FIFTH WAVE OF
INDIA-JAPAN
RELATIONS
INVESTMENT HANDBOOK
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The high economic growth rate and regulatory reforms makes it easier for foreign companies to do business in India. As a result, Japan is giving the most attention to India with a view that it is the most promising investment destination from a mid to a long-term perspective. As I represent JETRO’s operations in India, my initial task is to increase the direct investment volume in a mutual and sustainable manner. And therefore, Invest India is our most prominent partner and we have been closely working with my colleague Mr. Deepak Bagla, the CEO and his Japan Plus Team. I am confident that our relationship will become stronger and our association, more prominent.

I would like to congratulate and express my gratitude for publishing this ‘The Fifth Wave of India – Japan Relations – Investment Handbook’. Indeed, I do not see many of these types of books for settlement of business in India in the shelf of booksellers especially in Japanese language and this with comprehensive content covering financial, human relation and cultural aspects of business are quite limited. I would say this publication would be a valued pilot for Japanese businesses for setting up operations in India.

There are some fourteen hundred Japanese entities who are actively working in India. In this note, I share some agenda to generate FDI from Japan in a few points. First of all, let us look at the demographic of Japanese investment in India. The distribution by industry and size of the entity shows that it is concentrating in automotive sector and also in larger corporations. Therefore, we have to look at the other potential industries. Invest India and JETRO have been working on some sectors such as medical, food related, service and information technology. Another focus is to increase the number of SMEs including the deployment of startups. Of the above, we are looking at the digital field as the most prospective field for new investments. Today, Japanese companies are focusing on creating innovation in the rapidly changing global markets, where the swift creation of solutions is necessary. Japanese
companies have come to recognise that their conventional 'in-house innovation model' has its limits. And as well as the other nations, they are coming around to recognise the Indian capability. Combining the strengths of Japanese companies in manufacturing and services with Indian IT technologies will expand the potential for success across a wide variety of fields. In this light, I am expecting more Japanese players to set a base in India as well as more Indian players to start doing business in Japan.

Another item for consideration is how Indian industry can connect internally and inter-regionally. In comparing with the number of Japanese companies operating in ASEAN countries and India, there are some 11,000 plus companies (by Teikoku Databank survey 2016) in ASEAN region versus 14 hundred plus (of 2018) in India. This is almost 8 times the difference. In last three decades, Japanese industry created a cross-border ecosystem of manufacturing, or regional industrial value chain in ASEAN region and upgraded local suppliers with international competitiveness. With this, Japan could enjoy ASEAN as the manufacturing hub as well as the size of market. In addition, and most importantly, this regional value chain is connected in a seamless manner with industries in Japan. In other words, the Japanese industry has already diversified its edge to ASEAN Nations. India has not established a strong value chain with Japan, ASEAN and the other regions of the world. In other words, for Japanese companies, India is a huge but isolated market. Future growth of Indian market is promising. However, if India continues to remain an isolated market for Japan, investment flow from Japan would be constrained. Being a team member to international value-chain, India could enjoy in sharing the burden on respective country’s strength, huge united market and common use of resources, and the connected area shall be the center of industry where more dynamic investment flows are expected. When Japan could utilise India’s capability of engineering, affordable resources such as human and capital, there can be a great alliance represented in the Pan-Pacific and Indian Ocean regions. I can also add that Middle East and Africa will also be the playing fields for India Japan team.

India has already taken the position as the most prospective partner for Japanese companies but we could do more. Creation of better business prospects through materialising iconic success of Japanese investment, and facilitation of better business environment by executing ease of doing businesses are the twin engines for accumulation of Japanese investments. With this honoured opportunity to contribute a note in this report, I would like to commit myself to work together with Invest India to achieve this common goal.
PREFACE

India and Japan share a long-standing commitment in contributing to the creation of an open and inclusive economic order. With their relations spanning across diverse terrains of economic cooperation, maritime security, global climate and cultural spheres, the two traditional trade allies are always enforcing new avenues and opportunities to enhance their strategic leverage in the Indo-Pacific region.

Japan and India are natural allies having long standing relationship which was further strengthened during the Prime Minister’s visit to the G-20 Summit in Osaka. Our Prime Minister Narendra Modi held strategic meetings with several world leaders, placing India as a front-runner for a favourable environment for global trade, reforming and strengthening the multilateral institutions and maintaining peace and stability.

‘New India’ ushering in development and traversing on merit along with good governance has set its vision to become a 5 Trillion economy by 2025. This task is possible with the support of its long-standing friend, Japan. The quantum of Japanese investments has been on the rise since 2014 and is only set to increase further in the light of increasing mutual trust and cooperation between the two Asian powers.

It is in this direction that I would like to congratulate the Strategic Investment Research Team at Invest India along with Standard Chartered Bank, Tokyo in undertaking this initiative to launch the ‘Fifth wave of India-Japan relations’. While much has been covered in this domain, it is imperative that we steer more of such engagements in a meaningful direction.

- Deepak Bagla
Managing Director and CEO,
Invest India
Economic cooperation between India and Japan has seen material growth in recent years, particularly the last decade and a half bringing socio-economic and business exchanges to the forefront. Total foreign direct investment (FDI) from Japan into India between FY01-FY19 stood at USD 30.2 Bn, of which almost 50% has been received since FY14\(^1\). Japanese FDI into India has mainly been in automobile, electrical equipment, telecommunications, chemical and pharmaceutical sectors.

Additionally, Japan has been extending bilateral loan and grant assistance to India since 1958 and is now the largest bilateral donor for India. This reflects the increased confidence seen with Japanese investors on the potential the Indian economy holds. Furthermore, India has been the single largest recipient of Japan International Cooperation Agency’s (JICA) Official Development Assistance loans (ODA) since 2004\(^2\). Japanese ODA supports India’s efforts for accelerated economic development particularly in priority areas like power, transportation, environmental projects and projects related to basic human needs. Various successful infrastructure projects like the Delhi Metro Project have been realised with Japanese assistance.

India has been ranked as one of the most attractive investment destinations in the latest survey (2018) of Japanese manufacturing companies, conducted by the Japan Bank for International Cooperation (JBIC). Also, increasingly, India is emerging as a major hub for further expansion by Japanese companies into South Asia, Middle East and Africa. This increases India’s significance in the decision-making process in Japanese companies and also provides India an opportunity to integrate with and contribute to the global supply chains of the Japanese companies.

In this context, as mentioned by Murahashi San, the way forward for the Japanese business investments into India is to expand the partnership across multiple sectors, into greater number

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\(^1\) Department of Industrial Policy and Promotions data
\(^2\) Japan International Cooperation Agency (JICA) report
of cities and regions in the country, and across more segments of Japanese companies (viz. SMEs) in addition to expansion by the larger corporations.

However, a crucial factor to attain the common goal of successful investments and build socially beneficial, profitable extensions of Japanese companies in India, will be the quality of business partners and advisors. This is where we feel that Standard Chartered can play an important role.

