus any applicable surcharge and cess) on the adjusted book profits of corporations whose tax liability is less than 18.5% of their book profits. The MAT does not apply to certain income of foreign companies, including capital gains on transactions involving securities, interest, royalties and fees for technical services. A credit is available for MAT paid against tax payable on normal income, which may be carried forward for offset against income tax payable in subsequent years for up to 15 years.

Any person other than a corporation (including an LLP) is liable to an alternate minimum tax (AMT) at 18.5% (plus any applicable surcharge and cess) of the adjusted total income where the normal income tax payable is less than the AMT. AMT also is imposed on a person eligible for investment-linked incentives. The adjusted total income is the total income before giving effect to the AMT provisions, as increased by certain deductions claimed in computing the total income, including the tax holiday claimed by units in a Special Economic Zone (SEZ). A tax credit is allowed for the AMT paid against the tax payable on normal income, and the tax credit may be carried forward up to 15 years.

Foreign tax credit – Foreign tax paid may be credited against Indian tax on the same profits, but the credit is limited to the amount of Indian tax payable on the foreign income. Specific rules have been introduced regarding the mechanism for granting a foreign tax credit.

Withholding tax

Dividends – Dividend is subject to withholding tax (WHT) @10%/ 20% under the Indian tax law, subject to beneficial tax rate under relevant tax treaty.

Interest – Interest paid to a nonresident on a foreign currency borrowing or debt generally is subject to a 20% withholding tax, plus the applicable surcharge and cess.

A 5% withholding tax, plus the applicable surcharge and cess, applies to certain types of interest paid to a nonresident, including interest paid on specific borrowings in foreign currency and interest on investments made by a foreign institutional investor or a qualified foreign investor in a rupee-denominated bond of an Indian company, or in a government security.

If the nonresident does not have a permanent account number (PAN), i.e. a tax registration number, tax must be withheld at the higher of the applicable tax treaty rate or 20%; however, this does not apply if the payments are in the nature of interest and the foreign taxpayer furnishes the prescribed documents to the payer.

If the interest income derived by a nonresident does not fulfill certain prescribed conditions for concessional withholding tax rates, a withholding tax rate of 30% (for individuals and entities other than a foreign company) or 40% (for a foreign company), plus the applicable surcharge and cess, will apply. The rates may be reduced under a tax treaty.

Royalties – Royalties paid to a nonresident are subject to a 10% withholding tax, plus the applicable surcharge and cess. The rate may be reduced under a tax treaty.

If a treaty applies, but the nonresident does not have a PAN, tax must be withheld at the higher of the applicable tax treaty rate or 20%; however, this does not apply if the payments are in the nature of royalties and the foreign taxpayer furnishes the prescribed documents to the payer.

Technical service fees – Technical service fees paid to a nonresident are subject to a 10% withholding tax, plus the applicable surcharge and cess. The rate may be reduced under a tax treaty.

If a treaty applies, but the nonresident does not have a PAN, tax must be withheld at the higher of the applicable tax treaty rate or 20%; however, this does not apply if the payments are in the nature of technical service fees and the foreign taxpayer furnishes the prescribed documents to the payer.

Other taxes on corporations

Payroll tax – The employer is responsible for withholding tax on salary income.

Real property tax – Municipalities levy property taxes (based on assessed value) and states levy land-revenue taxes.

Social security – The employer generally contributes 12% of eligible wages per month to the provident fund— 8.33% of the wages (up to INR 15,000) is applied to the pension fund, with the balance paid to the provident fund (except in the case of "international workers," where the pension contribution by the employer is 8.33% of the wages). For employees joining the provident fund on or after 1 September 2014, the entire employer contribution (12% of wages) is applied to the provident fund.

Stamp duty – Specified instruments, transfers of shares in an Indian company in a physical form, transactions involving real estate and other specified transactions (including a court order for an amalgamation/demerger) in India attract stamp duties that are levied under the Indian Stamp Act and the stamp acts of the various states (with rates varying significantly between states).

Currently, if the securities are purchased or sold in dematerialized form, no stamp duty is payable; however, the Finance Act, 2019 proposes that stamp duty be levied on stock exchange transactions.

As a means of simplifying the levy and collection of stamp duty, the Indian Stamp Act was amended with respect to securities instruments. The law now provides for both the levy and collection of stamp duty through a single agency, i.e. either through a stock exchange, a clearing corporation or a depository.

Transfer tax – STT is levied on the purchase or sale of equity shares, derivatives, units in an equity-oriented fund or units of a business trust listed on a recognized stock exchange in India.

Other – An equalization levy of 6% on the amount of consideration for specified services received by a nonresident without a permanent establishment (PE) in India must be withheld by a resident payer or a nonresident payer with a PE in India. "Specified services" include online advertising or the provision for digital advertising space, other related facilities or services or any other service that may be notified by the central government. The income subject to levy will not be taxed in the hands of the recipient.

Anti-avoidance rules

Transfer pricing – The transfer pricing regime is influenced by OECD norms, although the penalty provisions in India are stringent compared to those in certain other countries. The definition of "associated enterprise" extends beyond a shareholding or management relationship since it includes some deeming clauses. The transfer

pricing provisions also cover specified domestic transactions with related parties if the aggregate value of those transactions exceeds INR 200 million in one year.

The pricing of these transactions must be determined with regard to arm's length principles, using methods prescribed under India's transfer pricing rules, which are similar to the methods prescribed in the OECD guidelines, with an additional sixth method, i.e. an "other method." The arm's length price is determined based on multiple-year data, and based on a range (between the 35th and the 65th percentile of the data distribution) or the arithmetic mean (depending on certain prescribed conditions).

The taxpayer is required to maintain detailed information and transfer pricing documents substantiating the arm's length nature of related party transactions. Companies also are required to submit a certificate to the tax authorities (in a prescribed format) from a practicing chartered accountant that sets out the details of associated enterprises, international transactions, etc., along with the methods used to determine an arm's length price. The certificate must be filed by the due date of filing the annual tax return, i.e. 30 November of each year.

The Indian transfer pricing documentation requirements have been updated to incorporate the specific reporting regime in respect of country-by-country reporting and the master file provided for under the OECD/G20 BEPS project.

Where the application of the arm's length price would reduce the income chargeable to tax in India or increase a loss, no adjustment will be made to the income or loss.

Secondary adjustments will apply to transfer pricing adjustments relating to fiscal year 2016-17. The taxpayer is required to repatriate cash to India within a prescribed time to the extent of a transfer pricing adjustment. If not repatriated, the amount of the adjustment will be treated as an advance to the associated enterprise and will be subject to notional interest taxable in India.

If a taxpayer that benefits from a tax holiday is subject to a transfer pricing adjustment, the benefit will be denied to the extent of the adjustment. Secondary adjustment provisions have been introduced through Finance Act, 2017, requiring cash repatriation for any kind of transfer pricing adjustment.

Safe harbor rules provide for the automatic acceptance of a taxpayer's transfer price that equals or exceeds the safe harbors.

A taxpayer also may enter into an advance pricing agreement (APA).

Disclosure requirements – A nonresident with a liaison office in India is required to prepare financial statements, annual activity certificates (AACs), etc. on its activities and submit this information to the Authorized Dealer Bank and the Director General of Income Tax. Branch offices/liaison offices (BO/LO) must file an AAC for the period ending 31 March on or before 30 September of the same year along with an audited balance sheet. If the annual accounts of the BO/LO are finalized with reference to a

date other than 31 March, the AAC and the audited balance sheet may be submitted within six months from the due date of the balance sheet.

The company law requires identification of a company's significant beneficial owners (SBOs). Any individual who, directly or indirectly, holds more than 10% of the shares, or voting rights, or rights to participate in more than 10% of the distributable dividends of a company or who exercises significant influence over the company is considered an SBO. There are detailed rules for determining an SBO and indirect holdings must be taken into account. Every SBO is required to make timely disclosures regarding their holdings in an Indian company and any changes thereto.

Other – To discourage transactions with persons located in jurisdictions that do not effectively exchange information with India, transactions with persons situated in certain jurisdictions designated by the government will be subject to the Indian transfer pricing rules and income paid to persons in those jurisdictions will be subject to a minimum withholding tax of 30%.

The general anti-avoidance rule (GAAR) provisions empower the tax authorities to declare an arrangement as an impermissible avoidance arrangement if it was entered into with the main purpose of obtaining a tax benefit, and: (1) it creates rights or obligations that normally would not be created between persons dealing at arm's length; (2) it results, directly or indirectly, in the misuse or abuse of the Income Tax Act; (3) it lacks commercial substance or is deemed to lack commercial substance; and (4) it is carried out in a manner that would not be used for bona fide purposes. The GAAR will apply to arrangements where the tax benefit exceeds INR 30 million. Once the GAAR is invoked, tax treaty benefits may be denied for the arrangement.

Compliance for corporations:

Tax year – The tax year is the fiscal year (1 April to 31 March).

Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.

Filing requirements – Taxes on income in a fiscal year usually are paid in the next fiscal year ("assessment" year). Companies must submit a final return by 30 September (30 November for companies required to file a certificate on international transactions (see "Transfer pricing")) of the assessment year, stating income, expenses, taxes paid and taxes due for the preceding tax year. Returns for noncorporate taxpayers that are required by law to have their accounts audited also are due on 30 September. All other taxpayers must submit a return by 31 July. Taxpayers claiming tax holidays or carrying forward tax losses must file their returns on or before the due date.

Companies must make four advance payments of their income tax liabilities during the accounting year, on 15 June (15% of total tax payable); 15 September (30% of total tax payable); 15 December (30% of total tax payable); and 15 March (25% of total tax payable).

The government has introduced rules such as the mandatory filing of Know Your Customer (KYC) documentation for directors of companies, KYC requirements for foreign portfolio investors and the mandatory dematerialization of shares for public companies. All companies incorporated before December 2017 must file a form to verify that they are active.

Penalties – Penalties apply for failure to file a return and certificate of international transactions, failure to comply with withholding tax obligations and under-reporting and misreporting of income. Criminal proceedings also may be initiated for failure to file an income tax return.

Rulings – The Authority for Advance Rulings (AAR) issues rulings on the tax consequences of transactions or proposed transactions with nonresidents. It also can issue rulings in relation to the tax liability of residents in prescribed cases, and on whether an arrangement is an impermissible avoidance arrangement. Rulings are binding on the applicant and the tax authorities for the specific transaction(s). APAs also are possible.

Starting a business in India

- Any Indian Company (either as a Joint Venture or Wholly Owned Subsidiary) which may have the nature of (i) Private Limited or (ii) Public Limited Company, can commence business under the Companies Act, 2013 or can commence business as a Limited Liability Partnership (LLP).
- Any Foreign Company can commence business in India as
  (a) Liaison Office: To represent the parent company in India
  (b) Branch Office: To undertake activities such as Export, Import, research, consultancy, etc
  (c) Project Office to undertake activities as per contract to execute projects.

Inbound Investment Routes:

Indian regulations currently allow global investors to invest in India via a number of different routes depending on the nature and purpose of the Investment. These include FDI, FVCI, FPI, ECB and AIF routes

- Foreign Direct Investment (FDI) – Primarily used for private equity strategic investments

- Foreign Venture Capital Investments – Venture Capital Investment in specified sectors
- Foreign Portfolio Investments (FPI) - India is being seen as the most attractive emerging market for allocating fresh commitments. The Government has been proactive in trying to establish a regulatory and tax climate that is conducive for raising investment from foreign investors.
- Alternative investment funds (AIFs) registered under the SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations) is one of the most preferred route by Foreign Portfolio Investors to invest in Indian debt asset class.

Key Business Statutes:

- The Companies Act, 2013, which governs the incorporation, financing, management, and restructuring of companies;
- The Indian Contract Act, which lays down general principles relating to the formation, enforceability and breach of contracts; it also deals with the various types of contracts including those of indemnity, guarantee, bailment, pledge, and agency)
- LLP Act, which governs the organization, management and dissolution of limited liability partnerships as well as the rights and liabilities of the limited liability partnership, its designated partners and other partners;
- Insolvency and Bankruptcy Code, which sets out the law governing insolvencies, liquidation and bankruptcies of companies, partnerships and individuals (presently notified only for companies);
- Transfer of Property Act,1882, which sets out the law relating to rights in relation to immovable property in India;
- Foreign Exchange Management Act (FEMA), which provides for India's foreign exchange management regime and regulates the conditions governing the inflow and outflow of foreign exchange and investment into/from India and the regulations issued thereunder, by the Reserve Bank together with the rules / circulars / press notes / guidelines issued by the Government of India setting out the foreign investment policy (including sector-specific requirements);
- Securities and Exchange Board of India (SEBI) Act, which governs the functions and powers of SEBI, India's securities market regulator;
- The Competition Act, which regulates combinations (merger control) and anti-competitive behaviour;
- The Income Tax Act, which prescribes the tax treatment of dividend, capital gains, mergers, demergers, and slump sales;
- Goods and Services Tax, which prescribes the regime taxing supply of goods and services.

Registration Process

The below are required to incorporate a new Company:

- Select, in order of preference, at least one suitable name upto a maximum of six names, indicative of the main objects of the company.
- Ensure that the name does not resemble the name of any other already registered company and also does not violate the provisions of emblems and names (Prevention of Improper Use Act, 1950) by availing the services of checking name availability on the portal.
- Apply to the concerned Registrar of Companies (RoC) to ascertain the availability of name in eForm1 A by logging in to the portal. A fee of Rs. 500/- has to be paid alongside and the digital signature of the applicant proposing the company has to be attached in the form. If proposed name is not available, the user has apply for a fresh name on the same application.
- After the name approval, the applicant can apply for registration of the new company by filing the required forms (that is Form 1, 18 and 32) within 60 days of name approval.
- Arrange for the drafting of the memorandum and articles of association by the solicitors, vetting of the same by RoC and printing of the same.
- Arrange for stamping of the memorandum and articles with the appropriate stamp duty.
- Get the Memorandum and the Articles signed by at least two subscribers in his/her own hand, his/her father's name, occupation, address and the number of shares subscribed for and witnessed by at least one person.
- Ensure that the Memorandum and Article is dated on a date after the date of stamping.
- Login to the portal and fill the following forms and attach the mandatory documents listed in the eForm
- Declaration of compliance - Form-1
- Notice of situation of registered office of the company - Form-18.
- Particulars of the Director's, Manager or Secretary - Form-32.
- Submit the following eForms after attaching the digital signature, pay the requisite filing and registration fees and send the physical copy of Memorandum and Article of Association to the RoC
- After processing of the Form is complete and Corporate Identity is generated, obtain Certificate of Incorporation from RoC.

Additional steps to be taken for formation of a Public Limited Company: To obtain Commencement of Business Certificate after incorporation of the company, the public company has to make following compliance -

- File a declaration in eForm 20 and attach the statement in lieu of the prospectus (schedule III) OR
- File a declaration in eForm 19 and attach the prospectus (Schedule II) to it.
- Obtain the Certificate of Commencement of Business.

Investment Climate in Japan

According to the Japan External Trade Organisation, inward FDI stock at the end of 2018 was 30.7 trillion yen (US$ 281.9 billion), marking a record high for five consecutive years.

Of this, the key investors in Japan included the US, Netherlands and France. Much of the FDI coming in was in the sectors of finance and insurance, electric machinery and transportation equipment.

Japan provides a welcoming climate for foreign investment. As per a "Survey on Japan's Investment Climate" conducted by JETRO, a number of foreign companies investing in Japan see an improvement in "acceptance of Japanese companies and society toward foreign investment" and "ease of finding partners."

The survey further notes that over 70% of the foreign-affiliated companies are eager to engage in open innovation with Japanese universities/research institutes as well as SMEs.

Policies Toward Foreign Direct Investment in Japan[14]

Direct inward investment into Japan by foreign investors has been open and free since the Foreign Exchange and Foreign Trade Act (the Forex Act) was amended in 1998. In most cases, foreign investors only need to submit an ex post facto report to the relevant ministries.

In April 2014, the government established an "FDI Promotion Council" comprised of government ministers and private sector advisors. The Council remains active and continues to release recommendations on improving Japan's FDI environment.

The Ministry of Economy, Trade and Industry (METI) and the Japan External Trade Organization (JETRO) are the lead agencies responsible for assisting foreign firms wishing to invest in Japan. METI and JETRO have together created a "one-stop shop" for foreign investors, providing a single Tokyo location—with language assistance—where those seeking to establish a company in Japan can process the necessary

14 https://www.state.gov/reports/2019-investment-climate-statements/japan/

paperwork[15]. Prefectural and city governments also have active programs to attract foreign investors.

The Japanese Government established an "Investment Advisor Assignment System" in April 2016 in which a State Minister acts as an advisor to select foreign companies with "important" investments in Japan. The system aims to facilitate consultation between the Japanese Government and foreign firms.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign and domestic private enterprises have the right to establish and own business enterprises and engage in all forms of remunerative activity. Japan has gradually eliminated most formal restrictions governing FDI. One remaining restriction limits foreign ownership in Japan's former land-line monopoly telephone operator, Nippon Telegraph and Telephone (NTT), to 33 percent. Japan's Radio Law and separate Broadcasting Law also limit foreign investment in broadcasters to 20 percent, or 33 percent for broadcasters categorized as "facility-supplying." Foreign ownership of Japanese companies invested in terrestrial broadcasters will be counted against these limits. These limits do not apply to communication satellite facility owners, program suppliers or cable television operators.

The Foreign Exchange and Foreign Trade Act governs investment in sectors deemed to have national security or economic stability implications. If a foreign investor wants to acquire over 10 percent of the shares of a listed company in certain designated sectors, it must provide prior notification and obtain approval from the Ministry of Finance and the ministry that regulates the specific industry. Designated sectors include agriculture, aerospace, forestry, petroleum, electric/gas/water utilities, telecommunications, and leather manufacturing.