Standard Chartered has its origins in India since 1858 – an unbroken run of 160 years driving commerce and prosperity through our unique diversity. Today, we are the largest foreign bank in India (based on presence) with 100 branches across 43 cities. However, more than the number of years and the number of branches, it is our commitment to India, our deep understanding of the business practices, and our long-standing relationships with Indian as well as foreign businesses across various segments, that distinguishes us and uniquely positions us as a trusted advisor on the operating and financial environment in India. A testimony to our India expertise is the fact that we have about 13,000+ corporate relationships across corporate and institutional and commercial banking businesses in the country.

As a bank, Standard Chartered has been present in Japan since 1880. The Japan-India corridor holds a special significance for us. We are one of the largest banks in the Japan-India corridor, and our activities are diversified – across lending, M&A advisory, transaction banking, project & export finance and financial markets. We have a unique coverage model whereby we have three Japanese nationals based in India and one Indian national with professionally fluent Japanese language skills covering the Japanese clients across the two countries. Additionally, these dedicated bankers are supported by our global subsidiary businesses, which specialises in supporting the India offices of multinational companies on investments and banking operations.

Our client base in the Japan-India corridor spans across auto & auto components, chemicals, construction, consumer goods, electronics & electrical appliances, engineering, healthcare & pharmaceuticals, industrial goods, infrastructure, machinery, trading corporations, TMT (technology, media & telecom) and shipping, amongst others.

Across various countries in the South Asia region, and across our footprint in the Middle East and Africa, Standard Chartered remains uniquely positioned as one of the largest foreign banks in most of the countries with several decades of presence in these markets. Such historical roots
enable our staff in India, South Asia, Middle East and Africa to leverage the network and provide
unique insights to foreign businesses in these markets, based on a deep understanding of those
local markets coupled with the transparency and caution of a global financial institution.

This collaboration with Invest India is a small step in the direction of simplifying the Indian
operating and financial environment for the Japanese investors and reinvigorating the
trust-based relationships to enable lasting success for Japanese companies in India and the
subsequent frontier markets as they embark upon the Fifth Wave.
# JAPAN-INDIA: A SPECIAL PARTNERSHIP*

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In today’s rapidly changing global world, India and Japan are old friends and natural allies. This special relationship dates back to the sixth century when Buddhism started spreading in Japan. Both democracies have been relentlessly committed to the fundamental values of freedom, democracy, human rights and rule of law among others. In modern times, this relationship was further cemented with the establishment of the Japan-India Association in 1903, which is one of the oldest international friendship bodies in Japan. Indo-Japanese relations also happen to be the cornerstone of India’s ‘Act East Policy’.

A growing consumer economy and a developing nation like India is a thriving investment destination in which Japan finds a reliable partner. Frequent visits by the head of states of both nations, in recent times, resonates and validates this intertwined economic aspiration. Most recently, Prime Minister Narendra Modi and the Japanese Prime Minister Shinzo Abe laid down a vision document for the future with the largest potential for growth, into a deep, broad-based and action-oriented partnership, which reflects a broad convergence of their long-term political, economic and strategic goals titled ‘India-Japan Vision 2025’. This was developed in view of the unparalleled potential for deepening of relations between the two countries.
The Japanese investments into India can be classified into 4 major waves as follows:

<table>
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<th>Wave</th>
<th>Period</th>
<th>Key Investment Trends &amp; Drivers</th>
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<td>First Wave</td>
<td>(1980s)</td>
<td>Pre-liberalisation phase of Indian economy • Proactive support by Indian Government in facilitating foreign investment Investments and JVs by Auto makers and Auto Component suppliers</td>
</tr>
<tr>
<td>Second Wave</td>
<td>(Early 90s to Early-2000s)</td>
<td>Post-liberalisation phase of Indian economy • Opening up of multiple sectors for Foreign Direct Investment • Creation of Urban Consumer Class on the back of growing IT industry and pent-up demand</td>
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<td>Third Wave</td>
<td>(2005-10)</td>
<td>Emergence of the concept of BRICS economies- Positive feedback &amp; success stories from Japanese companies that invested during the previous 2 decades • High-growth trajectory of Indian economy</td>
</tr>
<tr>
<td>Fourth Wave</td>
<td>(2010-18)</td>
<td>Companies set up subsidiaries to invest in R&amp;D and market understanding before larger investments • Failed M&amp;A transactions led to exits - Start of participation of Japanese investors in Indian e-commerce • G2G support facilitated confidence- building and a fair investment environment</td>
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COMMERCIAL AND ECONOMIC PARTNERSHIP
Japan has been one of the biggest sources of investment flows into India, accounting for USD 28.16 Bn in FDI between April 2000 and June 2018. In FY 2017-2018, India-Japan bilateral trade reached USD 15.71 Bn. Exports from Japan to India during this period were USD 10.97 Bn and imports were USD 4.74 Bn. India’s primary exports to Japan have been petroleum products, chemicals, elements, compounds, non-metallic mineral ware, fish and fish preparations, metalliferous ores and scrap, clothing and accessories, iron and steel products, textile yarn, fabrics and machinery, etc. India’s primary imports from Japan are machinery, transport equipment, iron and steel, electronic goods, organic chemicals, machine tools, etc. This has been possible on behest of the following initiatives –

- **Comprehensive Economic Partnership Agreement (CEPA)**
  The two countries signed a Comprehensive Economic Partnership Agreement (CEPA) in 2011 to facilitate growth in bilateral trade. In addition to increasing commercial activities, the CEPA intended to eliminate tariffs on 90 percent of Japanese exports to India. This was described as the most comprehensive of all such agreements concluded by India. As a result of this, trade between the two countries has increased from USD 10.4 Bn in 2010 to USD 14.5 Bn in 2016.

- **Japanese Official Development Assistance (ODA)**
  Big Ticket Investments have been possible owing to Japanese Official Development Assistance (ODA) support to India’s development in sectors such as power, transportation, environmental projects and projects related to basic human needs. According to the Government of India, in the forthcoming decade the ODA assistance will transform India through various infrastructure projects such as the Chennai-Bengaluru Industrial Corridor (CBIC), Mumbai-Ahmedabad High Speed Rail (MAHSR), Western Dedicated Freight Corridor (DFC) and the Delhi-Mumbai Industrial Corridor (DMIC).

- **Japan Plus Desk**
  The Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce & Industry, Government of India has set up a ‘Japan Plus Desk, a special management team to facilitate and fast track investment proposals. Japan Plus comprises of four representatives from the Government of India and three representatives from the Government of Japan. It also provides constant updates on specific projects and Japan Industrial Towns. In particular, it resolves issues faced by Japanese companies with the assistance of the Japan Chamber of Commerce and Industry in India (JCCI) and DPIIT. Along with aiding to facilitate investments, it ensures that under the Japan-India Investment partnership, opportunities and technology transfers are optimally utilised.
• **Japan International Cooperation Agency (JICA)**

Japan International Cooperation Agency (JICA) is one of the most important development partner organizations set up to assist technical cooperation for development planning, loan and grant aid. Delhi-Mumbai Industrial Corridor (DMIC) and the Chennai-Bengaluru Industrial Corridor (CBIC) in South India are examples of JICA’s role in India’s development initiatives. JICA has been engaged in a wide spectrum of projects pan India. In the northern part of the country, it provides assistance on projects such as water conservation and management, transportation and disaster risk management. In the southern part, it actively supports biodiversity, healthcare and campus development.

• **Japan External Trade Organization (JETRO)**

Japan External Trade Organization (JETRO) was established to promote mutual trade and investment between Japan and India. Its primary function being data dissemination, providing market intelligence and supporting relevant business events to encourage new businesses between the two countries.

• **2+2 dialogue**

Till now, India and Japan has had a 2+2 dialogue at the secretary-level. But over time it has been extended to include the Defence and Foreign ministers. This is aimed at extending the existing diplomatic, security and defence cooperation to geo-political collaboration as well.

• **Increasing Foreign Direct Investments (FDI)**

India has been ranked as one of the most attractive investment destinations in the latest survey (2018) of Japanese manufacturing companies, conducted by the Japan Bank for International Cooperation (JBIC). From Financial Year (FY) 2015-16 to FY 2016-17, Japanese FDI into India increased from USD 2.61 Bn to USD 4.7 Bn. However, for FY 2017-18 it was USD 1.6 Bn. Cumulatively, since 2000 the investments to India have been around USD 27.28 Bn (Now, Japan ranks third among the major investors), which is also highest as a single country investment source. Japanese FDI into India has mainly been in automobile, electrical equipment, telecommunications, chemical and pharmaceutical sectors.
• **Technical Intern Training Program (TITP)**
  In 2017, the Union Cabinet approved the signing of a Memorandum of Cooperation (MoC) between India and Japan on the ‘Technical Intern Training Program (TITP)’. TITP is an ambitious program to send Three Lakh Indian technical interns to Japan for on-the-job training for a period of 3 to 5 years. They will work in the Japanese ecosystem and get employment opportunities there along with accommodation facility for a limited time period.

• **‘Society 5.0’ initiative**
  The Government of Japan, to further augment bilateral trade between India and Japan, has invited Indian companies to explore business opportunities in the manufacturing and healthcare sectors under the new ‘Society 5.0’ initiative. Society 5.0 aims to address various social challenges arising due to the acute human resource shortage and the ageing society, through the adoption of new-age technologies such as Industry 4.0, i.e., AI, IoT, Big Data, Robotics, etc. Such initiatives would further create a great demand for Indian IT and engineering companies and Startups, which can explore several business opportunities, especially in the field of manufacturing, mobility, healthcare and agriculture, etc.

• **Japan-India Innovation Dialogue**
  The ‘Japan-India Innovation Dialogue’ held on March 2019 was attended by a delegation of around 30 large Japanese conglomerates, who interacted with around 200 Indian companies’ delegates. The meet was also to enable business collaborations between Japanese companies and Indian IT companies and startups in Bengaluru. This programme aims to leverage the availability of highly-skilled personnel in Karnataka to facilitate appropriate skilling and placement in domain-specific companies in the Mie Prefecture. Through this programme, engineers from Karnataka have been sent to work in companies based in Japan.

• **Japan-India Institute for Manufacturing (JIM)**
  A recent development is the inauguration of the ‘Japan-India Institute for Manufacturing’ (JIM), on April 2019. It is a residential skill training centre in Sri City by the Ambassador of Japan to India, His Excellency Mr. Kenji Hiramatsu. Located at the Sri City Trade Centre, the JIM equipped with a modern classroom and latest teaching aids. The annual intake of trainees is twenty – their training is completely free, and they receive a stipend. The year-long training at companies will enable the trainees to get hands-on experience in manufacturing and bridge the gap between theory and actual industry requirements. Training in safety, English language and computer will enhance the skills of the students and equip them with all round skills and capabilities. Japan intends to be an active partner in India’s growth story and forging
partnerships for initiatives in the direction of skilful employment which will ensure long-term sustainable growth for both the countries.
India, being the second most populous country in the world is one of the fastest growing economies in Asia. It offers attractive opportunities for investment and partnership, especially in the infrastructure sector to Japan which has an abundance of capital and the presence of reputed construction, transport and machinery companies.

- Government of India has made concentrated efforts through improved logistics, trade facilitation, increased digitization to reduce human interface and increase transparency, implementation of Goods & Services Tax (GST), capacity building through skilling, etc. to arrest the downturn affecting India.

- India’s first ever Agriculture Export Policy was introduced with a focused plan to boost India’s agricultural exports to USD 60 Bn by 2022 thereby assisting the Agriculture Ministry in achieving its target of USD 100 Bn over the next few years thereafter. The vision of the Agriculture Export Policy is to harness the export potential of Indian agriculture through suitable policy instruments.

- The most dramatic improvements have been registered in the indicators related to Construction Permits and Trading across Borders. In grant of construction permits, India’s rank improved from 181 in 2017 to 52 in 2018, an improvement of 129 ranks in a single year. In Trading across Borders, India’s Ease of Doing Business (EoDB) rank improved by 79 positions moving from 142 in 2014 to 63 in 2019. Following is the table depicting the improvements:

<table>
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<tr>
<th>S. No.</th>
<th>Indicator</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<tbody>
<tr>
<td>1</td>
<td>Construction Permits</td>
<td>181</td>
<td>52</td>
<td>27</td>
</tr>
<tr>
<td>2</td>
<td>Trading Across Borders</td>
<td>146</td>
<td>80</td>
<td>68</td>
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<tr>
<td>3</td>
<td>Starting a Business</td>
<td>156</td>
<td>137</td>
<td>136</td>
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<td>4</td>
<td>Getting Credit</td>
<td>29</td>
<td>22</td>
<td>25</td>
</tr>
<tr>
<td>5</td>
<td>Getting Electricity</td>
<td>29</td>
<td>24</td>
<td>22</td>
</tr>
<tr>
<td>6</td>
<td>Enforcing Contracts</td>
<td>164</td>
<td>163</td>
<td>163</td>
</tr>
<tr>
<td>Overall Rank</td>
<td></td>
<td>100</td>
<td>77</td>
<td>63</td>
</tr>
</tbody>
</table>
The export from Special Economic Zones (SEZ) in India jumped 18% in FY18. The main objectives of the SEZ Scheme are generation of additional economic activity, promotion of exports of goods and services, promotion of investment from domestic and foreign sources, and creation of employment opportunities along with the development of infrastructure facilities. All laws of India are applicable in SEZs unless specifically exempted as per the SEZ Act/Rules. Each Zone is headed by a Development Commissioner and is administered as per the SEZ Act. Units may be set up in the SEZ for activities such as manufacturing, trading or service. The units in the SEZ have to be net foreign exchange earners but they are not subjected to any predetermined value addition except (Gems & Jewellery Units) or minimum export performance requirements. Sales in the Domestic Tariff Area from the SEZ units are treated as if the goods are being imported and are subject to payment of applicable customs duties.