National Strategic Special Zones

Twelve National Strategic Special Zones (NSSZ) have been set up in Japan to promote investment in the country. The NSSZs implement selected deregulation measures intended to attract new investment and boost regional growth. Under the NSSZ framework, designated regions request regulatory exceptions from the central government in support of specific strategic goals defined in each zone's "master plan," which focuses on a potential growth area such as labor, education, technology, agriculture, or healthcare.

Any exceptions approved by the central government can be implemented by other NSSZs in addition to the requesting zone. Foreign-owned businesses receive equal treatment in the NSSZs; some measures aim specifically to ease customs and immigration restrictions for foreign investors, such as the "Startup Visa" adopted by the Fukuoka NSSZ.

15 http://www.jetro.go.jp/en/invest/ibsc/

Some of the NSSZs include:

- the Tokyo Zone as an international business and innovation hub, and a multicultural city, and for the exhibition of near-future technologies;
- the Kansai Zone for innovation in medical care, and entrepreneurial support;
- the Niigata City Zone for agricultural reform in large-scale farming;
- the Yabu City Zone for agricultural reform in hilly and mountainous areas;
- the Fukuoka City and Kitakyushu City Zone for employment system reform to promote business creation, and actions to address the declining and aging population;
- the Okinawa Prefecture Zone for international tourism;
- the Senboku City Zone for reform in agriculture and forestry, and for international exchange in the medical field;
- the Sendai City Zone to promote active social participation of women and start-ups;
- the Aichi Prefecture Zone for general reform of education, employment, and agriculture, and for fostering industry leaders;
- the Hiroshima Prefecture and Imabari City Zone for international exchange and the utilization of big data.

Company incorporation in Japan

Companies can be incorporated and registered in Japan through the following process and regulations:

1. Legal entities for doing business

There are several types of legal entities that can be incorporated to conduct business in Japan, as follows:

a. Sole proprietorship

b. Representative office

c. Branch office

d. Subsidiary company established under Japanese law

e. Japanese limited liability partnership

a. Sole proprietorship: The option of establishing a sole proprietorship is available only to the following persons:[16]

– Holders of 'Spouse of Japanese National Visa', 'Long Term Resident Visa', 'Permanent Resident Visa', or 'Spouse of Permanent Resident Visa'.

16 https://www.juridique.jp/business/soleproprietor.php

- Holders of 'Working Holiday Visa' (with no restriction until the visa expires).
- Holders of 'Dependent Visa', 'Student Visa' or 'Cultural Activities Visa' with the permission to engage in other activities granted by the immigration office (up to 28 hours per week).
- Those who have stable contracts with Japanese companies, one of which is willing to provide necessary documents for obtaining or renewing 'Engineer/ Specialist in Humanities' visa or 'Skilled Labour' visa (freelance translator, IT engineer, freelance sports instructor, etc.).
- Holders of work visas who do freelance work as a side job on top of the full-time job that they already have.

b. Representative office (RO): Foreign investors are permitted to open representative offices (ROs) in Japan if business operations require activities such as market research and networking; ROs may, however, not undertake or engage in commercial transactions. An RO is, therefore, a licensed office set up in Japan by a foreign company, and a foreign company establishing an RO in Japan does not require registration. It has no legal status and its permitted activities are limited in scope, which generally includes carrying out market feasibility studies and liaison activities. ROs are not permitted to engage in any profit-making commercial transactions and business activities in Japan, such as concluding contracts, issuing invoices and receiving payments. Therefore, ROs cannot open a bank account or lease real estate in its own name. They can, however, undertake sales promotion, market research and provide assistance to local agents and distributors.

c. Branch office: A branch office does not have its own legal corporate status, but instead is deemed to be encompassed within the corporate status of the foreign company. In general, therefore, the foreign company is ultimately responsible for all debts and credits generated by the activities of its Japanese branch office. A Japanese branch office, however, may open bank accounts and lease real estate in its own name. Registering a branch instead of subsidiary enables the entity to minimize accounting and book-keeping obligations as the accounts of the head office and branch are the same.

d. Subsidiary company established under Japanese law: A foreign company forming a subsidiary company in Japan may choose to incorporate a joint stock corporation or limited liability company. A subsidiary company is an entity distinct from its foreign corporation. Hence, a foreign company is liable for all debts and credits generated by the activities of its subsidiary company.[17]

- Japanese limited liability company (Godo Kaisha): A Japanese limited liability company can be formed by only one shareholder who can be a foreigner.

17 https://www.jetro.go.jp/en/invest/setting_up/section1/page1.html

However, it is required to appoint a resident director as a nominee to comply with government rules.[18]

- Japanese joint stock corporation (Kabushiki Kaisha): Japanese joint stock corporations are like limited liability companies as they require the same amount of paid up capital (JPY 1) and can also be formed by foreigners, provided that one resident director is appointed.[19]

e. **Japanese limited liability partnership:** The individual liability of one or more partners is restricted to the amount of capital contributed to the partnership, while the liability of the other partners (one or more) is without any limitation, for all obligations of the partnership. A limited partnership must be registered and is subject to corporate income tax. Foreigners can register a limited liability partnership with no minimum capital requirement, provided that at least one partner must be ordinary resident in Japan

18 https://www.healyconsultants.com/japan-company-registration/setup-llc/
19 https://www.healyconsultants.com/japan-company-registration/setup-llc/

2. Company incorporation by foreign companies in Japan

The table below lists down the norms governing entities' set-up by foreign companies in Japan.

Table 20: Norms on company set-up by foreign companies in Japan

Parameters	Representative office	Branch office	Joint stock company	Limited liability company	Limited liability partnership
Duration of legal incorporation	6 weeks	6 weeks	6 weeks	6 weeks	6 weeks
Duration for opening bank account	4 weeks	4 weeks	4 weeks	4 weeks	4 weeks
Minimum share capital	None	None	US$ 1	US$ 1	US$ 1
Average duration of government license approval	3 months	3 months	3 months	3 months	3 months
Filling of annual tax return	Yes	Yes	Yes	Yes	Yes
Resident director	Yes	Yes	Yes	Yes	Yes
Resident shareholder	No	No	No	Yes	Yes
Minimum number of directors	1	1	1	1	2
Minimum number of shareholders	Parent company	Parent company	1	1	2
Estimated engagement cost	US$ 14,750	US$ 17,050	US$ 14,500	US$ 13,325	US$ 13,325
Corporate tax on local income	Not allowed	Yes	Yes	Yes	Yes
Corporate tax on foreign income	Not allowed	No	Yes	Yes	Yes

Source: *https://www.healyconsultants.com/japan-company-registration/setup-llc/*

3. Steps for registration of companies in Japan

The table below lists down the steps for registration of a foreign company in Japan.

Steps for company registration in Japan

STEP 1: Preparing required documents	Documents required are as follows: • Registry certificate of parent company • Notarized signature attestation of parent company's representative • Seal certificate of each director • Representative director's personal bank account and passbook/bank statement to be used for deposit of capital • Company seal that needs to be registered at the registry office
STEP 2: Preparing articles of incorporation	Articles of association contains rules and bylaws of how company will be managed.
STEP 3: Notarization of articles of incorporation	
STEP 4: Deposit of capital	Since the company's bank account cannot be opened until the registration is completed, it is necessary to use one of the investors' personal bank account in Japan to deposit the initial capital. In the case of a foreign company's subsidiary, the representative director's personal bank account can be used.
STEP 5: Preparing documents for company's registration	In addition to the application form, it is necessary to prepare various documents such as the notification of the company's seal (inkan) that also needs to be registered, a letter of agreement from the directors assuming their office.
STEP 6: Filing the application for company registration	Registration with Japan National Notaries Association; registration fee is a minimum 150,000 yen for Japanese joint stock corporation (Kabushiki Kaisha) and 60,000 yen for Japanese limited liability company (Godo Kaisha).
STEP 7: Registration to the registry completed	Once the company is registered, it is possible to obtain a registry certificate and the company's seal certificate, which are required at various business situations such as opening a corporate bank account or signing business or employment contracts in the company's name.
STEP 8: Tax and social insurance-related procedures	Opening a bank account under the company's name, application of the visa and status of residence for non-Japanese directors and employees' application of business licenses if the type of business requires an operating license.

Source: *https://www.juridique.jp/business/incorporation_procedure.php*

https://www.jetro.go.jp/en/invest/setting_up/section1/page5.html

TRILATERAL COOPERATION

Africa | CLMV | Others

Japan and India have demonstrated the ability to work well in trilateral structures on security (e.g. the Malabar exercises with the United States) and must now extend this ability to form trilateral alliances on the economic side as well.

For instance, India and Japan could look at economic trilateral agreements with France in projects in Francophone Africa. Similarly, India and Japan could synergise their efforts in the CLMV region where they both have an interest. This would help in mitigating project-specific risks.

i. Trilateral investments in Africa

Japan and India both have strong development programs in Africa at the governmental levels and at the business levels since long. The Asia Africa Growth Corridor (AAGC) was envisaged by the prime ministers of the two countries in their summit meeting in 2016 as a cooperation mechanism for jointly driving economic prosperity and sustainable development in the continent. The Africa Development Bank board meeting in May 2017 saw the presentation of a vision document which proposes four areas of intervention, namely, development and cooperation projects; quality infrastructure and institutional connectivity; skill development and capacity building; and people to people partnerships.

Japan's trade with Africa stands at about $17.4 billion with Japan's imports from Africa at $8.4 billion and exports at almost $9 billion in 2019. Japan plans to achieve $20 billion in private investments in Africa through its campaign of Tokyo International Conference on African Development. It also plans to boost human capacities, develop innovation and

promote Japanese SMEs in Africa, and create infrastructure and quality connectivity projects, and has developed a raft of programs and initiatives for these objectives.

India's trade with Africa amounted to almost $70 billion in 2018, with exports to Africa at close to $27 billion and imports at over $41 billion. The majority of its imports is in the categories of mineral fuels and precious stones and gold.

The Indian government has held three India Africa Forum Summits in 2008, 2011 and 2015. At the first IAFS, it pledged to be a development partner in the continent and announced $5.4 billion worth of concessional lines of credit, capacity building and grants. The Duty-Free Tariff Preference scheme was extended for 34 African countries to enable their export items to enter India without tariffs. Similarly, the second IAFS saw an announcement of $5 billion to promote regional connectivity. Digital connectivity through the Pan African E-network, institution building, skill development and sustainability initiatives were also intensified. The third Summit added to this with a concessional credit line of $10 billion and grant of $600 million.

The initiatives of the Indian government have intensified Indian industry's engagement with Africa which is strong and deep. Traditionally, Indian businesses have been keen to invest and trade in Africa and have developed a good understanding of local cultures and requirements. Their strategies are in synch with local priorities and requirements and are predicated on partnership building. While they have a strong footprint in East and Southern Africa in particular, they also have a presence in West and North African countries.

The advantages of Indian companies in Africa are mentioned below:

- Long association with Africa
- Understanding of local markets
- Working with local employees
- Strategies based on sustainable partnerships
- Business model aimed at long-term engagement rather than transactional interaction
- Affordable and appropriate products tailored for low-income markets
- Working with local communities
- Engagement in building local capacities and skills
- Links with local Indian diaspora

The business case for India-Japan co-ventures in Africa is compelling. Japan's business strengths combined with African resources and Indian acumen could together offer lucrative opportunities for addressing global value chains, India's own burgeoning market and development compulsions. B2B ventures could be considered in manufacturing, services,

startups and social entrepreneurship, capacity building, healthcare and infrastructure development.

Sectors of collaboration

- Infrastructure
- SMEs and startups
- Digital technologies, particularly IT/ITES
- Manufacturing
- Resources and minerals
- Human talent development
- Government developmental projects

ii. CLMV

The Indian Government has initiated a strong engagement strategy with Cambodia, Lao PDR, Myanmar and Vietnam (CLMV) in its neighbourhood, building on its age-old cultural linkages, proximity and its engagement strategy under the 'Look East' and 'Act East' banner. With the CLMV region experiencing vibrant growth, India has been keen to accelerate its economic linkages with these countries. Under its zero-tariff policy for Least Developed Economies, India offers its markets to products from CLMV countries and also aims to expand its investment footprint to manufacturing in the region for exports to India.

India also set up the Project Development Fund to promote Government and private investments in the region and has stepped up project partnerships in the region. ONGC Videsh, an oil and gas public sector enterprise has invested in Vietnam and various private sector companies including the Tata Group have invested in sectors such as solar power, energy, and manufacturing. India was the 14th largest investor in the region with total investments of over $8 billion in 2003-2018. Sectors of interest are coal, oil and natural gas, metals, financial services, and tourism and hospitality.

The Indian Export Import Bank has extended operative lines of credit of $951 million in the region. Projects include water resources, power and gas pipelines. It has highlighted the healthcare sector in CLMV as a potential sector of cooperation, including multi specialty hospitals, colleges, pharmaceutical manufacturing, etc.

Similarly, Japan is focusing on development assistance in CLMV countries for capacity building. Grant projects are underway in these countries, while loans are also provided. Bilateral loans to six mega projects have been offered.

Joint ventures of Indian and Japanese companies can be a key source of growth for businesses of both sides. Deriving from common cultural heritage and understanding of business cultures, strong intent from political leadership for engagement, and need for infrastructure, energy and manufacturing projects in the region, Indian and Japanese companies can explore a range of opportunities.

iv. Others

Iran

Development of Chabahar Port: Japan has joined India in a joint project to develop the strategically important port of Chabahar in Iran. India launched a collaborative venture with Iran and Afghanistan in mid-2016 to boost economic ties and access to natural resources and trade routes stretching from Chabahar to Central Asia. The Chabahar project includes construction and operation of port facilities there, the creation of special economic zones nearby and the development of road and rail connections through Iran, Afghanistan and into Central Asia. This infrastructure will be a parallel route and a potential competitor to the Belt and Road Initiative and its key north-south land component through South Asia, the China-Pakistan Economic Corridor.

Bangladesh

India and Japan have been working in cooperation in Bangladesh to enhance and improve connectivity by way of widening roads and refurbishing bridges on the Ramgarh to Baraiyarhat stretch and providing rolling stock and constructing the Jamuna Railway Bridge over the Januma River. With such experiences, more projects can be jointly taken up.

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- Applicability of Production Linked Incentive Scheme for Large scale Electronics Manufacturing

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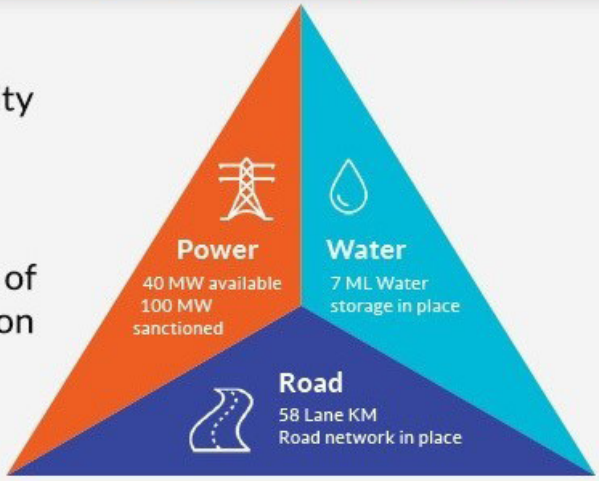

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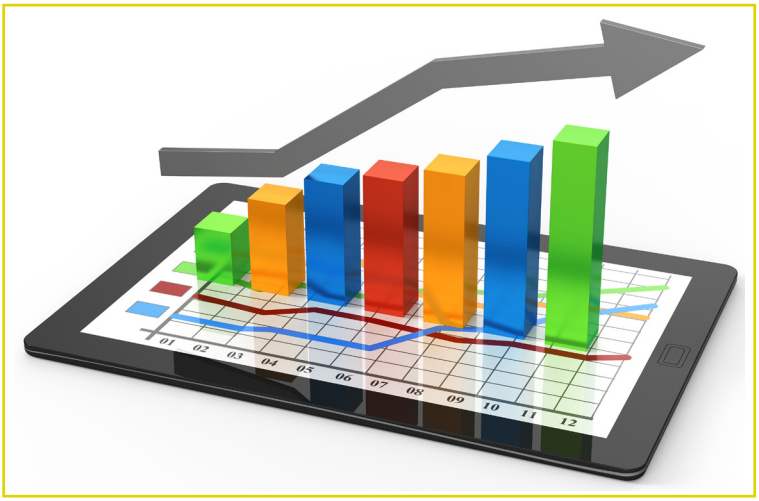


India has a vast land area and this is subdivided geographically and administratively into provinces or states. A few territories are administered through the Central Governments, the Union Territories. Each of India's states has its own vibrant culture, host of languages, diverse cuisine and varied topography.

Under India's federal system, the states enjoy the power to draft laws under a number of different areas including agriculture, education, healthcare, industry, infrastructure development and so on. Most states have brought out investment and industrial policies offering incentives and exemptions for investors.

For Japan, a key project in India is the Delhi Mumbai Industrial Corridor (DMIC) which covers 6 states across India's western region. Most Japan Industrial Townships are planned in these states. Thus, this report studies the incentive structures in these 6 states and in Tamil Nadu.

GUJARAT

Overview

Situated in the western coast of India, Gujarat is one of the leading industrialised states of the country. Gujarat has the longest coastline that extends for about 1600 kms that allows the state to be well connected to all major port-based trade routes including the United States, Australia, Europe, China, Japan, Gul and African countries, among others.