Giving major thrust to infrastructure development, the Government of India launched Smart Cities initiative in June 2015 with an aim to develop 100 smart cities between FY 2015-16 to FY 2019-20. Launched with a project outlay of USD 7.5 Bn, key elements of the Smart Cities initiative include adequate water and assured electricity supply, sanitation, efficient urban mobility and public transport, affordable housing, robust IT connectivity and digitalization, good governance, sustainable environment, etc. Urban Mobility, Citizen Safety and Security, Intelligent Governance Services, Energy Source, Supply and Efficiency are some areas of collaboration that India seeks to work on. Heading strong in this direction, Ambassador Hiramatsu discussed Japan’s cooperation on “Smart City”, with H.E. Mr. Venkaiah Naidu, Minister of Urban Development on 5th January 2017. It was conveyed by Ambassador Hiramatsu to H.E. Mr. Naidu that Japan has decided to cooperate on “Smart City” initiatives in the cities of Ahmedabad, Chennai and Varanasi, further enhancing the cooperative relationship between India and Japan.

The Union Cabinet chaired by the Prime Minister approved the proposal of the Department of Commerce to give focused attention to 12 identified Champion Services Sectors for promoting their development and realizing their potential. These include Information Technology & Information Technology enabled Services (IT & ITeS), Tourism and Hospitality Services, Medical Value Travel, Transport and Logistics Services, Accounting and Finance Services, Audio Visual Services, Legal Services, Communication Services, Construction and Related Engineering Services, Environmental Services, Financial Services and Education Services.
Champion Services of India

- Economic liberalisation in India has opened new platforms for foreign investors and the introduction of the Insolvency and Bankruptcy Code by the Government of India has further streamlined the inflow of FDI into India. It is an important creditor driven resolution process of the government in dealing with the problem of Non-Performing Assets (NPA) in general and the insolvency and bankruptcy resolution mechanism in particular.

- Goods and Services Tax (GST) is the most significant indirect tax reform implemented in the history of Independent India w.e.f. 1 July 2017. The significant impact of GST is giving rise to a ‘Centralized supply’ in the value chain, from the manufacture of raw material to the end result of retail to a customer is integrated now. The GST allows companies an opportunity to create centralized supply chain models, thus resulting in substantial savings in logistics and distribution costs.

Benefits of GST

- Higher Threshold for Registration
- Composition Scheme for Small Business
- Online Simpler procedure under GST
- Lesser Compliances
- Defined treatment for e-Commerce
- Increased efficiency in Logistics
- Removing the Cascading Tax Effect
- Regulating the unorganized sector
The Government’s favourable policy regimes including liberalization of the FDI policy framework and launch of major national development programmes such as the above, along with a robust business environment has ensured the inflow of foreign capital to the country.
KEY SECTORS FOR INDUSTRY COOPERATION BETWEEN INDIA AND JAPAN
KEY SECTORS FOR INDUSTRY COOPERATION BETWEEN INDIA AND JAPAN

In the last few years, India-Japan relationship has witnessed an unprecedented growth. The ambitious commitment to doubling the Japanese investment to USD 35 Bn in different projects across sectors is indicative of strong partnership between the two countries.

Some of the key sectors for industry cooperation are:

**INFRASTRUCTURE:**

1. Roads & Highways

![Map of India showing key cities and infrastructure projects](image-url)
<table>
<thead>
<tr>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Second Largest</strong> road network in world: <em>5.5 Mn km</em></td>
</tr>
<tr>
<td>Highway construction and expansion in India crossed <em>10,000 kms</em> during 2018-19</td>
</tr>
<tr>
<td><strong>Rate of highway construction has more than doubled</strong> in the past 5 years from <em>12 kms in 2014-15</em> to <em>30 kms in 2018-19</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indo-Japan Cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td>India and Japan have signed an agreement ‘<strong>North East Road Network Connectivity Improvement Project</strong>’ in Tokyo for sustainable catchment forest management in Tripura</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Upcoming Project</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bharatmala Scheme</strong> - It will construct over 60,000 km of National Highways, develop 50 new National Corridors &amp; Connect 550 Districts in India through National Highway linkages</td>
</tr>
<tr>
<td><strong>Logistic Parks</strong>: 35 locations prioritised, accounts for 50% of the total freight movement</td>
</tr>
<tr>
<td><strong>Chennai–Bengaluru Expressway</strong> - 250 km, USD 3 Bn project; land acquisition completed in Karnataka and undergoing in Tamil Nadu</td>
</tr>
<tr>
<td><strong>Nagpur–Mumbai Super Expressway</strong> - 700 km, USD 7 Bn project</td>
</tr>
<tr>
<td><strong>Asset Recycling (Toll Operate Transfer)</strong> - Assigning of Right of toll collection of 75 operational National Highway project for a predetermined concession period (30 years) to concessionaires against upfront payment of a lump-sum amount</td>
</tr>
<tr>
<td><strong>Target for 2020</strong> - 50,000 km of National highway including economic corridors, expressways and Char-Dham project to be built</td>
</tr>
</tbody>
</table>
KEY SECTORS FOR INDUSTRY COOPERATION BETWEEN INDIA AND JAPAN

2. Railways

Proposed High Speed Rail Corridors
## Current Status

- **4th largest** rail network in the world: 66,687 km
- Among busiest rail networks in the world: 22,000+ trains running daily
- Indian Railways carries over 8,107 Mn passengers covering a total of 1,143,039 passenger km on a yearly basis
- **1108 Mn tonnes of freight** was transported covering a total of 655,605 tonne km in 2015-16
- As on April 1, 2019, the Indian Railways have taken up 189 new line projects of length **2,555 km**
- Achieved track electrification of over **2000 km** and gauge conversion of over 1000 km
- WiFi access was enabled in **115** railway stations
- **34,000 bio-toilets** were added

## Indo-Japan Cooperation

- The terminal station for **Mumbai-Ahmedabad High Speed Railway** is planned to be developed with Japan’s cooperation
- Japan is supporting the construction of the **Ahmedabad Metro project**
- Japan is also cooperating on the **Metro project** in **Chennai**
- Japan is supporting the construction and rehabilitation of sewage facilities under the “**Ganga Action Plan Project**” in **Varanasi**

## Upcoming Project

- **2 Dedicated Eastern Freight Corridors**; Sonnagar – Dankuni (539 km) sections to come out for a bidding process in PPP model for which transaction adviser are being finalized
- **Railway Station re-development program**- 600 Railway Stations have been identified for investing over USD 15 Bn
KEY SECTORS FOR INDUSTRY COOPERATION BETWEEN INDIA AND JAPAN

3. Ports & Shipping

[Map showing various ports in India and Japan, including major ports, non-major ports, proposed CEZ, and greenfield ports.]
<table>
<thead>
<tr>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>16th largest merchant shipping fleets</strong> in the world</td>
</tr>
<tr>
<td>• <strong>7,517 km coastline</strong> with potentially navigable waterways of 14,500 km</td>
</tr>
<tr>
<td>• <strong>12 major</strong> and 200 non-major ports</td>
</tr>
<tr>
<td>• During FY18, cargo traffic at major ports was reported at <strong>679.36 Mn tonnes (MT)</strong>. In FY19 traffic has increased 2.90 per cent year-on-year to <strong>699.05 Mn tonnes</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indo-Japan Cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• JICA injects INR 2470 Cr in Chennai Ring Road project aiming to promote economic development in the region by facilitating access to the Ennore Port</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Sagarmala Scheme</strong> has identified <strong>604 projects</strong> at the cost of <strong>INR 8.8 L Cr</strong> for strengthening the maritime infrastructure, improving port efficiencies and increasing the total cargo handling capacity of the ports in the country. The scheme is to be implemented over 2015-2035</td>
</tr>
<tr>
<td>• Cargo traffic at Indian ports has doubled to <strong>1 Bn tonnes</strong> per annum over the decade 2005-2015 and is expected to reach <strong>3.050 Bn tonnes per annum</strong> by 2025</td>
</tr>
<tr>
<td>• Additional cargo handling capacity of <strong>901 Mn metric tons</strong> to be created in Indian ports in the next 6 to 7 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Upcoming Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Development of new ports</strong> wherein key projects identified including development of greenfield ports at Vadhavan (Maharashtra), Sagar Island (West Bengal), Paradip Satellite Port</td>
</tr>
<tr>
<td>• <strong>Development of transhipment hubs</strong> at Enayam (Tamil Nadu) and Vizhinjam (Kerala)</td>
</tr>
<tr>
<td>• <strong>Modernization of existing ports</strong> to improve gate processing and development of IT and advances important technology solutions like Port Community Systems (PCS), Optical Character Recognition (OCR)</td>
</tr>
</tbody>
</table>
KEY SECTORS FOR INDUSTRY COOPERATION BETWEEN INDIA AND JAPAN

4. Japan Industrial Townships

- **Neemrana:**
  - Operational with 45 Japanese Companies.
  - Land: 1166 Acres

- **Ghiloi:**
  - Basic infrastructure has been laid. 1 Japanese company in pipeline.
  - Land: 500 Acres

- **Ponneri:**
  - Basic infrastructure to be completed by October, 2018.
  - Land: 285 Acres

- **One Hub, Chennai:**
  - Already operational with 4 Japanese companies 5 in pipeline.
  - Land: 1450 Acres

- **Tumkur:**
  - Land: 500 Acres

- **Supa:**
  - Basic infrastructure has been laid.
  - Land: 748 Acres

- **Greater Noida:**
  - Formation of the SPV is complete. Existing Site Assessment Done, Industry Mix has been outlined. Concept Plan completed.
  - Land: 748 Acres

- **Mandal:**
  - Development plan completed. Work on internal road network under process. Work for water supply trunk-line (Sanand to JIT) awarded.
  - Land: 300 Acres

- **Pithampur:**
  - 30% development done. Japanese delegation had visited the site and had shown interest to set up electronics goods manufacturing units but they had also suggested some modification as per their requirement in the township.
  - Land: 500 Acres

- **Sojitz-Motherson:**
  - Basic Infrastructure is under progress.
  - Land: 285 Acres
Japan Industrial Townships are envisaged as Integrated Industrial park with ready-made operational platform, well-equipped with world class infrastructure facilities, plug-and-play factories and investment incentives for Japanese companies.

<table>
<thead>
<tr>
<th>RAJASTHAN</th>
<th>GUJARAT</th>
<th>MAHARASHTRA</th>
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<tbody>
<tr>
<td>Power</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Roads</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Water</td>
<td>✔</td>
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<tr>
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<td>✔</td>
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<tr>
<td>Exemption of Entry Tax</td>
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<tr>
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<td>✔</td>
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<th>UTTAR PRADESH</th>
<th>MADHYA PRADESH</th>
<th>HARYANA</th>
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</table>
KEY SECTORS FOR INDUSTRY COOPERATION BETWEEN INDIA AND JAPAN

ELECTRONICS SYSTEM DESIGN AND MANUFACTURING

Rajasthan:
ELECINA Electronics Manufacturing Cluster

Gujarat:
Mundra Solar Techno Park

Madhya Pradesh:
Madhya Pradesh State Electronics Development

Telangana:
Telangana State Industrial Infrastructure Corporation

Goa:
Department of Information Technology

Kerala:
Kerala Industrial Infrastructure Development

West Bengal:
West Bengal Electronics Industry Development Corporation

Jharkhand:
Adityapur Industrial Area Development Authority

Odisha:
Odisha Industrial Development Corporation

Chattisgarh:
Chattisgarh State Industrial Development Corporation

Andhra Pradesh:
Sri City ELCINA RAAGA MAYURI Electronics Park
Andhra Pradesh Industrial Infrastructure Corporation
### Current Status
- **5th largest consumer durables market** in the world expected to reach USD 48.3 Bn by 2022
- India imports nearly 50% of its current demand for electronic products mainly from countries like Japan, China, Taiwan, Korea, etc.
- The Indian electronics hardware production is currently sized at USD 59 Bn, growing at a **CAGR of 26.7%**
- **Mobile devices segment** remains the largest in electronics hardware production with share of 35%

### Demand Drivers
- **Macro factors**
  Such as growing middle-class population & rising disposable income. Steadily declining electronics prices and adoption of high-end technology devices is leading to an uptick in consumption
- **Technology transitions**
  Rollout of 4G/ LTE networks and IoT are driving accelerated adoption of electronics products
- **Government initiatives**
  ‘Digital India’, ‘Smart City’, ‘Meghraj’ projects have raised the demand for IoT & consumer durables in the market

### Policy Support & Fiscal Incentives
- The Government of India has allowed **100 percent Foreign Direct Investment (FDI)** under the automatic route in Electronics Systems Design & Manufacturing sector
- **National Policy on Electronics Policy** was passed by the Ministry of Electronics & Information Technology in February 2019
- **Modified Special Incentive Package Scheme (MSIPS)** aims to offset cost disabilities and attract investments in this sector. This scheme provides subsidy for investments in capital expenditure-20% for investments in SEZs and 25% in non-SEZs. It seeks to provide for reimbursement of Countervailing Duty (CVD)/excise for capital equipment for the non-SEZ units
- **Electronics Development Fund (EDF)** is an initiative of MEITY to create a “fund of funds” which will work with venture capitalists (VCs), known as “daughter funds”, which in turn will provide risk capital to companies developing new technologies areas including electronics, nano-electronics and information technology
KEY SECTORS FOR INDUSTRY COOPERATION BETWEEN INDIA AND JAPAN

AUTO

Haryana - Rajasthan - Uttar Pradesh:
- Eicher
- Hero Moto Corp
- Honda
- JCB
- Maruti Suzuki
- New Holland Agriculture
- Yamaha

Maharashtra - Karnataka:
- Bajaj Auto
- Daimler
- FCA
- Force Motors
- General Motors
- Piaggio
- Scania
- Toyota
- Volkswagen
- Volvo

Gujarat - Madhya Pradesh:
- CNH Industrial
- Ford
- Honda Motorcycle and Scooter
- John Deere
- SAIC Motors
- Tata Motors
- VECV

Andhra Pradesh, Tamil Nadu:
- Ashok Leyland
- BMW
- Hyundai
- Isuzu
- Kia Motors
- Peugeot
- Renault
- Royal Enfield
- TVS Motors
- Yamaha

Automobile Industry Clusters Zones
Japanese engagement and participation in the Indian automobiles sector goes back to 1983 with the launch of Maruti 800 by Maruti Suzuki India Ltd. which proved to be a watershed event in the history of automobile industry. Currently, Maruti Suzuki has 3 manufacturing facilities in India (Gujarat, Manesar and Gurugram) having a combined capacity of manufacturing 17 L vehicles annually