The gross state domestic product (GSDP) of Gujarat between the 2011-12 and 2018-19 period, measured in 2011-12 constant prices, grew at a compound annual average growth rate (CAGR) of 8.6%. During 2011-12, GSDP of Gujarat stood at around INR 6,156 billion and during 2018-19, Gujarat recorded a GSDP of around INR 11,901 billion, accounting for around 9.7% of all states GSDP taken together[20].

Gujarat is the largest producer of processed diamonds, with 72% of world's processed diamond share and 80% of India's diamond exports. It is also known as the petroleum capital of India owing to the presence of large refining capacity in the state. Gujarat had an installed power generation capacity of 34, 544.67 MW as of November 2019[21]. With the average age of the state's population in the range of 15-59, Gujarat is also well endowed with a young, innovative and entrepreneurial workforce.

Apart from a robust primary economy, Gujarat also boasts of a strong industrial sector with dominance in many industry sectors such as textiles, engineering, chemicals, petrochemicals, cement, auto and auto components, among others.

As of 2019, the state had around 20 operational Special Economic Zones (SEZs) apart from many with formal and notified approvals. Total exports from the state stood at US$ 67,401 million during 2018-19[22].

All these factors place the state as an attractive and favoured place to invest. The state is well positioned to attract large scale investment being part of the US$ 90 billion Delhi-Mumbai Industrial Corridor (DMIC) project. Between the April 2009 and June 2019 period, the state attracted cumulative FDI inflows worth US$ 23.18 billion as per Department of Promotion of Industry and Internal Trade (DPIIT).

In addition, the state's industrial policy provides several incentives for further development of industries in the state and is geared towards creating an environment conducive for the growth of business, innovation and entrepreneurial culture.

20 Calculations based on MOSPI data
21 https://www.ibef.org/states/gujarat.aspx
22 https://www.ibef.org/states/gujarat.aspx

State Incentives

Area	Incentives
Ease of Doing Business	• **Strengthening the Single Window System (SWS)** – The investor shall be facilitated to file all applications related to project at one point. – Special cell at the Industries Commissionerate to act as nodal office and involve concerned departments wherever necessary with respect to investments, concerns and industry issues. – Details of procedures and formats for various approvals will be placed on website for easy reference of investors. – Time bound schedule for clearance of investor applications, government agencies to work in coordination to expedite movement of applications. – The Cell will become a repository of information regarding state infrastructure, information about investment application processes and other issues raised. Additionally, this cell will also feed into a platform for information dissemination and will provide additional information related to orders, rules & regulations. – Coordination with the relevant departments and required updates will be provided to the investors through the system. – District level committee to be constituted under the chairmanship of collector which will periodically review status of pending applications with SWS and with concerned departments. • **Simplification of procedures** – A Committee to be constituted under the chairmanship of the Chief Secretary and comprising of Secretaries of all concerned departments – Committee to identify areas which need rectification and amendments in the rules and submit a report to Government within three months • **Chief Ministers' Cabinet Committee for Industrial Policy and Monitoring (CCCIPM)** – Monitor projects as specified. – Resolve various interdepartmental issues. – Resolve various interdepartmental issues. – Sanction customized packages for industries in specialized areas and sectors covered under 'Make in India' campaign.

Area	Incentives
Pro-active support for development of infrastructure	• **Upgrading industrial infrastructure** – Provision of assistance for upgrading both Gujarat Industrial Development Corporation (GIDC) and non-GIDC industrial estates/ parks along with its infrastructure. – Extend financial assistance to private industrial estates. Approved large projects to be assisted for providing last mile connectivity. • **Review of floor space index (FSI) in GIDC Estates** – Allow existing units for additional construction by revising FSI norms to facilitate industries for carrying out expansion/diversification. • **Establishment of industrial areas and estates by private investors** – Establishment of industrial areas by private investors to include cost of infrastructure such as internal roads, power lines, communication facilities, water distribution and water augmentation facilities, sewage and drainage lines, effluent treatment and disposal facilities and other facilities as required by the Park. – Development of industrial parks, in at least an area of 20 ha, suitable for a minimum of 10 units, will be incentivised by 25% of the total infra cost to be borne by GoG/GIDC. – Parks with more than 100 ha area will be facilitated through provision of infrastructure services such as link roads, pipelines for water substation for electricity etc. – State Government to provide Stamp Duty reimbursement on the cost of the land to encourage such development.
Enhance competitiveness in MSMEs	• **Improving MSME sophistication** – Support by way of interest subsidy for manufacturing & service sectors; venture capital assistance, quality certification, technology acquisition fund, patent assistance for national and international, energy and water conservation audit, market development assistance. – Support through credit rating, raising capital through SME exchange, reimbursement of CGTSME scheme for collateral free loan, State awards under MSMEs and skill development – Extended support for ancillary & auxiliary enterprises for labour intensive industries. • **Government of Gujarat (GoG) to constitute separate awards** for micro, small and medium enterprises for achieving excellence through growth in production and profit, quality improvement measures, innovation of new products, etc. – cash award, trophy and letter of appreciation to be given for each MSME identified for excellence at the district level and winners to get priority for participation in international trade fairs and other incentive schemes.

Area	Incentives
	• **Technology support** – Financial support to be provided to each cluster for every innovative technology adopted and introduced in the manufacturing process. – GoG to facilitate setting up of R&D institutions by defraying part of project cost. – GoG to facilitate setting up new/ existing laboratories through assistance on machinery and equipment. – GoG to provide financial support to project cost for organizations intending to undertake contract research. – Financial support would be extended for the technology used under contract research. – Financial support through partial reimbursement of cost for filing of domestic patents and international patents. • **Market development initiatives** – GoG to make marketing credit available to MSMEs. – GoG to provide financial assistance for o Participation in international exhibitions abroad. o Promotion of machinery purchase during exhibitions in Gujarat. o Promote organizers for organizing exhibitions in Gujarat. o Promotion of local exhibitions in Gujarat. o Promotion of MSME participation in exhibitions in India including Gujarat by various means such as reimbursing stall charges • **Quality Certification** – Financial assistance for installation of Enterprise Resource Planning System – Financial assistance for 3 quality certifications comprising part disbursement of the certification fees, cost of testing equipment's, calibration charges, consulting fees and training charges. • **Assistance for raising funds through SME exchange** • **Financial support for diagnostic studies to assess viability of sick enterprises** • **Energy and water conservation audit** – Financial support for energy/water audit conducted in an enterprise by a recognized institution/consultant. – Group of enterprise/cluster tol be given priority. – Financial assistance for machinery/ equipment would be given.

Area	Incentives
	• **Venture Capital Assistance** – Venture Capital funding for projects adopting innovative tech will be considered. – Funds will be provided to GVFL/ FI/nodal bank to provide equity support to SMEs • **Development of plots/shed for micro and small enterprise** – Assistance to GIDC for development of New Estate or area earmarked in existing estates for micro and small enterprises for plot size upto 1000 sq. mts. – Assistance to be provided for multi-storeyed sheds in saturated estate. – Assistance for ready-made row house type sheds for an area upto 500 sq. mts., developed by any private developer. – Assistance in rent in Municipal Corporation, urban development authority and in other areas.
Research & Development	• Assistance to R&D institutions established by GoG or with GoI participation for equipment & machinery and/or modernization of existing labs or setting up of new labs. • Assistance to R&D institutions established by Industry Associations with help of GoG or with GoI participation for equipment & machinery and/or modernization of existing labs, or setting up of new labs • Assistance for contract/ approved research work from SME industrial enterprises to recognized R&D institute/ technical colleges approved by All India Council for Technical Education (AICTE)
Green practises and improving environmental infrastructure	• Financial assistance for common infrastructure and waste management projects. • Need-based financial assistance for strengthening environment compliances. • Need-based financial assistance for development of Green Industrial Estate. • Need-based financial assistance for shifting chemical based units from residential zone to industrial zone.

Reference: *Gujarat Industrial Policy 2015, Industries and Mines Department, Government of Gujarat*

HARYANA

Overview

The state of Haryana is known for its strong industrial base and a vibrant agricultural economy. During 2018-19, Haryana's gross state domestic product (GSDP) stood at around INR 5,311 million in terms of 2011-12 constant prices, accounting for about 4.35% of all states total. Between 2011-12 and 2018-19, Haryana's GSDP grew at a compound annual growth rate (CAGR) of 7.5%[23].

Haryana is one of the leading states in terms of producing passenger cars, two-wheelers, mobile cranes and tractors and is the second largest producer of food grains in the country, accounting for about 60% of rice (Basmati) exports[24]. The state accounted for more than 7% of India's agricultural exports and recorded merchandise exports of around US$ 14 billion during FY2019[25]. Haryana is also the third largest exporter of software in India and is also one of the most preferred destinations for IT/ITes facilities.

The state recorded a total installed power generation capacity of 11, 384 MW as of November 2019. The state has also heavily invested in world class infrastructure facilities in terms of Special Economic Zones (SEZs), Kundli-Manesar global corridor and the Delhi-Mumbai Industrial Corridor (DMIC).

Easy access to an international airport and network of national highways passing through the state allows the state to be well connected with the rest of the country as well as globally. The state enjoys close proximity with the national capital and enjoys good connectivity as a DMIC state.

These factors along with others such as a strong MSME base, planned industrial and urban growth and a wide range of fiscal and policy incentives for businesses has positioned Haryana as one of the most preferred destination for doing business and attracting investment.

State Incentives

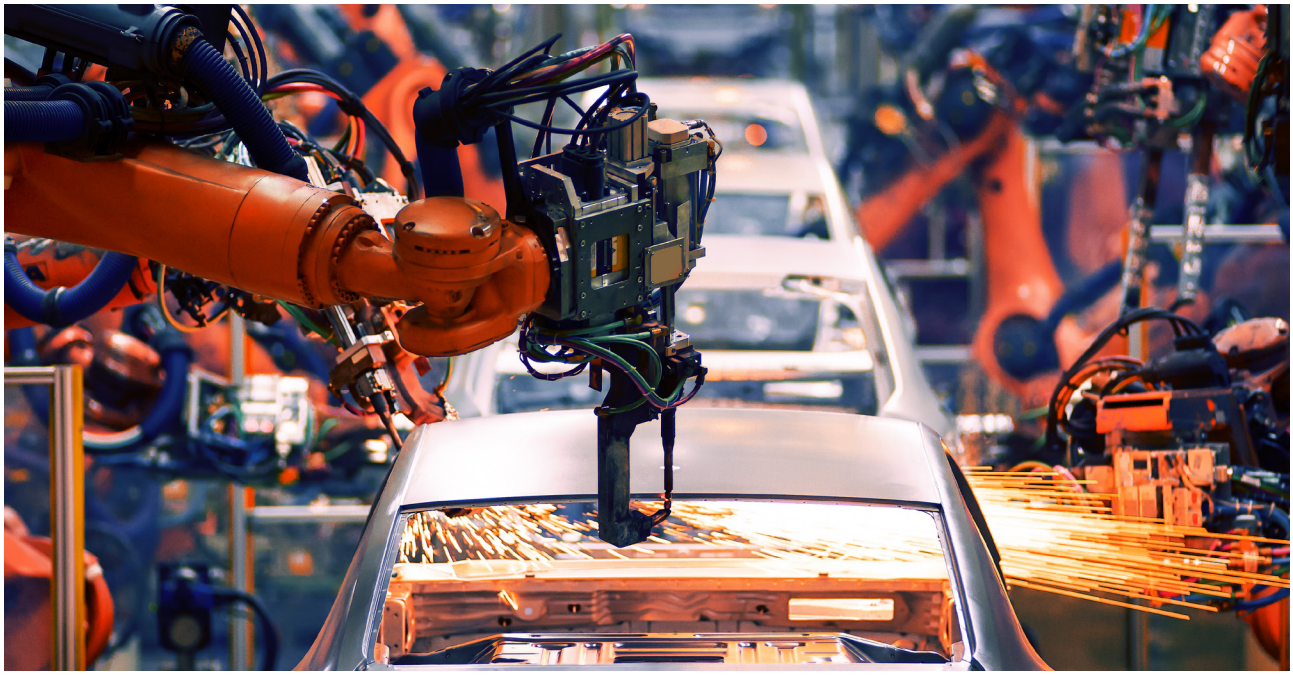
Area	Incentives
Ease of Doing Business	• **Single window service (SWS) under one roof for time bound clearances** – SWS with online approvals through e-biz portal, deemed clearances and Right to Service will be created – Haryana Enterprise Promotion Board (HEPB) with a Governing Council headed by Hon'ble Chief Minister to oversee time bound clearances, sanction social packages for mega projects & approve policy initiatives – System of online clearances to be put in place by creating e-biz Haryana portal where Composite Application Form (CAF) can be submitted by an investor for 64 services with most frequent industry interface for seeking/securing online clearances/sanctions/permits/ NOCs w.e.f. from 1st October 2015.

Area	Incentives
Simplified Mechanism for issue of Industrial Licenses/Change of Land Use	• **No CLU/Auto CLU** – Under this dispensation, no need to obtain CLU/NOC for setting up of industrial units in 31 blocks (Annexure); provision of auto CLU in 75 blocks; licenses will be permissible in agriculture zone as well in case of thrust area/focus cluster/rural functional clusters • **Private Industrial Parks** – Policy seeks to encourage creation of private industrial parks with all approvals to be granted by the Empowered Executive Committee of HEPB with special provisions for lower thresholds for industrial licenses; higher FAR; mixed land use and reduced EDC; granting delegated powers/authority for estate management; affordable housing in industrial parks
Land Allotment	• Liberalized Estate Management Procedures: Increase in period for project implementation with extension fee, for general category plots • Transparent evaluation criteria for allotment of industrial plots with Greater emphasis on self-certification and deemed approval • 100% EOU given priority for allotment of land • Separate windows for allotment of industrial plots to cater to different categories of entrepreneurs such as Mega projects; prestigious projects • In unsaturated estates, 10% of industrial plots reserved for allotment to NRI/ FDI cases • Allotment price to be revised on 1st April of each year. Subsequently, price shall be revised from time to time taking into consideration weighted average of auction price during last auction
Skill Development	• Encouraging engineering collages, ITIs, polytechnics etc to accord 3rd party certification • Setting up of skill development institutes in plots developed by HSIIDC/ HUDA etc • Setting up of virtual employment exchanges and Skill Development University • Setting up of Innovation Campus at Gurgaon with cost of Rs 40 million in Hub and Spoke Model with creation of 7 incubation centers at a cost of Rs 3 million each in 7 universities • Development of Rural BPOs through GoI Scheme- Subsidy support of Rs 0.1 million per seat by offering flatted factory complexes developed on HSIIDC/ panchayat land on long time lease
PRANETA – Professionals and New Entrepreneurs Tax Assistance	• **Investment subsidy in lieu of VAT/SGST** – State Govt. will continue to provide investment subsidy in lieu of net VAT/GST paid online, even in the GST regime, by reimbursement of appropriate % of state GST component. It is estimated to provide this investment to the tune of INR 2,000 million yearly @ 50%- 75% of VAT/GST net paid for 8-10 years.

Area	Incentives
	• **Interest subsidy** – Govt. estimated to provide this incentive to the tune of INR 1,000 million yearly, @ 5%- 6% on term loan for 3-5 years • **Contribution to CGTMSE** – State Government to contribute INR 1,000 million to the CGTMSE fund, which will provide window opportunities to new as well as existing micro and small enterprises to avail collateral free loan to the extent of INR 10 million from lending institutions • **Support to Start-ups** – Special package for refund of 100% VAT/GST up to turnover of INR 30 million for start-ups/first generation entrepreneurs – Creating incubation centres with financial support of INR 3 million per university – Start-ups IT warehouse and mobile app development centres with capital expenditure of INR 40 million and operational expenditure of INR 10 million • **Employment incentives** – Employment generation subsidy to be given to industry for providing employment to local persons • **Zero Defect and Zero Effect** – Financial support for quality certification, technology acquisition @ 50% maximum of INR 2.5 million – Patent registration @ 50% maximum of INR 2.5 million – Testing equipment @ 50% maximum of INR 0.5 million – Technology upgradation and assistance for establishment of effluent treatment plant for environment compliance@ 50% maximum of INR 2.5 million – Availability of finance through credit linked interest subsidy scheme @ 5% maximum of INR 0.5 million per year, credit rating will also be extended • **Support to Thrust Sectors** Special incentives to – Textiles (apparel, knitting, embroidery & technical textiles); – Food processing & agro based industries – Footwear industries – defence/aerospace industries – Freight subsidy of up to INR 2.5 million to export oriented units • **Service sector** – Investment subsidy in lieu of VAT/CGST net paid @ 50% – Electricity duty exemption @ 50% - 75% – Refund of stamp duty @ 30% - 50%

Area	Incentives
	• **Land Related Incentives** – No enhanced compensation to be charged from industrial plot holders – Reduced EDC charges @ 50% – Stamp duty refund @ 50% - 100% • **Increase FAR** – Higher FAR of 150% provided wherever feasible – Higher FAR on need based approach to be permitted with HEPB's approval • **Industrial Infrastructure Development Fund** – INR 1,000 million earmarked for providing independent power feeder, water supply and road connectivity of adequate width up-to periphery in dedicated manufacturing corridors, rural clusters, thrust area clusters – HSIID also given mandate to earmark INR 500 million in secondary and tertiary infrastructure such as power sub-station, ESI hospital, parking lots and other amenities required in existing industrial estates • **Categorization of Blocks** – Entire state has been divided into 4 categories of blocks (developed (A); intermediate (B); backward (C); most backward (D)) based on level of industrial development/ economic development in the area

Reference: *Policy Document: Enterprises Promotion Policy 2015*



MADHYA PRADESH

State Overview

Madhya Pradesh, the second largest state of India, is also one of the fastest growing states in India and has positioned itself as a leading state in the country in terms of investment and economic growth. The state has established itself as a major frontrunner in industrial development and is currently home to over 300 large industries from different sectors such as automobile and engineering, agri-business and food processing, pharma and chemicals, textiles and others.

With around 1,20, 000 acres of Industrial Land Bank, 5 smart cities and 2 metro projects, 299 mining projects and abundant skilled manpower, the state has become the growth centre of India.

Madhya Pradesh (MP) registered a gross state domestic product (GSDP) of INR 5,354 million during 2018-19 in terms of 2011-12 constant prices, accounting for around 4.4% of all states total. The GSDP grew at a compound annual average growth rate (CAGR) of round 6.83% between the period 2011-12 and 2018-19[26].

The state is well endowed with abundant natural resources, fuels and minerals such as limestone, dolomite, manganese etc. The state is also home to with several industry parks including textile, IT and food parks and theme based special economic zones (SEZs) with the objectives of promoting sectoral growth.

The state is the leading producer of pulses, oil seeds, soybean, the second largest producer of food grains, chillies and onions and the third largest producer of milk, citrus fruits and cereals in the country. MP accounts for around 40% of India's organic products and has around 10 food parks.

The central location of MP provides excellent connectivity across major cities across the country and the world. The state has a road network of 58, 423 kms with 20 national highways passing through the state and is also well connected with rest of the India through railways and major ports located within 1100 kms range.

MP is also a leading exporter and merchandise exports from the state increased from US$ 4.13 billion in 2014-15 to US$ 6.38 billion in 2018-19[27].

These factors have contributed in making MP an ideal destination for industrial growth and investments.

In addition, the state's conducive policies also encourage and attract investments to the state from both domestic and foreign investors. MP is the only state in the country with tax de-linked investment promotion policy. As per estimates of the Department for Promotion of Industry and Internal Trade (DPIIT), cumulative FDI inflows to the state totalled to US$ 1.43 billion during the April 2000 to June 2019 period.

In the wake of the Coronavirus pandemic, the state has undertaken significant labour reforms to address the needs of the industries, promote industrial development in the state and to generate

26 Calculations based on MOSPI data
27 https://www.ibef.org/states/madhya-pradesh-presentation

employment opportunities. These include simplification of processes of working of factories, for example simplification of licenses and registration, freedom from multiple inspections, simplification of labour disputes and court proceedings, among others.

State Incentives

Area	Incentives
Ease of Doing Business	• Provision of assigning dedicated 'Investment Relationship Managers' for implementation of investment proposals on case to case basis (based on total quantum of investment and nature of the project) • Single window system (SWS) to facilitate private sector investments. • Online investor monitoring and facilitation system to provide a single point interface and time bound clearance mechanism for approvals to investors. • Fully Functional SWS serving as a repository for information regarding state's infrastructure, information about investment application processes, various departmental services and grievance redressal. • 36 services from various departments have been automated for which clearance/permission is provided from the system itself. • State SWS mechanism provides payment gateway to investors for making service related and land related payments along with a dashboard for tracking services related regulatory progress • The portal also acts as a platform for information dissemination and provides information relating to rules, regulations and orders that effect investment decisions or investment implementation in the state
Industrial Infrastructure	• **Land Related Advantages** – Developed industrial land prices are most competitive among major industrial areas across the country – Cabinet Committee on Investment Promotion (CCIP) empowered to consider concession on the prescribed premium rate, if the investor intends to set up a project on undeveloped government land. – Land coverage area increased from 50 to 75% of plot size, Floor Area Ration increased to 2. – Total Developed Industrial Area - 12,280 hectares. – Total Developing Industrial Area – 452 hectares – Allocation of developed industrial land on first come first serve basis • **Upcoming Investment Corridors & Industrial Areas** – Satellite Industrial Townships across Indore-Bhopal State Highway, 4 Textile Parks at Mohna, Acharpura, Lehargadua, Jawra, Chemical & Pharmaceutical Park. • **Encouraging private partnership for infrastructure development** – To encourage the private sector in the development of infrastructure provision of special assistance is available to projects relating to establishing industrial parks, food parks, high-tech parks or any other parks relating to manufacturing industries in the state

Area	Incentives
	• **Planned and augmented industrial infrastructure** – Infrastructure planning in existing and new areas is done in line with industry requirements. – Industrial infrastructure is being developed based on geographical strength and after assessing sector specific demand. – Industrial Areas are developed in regions having good potential for development of industrial and commercial infrastructure. Provision to develop Infrastructure with private sector participation/Industrial Development Corporations. – Necessary social infrastructure facilities like hospital/ dispensary, school, training centre, creche, housing, shopping centre, fitness centre, recreation centres, rest houses, labour welfare centre, hotel and warehouses, etc. will be established in industrial areas either through department's corporations or private sector participation. – Provision for establishment of truck terminals in all major industrial parks. In case of Private Industrial Parks, provision mandating developer to provide adequate truck parking bays. – Measures are being taken to earmark at least 20% of the land for MSME sector in new non-PPP industrial areas for necessary vendor development support to the large projects. – Multi storied industrial complexes for micro and small-scale enterprises shall be constructed in order to ensure optimum productive use of land either through Department's Corporations or private sector participation at potential industrial areas – Rules relating to allotment and management of land have been rationalized and made investor friendly.
Green Industrialization	• Capital subsidy for Large & Mega industries of 50% up to a maximum of INR 10 million for investment in setting up of waste management systems (such as ETP, STP etc.), pollution control devices, health and safety standards, water conservation/harvesting etc. • Focus of Government of Madhya Pradesh (GoMP) is on promotion of environment friendly industrial development through green and clean technologies, conservation of natural resources, waste minimization and recycling etc. • Water harvesting and recycling is being encouraged in all existing and new industrial areas. • GoMP is committed to facilitate setting up of effluent treatment plants and hazardous waste treatment plants in various industrial estates and cluster with private sector participation.

Area	Incentives
Incentives for Large Scale Industry	**1. Transparent, Predictable, Ahead of the Curve – Tax Delinked Investment Promotion Assistance –** Investment Promotion Assistance is available to Large Scale Industrial Projects (projects with investments in Plant & Machinery of more than INR 100 million) ✓ It is provisioned to provide Investment Assistance/ Subsidy as a percentage (40% to 10%) of investment made in fixed assets (Plant and Machinery), it has also been provisioned to distribute the eligible investment assistance over a period of seven years in equal instalments. ✓ A four-step approach is used to derive the Basic Investment Promotion Assistance using concepts of Gross Supply Multiple, Export Multiple and Employment multiple along with eligible investment in plant and machinery. **Salient Features of Investment Promotion Assistance** • Large Scale Industrial Unit with investment in Plant & Machinery more than INR 100 million will be eligible (P&M means investment in building and machinery) • Basic IPA shall vary from 40% to 10% based on formula • Basic IPA shall be limited to maximum INR 1,500 million • Unit will have to utilize minimum 40% of their installed capacity for the first year. For subsequent year unit will have to utilize 75% of peak previous year gross supply value • Export unit on export of at least 25% to 75% of their total sale shall be eligible for 1-1.2 times over and above basic IPA • Based on employment generation by unit in the range of 100-2500 unit can get 1-1.5 times over and above basic IPA • Unit established on priority blocks will be eligible for 1.2 times over and above basic IPA 2. Power Tariff rebate: @INR 1/- per unit for 5 years (green field projects) 3. 50% assistance subject to a maximum of INR 10 million shall be provided to medium, large and mega scale industrial units for developing each of the following - power, water & road infrastructure, if the investor acquires private land or undeveloped government land for setting up of project 4. Incentives to provide employment to person with Disabilities (minimum 5% of Total workforce) • 100% reimbursement of skill development • Employees PF/ESI assistance: Reimbursement of employee's contribution- maximum INR 6000/- per month for 5 years • Medical insurance premium reimbursement 5. Patent Charges Reimbursement @100% upto INR 0.5 million. 6. Mega scale industrial units with an investment above INR 1,000 million in plant and machinery and INR 250 million in plant and machinery in sectors including food processing, bio-technology, herbal and minor forest produce, tourism and IT can apply for customize package as per their requirement. CCIP will take suitable decision

Area	Incentives
	7. An assistance of 15% of the expenditure on establishment/ development of industrial park subject to a maximum limit of INR 50 million for industrial park having a minimum area of 10 acres, and minimum of 5 industrial units **Special Textile Package** – For new units with an investment up to INR 250 million – 2% interest subsidy for 5 years on term loan taken for TUFS approved P&M subject to ceiling of maximum INR 50 million Stand-alone textile unit with an investment more than INR 250 million – 5% interest subsidy for 5 years on term loan taken for TUFS approved P&M Composite textile unit with an investment more than INR 250 million – 7% interest subsidy for 5 years on term loan taken for TUFS approved P&M **Additional benefit for Pharma Industries** – Investment made by unit in plant & machinery upto 2 years after the date of commencement of commercial production shall be considered for the calculation of IPA
Special package for large scale Garment Industries	1. Investment Promotion Assistance 2. Garment Units can avail maximum incentives to the tune of 200% of their investment in plant and machinery 3. Interest subsidy of 5% for 7 years on term loan taken for Plant & Machinery approved under Amended Technology Up-gradation funds (ATUFs) scheme of Govt. of India, Ministry of Textile 4. Employment Generation Assistance: Assistance of INR 5,000 per employee per month for a maximum period of 5 years for new employees from the date of commercial production applicable for 10 years - subject to following conditions a. 50% employees should be Madhya Pradesh domicile within one year from the COD b. 75% employees should be Madhya Pradesh domicile within three year from the COD c. 90% employees should be Madhya Pradesh domicile within five year from the COD 5. Skill development and training expenses reimbursement assistance of INR. 13,000 per new employee shall be provided for 5 years for MP domicile employees 6. 50% discount in the development fee in case of taking lease land in the industrial area 7. Reimbursement of Stamp Duty and Registration Fee on execution of land lease documents 8. Concession on Power tariff: Power supply at a fixed rate of INR 5 per unit on new electrical connection, for 5 years from the date of commercial production

Area	Incentives
Special financial assistance for Logistics & Warehousing Industries	1. Investment assistance to the tune of 15% (maximum of INR 150 million) on Gross Fixed Capital Investment (except land and residential buildings 2. 100% reimbursement of stamp duty and registration fee on Instrument of Mortgage executed in connection with obtaining loan from banks/ financial institutions taken for logistic & warehousing hub/park and on purchase of land
Special financial assistance for large scale Food Processing industries	1. Investment Promotion Assistance with additional multiple of 1.5 times 2. Financial assistance of 15% of the project cost subject to a ceiling of INR 50 million for Mega Food parks and Food parks 3. Stamp duty will be reimbursed to the promoters for transferring their land to Special purpose vehicle for establishing mega food park
Expansion/Diversification/ Technical Upgradation	• Established large and medium industrial units, which invest 30 percent of existing investment in plant & machinery or INR 500 million (whichever is less) on expansion/diversification/technical up-gradation, will be eligible for assistance/facilities at par with new industrial units. • Established small scale industrial units, which invest minimum 50 percent of its existing investment in plant & machinery (not being less than INR .25 million), shall be eligible for assistance/facilities at par with new industrial units.

Reference: *Industrial Promotion Policy 2014 (Amended as of October 2019), Government of Madhya Pradesh, Department of Industrial Policy & Investment Promotion*

Advantage – Madhya Pradesh

- **Food Processing**
  - Highest producer of Soybean, Pulses, Oil Seeds, Overall Aromatic and Medicinal Plants in the country. Second Highest producer of Food grains, Chilli & Onion. Third highest producer of Milk, Citrus fruits & Cereals
  - 40% of India's organic production comes from Madhya Pradesh
  - 2 Mega Food Parks and 8 Food Parks strategically developed across major production centres along with 176 Cold Storage, 11 Cold rooms & 7984 onion storages
- **Pharmaceuticals**
  - Pharmaceutical industry account for 27.6% of total exports from the state
  - WHO-GMP Compliant Units: 8 Bulk Drugs, 31 Formulation, 4 Large Volume Parenteral
  - Pharma Clusters: Indore, Dewas, Bhopal, Mandideep. Pithampur SEZ are India's leading manufacturing hubs

- **Textile & Garmenting**
  - 60+ large Cotton/ Man-made fibre textile mills, with installed capacity of 2,467,112 spindles
  - Cotton production: 1.8 million bales; Silk Production: 200 MT; Manmade Fibre Production: 153,650 MT
  - Yarn produced in the state is being exported to other countries like China for forward processing
- **Warehouse & Logistics**
  - Connectivity to major industrial and consumption centres all across India due to state's strategic location
  - State is well poised to be centre of super grid structure – For emergence of 3rd party logistics, 4th party logistics & super grid logistics
- **Renewable Energy**
  - With renewable share of 22% in power generation (2018-19), MP is the major renewable player in India
  - Capacity and power generation is expected to increase by approximately 3.5 times in next 3-4 years (By 2022)
  - 20,000 hectare land identified for solar energy projects
- **Tourism**
  - 24 sanctuaries, 11 National Parks, 6 Tiger Reserves, 3 World Heritage Sites, 2 Jyotirlingas
  - Madhya Pradesh has more than 10,000 sq. km of forests classified as tiger reserves, which is largest in the country
  - 85 + movies shot in MP

Plastic Park, Tamot Industrial Area, Bhopal

Smart Industrial Park, NATRIP, Industrial Area Pithampur, Indore

MPIDC
Madhya Pradesh Industrial Development Corporation

Government of Madhya Pradesh

MADHYA PRADESH
INDIA'S EMERGING ECONOMIC TIGER

ADVANTAGE MADHYA PRADESH

- Strategic Location
- State-of-the- Art Infrastructure
- Abundant Mineral Resources
- Ahead of the Curve Policies
- Ease of Doing Business
- Skilled Manpower
- Seamless Connectivity
- Abundant Availability of Industrial Land

India's only tax delinked investment assistance

- Assistance upto 40% on investment
- Additional 1.5 times assistance for food processing & employment generation

Special Incentive Package for Garment, Logistics & Warehousing

Land availability for new Industrial Areas being ensured through Land Pooling Scheme 2019

Only state with separate DISCOM for Industrial Areas to provide most competitive electricity tariffs

FOCUS SECTOR

- Agribusiness and Food Processing
- Pharmaceuticals
- Textile and Garmenting
- Automobile and Engineering
- Warehousing and Logistics
- IT/ITES and ESDM
- Tourism
- Urban Development
- Renewable Energy

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MAHARASHTRA

State Overview

Located in the western part of India, the state of Maharashtra has been one of the frontrunners in industrial development. World class infrastructure, effective industrial policies and a conducive environment facilitating ease of doing business are some of the factors that have led to rapid growth of industries in Maharashtra.

The gross state domestic product (GSDP) of the state (at 2011-12 constant prices) grew and reached INR 19,427 billion during 2017-18. The GSDP grew at a compound annual average growth rate (CAGR) of 6.14% during the 7-year period between 2011-12 and 2017-18[28].

The most industrialised state of India, Maharashtra is also the largest producer of sugarcane in India and a leading producer of cotton in the country. Having witnessed rapid growth in technological advancements, Maharashtra has attracted several innovative enterprises in the country. It is also the automobile manufacturing hub of the country and a leader in agro based and food processing industries.

Maharashtra is one of the largest exporting states in the country, registering exports worth around US$ 4 billion during 2018-19[29]. The state also boasts of the largest number of special economic zones in the country[30].

The state is also home to a large base of small-scale industries and is endowed with abundant skilled and industrial labour. The state capital, Mumbai is the commercial capital of India and over the years have emerged into a global financial hub.

All these factors along with favourable investment policies, have made Maharashtra the most preferred investment destination for both domestic and global investors. As per Department for Promotion of Industry and Internal trade (DPIIT) estimates, Maharashtra attracted cumulative FDI inflows to the tune of US$ 128.85 billion between April 2000 to June 2019.

The state of Maharashtra, already a leader in industrial development in the country with its “Magnetic Maharashtra’ brand has a progressive vision, focused on inclusive and sustainable industrial growth and development.

28 Calculations based on MOSPI data
29 https://agriexchange.apeda.gov.in/IndExp/PortNew.aspx
30 https://www.ibef.org/industry/maharashtra-presentation

State Incentives

Area	Incentives
Ease of Doing Business	• **Facilitating Maharashtra Industry, Trade & Investment Cell (MAITRI)** – MAITRI to facilitate clearances/permissions/Licenses to numerous enterprises. – All information on state's resources, industrial infrastructure, procedure for setting up units, grievance redressal, and rules / regulations / orders etc. will be available on MAITRI portal. – Timely approvals and services to investors. – MAITRI facilitation and handholding setup shall be operationalized at regional levels, cost of which will be borne by concerned department for complaints received at MAITRI level – Special assistance cell for promotion of scheduled castes and tribes and women entrepreneurs. • **Regulatory simplification** – Procedural simplification in obtaining environmental clearances. – Procedures for building plan approvals for industries shall be rationalized across the state. – Maharashtra Industrial Development Corporation (MIDC) shall act as the interface for local authority taxation purposes in MIDC industrial areas
Fiscal Incentives to MSMEs	Micro, Small and Medium Enterprises (MSMEs) shall include units as per the definition of Government of India- Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, as well as the small industries with FCI of up to INR 500 million. • A basket of incentives, their aggregate amount not exceeding a specified ceiling will be offered to eligible MSME units (See Table 1, Annex) • Eligible units in Agro & Food Processing (secondary and tertiary processing units and Farmer Producer Companies for manufacturing/ processing activity only), Green energy/ biofuel and Industry 4.0 shall be given additional support. • The power tariff subsidy, for eligible new units located (other than A areas) in Vidarbha, Marathwada, North Maharashtra, and districts of Raigad, Ratnagiri and Sindhudurg in Konkan will be to the extent of INR 1/- per unit consumed and in other areas (except A areas), to the tune of INR 0.5/- per unit consumed for 3 years from the date of commencement of commercial production. • In areas other than A, interest subsidy @ 5 per cent p.a., maximum up to the value of electricity consumed and bills paid for that year, will be admissible.