- Notable Japanese automobile players in India include - Denso, Honda, Suzuki, Toyota, Terra Motors, Isuzu, Nissan, Yamaha, Mitsubishi, Hitachi, Bridgestone, Kawasaki

**Automotive Mission Plan (2016-26):** A collective vision of Government and the Indian Automotive Industry to define the trajectory of evolution of the automotive ecosystem

**Faster adoption and Manufacturing of Hybrid and Electric Vehicles (FAME) - Phase 1 (launched in 2015), and Phase 2:** It proposes to give a push to electric vehicles (EVs) in public transport and seeks to encourage adoption of EVs by way of market creation and demand aggregation and support the EV infrastructure

**National Auto Policy 2018:** It envisages propelling India as an automotive industry amongst the top three nations in the world in terms of engineering, manufacturing and export of automotive vehicles and components

**National Electric Mobility Mission Plan 2020 (NEMMP):** Launched with an objective of achieving national fuel security by promoting electric and hybrid vehicles

**National Automotive Testing And R&D Infrastructure Project (NATRiP) (3 operational; 3 in progress):** The Project aims at creating core global competencies in Automotive sector and facilitate seamless integration of Indian Automotive industry

**Voluntary Vehicle Fleet Modernization Program (V-VMP):** It proposes to offer tax benefits and discounts to people who junk old vehicles and replace them with new ones. Its primary intention is to reduce emissions and the priority is to get old fuel-guzzling and polluting trucks off the roads.
KEY SECTORS FOR INDUSTRY COOPERATION BETWEEN INDIA AND JAPAN

- **Alternative mobility options in smart cities**
  Smart cities are looking to deliver effective mobility solutions while encouraging innovation, facilitating a collaborative ecosystem, and meeting sustainability goals.

- **Growing demand across socio-economic strata**
  While car ownership is still considered to be a luxury in most parts of India, there is a steady increase in the demand of luxury cars as well. Luxury car segment is expected to grow at 6%.

- **Rapid Urbanisation & evolving customer base**
  Rapid Urbanisation means the country will have over 500 Mn people living in cities by 2030—1.5 times the current US population. As more women and youth enter the job market, there will be a rise in the demand for mobility.

- **Auto Financing**
  Traditionally, banks have dominated auto financing. Captive NBFCs like Toyota Financial Services, Tata Major Finance, Kotak Mahindra, L&T Finance, Reliance Capital, are making inroads.

- **Improved R&D efforts & push to skilling workforce**
  Global companies are setting up R&D centers in India to increase local content in vehicles and at the same time leverage it as a global hub for design and technology.
MEDICAL DEVICES

Haryana:
- Chandigarh, Ballabgarh, Faridabad, Manesar
- Low-end Medical Consumables systems, Ophthalmology
- Becton Dickinson India, Hindustan Syringes, Poly Medicure, etc.

Gujarat:
- Ahmedabad, Vapi Industrial Corridor
- Stent Manufacturing
- Envision Scientific, Invent Bio-med

Karnataka:
- Bengaluru, Mangalore
- Insulin Pens, Stents & Implants, Medical Electronics
- GE Healthcare, Biocon, Medived, Skanray, Bigatec Labs, Prognosys, etc.

Maharashtra:
- Mumbai, Pune, Nagpur
- Pharmaceuticals
- Johnson & Johnson, Philips Healthcare, Siemens, Trivitron Co., Smith & Nephew, etc.

Telangana, Andhra Pradesh:
- Hyderabad, AMTZ MedTech Park in Vishakhapatnam (AP); Sultanpur (upcoming in Telangana)
- Medical Electronics
- St. Jude Medical, Relysis Medical Devices, B Braun, Meditronics

Tamil Nadu:
- HLL MediaTech Park, Chennai
- Diagnostics, Critical life support systems, Ophthalmology
- Roche, Trivitron Healthcare, Opto Circuits, Perfint Healthcare, Phoenix Health Systems, Schiller, etc.
KEY SECTORS FOR INDUSTRY COOPERATION BETWEEN INDIA AND JAPAN

Current Status

- **4th largest market** in Asia after Japan, China & South Korea
- Among **top 20 markets globally**
- Valued at USD 5.2 Bn currently, the industry is expected to grow to USD 50 Bn by 2025
- Current **CAGR is 15.8%**

Equipment and Instruments (surgical and non-surgical instruments)
- Estimated market size is USD 2756 Mn with a CAGR of 19%
- Largest segment comprising 53% of the total market size

Consumables and Durables
- Estimated market size is USD 1404 Mn
- Needles & syringes account for a huge market share growing at CAGR of 15%
- Diagnostic consumables are witnessing the highest market growth with revenues increasing at a CAGR of around 20%. This is due to increase in MNCs establishing diagnostic centers; patient education programs raising awareness on diseases; and flourishing medical tourism given the relatively low healthcare prices (which has boosted pathology and imaging sub-segments)
- Wound care market accounts for 2nd largest share of medical device market

Implants
- Estimated market size is USD 364 Mn
- Dental implant market is one of the most attractive segments growing at a CAGR of nearly 5%
- Projected CAGR of 25% for the orthopedic market in India

Patient Aids
- Estimated market size is USD 676 Mn
- Steady increase in demand for products like hearing aids, prosthetics, orthotics, pacemakers, etc.
### Policy Support & Initiatives

- **Government’s initiatives** such as Medical Devices Rules and establishment of National Medical Devices Promotion Council (NMDPC) to boost manufacturing, attract investments and promote exports of the fast-growing sector
- **100% automatic route for FDI** has been making India a more preferred destination for investments and doing business. Since 2016, the FDI inflows jumped by almost 300% to USD 439.01 Mn

### Demand Drivers

- **Big Data**
  The amount of healthcare data being captured due to recent IT infrastructure upgrades is expected to greatly enhance ‘smart’ and AI functionality for diagnostic and treatment devices
- **Nanotechnology**
  Nanotechnology provides the benefits of biocompatibility and functionality at an unparalleled scale, allowing it to be better able to influence diseases happening at a cellular level
- **Do it yourself healthcare and mobile healthcare**
  The adoption of health and fitness-related smartphone apps has surged over the past couple of years, affirming the fact that the healthcare industry is going mobile. The demand for user-friendly and DIY medical devices has increased with the rising consumer awareness
- **Interoperability**
  The rise of new technologies capable of integrating medical devices into a connected platform enhances the functionality of devices, reduces manpower burden, and minimises errors
- **Wearable Features Grow Revenues**
  From glucose monitors to exercise trackers, devices with a wearable component will experience average revenue growth double the overall device market. The global wearable medical device market is valued at just over USD 13.2 Bn for 2016
KEY SECTORS FOR INDUSTRY COOPERATION BETWEEN INDIA AND JAPAN

Summary Table: Market Size of the four sub-segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Market Value (in USD Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment &amp; Instruments</td>
<td>2597</td>
</tr>
<tr>
<td>Consumables &amp; Durables</td>
<td>1323</td>
</tr>
<tr>
<td>Implants</td>
<td>343</td>
</tr>
<tr>
<td>Patient Aids</td>
<td>637</td>
</tr>
</tbody>
</table>

Import Dependency of Medical Devices

![Import Dependency Chart]