Area	Incentives
	• Stamp duty exemption (SDE) – 100% SDE for MSMEs within investment period for acquiring land (including assignment of lease rights and sale certificate) and for term loan purposes. However, in A and B areas SDE will be offered only to IT and BT manufacturing units in IT and BT parks. – Eligible Units under PSI 2013 Scheme will also be eligible for SDE for their investment period. • Exemption from electricity duty payment – for eligible new units in C, D, D+, No industries Districts and Naxalism Affected Area – 100% electricity duty exemption for export-oriented units and IT/BT units for 7 years in A and B areas. • All Central and State government schemes relevant to MSMEs shall be dovetailed in this policy • Marketing Assistance scheme for MSMEs to support marketing activities, to improve competitiveness at both national and international level. • For strengthening MSMEs, standalone incentives (not linked with PSI) shall be admissible to promote quality competitiveness, Zero Defect Zero Effect (ZED scheme), research & development, technology up-gradation, water & energy conservation, cleaner production measures and credit rating. • Eligible MSMEs & small industries as defined above shall be offered Investment Promotion Subsidy (IPS) on gross SGST paid by the unit on the first sale of eligible products billed and delivered to the same entity within Maharashtra.
Attracting Large, Mega and Utra-Mega Investments	• **Large scale industries (LSI)** – LSIs shall be offered incentives that are graded in a way so as to assist dispersal of investment to industrially under-developed areas. A basket of incentives, their aggregate amount not exceeding the specified ceiling will be offered to eligible LSI units (See Table 2, Annex) – LSI units in thrust areas to get additional benefits – Eligible LSI units to get Investment Promotion Subsidy (IPS) on gross SGST paid by them on the first sale of eligible products billed and delivered to the same entity within Maharashtra on a first come-first serve basis. – 100% Stamp duty exemption (SDE) to eligible units within investment period for acquiring land (including assignment of lease rights and sale certificate) and for term loan purposes. However, in A and B areas, SDE will be offered only to IT and BT units in IT and BT Parks; Eligible Units under PSI 2013 Scheme will also be eligible for SDE for their investment period.

Area	Incentives
	– Exemption from electricity duty payment for eligible new units in C, D, D+, No industries Districts and Naxalism Affected Area; 100% electricity duty exemption for large scale export-oriented units and IT/BT units for 7 years in A and B areas. – Units applying for incentives in the first year of policy period will be given full basket of eligible incentives for respective category and location of the unit. If the unit applies in subsequent years of the policy period, the basket of incentives will be reduced by 5% for each year of delay in application. This provision will not be applicable to industries in thrust sectors. – Additional support to LSI units in Agro & Food Processing (secondary and tertiary processing units and Farmer Producer Companies for manufacturing/ processing activity only), Green energy/ biofuel and Industry 4.0. – Incentives to the LSI shall be given to promote quality competitiveness, research & development, technology up-gradation, water & energy conservation, cleaner production measures and credit rating. • **Mega and Ultra Mega Projects** Industrial units satisfying the minimum threshold limits of Fixed capital investment or Direct Employment prescribed (See Table 3, Annex) shall be classified as Megaprojects/ Ultra Mega Projects: • Government may consider providing customized package of incentives on case-to-case basis as deemed necessary for projects of special importance (may or may not be mega/ultra-mega projects), to be recommended by the High Power Committee (HPC) under the chairmanship of Chief Secretary and to be approved by the cabinet sub-committee. • Apart from Industries Departments Package Scheme of Incentives Micro, Small, Medium, Large, Mega and Ultra-Mega Units are given incentives/ concessions by other administrative departments of State Government (e.g. Spinning Mills). The financial refunds / incentives to an industrial unit from all sources put together shall be admissible within the limit of 100% of fixed capital investment
Special Initiatives	• **Industries in the underdeveloped districts** – Additional fiscal incentives and period for availing these incentives, will be offered under PSI 2019 to MSMEs, large and mega projects in attar investments and generate employment in the following districts. a) Vidarbha, Marathwada, Ratnagiri, Sindhudurg and Dhule; b) No industry districts; c) Naxalism affected areas d) Aspirational districts – Threshold limit for creation of employment will be less than other areas for large and mega projects

Area	Incentives
	• **Industries in Agro and Food processing, green energy/biofuel and industry 4.0** – eligible units (secondary and tertiary processing units and Farmer Producer Companies for manufacturing/processing activity only) to be granted 20% additional fiscal assistance – two-year additional eligibility period
Land	• Through MIDC the state ensures availability of land (both developed and underdeveloped) to investors. • MIDC also creates land banks for industries and provides special fiscal incentives packages to projects of importance including emerging technologies. – Although large land banks are available in the state, considering the future industrial land requirement to facilitate INR 1 trillion of investment, MIDC shall create land banks across the state based on demand assessment. – The land earmarked for public health amenities in MIDC industrial estates shall be developed by concerned departments. Specially ESIC (Employees State Insurance Corporation) hospital facilities will be provided by concerned department as per needs and demand from industrial associations. – For sectors with same additional floor space index (FSI) (IT & ITeS, Biotechnology, Garmenting, Gems and Jewelery and Logistics & Warehousing) under the related policies of the State Government, interchangeability of land use shall be allowed with the approval of State Government. – Land owned by State Government or State Government Organization if required by MIDC for planned development will be made available at no cost.
Power	• MIDC ensures 24x7 power supply to its industries. • Under green industrial assistance for eligible units, Solar captive power plant will be considered as a part of admissible fixed capital investment for the purpose of incentives. A captive solar power plant will be defined as one wherein at least 80% of power generated is utilized by the unit annually.

Reference: Maharashtra Industrial Policy 2019

Annexure

Table 1: Eligibility Criteria to MSMEs

Taluka/Area Classification	Maximum Admissible Fixed Capital Investment	Ceiling as % of FCI	Eligibility Period (Years)
A	For the purpose of this policy, MSME shall include units as per the MSMED Act, 2006, as well as the units with FCI of up to INR 500 million	-	-
B		30%	7
C		40%	7
D		50%	10
D+		60%	10
Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule		80%	10
No Industry Districts, Naxalism Affected Areas* and AspirationalDistricts**		100%	10

*Naxalism affected areas as per Government Resolution No.: PSI -2013/ (CR- 54) / IND-8 Dated 1st April 2013 issued by Government of Maharashtra Industries, Energy and Labour Department.
** Aspirational Districts are Osmanabad, Gadchiroli, Washim and Nandurbar

Table 2: Eligibility Criteria to LSI

Taluka/Area Classification	Minimum Admissible Fixed Capital Investment (INR million)	Minimum Direct Employment, number of people
A & B	750	1000
C	500	750
D	250	500
D+	150	400
Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule	100	300
No Industry Districts, Naxalism Affected Areas* and Aspirational Districts**	100	250

*Naxalism affected areas as per Government Resolution No.: PSI -2013/ (CR- 54) /IND- 8 Dated 1st April 2013 issued by Government of Maharashtra Industries, Energy and Labour Department.
** Aspirational Districts are Osmanabad, Gadchiroli, Washim and Nandurbar

Note: *For MSME units the ceiling of fixed capital investment is INR 500 million. For units having investment more than INR 500 million & upto the minimum investment stipulated for large scale units in table 2 above, the industrial promotion subsidy shall be 40% of the SGST paid for the first sale of goods sold in Maharashtra and billed & delivered to the same entity. This incentive will not be applicable for units located in "A" & "B" zone.*

Table 3: Eligibility Criteria related to incentives disbursement for mega and ultra-mega projects

Type of Unit	Taluka/Area of Classification	Minimum Admissible Fixed Capital Investment (INR million)	Minimum Direct Employment (number of people)
Mega Industrial Units	A & B	15,000	2,000
	C	10,000	1,500
	D	7,500	1000
	D+	5,000	750
	Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule	3,500	500
	No Industry Districts, Naxalism Affected Areas* and Aspirational Districts**	2,000	350
Ultra-mega Industrial Units	Entire State	40,000	4,000

*Naxalism affected areas as per Government Resolution No.: PSI -2013/ (CR- 54) /IND-8 Dated 1st April 2013 issued by Government of Maharashtra Industries, Energy and Labour Department.
** Aspirational Districts are Osmanabad, Gadchiroli, Washim and Nandurbar

Provided that:

a) Ultra-Mega/ Mega projects based on employment criteria shall be required to maintain the qualifying direct employment on rolls of the company throughout the year. If the employment criteria is not maintained for any period of the year, then Industrial Promotion Subsidy shall not be admissible for such year/s.

b) Minimum Direct Employment prescribed in the table above should be created within a period of three years from the date of commercial production.

c) The investment in Captive Power Plant shall not be considered for determining the qualifying criteria for eligibility as Mega Project/Ultra Mega Project.

d) 100% Captive Process Vendor (CPV) investment can be considered as a part of admissible FCI. However, CPV investment will not be counted for determining qualifying criteria as Mega/ Ultra Mega Projects

e) The present policy of MIDC regarding allotting plots on priority basis to mega and ultra-mega projects shall be continued.

RAJASTHAN

Overview

Rajasthan, the largest state of India[31], located in the north-western part of India, is fast emerging as a key industrial destination. It touches the major states of northern, western and central India and is an important centre for trade and commerce.

As of 2018-19, the state recorded a Gross Domestic Product (GSDP) of INR 6774 billion[32] (at constant 2011-12 prices). Between the 2011-12 and 2018-19 period, the state's GSDP recorded a CAGR of around 5.8%. The service sector is the largest contributor to the state's GDP at current prices, accounting for about 45% of the state's GDP followed by industries at 30.19% and agriculture at around 25%[33].

It is one of the Delhi Mumbai Industrial Corridor (DMIC) states of India with a dedicated freight corridor (DFC) of 1,483 Km[34] that provides abundant opportunities for industrial establishment across the state.

The state has the second largest highways network and is well connected with the rest of the country through industrial corridors such as Bharatmala, East-West Corridor and the Delhi-Mumbai Expressway. The locational advantage of the state and easy connectivity with others enables the state with easy access to around 40%[35] of the country's market. The state is also a leading exporter in the country with total exports valued at US$ 7.06 billion in FY 2019[36].

The state is endowed with abundant natural resources, skilled labour and a favourable policy environment conducive for the growth of entrepreneurs and industrial units. A single window clearance system (SWCS) for faster approvals and theme-based parks along with social economic zones (SEZs) with many fiscal incentives also encourage industrial development and investment in the state. It is also one of the leading states in India in Ease of Doing Business Reforms, 2018.

The state is also rich in minerals and has immense potential for power generation through renewable sources such as wind and solar power. Rajasthan is also the second largest producer of crude oil in India and accounted for around 23% of total domestic oil production in FY 2017[37]. With a rich and vibrant cultural heritage, Rajasthan is also one of the major tourist destinations in India.

The abundant skilled manpower in the state also makes it an ideal investment location. The state is endowed with maximum number of universities in the country, the second largest numbers

31 Rajasthan Industrial Development Policy, 2019, Government of Rajasthan
32 MOSPI http://www.mospi.gov.in/data
33 IBEF
34 http://www.industries.rajasthan.gov.in/content/industries/dmic/aboutus.html#
35 Rajasthan Industrial Development Policy 2019, Government of Rajasthan
36 https://www.ibef.org/states/rajasthan.aspx
37 IBEF https://www.ibef.org/download/Rajasthan-May-20181.pdf

of Industrial Training Institutes (ITI's), 117 engineering colleges along with MBA colleges and dedicated skill development universities[38]. The state also boasts of a strong MSME base with more than 2.6 million MSMEs in the state.

Factors such as strategic location, a strong industrial infrastructure, rich resource base, a strong MSME base, abundant skilled manpower, growing exports, effective governance have helped the state as one of the most preferred investment destinations in recent times, for both domestic and foreign investors. Between April 2000 and March 2019, cumulative FDI equity inflows received by the state stood at US$ 1.96 billion, as per Department of Department for Promotion of Industry and Internal Trade (DPIIT) estimates.

To promote and encourage the sustainable industrial development of the state and make the state the most preferred investment destination in India, the Government instituted the Rajasthan Industrial Development Policy, 2019 and the Rajasthan Investment Promotion Scheme, 2019.

The table below presents a brief overview of the various incentives offered by these policies for encouraging investment in the state.

State Incentives

Area	Incentives
Ease of Doing Business	• All industry related services to be provided through an easy and smart 'one stop shop' IT application. • Land conversion in urban limits to be simplified and implemented in a time-bound manner for land parcels designated for agro food processing, warehousing and cold storage units in master plans. • The Bureau of Investment Promotion (BIP) should have a mandate that provides the following: – One stop shop for all investment related matters such as business information to investor, investor queries, expediting regular approvals, participating in investment events, facilitating meetings etc. – Focussed and planned inbound and outbound investment promotion activities for thrust sectors and target countries. – Continuous investor feedback mechanism
Industrial Infrastructure	• Development of new industrial parks/estates including theme based/ sector specific parks. • Development Of industrial parks on Public Private Partnership (PPP) mode including both models of 'Private Land RIICO investment' & 'RIICO Land Private Investment. • Flexible & speedy land acquisitions through models of direct purchase/ land pooling/land aggregation.

Area	Incentives
	• Incentive/facilitation scheme for development of private industrial parks. • Mechanism for property title verification to facilitate land purchase for industry. • Promotion of plug & play facilities/flatted factories. • Simplification & streamlining of rules regarding land allotment & various charges/penalties. • Provision for allotment of industrial land on short term lease basis. • Barren area in backward area allotted at concessional rate for establishment of industry. • Provision to permit Khatedari land up to certain limit for mix land use for industrial commercial and residential purposes without conversion and conversion charges. • No requirement of conversion for use of agricultural land up to 10 acres for industrial purposes. • New scheme for systematic development of industrial housing & dormitory/ sheds for labourers & employees in RIICO industrial areas/ clusters to be initiated. • Industrial township near oil refinery for petrochemical industry to be developed.
Fiscal Incentives	• Enhanced package of incentives for manufacturing and service enterprises comprising of investment support on SGST, employment subsidy, electricity duty exemption; rebate in power tariff, stamp duty exemption, rebate in land conversion charges and support for water conversion/ green measures under the incentive scheme. • Additional incentives to thrust sectors. • Industries set up in backward and most backward areas to be further incentivised. • Exemption from state tax for new industry in tribal, hilly and desert area to be provided for first 3 years. • Attractive fiscal incentives for anchor units setting up their base in any industrial area. • Benefits to developers of industrial parks, advanced testing labs, labour housing and dormitories and logistics. • Assistance to MSMEs for capital investments; tech acquisitions / upgradation; credit guarantee; quality certification; R&D; branding & promotion and IPR. • New and convenient loan scheme for micro enterprises to be formulated for Rajasthan Financial Corporation. • Composite schemes for MSMEs to be formulated. • Export promotion assistance to exporting units for establishing marketing linkages. • Process of availing incentives to be simplified, made transparent & time bound.

Area	Incentives
Power	• Introduction of dynamic power tariffs. • Simplification and reduction of wheeling charges. • Additional surcharge and cross subsidy surcharge on open access to be waived off/reviewed to ensure competitiveness of domestic industries • Introduction of special category tariffs esp. for steel & textiles industries. • Special incentives for units engaged in manufacturing of photovoltaic (PV) & battery modules. • Incentives for installing renewable power projects (either at the site of operation/any location in Rajasthan) with rebate in transmission charges. • Electricity duty on electricity produced through captive power plant shall be exempted till the limit of self-consumption. • Electricity at residential rate to apparel/handloom & certain handicrafts with certain norms to be introduced.
Logistics	• Seasonal status to cold storage units. • To reduce vehicular congestion, vacant plots to be permitted in residential/commercial/industrial/institutional/ agricultural areas for parking, at predetermined rates without the need of conversion and conversion charges. • Grant to be provided for custom cost recovery for strengthening of Inland container depots (ICD)s under Rajasthan Small Industries Corporation Limited (RSIC). • Requisite land to be provided near consumption zones in all divisions for development of logistics & warehousing facilities. • Incentives for upgradation of technology to existing warehouses.

Reference: *Rajasthan Industrial Development Policy 2019*

TAMIL NADU

Overview

The state of Tamil Nadu has always been at the forefront of economic and industrial growth and is one of the leading states in the country in several industries such as automobiles, components, leather, textiles, information technology, electronic hardware and hi-technology industries, among others.

The Gross State Domestic Product (GSDP) of Tamil Nadu, at 2011-12 constant prices, stood at around INR 7,514 billion during 2011-12, which grew at a compound average growth rate (CAGR) of 6.11 %, between the 8-year period of 2011-12 and 2018-19, to reach INR 12,075 billion in 2018-19[39].

Industries in Tamil Nadu are aided with excellent infrastructure by the Tamil Nadu Industrial Development Corporation Ltd (TIDCO), State Industries Promotion Corporation of Tamil Nadu (SIPCOT), Tamil Nadu Industrial Investment Corporation Limited (TIIC), and Tamil Nadu Small Industries Development Corporation Limited (TANSIDCO), which are jointly developing industrial infrastructure in the state.

The state has an installed power generation capacity of 31.29 GW, as of November 2019. As of November 2019, the state has around 54 formally approved special economic zones (SEZs), 50 notified SEZs and 40 exporting SEZs[40].