- **Indigenous Scale**
- **Imports**
PHARMACEUTICALS

- Captive R&D Units
- Contract R&D Units
- Established Bulk Drug Cluster
- Established Formulation Cluster
- Emerging Bulk Drug Cluster
- Emerging Formulation Cluster
KEY SECTORS FOR INDUSTRY COOPERATION BETWEEN INDIA AND JAPAN

Current Status

- Indian pharmaceuticals market- 3rd largest in terms of volume and 13th largest in terms of value
- Current market size: USD 36.7 Bn
- FDI Inflows: USD 15.9 Bn (April 2000 to December 2018)
- Indian Pharmaceuticals market is expected to expand at CAGR of 12.89% over 2015–20 to reach USD 55 Bn
- Exports 20% of global generics, making it the largest provider of generic medicines globally
- Over 55 percent Pharmaceuticals exports of India are to highly regulated markets
- Leader in Global Supply of DPT, BCG and Measles Vaccine
- Major segments are Generic Drugs, OTC Medicines and Patented Drugs

Policy support & initiatives

- 100% FDI under automatic route for greenfield projects and under Government route for brownfield investments
- 74% under automatic route for brownfield investments
- Transformation of National Institutes of Pharmaceutical Education & Research (NIPER) as Innovation hubs. 11 NIPERs approved till 2015. 3 new NIPERs at Chhattisgarh, Maharashtra & Rajasthan announced
- National Intellectual Property Rights Policy (2016) - TRIPS compliant IPR policy
- Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP) (2008) - Making quality medicines available at affordable prices through exclusive outlets
- Similar Biologics Guidelines (2016) - Regulatory pathway regarding manufacturing process and safety, efficacy and quality aspects for similar Biologics
- National Health Policy (2017)- Aimed at attainment of highest possible level of health and well-being for all ages through a preventive and promotive health care orientation in all developmental policies, and universal access to good quality health care services by increasing access, improving quality and lowering the cost of healthcare delivery
- New Drugs & Clinical Trials Rules (2019) - New rules aimed at promoting clinical research through a transparent and fast approval process
Opportunities

- India’s **generics drug market** accounts for around 70% of the India pharmaceutical industry and is expected to reach USD 27.9 Bn by 2020. Generic drugs account for 20 percent of global exports in terms of volume, making India the largest provider of generic medicines globally.

- India has 50+ approved **Biosimilar products** and with a market size of USD 0.92 Bn in 2016. The Indian market for biosimilars is expected to reach USD 2.2 Bn by 2025. Approximately USD 70 Bn biologics drugs would go off patent between 2016 and 2020, which is a significant opportunity for exports.

- **India’s cost of production is nearly 60% lower than that of the US and almost half of that of Europe**

- India has the 2nd largest number of **USFDA-approved manufacturing plants outside the US**

- **Bioinformatics** is one of the fastest growing segments in the biotechnology sector of India with over 200 companies in Bangalore, Delhi, Hyderabad, Pune & Chennai.

- A new form of global outsourcing to India, known as "**knowledge process outsourcing**," or KPO, is following on the heels of the remarkably successful Indian market for information technology outsourcing (ITO) and business process outsourcing (BPO). Global producers such as AstraZeneca, GlaxoSmithKline, Pfizer, Novartis and Eli Lilly have moved portions of their clinical drug testing operations to India in an effort to leverage the nation’s vast and diverse population and its pool of highly skilled scientists.

- Rising income could drive 73 Mn households to the middle class over the next 10 years.

- Over **650 Mn people** expected to be covered by **health insurance by 2020**.

- **Government-sponsored programs set to provide health benefits to over 380 Mn BPL people by 2018**.

  - By 2018, the Government plans to provide free generic medicines to half the population at an estimated cost of USD 5.4 Bn under the ‘**Pradhan Mantri Jan Aushadhi Yojana**’ (PMJAY).
KEY SECTORS FOR INDUSTRY COOPERATION BETWEEN INDIA AND JAPAN

FOOD PROCESSING

Mega Food Parks

- RFK GREENS FOOD PARK PVT. LTD.
- HSIIDC MEGA FOOD PARK
- PATANJALI FOOD AND HERBAL PARK NOIDA (P) LTD
- NANDVAN MEGA FOOD PARK
- PRISTINE MEGA FOOD PARK PVT. LTD.
- JHARKHAND MEGA FOOD PARK PVT. LTD.
- SUKHJIT MEGA FOOD PARK & INFRA LTD.
- LADHOWAL MEGA FOOD PARK
- HAFED MEGA FOOD PARK
- FANIDHAR MEGA FOOD PARK PVT. LTD.
- AVANTEE MEGA FOOD PARK PVT. LTD.
- WARDHA MEGA FOOD PARK PRIVATE LIMITED
- FAVORICH MEGA FOOD PARK
- DOYS AGRI RESOURCES PVT. LTD., KINFA MEGA FOOD PARK
- KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED
- SEA FOOD PARK DERAS
- SMART AGRO FOOD PARK
- TSIIC MEGA FOOD PARK
- ZORAM MEGA FOOD PARK PVT. LTD.
- INDUS BEST MEGA FOOD PARK PVT. LTD.
- APIC ANDHRA PRADESH INDUSTRIAL INFRASTRUCTURE CORPORATION LTD.

In Operation

- In Progress

- In Principle
### Current Status
- One of the **largest in terms of production, consumption, export and growth** prospects
- **Largest producer** of milk and **2nd largest** producer of fruits and vegetables
- With **127 agro-climatic regions**, all 15 major climates in the world exist in India
- This sunrise sector has emerged as a **high-growth and high-profit sector** due to a large agriculture sector, abundant livestock, and cost competitiveness

### Demand Drivers
- **Strong domestic demand**
  - Changing lifestyle and food habit, and rising disposable income
- **Supply side advantages**
  - High level of agricultural production — large livestock base, wide variety of crops etc. and Inland water bodies and long coastline helps marine production
- **Export opportunities**
  - Proximity to key export destinations and greater integration with global economy

### Policy Support & Fiscal Incentives
- **100% FDI** through automatic route for food processing
- **100% FDI** under Government approval route for trading, including through e-commerce, in respect of food products manufactured and/or produced in India
- **100% income tax exemption** on profits and gains derived for the first 5 years of operations
- **Available modern infrastructure** - Mega Food Parks, Cold-Chain etc.
- **Attractive fiscal incentives** under “Pradhan Mantri Kisan Sampada Yojana”
- Priority sector lending allowed for agro-processing & cold-chain infrastructure
- Special fund of **USD 300 Mn** with NABARD for designated food parks and processing units
KEY SECTORS FOR INDUSTRY COOPERATION BETWEEN INDIA AND JAPAN

CHEMICALS

- **Gujarat:**
  - PCPIR: Dahej
  - Clusters: Ankleshwar, Jamnagar, Vadodara, Bharuch, Vapi
  - Contributes to >50% of Chemicals manufacturing