The state has also set up the Tamil Nadu Industrial Guidance & Export Promotion Bureau with the objectives of attracting major investment proposals into Tamil Nadu. The state attracted cumulative FDI inflows to the tune of US$ 31.19 billion during the April 2000 to September 2019, as per Department of Investment Promotion of Industry and Internal Trade (DPIIT).

The Government of Tamil Nadu has also taken up major initiatives along with promoting favourable investment policies to encourage attract greater investments to the state from both domestic and foreign investors.

39 Calculations based on MOSPI data
40 https://www.ibef.org/states/tamil-nadu-presentation

State Incentives

Area	Incentives
Ease of Doing Business	• **Single window Mechanism** – Government of Tamil Nadu has established a Single Window facilitation mechanism under the Guidance Bureau to accord in-principle composite approval for pre- project clearances at the State Government level; Committee headed by the Chief Secretary will monitor progress of final approvals of all such cases – The Tamil Nadu Industria Development Corporation (TIDCO) will be mandated to facilitate various Infrastructure projects including Power, Port development, SEZ, waste treatment, handling and disposal, etc.
Standard Incentives	**To include all industries in categories A & B districts**[41] • **Capital Subsidy and Electricity Tax Exemption** – Irrespective of the location of the project, new or expansion manufacturing units will be given a blackened capital subsidy and electricity tax exemption on power purchased from the Tamil Nadu Generation and Distribution Corporation Ltd. (TANGEDCO) or generated and consumed from captive sources based on employment and investment in fixed assets /eligible assets as the case may be, made within the following investment period (Table 1, see Annex).
	– New or expansion manufacturing units located within SIPCOT Industrial parks in respect of A & B districts will be provided an additional capital subsidy of 50% over and above the eligible limit, as enumerated in table 1 (Table 1, see Annex). – New or expansion manufacturing units located outside the SIPCOT Industrial Parks in B & C districts will be provided an additional capital subsidy of 10% and 25% respectively over and above the eligible limit, as enumerated in table 1 (Table 1, see Annex). • **Stamp Duty Concessions** – 50% Exemption from Stamp duty on lease or sale of land meant for industrial use shall be offered for projects located in Industrial parks promoted by SIPCOT in A and B category districts. – In case of ultra-mega projects, this will be 100%, irrespective of location. • **Environmental Protection Infrastructure subsidy** – Dedicated Effluent Treatment Plants (ETP) and / or Hazardous Waste Treatment Storage and Disposal Facility (HWTSDF) set up by individual manufacturing units would be eligible for an Environment Protection Infrastructure subsidy of INR 3 million or 25% of capital cost of setting up such ETP/ HWTSDF, whichever is less. – Individual Manufacturing Units adopting Zero Effluent or Wastewater Discharge, Clean Development Mechanism and Emissions Trading Mechanism will be given a higher amount of subsidy on a case-to-case basis.

41 For the purpose of administering fiscal incentives, the districts of the state are classified as – 1. A comprising of Chennai, Tiruvallur & Kancheepuram; 2. B comprising of other than A & C districts (20 districts) and 3. C Southern districts (9 districts);

Area	Incentives
Structured package of Incentives	Apart from standard incentives, Mega, Super-mega A, Super-mega B and Ultra-mega projects will be eligible for a structured package of incentives as detailed below (Table 2, see Annex), for A & B category districts, if they satisfy both the investment and the minimum employment criteria fixed for each category.
Additional Incentives	• **Additional employment generation** – An additional 10% output VAT+CST paid will be given as Investment Promotion subsidy/soft loan to the investors if they double the committed employment levels within the investment period, which is capped to the investment made in the eligible fixed assets (EFA) during the Investment period. This additional incentive will be applicable for 'B' and 'C' category districts only. • The investment period may be extended by the Government in deserving cases, for valid reasons. • In the case of Investment Promotion Soft loan, the cap will be the one fixed for the respective categories/class. In the case of Investment Promotion subsidy, the cap will be half of the one fixed for the respective category/class. For soft loan, the interest charged will be 0.1% per annum. The project/company may exercise a onetime option for availing either Investment Promotion soft loan or subsidy before the commencement of the commercial production.
Special package for southern districts[42]	Industries set up in the southern districts will be eligible for a special package which will be higher than the package available for the rest of the State as detailed below (Table 3, see Annex) • **Capital Subsidy and Electricity Tax Exemption:** New or expansion manufacturing units established in Southern districts will be given a back-ended capital subsidy and Electricity Tax exemption as enumerated under standard incentives. • **Stamp Duty concession:** 50% Stamp duty concession shall be offered for lands purchased/leased for the projects located in areas other than Industrial parks promoted by SIPCOT – In the case of Ultra Mega projects and the projects located in SIPCOT Industrial Parks, this will be 100%. parks would be valued at actual land or building value paid by the manufacturing.

42 Southern Districts refer to the Districts of Madurai, Theni, Dindigul, Sivagangai, Ramanathapuram, Virudhunagar, Tirunelveli, Thoothukudi and Kanniyakumari

Area	Incentives
	• **Environmental Protection Infrastructure subsidy:** Dedicated Effluent Treatment Plants (ETP) and / or Hazardous Waste Treatment Storage and Disposal Facility (HWTSDF) set up by individual manufacturing units would be eligible for an Environment Protection Infrastructure subsidy of INR 3 million or 25% of capital cost of setting up such ETP/ HWTSDF, whichever is less. – Individual Manufacturing Units adopting Zero Effluent or Wastewater Discharge, Clean Development Mechanism and Emissions Trading Mechanism will be given a higher amount of subsidy on a case-to-case basis. • **Structured Package of Incentives:** Apart from the standard incentives mentioned above, Mega, Super-mega A, Super-mega B and Ultra-mega projects set up in these districts will be eligible for a structured package of incentives (Table 4, see Annex). – Investments made below INR 2,000 million are also be eligible for receiving VAT – related fiscal incentives (Table 5, see Annex) • **Others** – SIPCOT will acquire and allot lands for starting new industries in Southern Districts where lands in SIPCOT parks are not available. For this, the minimum area required by the investing company shall be at least 25 acres and the investment should be more than INR 500 million. The lands required by the company shall be barren, non-irrigated and dry land to the extent possible. Land requirement with more than 10% wetlands will not be entertained. – The state shall allocate necessary funds for the industrial infrastructure development of the Southern districts to create common infrastructure like roads, water supply etc. – Uninterrupted power supply will be given to the projects set up in the Southern Districts if they are covered by MoU or Government Order (non-MoU)

Reference: *Tamil Nadu Industrial Policy 2014, Industries Department, Government of Tamil Nadu*

Annexure

Table 1: Capital Subsidy and Electricity Tax Exemption

Investment in fixed assets/eligible fixed assets (in INR million)	Direct Employment (in numbers)	Capital Subsidy (in INR million)	Electricity tax exemption (in no. of years) from date of commercial production
50-500	100	3	2 years
500-1,000	200	5	3 years
1,000-2,000	300	10	4 years
5,000-15,000	400	15	5 years
15,000-30,000	600	17.5	5 years
30,000 and above	800	20	5 years
3000 and above	1000	22.5	5 years

Table 2: Fiscal incentives for Mega, Super-mega & Ultra-mega projects

Investment Category	Investment Range (in INR million)		Fiscal Incentives Offered
	A Districts	B Districts	For a & B group districts
Mega	Above 5,000-15,000, creating an employment of 300 in 3 years	Above 3,500-10,000, creating an employment of 200 in 3 years	Net output VAT+CST paid will be given as Investment promotion subsidy/ soft loan for 10 years from the date of commercial production with a ceiling of 80% of investment made in EFA within the investment period.In respect of expansion projects, the cap will be 70%. Base volume principle and sliding scale will be applied.
Super Mega A	Above 15,000-30,000, creating an employment of 400 in 5 years	Above 10,000-20,000, creating an employment of 300 in 5 years	Net output VAT+CST paid will be given as Investment promotion subsidy/ soft loan for 12 years from date of commercial production with a ceiling of 90% of investment made in EFA within the investment period. If ceiling is not reached within 12 years, addl. period up to 6 years will be considered. In respect of expansion projects, the cap will be 80%. Base volume principle and sliding scale will be applied. Refund of VAT paid on capital goods will be given as subsidy during the investment period. However, this subsidy will be included for capping of incentive based on Net Output VAT+CST.

Investment Category	Investment Range (in INR million)		Fiscal Incentives Offered
	A Districts	B Districts	For a & B group districts
Super Mega B	Above 30,000-50,000, creating an employment of 600 in 6 years	Above 20,000-40,000, creating an employment of 500 in 6 years	Net output VAT+CST paid will be given as Investment promotion subsidy/ soft loan for 14 years from date of commercial production with a ceiling of 100% of investment made in EFA within the investment period. If ceiling is not reached within 14 years, addl. period up to 7 years will be considered. In respect of expansion projects, the cap will be 80%. Base volume principle and sliding scale will be applied. Refund of VAT paid on capital goods will be given as subsidy during the investment period. However, this subsidy will be included for capping of incentive based on Net Output VAT+CST.
Ultra-Mega	Above 50,000, creating an employment of 700 in 7 years	Above 40,000, creating an employment of 600 in 7 years	Gross output VAT and CST paid will be given in the form of Investment Promotion Subsidy/soft loan for 16 years (or) till the cumulative availment of the gross Output VAT+CST paid by the Company reaches 100% of eligible investment within the investment period, whichever is earlier. Input VAT refund as Investment Promotion subsidy for a period concurrent with the period of output VAT+CST refund or soft loan. Refund of VAT paid on Capital Goods and tax paid on Works Contract will be given as subsidy during investment period. However, these two subsidies will be included for the ceiling fixed for Gross Output VAT+CST based incentive. In respect of expansion projects, the cap will be 80%. Base volume principle and Sliding scale will be applied.

Table 3: Special Package for Southern Districts

Category	Investment Range (in INR million)
Mega Projects	Above 2,000-5,000 creating an employment of 100 in 4 years
Super Mega A	Above 5,000-15,000 creating an employment of 250 in 5 years
Super Mega B	Above 15,000-30,000 creating an employment of 350 in 6 years
Ultra-Mega	Above 30,000 creating an employment of 500 in 7 years

Note:

"Mega Project" means a manufacturing project, new or expansion, located in C category districts with the following investment ranges and creating the employment stipulated;

"Super Mega Project-A" means a manufacturing project, new or expansion, located in C category districts with the following investment ranges and creating the employment stipulated;

"Super Mega Project-B" means a manufacturing project, new or expansion, located in C category districts with the following investment ranges and creating the employment stipulated;

"Ultra-Mega Project" means a manufacturing project, new or expansion, located in C category districts with the following investment ranges and creating the employment stipulated.

Table 4: Structured Package of Incentives for Southern Districts

Investment Category	Investment Range (in INR million)	Fiscal incentives offered
Mega	Above 2,000 to 5,000, creating an employment of 100 in 4 years	Net output VAT+CST paid will be given as Investment Promotion subsidy/ soft loan for 10 years from the date of commercial production with a ceiling of 100% of investment made in EFA within the investment period. In respect of expansion projects, the cap will be 100%. Base volume principle will be applied. No Sliding scale.
Super Mega A	Above 5,000-15,000, creating an employment of 250 in 5 years	Net output VAT+CST paid will be given as Investment Promotion subsidy/ soft loan for 12 years from the date of commercial production with a ceiling of 100% of investment made in EFA within the investment period. If ceiling is not reached within 12 years, additional period up to 6 years will be given. In respect of expansion projects, the cap will be 100%. Base volume principle will be applied. No Sliding scale. Refund of VAT paid on capital goods will be given as subsidy during the investment period.

Investment Category	Investment Range (in INR million)	Fiscal incentives offered
Super Mega B	15,000-30,000, creating an employment of 350 in 6 years	Net output VAT+CST paid will be given as Investment Promotion subsidy/ soft loan for 14 years from the date of commercial production with a ceiling of 100% of investment made in EFA within the investment period. If ceiling is not reached within 14 years, additional period up to 7 years will be given. In respect of expansion projects, the cap will be 100%. Base volume principle will be applied. No Sliding scale. Refund of VAT paid on capital goods will be given as subsidy during the investment period.
Ultra-Mega B	Above 30,000, creating an employment of 500 in 7 years	Refund of gross output VAT and CST will be given in the form of Investment Promotion Subsidy for 16 years (or) till the cumulative availment of the gross Output VAT+CST paid by the Company reaches 100% of eligible investment within the investment period, whichever is earlier. Input VAT refund as Investment Promotion subsidy for a period concurrent with the period of output VAT/CST refund or soft loan. Refund of VAT paid on Capital Goods will be given as subsidy during investment period. Refund of tax paid on Works Contract will be given as subsidy during investment period. In respect of expansion projects, the cap will be 100%. Base volume principle will be applied. No Sliding scale.

Table 5: VAT related Fiscal Incentives

Investment within 3 years	Soft loan given would be equal to VAT paid in the
INR 500-1,000 million	First 3 years from the commencement of commercial production
INR 1,000-2,000 million	First 4 years from the commencement of commercial production

UTTAR PRADESH

Overview

Spread across 2,40, 928 square Kms, Uttar Pradesh (UP) is the fourth largest state in India[43]. Uttar Pradesh is also the most populous state in the country with a population of 200 million, accounting for around 16.5% (as per 2011 census) of India's total population.

The state recorded a Gross State Domestic Product (GSDP) of INR 11,275 billion during 2018-19 in terms of constant (2011-12) prices. The share of UP's GSDP in all states taken together was around 9.3%. The GSDP grew at a compound annual growth rate (CAGR) of 5.8% between 2011-12 and 2018-19[44].

The state is the largest producer of food grains in the country, producing key crops such as rice, wheat, maize, among others. The state is also one of the leading tourist destinations in the country owing to the presence of the Taj Mahal in Agra. A major exporter, merchandise exports from the state stood at US$ 16.29 billion in 2018-19[45].

As of 2019, the state recorded an installed power generation capacity of 25,958 MW[46]. The state also has a significant presence of MSMEs and a large base of skilled workers. The state has emerged as a preferred location for IT and ITeS industries, captive business process outsourcing (BPO) and electronics.

The state attracted Foreign Direct Investment (FDI) equity inflows to the tune of US$698 million during the April 200 to June 2019 period as per estimates by the Department for Promotion of Industry and International Trade (DPIIT).

The state offers a wide range of subsidies, fiscal and policy incentives and assistance to businesses and sector-specific policies for IT and biotechnology. The Industrial Investment and Employment Promotion Policy of Uttar Pradesh 2017 envisages to create an enabling framework that strengthens existing industries by enhancing their competitiveness while harnessing the strengths of the new ones. This in turn will help in attracting national as well as international investments.

All these factors make Uttar Pradesh a highly preferred destination for setting up business as well as investment for both domestic and foreign investors.

The incentives provided by the State's Industrial Investment and Employment Promotion Policy 2017 is listed below.

43 Reference: Industrial Investment and Employment Promotion Policy of Uttar Pradesh, 2017
44 Calculations based on MOSPI data
45 https://www.ibef.org/states/uttar-pradesh.aspx
46 https://www.ibef.org/states/uttar-pradesh.aspx

State Incentives

Area	Incentives
Ease of Doing Business	• A dedicated Single Window Clearance Department directly under the Chief Minister's Office will be the sole interface of the Government for providing all industrial services/ clearances/ approvals/ permissions/ licenses • Single Window Technology Portal of international standards will be developed through which applications will be received and all industrial services/ clearances/ approvals/ permissions/ licenses will be delivered online • For effective functioning of the Single Window Clearance mechanism a State Level Committee chaired by the Chief Secretary, GoUP will be constituted • For creating an enabling structure to expedite decision making pertaining to industrial projects, State Investment Promotion Board (SIPB) will be constituted under the Chairmanship of Chief Minister and the Chief Secretary to the Government as Member Convener.
Fiscal Incentives	• Stamp duty exemption of 100% in Bundelkhand & Poorvanchal, 75% in Madhyanchal & Paschimanchal (except Gautambuddhnagar & Ghaziabad districts) region of the state and 50% in Gautambuddhnagar & Ghaziabad districts. • EPF reimbursement facility to the extent of 50% of employer's contribution to all such new Industrial units providing direct employment to 100 or more unskilled workers. • Reimbursement of net VAT and CST or the net amount deposited in State's account visa- vis share of the state under GST as follows which will not be more than the amount deposited annually • 90% for Small Industries for 5 years subject to annual ceiling of 20% of capital investment or actual tax deposited, whichever is lower, with an overall ceiling of 100% of fixed capital investment in Bundelkhand & Poorvanchal, 90% of fixed capital investment in Madhyanchal & Paschimanchal (except Gautambuddhnagar & Ghaziabad districts) and 80% of fixed capital • investment in Gautambuddhnagar & Ghaziabad districts. • 60% for Medium Industries for 5 years subject to annual ceiling of 20% of capital investment or actual tax deposited, whichever is lower, with an overall ceiling of 100% of fixed capital investment in Bundelkhand & Poorvanchal, 90% of fixed capital investment in Madhyanchal & Paschimanchal (except Gautambuddhnagar & Ghaziabad districts) and 80% of fixed capital investment in Gautambuddhnagar & Ghaziabad districts.

Area	Incentives
	• 60% for large Industries (capital investment of above Rs. 10 cr and below the capital investment required for consideration under various categories of mega investment) for 5 years subject to annual ceiling of 20% of capital investment or actual tax deposited, whichever is lower, with an overall ceiling of 100% of fixed capital investment in Bundelkhand & Poorvanchal, 90% of fixed capital investment in Madhyanchal & Paschimanchal (except Gautambuddh Nagar & Ghaziabad districts) and 80% of fixed capital investment in Gautambuddh Nagar & Ghaziabad districts. • 70% for Mega/ Mega Plus/ Super Mega category Industries for 10 years subject to annual ceiling of 20% of capital investment reimbursed or actual tax deposited, whichever is lower, with an overall ceiling of 300% of fixed capital investment Bundelkhand & Poorvanchal, 200% of fixed capital investment in Madhyanchal, 100% in Paschimanchal (except Gautambuddh Nagar & Ghaziabad districts) and 80% of fixed capital investment Gautambuddh Nagar & Ghaziabad districts. • Capital Interest Subsidy to the extent of 5% per annum for 5 years in the form of reimbursement on loan taken for procurement of plant & machinery, subject to an annual ceiling of Rs. 50 lacs. • Infrastructure Interest Subsidy to the extent of 5% per annum for 5 years in the form of reimbursement on loan taken for development of infrastructural amenities for self-use like roads, sewer, water drainage, erection of power line, transformer and power feeder, subject to an overall ceiling of INR 10 million. • Exemption from electricity duty to all new industrial units set up in the state for 10 years. • Exemption from electricity duty for 10 years to all new industrial units producing electricity from captive power plants for self-use. • Exemption from Mandi fee for all new food processing units on purchase of raw material for 5 years. • Industries which are disallowed for input tax credit under GST regime, will be provided reimbursement of that amount of VAT/CST/GST paid on purchase of plant and machinery, building material and other capital goods during construction and commissioning period and raw materials and other inputs in respect of which input tax credit has not been allowed. • Interest free loan equivalent to the sum of VAT and CST/state share of GST deposited by industrial units admissible to eligible industrial units under the previous policy will be continued

Area	Incentives
Land	• Government will identify vacant land that can be used for the purpose of Land Banks for industry in industrial areas/ zones. • Availability of land parcels at competitive prices to investors. • Necessary infrastructure planning in existing and new areas as per industry requirements in all regions, based on geographical strength and after assessment of demand. • Rules relating to allotment and management of land will be rationalized and made investor friendly including land use change.
Power	• Identify and provide industrial clusters having minimum specified load with independent feeders and exemption from power cuts. • Procedure from enhancement, reduction and surrender of power load to be simplified. • Open access for all industry sectors in the state and single point open access to private industrial parks in accordance with Electricity Act 2003.
National Investment & Manufacturing Zones (NIMZ)	• Speedy implementation of two NIMZs in Jhansi and Auraiya under provision of National Manufacturing Policy • Manufacturing industries set up in this area to be provided with facilities such as simplified business regulations; incentives for technology acquisitions and production/adoption of pollution control equipment/ machines/devices; skill development incentives by private sector; access to finance for small and medium enterprises
Special Economic Zones (SEZ)	• 19 SEZs have been notified in the state in addition to Noida & Moradabad SEZs set up by the Central & State Governments respectively • SEZ's to be provided with simplified clearances, world class infrastructure and a stable fiscal regime
Industrial & Investment regions and Integrated Manufacturing Clusters	Speedy access to key markets; adequate supply of water and electricity; excellent waste management system and recycling facilities with advanced infrastructure to suit requirements of modern industries
Support to MSME Sector	• A corpus fund will be created to implement 'Vishwakarma Shram Samman Yojana' to provide assistance in terms of margin money subsidy and interest subsidy to artisans and entrepreneurs of local traditional industries. • GoUP with assistance from financial institutions will create an SME Venture Capital Fund for promoting Start-ups and emerging SMEs.

Area	Incentives
Promotion of Industrial Parks/Estates	• **Developing new industrial parks and upgrading new ones** – Focus on developing food, IT, textile and pharma parks & parks around major national highways, expressways and state highways. – Promote country specific industrial parks. – Logistic facilities including truck terminals and accommodation facilities for employees in all major industrial parks. • **Promoting private industrial parks/estates** – Provision of financial assistance to developers of such estates/parks. – Assistance in identifying suitable land to accelerate investments in planned manner by providing plug and play facilities – Truck parking bays and accommodation facilities for all employees – Special focus on promoting industrial parks around Kanpur, Kanpur-Allahabad and Varanasi-Allahabad zones. • **Incentives for private sector industrial parks/estates** – Government to provide following incentives to industrial parks/ estates of more than 100 acres in Bundelkhand & Poorvanchal; 150 acres in Madhyanchal; and more than 50 acres in case of Agro Parks in Bundelkhand, Poorvanchal and Madhyanchal developed by private sector: – Interest subsidy in the form of reimbursement of interest of up to 50% of annual interest on the loan taken to buy land, calculated on the basis of prevalent circle rate, for 7 years subject to a maximum ceiling of Rs. 50 lacs per annum per industrial estate/agro park. – Interest subsidy in the form of reimbursement of interest of up to 60% of annual interest for 7 years on the loan taken for building infrastructure in the industrial parks/ estates subject to INR 100 million per year with an overall ceiling of INR 500 million per industrial estate/agro park. – Interest subsidy in the form of reimbursement of interest of up to 60% of annual interest for 7 years on the loan taken for building Hostel/Dormitory Housing for workers in the industrial parks/ estates subject INR 50 million per year with an overall ceiling of INR 300 million per industrial estate/agro park. – 100% exemption/ reimbursement on stamp duty on the purchase of land by the developer and 50% exemption on stamp duty to individual buyers (first) will be provided on purchase of plot in the industrial parks/ estates.
Environment Related Reforms	• Effluent Treatment Plant (ETP) and rain water harvesting will be encouraged • Need based financial assistance to be provided for development of Green Industrial Estate • Need based financial assistance to be provided for shifting chemical based units from residential zone to industrial zone

Area	Incentives
Skill Development & Innovation	• GoUP will periodically map Industry specific skill gaps & requirements and introduce industry-responsive short term, long term & modular courses in existing ITIs, Polytechnic & Engineering colleges with active user-industry participation and involvement in formulating the course material and training • Establishing Skill Development Centres in major industrial areas/ clusters/ parks with special focus on harnessing the social capital in rural areas • Special attention will also be given to skill development of SC/ ST/ Backward class and Women entrepreneurs on handicrafts and household business **Innovation – Promoting Start-Ups** • Regulatory Simplification and Handholding • Funding Support and Incentives • Incubation Support
Additional Incentives	• Units generating minimum employment of 200 direct workers including skilled and unskilled will be provided 10% additional EPF reimbursement facility on employer's contribution • Infrastructure Interest Subsidy of 5% per annum for 5 years for development of infrastructural amenities for self-use subject to an overall ceiling of Rs 10 million • Interest subsidy of 5% per annum for 5 years for industrial research, quality improvement and development of products by incurring expenditure on procurement of plant, machinery & equipment for setting up testing labs, quality certification labs and tool rooms, subject to an overall ceiling of Rs 10 million

Reference: *Industrial Investment and Employment Promotion Policy of Uttar Pradesh, 2017*

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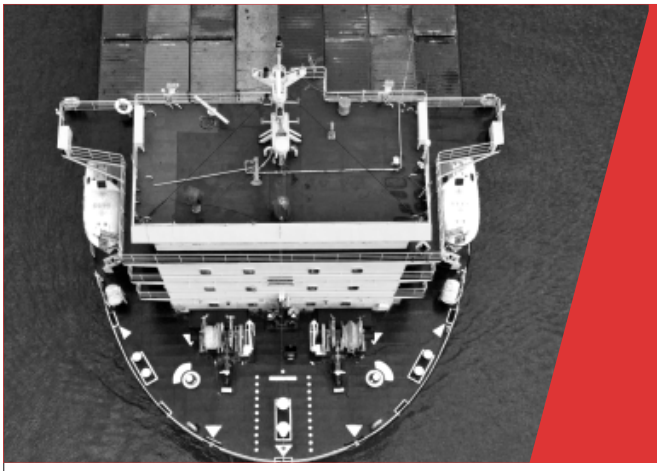

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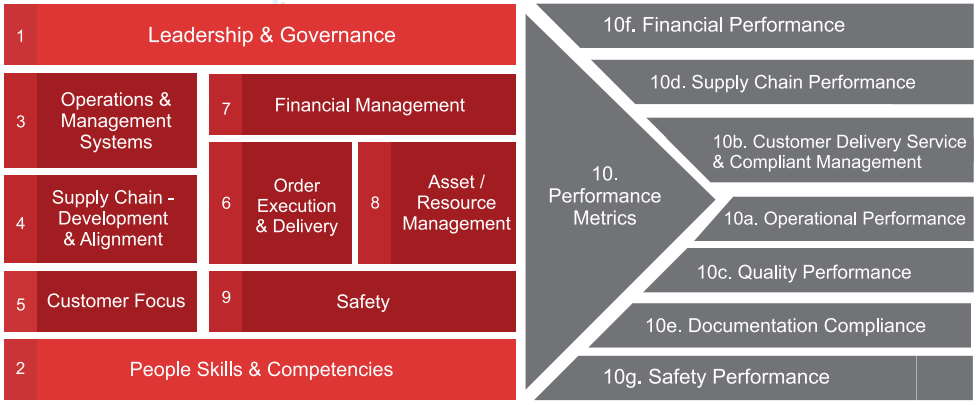
125 Years - Since 1895

RESPONSIBLE EXPORT ORGANIZATION

Certification by CII

The CII "Responsible Export Organization-Certification Scheme" has been developed to provide a single framework for demonstrating the compliance and maturity of Indian export organizations towards meeting the global market expectations on business and societal performance. Based on the time-tested business excellence models, the scheme is based on a comprehensive assessment of the organization's systems for governance, management, operations and consistency in delivered results through a maturity model anchored on 10 critical elements covering practices and performance. The assessment uses simplified, cost effective, easy to practice criteria & evaluation processes to enable wide participation from existing and potential export organizations

FRAMEWORK FOR RESPONSIBLE EXPORT ORGANIZATION CERTIFICATION



SCOPE & ELIGIBILITY

'The Scheme is currently open to all manufacturing organizations engaged in manufacturing /exporting products, or having export potential, with or without service components.

The Organizations must be registered in India with minimum two years of operations (Domestic, Export or Both) and having audited accounts.

OBJECTIVES

- Assess and certify Organizations in India engaged in export or planning export
- Provide a comprehensive framework covering Leadership, Governance, Sustainability and Performance Requirements
- Provide a structured feedback in the journey of excellence
- Improve the brand image and credibility of Indian Organization in export market & boost exports

VALUE PROPOSITION

- Certification from CII as a Responsible Export Organization
- Visibility and listing in CII India and international offices website
- Active promotion by CII International Offices in Conferences, Trade shows, Exhibitions
- Linking with other Export Promotion bodies
- Incentives by Government are under active discussion

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CII SERVICES

Global outreach | Market Facilitation Services | CII and Japan

Facilitating Global Outreach of Indian Companies

The Confederation of Indian Industry's (CII) unique worldwide network of partnerships with Governments (both at federal and provincial levels), legislators, industry institutes, academia, think tanks, media, Indian diaspora and multilateral agencies forms the foundation of the organization's international endeavors. A vast network of counterpart organizations enables Indian Industry's efforts to reach different parts of the world.

Meetings with Heads of States, decision makers and business delegations led by CII Members are an effective platform for Indian businesses to develop mutually beneficial global partnerships. In a dynamic and fast evolving global environment, CII's Missions for Indian Business Leaders open up bilateral business opportunities through direct dialogue and exchange of ideas, concerns & priorities.

Facilitating Investment from Overseas

CII International, the focal point for international companies seeking to do business with India, offers a range of business development, information & knowledge, and networking services. CII platforms such as the India Business Forums, regional & bilateral conclaves, business and CEOs delegations, and CEO Forums, amongst others, have been facilitating investment into India for decades.

Policy Advocacy for Promoting Market Access for Indian Companies

CII International, being the global voice of Indian industry, engages with Government of India as well as foreign Governments to address policy level challenges facing Indian industry. Some of the steps CII takes to enhance market access for Indian exporters include:

- Identifying and addressing challenges of the small sector to improve their competitiveness
- Promoting cooperation with counterpart organizations
- Adopting a proactive and partnership approach with foreign governments on international issues concerning Indian economy

Deep rooted engagement with the Ministry of Commerce and Industry, Ministry of External Affairs, overseas Indian missions as well as with the industry enables CII to communicate the larger picture while highlighting policy issues confronting Indian Industry in international markets. Such engagement and understanding of the global issues, also come to bear in CII's inputs on bilateral and multilateral trade agreements as well as measures that can boost India's bilateral trade and investments.

Market Facilitation Services

The CII Emerging Markets Forum (EMF) continued to support Indian companies in emerging markets. A fee-based service, the EMF is providing wide range of services to enable member companies to tap overseas markets, namely Information Services, Advocacy Services, Market Facilitation Services (MFS) and Networking Services.

In addition, to enhance the credibility of Indian companies in providing consistent products / services to the export market, CII has launched an innovative Responsible Export Organization Certification Program through an assessment based on the requirements of the certification framework. The scheme provides a single framework for demonstrating the compliance and maturity of Indian export organizations towards meeting the global market expectations on business and societal performance.

CII relationship with Japan

CII has a long-standing association with Japan spanning over 2 decades. It has a network of 11 MoU partners which include major industry associations and government organisations such as Keidanren, Kankeiren, Osaka Chamber of Commerce & Industry, Japan External Trade Organisation (JETRO), Japan International Cooperation Agency (JICA) among others.

In India, CII has been working closely with JETRO and JCCII in providing necessary support to the Japanese Companies in doing business in India.

CII and JETRO are jointly working together in taking forward the India Japan Business Partnership to third countries (i.e. Africa). Over the years, JETRO has actively participated in CII Africa events. Currently, CII and JETRO are jointly developing a website on business partnership cooperation in Africa.

CII, with support of JICA, has been executing the Visionary Leaders for Manufacturing (VLFM) Program since 2007, with an objective to bring about a transformational change in India's manufacturing sector by developing skilled innovators and entrepreneurs, in close to 1000 companies. The said programme has now been renamed as Champions for Societal Manufacturing (CSM) Programme

CII has been the pioneer of initiating a strong quality movement in Indian industry. CII's Institute for Quality has close partnerships with leading Japanese quality institutions like JUSE (Union of Japanese Scientists and Engineers), JIPM (Japan Institute of Plant Maintenance) and JMA Consulting and organizes several training programs / study missions for promoting TQM (Total Quality Movement) within Indian Industry.

CII, in partnership with Nihon Technologies India Pvt Ltd has been identified by the Ministry of Skill Development & Entrepreneurship as a Sending Organisation (Send skilled interns to Japan). CII mobilizes interns in India, giving pre–departure training and basic training on Japanese culture & language in our training centre in Chennai. Fuji Corporation, Japan (Receiving Organisation) is facilitating internship opportunities to these youth and pay a monthly stipend including food. The internship period is for 5 years (initial contract for 3 years and extendable upto 2 years) and once the youth completes internship in Japan and returns to India, CII and Nihon Technologies work towards facilitating post-internship placements.

Lastly, CII has been sending CEOs / business delegations to Japan for exploring business opportunities. in Japan (SME delegation in 2018, IPR delegation in 2019, etc.)

Confederation of Indian Industry

125 Years: 1895-2020

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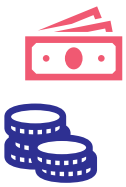

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Business Profiles

1. Jubilant Life Sciences Ltd
2. Toyota Kirloskar Motor Pvt Ltd
3. T V Sundram Iyengar & Sons Pvt Ltd
4. Bharat Forge
5. Polycab
6. Cadila Pharmaceuticals Ltd
7. Hitachi India Pvt. Ltd
8. Japan Bank for International Cooperation

Strengthening Ties: Jubilant Life Sciences Limited & Japan

Jubilant Life Sciences Limited shares a strong relationship with Japan, having served customers across several industries in the country. This two decade long relationship has been nurtured mutually through trust, transparency, quality and cost competitiveness.

Keen to collaborate with leading Japanese companies as a strategic partner, the Company has robust quality & safety systems which qualifies the stringent Japanese standards. It is also committed to the Responsible Care program across its entire business value chain. The Company has been a valued partner to its Japanese counterparts through its varied businesses offerings and capabilities.

In Life Science Ingredients business segment, Jubilant is supplying its products to Japan like Pyridine & Picolines and their derivatives. These products find application in pharma, agrochemicals, nutrition and electronics among other industries. With its product Vitamin B3 (Niacin & Niacinamide), it is engaged with prominent distributors in Japan and reaches the end customers across feed, food, technical, personal care and pharma applications. It has also been long associated with various agrochemical and pharma companies on CDMO offerings for intermediates and actives contract manufacturing.

Through its Pharmaceuticals business segments, Jubilant is one of the largest exporters of oral solid formulations to Japan. It is amongst a select few Indian manufacturers to offer finished products in the country. For over a decade, it has been working with one of the biggest generic company in Japan for contract manufacturing with its in-house APIs capability giving it a competitive edge. The Company also provides APIs to top Generic companies in Japan.

Jubilant's Drug Discovery and Development Solutions business strives to collaborate with a range of innovator companies in Japan and offers capability in integrated drug discovery & synthetic chemistry.

The products offered by Jubilant in Japan comply with the Japanese Pharmacopeia and Japanese Standard of Food Additives for respective products as applicable. The Company also owns the accreditation certificate of Foreign Drug Manufacturer in Japan. The pharmaceutical manufacturing facilities of the Company in India, are approved by the Japan PMDA.

Japanese companies can find in India a vibrant and rapidly growing market, a facilitative investment climate and multiple sectors for investments.

Jubilant's competitively priced, high-quality and wide spectrum of products positions it as valued long term strategic partner for Japanese companies and market.

With its commitment to fulfil the needs of the Japanese customers, it aspires to expand its foot-print in the 'Land of the Rising Sun'.

Established in 1997, Toyota Kirloskar Motor Pvt. Ltd. (TKM) a subsidiary of Toyota Motor Corporation. TKM's plants are located in Bidadi, Karnataka has a capacity of 3, 10,000 vehicles per annum. The first plant manufactures Innova Crysta and Fortuner with a production capacity of 1,00,000 vehicles per annum. TKM's second plant has a capacity of 2,10, 000 vehicles per annum, manufacturing Corolla Altis, Etios series,Camry Hybrid & Yaris. TKM has skilled manpower of approximately 6,000 plus employees. TKM entered into the Indian market with the Toyota Qualis in 2000.Later it launched Corolla (2003), Innova (2005), Fortuner (2009) and Etios (2010), Etios Liva (2011), Camry Hybrid (2013), Etios Cross (2014) and Yaris (2018). Apart from this Prado, Land Cruiser and Prius are imported. In June '19, TKM launched Toyota Glanza – the exciting new premium hatchback from Toyota.

Vision: Be a socially committed corporate through building vibrant communities in harmony with nature, aiming to become the most admired company in India and meet customer expectations

Key Pillars: Skill development, road safety, education, environment, health and hygiene

Road Safety

- Toyota Safety Education Program (TSEP): As a safety leader, Toyota commenced this initiative in 2007 with an aim to educate school children and teachers to instill a sense of responsibility among the future road users through innovative classroom methodology, quiz activities, and state and national level events. Through TSEP, so far, Toyota has educated more than 740,000+ school children from grades 5th – 9th on road safety across India. This program allows the children to think of road safety from very young age.
- Team Toyota Activity (TTA): TTA educates and sensitizes school children, teachers, parents and school bus drivers on responsible safety habits to enable a safer traffic environment for the next generation. As part of this program, Toyota collaborates with Business Partners to educate and sensitize school children, teachers, parents and school bus drivers on responsible road safety habits, to create a safer traffic environment for all. Toyota has set up Safety Model Schools and 13 Toyota Driving Schools in different part of the country promising impactful results
- Safety Model School: Toyota establishes Safety Model Schools along with one-of-its-kind Traffic Parks to educate school children on the importance of traffic rules and responsible road safety habits. Safety Model School has been successfully implemented in Kolkata, Kochi, Delhi, Varanasi, Hisar, Rewari, and Mettupalayam (Coimbatore) with a promising impact on behavioral changes amongst school children. Established 7 Model schools as on date
- Toyota Hackathon – Code for Safer India: Under its Hackathon initiative, Toyota invites and incubates innovative ideas of students from grades 9^{th}-12^{th} to drive the road safety mission with an ultimate goal of achieving "Zero Fatality". Key focus is given to motivate and unleash the hidden talents, provides

a platform for young minds towards "India Road Safety Mission". It recently concluded the 3rd edition of the hackathon in Delhi, while the Bangalore chapter took place in November, last year

- Health and Hygiene

- TKM upgraded Healthcare Centre at Byramangala benefits over 20,000 patients - 15% increase in number of patients at the centre

School Health Program

- Health is the major concern in the surrounding areas due to low awareness among villagers. Centers are lacking good infrastructure facilities. An inclusive approach was adopted to address children and community preventive needs. Implemented the programme to government children covering anemia, malnutrition and eye. Along with this, we have covered the community by conducting health camps.
- All identified cases are provided with medicines and spectacles. The cases are referred to health & education department of the government. Covered 14000 + students in 109 schools

Water purification units

- Local villagers are depending on underground water for drinking purpose. Underground water in nearby villages highly polluted and not potable as per IS10500 govt standard. Many of the villagers are suffering from water borne diseases and TKM took preventive measures by installing community-based purification units in collaboration with local administration. Post installation all these water units are handed over to local administration and TKM facilitated 15 years operation and maintenance agreement with agency to maintain the water units in hygienic and working condition. 41 water units installed benefitting 258 villages and more than 260,000 villagers.
- With this initiative, Toyota has been able to effectively support the affordability of required quantity and quality of water by contributing towards reduction of 90% of the total cost for such water being sourced through other vendors

Project ABCD (A Behavioral Change Demonstration):

- TKM initiated the ABCD project with a focus on bringing in a behavioral change. Project ABCD not only aims at achieving 100% school sanitation by increasing awareness, it also promoters dignity and privacy for the girl child by upgrading existing unhygienic school toilets to usable condition as well as to promote learning and retention among school children, teachers as well as the community members
- Project ABCD has covered 58719 school children and 3,89,747 community members creating awareness on the importance of sanitation and basic hygiene, which has resulted in 1004 schools being Open Defecation Free
- Toyota's Project ABCD has been significantly contributing to the Government's Sustainable Development Goal of ending open defecation in India [SDG 3: Good Health & Well Being]
- TKM adopted Toyota Business Practices Methodology to manage this project. Problem's point of occurrence was identified, followed by root cause analysis, setting targets by further breaking it down into activities and then outcomes were measured periodically to maximize the impact and achieve the objective of 100% sanitation in target villages. The real problem was non - availability of gender segregated toilets at schools and absence of toilets at home.
- TKM has partnered with NGO – SNEHA, to carry out activities in schools; bringing a behavioral change pertaining Water, Sanitation and Hygiene (WASH) practices among school children. Students, teachers and villagers were educated about the unhygienic impact of open defecation, the necessity of washing hands, maintaining cleanliness of toilets and precautionary measures against infections

- TKM's girl child sanitation initiatives have effectively contributed in reduction of girl child school missing hours to zero in Ramanagara district
- Till date, TKM has constructed more than 890 units of sanitation facilities in 293 government schools across India, including: 124 units in Varanasi (UP), 592 units in Ramanagara district, 80 unit in Bangalore (Karnataka) and 94 units in Vaishali (Bihar)
- Total 13548 household toilets have been constructed since last 4 years. All children of 1004 schools under Project ABCD have 99% sanitation facilities at home. With this efforts, more than 92 villages have declared as 100% sanitation
- This unique projects has been commended for its key contribution by the Karnataka State's Education Board and most recently a case study on the project was accepted for publication by Ivy Publishing which then made its way to Harvard Business Review case collection
- TKM also provided incinerators at Government schools in Ramanagara.
- Trainings have been provided on proposal disposal of sludge and other waste segregation and disposal under this activity. Use of bio chemicals have been widely accepted and used by the community and schools for cleaning of toilets resulted in zero sludge accumulation.

TVS Supply Chain Solutions Limited – An Indian MNC

TVS Supply Chain Solutions Limited (TVS SCS), is a leading Indian Multi-National Company providing integrated logistics and supply chain services across the world.

TVS Supply Chain Solutions (earlier known as TVS Logistics) is part of the prestigious US$ 8.5 Bn TVS Group, founded in 1995 as a division of TVS & Sons. It was registered as a separate company in 2004. TVS Supply Chain Solutions over the last decade has rapidly grown globally and has cemented its name as the only logistics company from India to expand its service offering to all major developed and emerging markets around the world.

Growing primarily through acquisitions, TVS Supply Chain Solutions has made significant investments in countries such as the UK, USA, Germany, Spain, Singapore, Australia and other territories. By acquiring niche capabilities in supply chain and establishing a domestic presence in these markets, TVS Supply Chain Solutions has been able to deliver value to its customers in every country of its presence, through continuous innovation, differentiation and quality of service.

This has enabled TVS Supply Chain Solutions to become a partner to our customers' growth story and enabled a mid-sized asset light company to compete with global players on an equal scale. TVS Supply Chain Solutions with an employee base of over 18,500, clocked an annual revenue of US$ ~1 Bn in FY'2019. TVS Supply Chain Solutions has a global presence with offices across 19 countries, viz., India (Headquarters); USA and Mexico in North America; UK, Spain, Germany, Italy, France in Europe; Singapore, Japan, Korea, China & Hong Kong, Taiwan, Vietnam, Indonesia, Thailand and Malaysia in Asia; and Australia, New Zealand.

With a global platform significantly scaling year-on-year, TVS Supply Chain Solutions' customer portfolio boasts some of the biggest names in sectors such as Auto, Utilities, Engineering, FMCG, Technology and Defense.

Through all this, TVS Supply Chain Solutions has strengthened its Indian roots by means of cross-deploying global talent and capabilities, and acting as a knowledge partner to its customers, who can convert its solution capabilities to flawless execution.

POLYCAB

Connection Zindagi Ka

About Polycab India Ltd

Polycab India Limited (BSE Code: 542652|NSE Code: POLYCAB) is engaged in the business of manufacturing and selling wires and cables and fast moving electrical goods ("FMEG") under the "POLYCAB" brand. Apart from wires and cables, we manufacture and sell FMEG such as electric fans, LED lighting and luminaires, switches and switchgears, solar products and conduits and accessories.

The company's promoters collectively have more than four decades of experience among them. The Company was incorporated as 'Polycab Wires Private Limited' on January 10, 1996 at Mumbai as a private limited company under the Companies Act, 1956.

Polycab manufacture and sell a diverse range of wires and cables and some of the key products in the wires and cables segment are power cables, control cables, instrumentation cables, solar cables, building wires, flexible cables, flexible/single multi core cables, communication cables and others including welding cables, submersible flat and round cables, rubber cables, overhead conductors, railway signaling cables, specialty cables and green wires. In 2009, the company diversified into the engineering, procurement and construction ("EPC") business, which includes the design, engineering, supply, execution and commissioning of power distribution and rural electrification projects. In 2014, company further diversified into the FMEG segment and the key FMEG products are electric fans, LED lighting and luminaires, switches and switchgears, solar products and conduits and accessories.

Polycab India have 25 manufacturing facilities, including two joint ventures with Techno and Trafigura, located across the states of Gujarat, Maharashtra and Uttarakhand and the union territory of Daman and Diu. Three of these 25 manufacturing facilities are for the production of FMEG, including a 50:50 joint venture with Techno, a Gujarat-based manufacturer of LED products. In 2016, Polycab entered into a 50:50 joint venture with Trafigura, a commodity trading company, to set up a manufacturing facility in Halol, India to produce copper wire rods (the "Ryker Plant").

Polycab strives to deliver customized and innovative products with speed and quality service. The company's production process is designed to ensure quality while delivering the ability to produce complex electrical products on short timeframes to meet our customers' needs. Most of the manufacturing facilities are accredited with quality management system certificates for compliance with ISO 9001, ISO 14001 and OHSAS 18001 requirements. The central quality and test laboratory in Halol is accredited by NABL and our central test laboratory, also located in Halol, for all flexible wires and cables is approved by Underwriters Laboratories ("UL"). Certain products are also certified to be compliant with various national and international quality standards including Bureau of Indian Standards ("BIS"), British Approvals Service for Cables ("BASEC"), UL and international electrotechnical commission ("IEC").

CADILA PHARMACEUTICALS LIMITED

The Care Continues...

Cadila Pharmaceutical - Serving Humanity since 1951

Cadila Pharmaceuticals Ltd. is one of the largest privately held pharmaceutical companies in India and is headquartered at Ahmedabad, Gujarat. For over six decades, we have been spreading universal wellness through high quality, affordable medication.

Being an integrated pharmaceutical company, our presence is across the entire life sciences value chain i.e. R&D, API, formulations, marketing and development. Research plays a pivotal role in our company, be it in biotechnology, APIs, formulations, plant tissue culture or phytochemistry.

We are proud to have an international presence in 5 continents in over 100 countries. We also have a strong domestic marketing network with 3000+ field force and cover over 3,00,000+ doctors including all specialists and generalists.

First in the world innovations:

1. **Polycap** – A revolutionary pill that reduces the risk of CVD by 62% and stroke by 48%.
2. **Cadiflu-s** – Cadiflu-s Vaccine helps protect you from influenza (flu).
3. **Mycidac-C** – MYCIDAC-C is a suspension of heat killed Mycobacterium w (Mw), indicated for treatment of NSCLC (Non-small Cell Lung Cancer).
4. **Rabeloc IV** – Rabeprazole sodium for intravenous administration to treat various diseases like GERD, Upper GI Bleed, APD etc.
5. **Risorine** – A product that has revolutionized the treatment for TB by reducing the dose of Rifampicin as it contains Piperine, a potent bioavailability enhancer.

HITACHI
Inspire the Next

Hitachi India Pvt. Ltd

Hitachi India's burgeoning footprints is a testimony of how Hitachi is transforming and touching lives of millions through Social Innovation Business. Hitachi's partnership with India dates back to 1930's, since then Hitachi has been solidifying its position with presence of around 28 Group Companies and approximately 12,000 strong work force.

Hitachi's growing partnership in the successful implementation of Metro Rail Systems is consistently demonstrating the comprehensive urban mobility solutions and its pioneering capability in Advanced Train Control, signaling (CBTC) and Telecommunication Systems, Rolling stocks and Seamless open loop transit systems.

Committed to the Government's vision of a knowledge-based economy, Hitachi through Hitachi MGRM Net is emerging as an ideal partner in offering e-Education to millions, utilizing its ICT solutions ensuring children enter the most crucial part of their exploration with tenacity. In agriculture too, the comprehensive solution architecture of M-Star platform is changing the agrarian practices and helping farmers thrive to new level farming efficiency. Additionally, the M-Star enabled digital Healthcare solutions platform is also contributing to build an inclusive Healthcare system at the very grass-root level.

In today's critical areas of manufacturing, construction, mining and production, Hitachi transforms industries by co-creating data-led asset management solutions with customers, accelerating the desired transition to Industry 4.0 Hitachi's Advanced Payment Solutions are also contributing to the financial inclusivity of the nation. Especially, our joint venture with the State Bank of India (SBI) for the establishment of a state-of-the-art card acceptance and future ready digital payment platform for India will help in further strengthening the financial inclusivity of the nation.

Through our strengths in OT (Operational Technology) X IT solutions, we are partnering with India to improve the quality of lives and Powering Good to build a sustainable society.

Japan Bank for International Cooperation (JBIC)

Japan Bank for International Cooperation (JBIC) is a policy based financial institution, wholly owned by Japanese government with mission of contributing to the sound development of the international economy and society by conducting its operations in following four fields:

- Promoting overseas development and securing of important resources to Japan
- Maintaining and improving global competiveness of Japanese industries
- Promoting overseas business for protecting global environment
- Preventing disruptions to global financial order or responding to damages from such disruptions

JBIC conducts lending, investment and guarantee operations while complementing the private sector financial institutions using financial instruments like:

1. Export Loan: buyer's credit to overseas importers/financial institutions to support exports of Japanese machinery and equipment.
2. Import Loan: support strategically important goods including natural resources
3. Overseas Investment Loans: loan supporting Japanese foreign direct investment in form wholly owned subsidiaries or in form of joint ventures
4. Equity Participation: co-invests equity with Japanese investor in oversea project

Institutional Partners

1. Japan External Trade Organization (JETRO)
2. Japan Chamber of Commerce and Industry in India (JCCII)

Japan External Trade Organization

JETRO, or the Japan External Trade Organization, is a government-related organization that works to promote mutual trade and investment between Japan and the rest of the world. Originally established in 1958 to promote Japanese exports abroad, JETRO's core focus in the 21st century has shifted toward promoting foreign direct investment into Japan and helping small to medium size Japanese firms maximize their global export potential.

Japan Chamber of Commerce and Industry in India (JCCII)

Japan Chamber of Commerce and Industry in India (JCCII) is a society registered under the Societies Registration Act, 1860, established on 17th July 2006. JCCII's membership is open to, in principle, Japanese companies and Japanese government institutions in India. As of companies/institutions are the members of JCCII. The Members are mainly located in Delhi, Haryana, Uttar Pradesh and Rajasthan.

AIMS & OBJECTS OF JCCII

1. To undertake, encourage, facilitate and promote the development of trade industry and commerce between India and Japan in general without any element of profit.
2. To facilitate economic cooperation and strengthen the relationship between India and Japan.
3. To establish and exchange social relationship among Members.
4. To promote education of young Japanese.
5. To promote mutual interest between Members.
6. To invite whenever desired intellectuals, industrialist, scholars,creative artists etc., to address the seminars/conferences conducted by the Society.
7. To collect and discuss among its Members information pertaining to environment protection and conservation or any other matters related there to.

ACTIVITIES OF JCCII

Governing Body Meeting :usually once a month at Embassy of Japan Monthly Meeting (Sanmoku-kai): Study program inviting "Speaker", usually once a month at Embassy of Japan General Body Meeting: once a financial year Sectoral Group Activities Exchange information of common interest on India Politics, Economics, Security & etc. Share information with governing and non-governing institutions in Japan, India and other countries Coordinate with Embassy of Japan and Japanese Association Delhi in communicating important information to the members Take up the commercial issues which members face and coordinate to find the solutions through discussions with relevant Indian Governmental offices if necessary.

Confederation of Indian Industry
125 Years - Since 1895

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government and civil society, through advisory and consultative processes.

For 125 years, CII has been working on shaping India's development journey and, this year, more than ever before, it will continue to proactively transform Indian industry's engagement in national development.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, with about 9100 members from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 300,000 enterprises from 288 national and regional sectoral industry bodies.

CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, livelihoods, diversity management, skill development, empowerment of women, and sustainable development, to name a few.

With the Theme for 2020-21 as Building India for a New World: Lives, Livelihood, Growth, CII will work with Government and industry to bring back growth to the economy and mitigate the enormous human cost of the pandemic by protecting jobs and livelihoods.

With 68 offices, including 9 Centres of Excellence, in India, and 10 overseas offices in Australia, China, Egypt, France, Germany, Indonesia, Singapore, UAE, UK, and USA, as well as institutional partnerships with 394 counterpart organizations in 133 countries, CII serves as a reference point for Indian industry and the international business community.

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