- **Odisha:**
  - PCPIR: Pardip
  - Clusters: Cuttack, Balasore

- **Tamil Nadu:**
  - PCPIR: Cudalore - Nagapattinam

- **Andhra Pradesh:**
  - PCPIR: Vishakhapatnam - Kakinada
### Current Status
- **3rd largest** producer of Chemicals in **Asia**
- **7th largest** producer of Chemicals in the **world**
- The chemical market currently stands at approximately USD 163 Bn and is projected to grow to **USD 304 Bn (FY 2025)**
- India is also the **3rd largest producer of agrochemicals** and produces **16% of the World’s Dyestuff and Dye Intermediaries**, particularly reactive acid and direct dyes
- The **specialty chemicals market has been growing at 14%** over the last 5 years and the market size is expected to touch **USD 70 Bn by 2025**

### Policy Support & Fiscal Incentives
- The **Goods and services Tax (GST)** regime is creating a positive impact
- **100% FDI** is permitted in the sector
- **Excise duty** was reduced from 14% to 8%
- **Industrial licensing has been abolished** for most sub-sectors including chemicals
- Policies have been initiated to set up an **Integrated Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR)**, spread across 250 Sq. Km. for manufacturing of domestic and export related products of petroleum, chemicals and petrochemicals

### Specialty Chemicals
- Growing at 14% in the last five years; the market size is expected to reach **USD 70 Bn by 2020**
- India is currently the world’s **3rd largest** consumer of polymers and its demand is expected to grow by 8-10% with growth in industries such as clothing and automobiles
- End-use industries such as consumer goods (such as personal care chemicals, colorants & health foods), industrial (such as resins, water chemicals), media (inks) and infrastructure (such as construction chemicals) have strong link to the overall growth of the Indian economy
KEY SECTORS FOR INDUSTRY COOPERATION BETWEEN INDIA AND JAPAN

<table>
<thead>
<tr>
<th>Sub-sectors</th>
<th>Agrochemicals</th>
<th>Dyes &amp; Pigments</th>
<th>Printing Ink</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>India exports about 50% of its current production. Exports are likely to remain a key component of the industry</td>
<td>• Estimated market size: USD 8.4 Bn by 2019, of which net exports are to constitute USD 6.1 Bn</td>
<td>• Estimated market size: 232 Mn tons and is valued around USD 735 Mn as of Dec’17</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Growth of paints, coatings, printing inks and development of eco-friendly inks are some of the themes driving growth and product development</td>
<td>• It is primarily split between flexo, gravure and packaging sheetfed inks and digital inks</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Growth registered at a CAGR of 8% between 2007 to 2017 and is expected to grow at a CAGR of 3.9% in 2017-2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• The industry is fragmented with approx. 400 manufacturers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Segment</th>
<th>Production Scale</th>
<th>Raw Material Sourcing</th>
<th>Product Development</th>
<th>Branding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Care Active Ingredients</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flavors &amp; Fragrances</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Construction Chemicals</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Dyes &amp; Pigments</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inks</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### STARTUP

- **50000+** Startups in India
- **USD 100 Bn** Valuation
- **300+** Incubators/Accelerators
- **USD 44 Bn+** Funding since 2014

- **28 Years** Avg. age of founders
- **#11** Bengaluru’s Global Rank
- **40%** Incubator Annual Growth
- **700+** Startups arising from unicorns
- **9%** Women Entrepreneurs (100% growth in last 12 months)

- **Startups Hubs**

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December 2019
KEY SECTORS FOR INDUSTRY COOPERATION BETWEEN INDIA AND JAPAN

Current Status

Startup India is a flagship initiative of the Government of India, intended to be a catalyst for building a strong startup culture and ecosystem for innovation and entrepreneurship in India. Since the launch of the initiative on 16 January 2016, Startup India has rolled out several programs with the objective of supporting entrepreneurs and transforming India into a country of job creators instead of job seekers. The 19-Point Action Plan envisages the following forms of support for startups, and more:

- Enhanced infrastructure including incubation centers
- Easier IPR facilitation, including easier patent filing
- A better regulatory environment including tax benefits, easier compliance, improved setting up of a company, faster exit mechanisms and more
- An economic stimulus in the form of an INR 10,000 Cr Fund of Funds managed by SIDBI, with the goal of increasing funding opportunities

Indo-Japan cooperation

During the visit of the Hon’ble Prime Minister of India to Japan in October 2018, the Japan India Startup Hub was launched as an online platform to bridge the gap between Indian and Japanese startup ecosystems. This enables meaningful synergies to promote joint innovation in both economies. The Hub was conceptualized as part of a joint statement signed between the Ministry of Economy, Trade & Industry (Japan) and Ministry of Commerce & Industry (India) on 1 May 2018. The Hub enables collaborations between startups, investors, incubators, & aspiring entrepreneurs of both countries and provide them requisite resources for market entry & global expansion.

Policy Support & Fiscal Initiatives

- **Self-Certification**: Self-compliance under 3 environment and 6 Labour laws
- **Income Tax Exemption**: For 3 consecutive years and exemptions on capital gains & investments above fair market value
Policy Support & Fiscal Initiatives

- **Easy Winding Up of Company**: Within 90 days under Insolvency & Bankruptcy Code, 2016
- **Patent Application & IPR Protection**: Speedy & up to 80% rebate in filing patents
- **Easier Public Procurement Norms**: Startups can get listed as a seller to Government platforms like GEM & benefit from exemptions from Earnest Money Deposit (EMD) and minimum qualification requirements for public tenders

Demand Drivers

- **Cost of doing business – One of the lowest in the world**
- **Size of domestic market** – 1.3 Bn population; accessing services online
- **Availability of Talent**: 7 Mn college graduates per year; 55% of the youth prefer working in startups over corporates (as per a youth of the nation survey of 150K young Indians). Median age of founders is 31 years
- **2nd largest consumer internet market in the world** - 462 Mn internet users, 80% of these users are mobile based
- **Infrastructure**: 280+ Incubators/Accelerators/Co-Working Space with 40% YoY growth. Tier 2/Tier 3 cities are gaining traction with 66% new incubators established
- **Funding**: On an average, four startup deals were announced every weekday through 2016. Angel Investments are on the rise, with a 20% increase in the active investors. Global investors such as Alibaba Group, Softbank Group, Sequoia, Foxconn, etc. are actively investing in the Indian startup ecosystem
- **Corporate Connect**: Enterprises are realizing the disruptive potential of start-ups and are thus, partnering/investing in them. As per KPMG 2016 CEO Survey; 37% of CEOs surveyed deem their organizations to be highly capable of connecting in a beneficial way with startups. Examples of corporate support-
  - Wipro has set up a USD 100 Mn fund to invest in startups
  - IBM is partnering with 100 Indian big data and IoT startups
  - Apple recently acquired Tuplejump, an AI based startup from Hyderabad
  - Barclays has setup an fintech co-working space that looks at getting innovative products at a cost five times cheaper than carrying out internal R&D
Today’s business environment presents a world of opportunities. The challenge lies in accessing them. Technology has made it possible for companies to expand into international markets. Moreover, the swelling trends in globalisation have made international labour markets more fluid; thus, allowing business enterprises and employees to gain exposure to transnational and cross-cultural working environment. This has helped in increasing understanding of the dynamic work cultures across the globe.

**Introduction to Indian Business Etiquettes**

Indians have various cultural yardsticks that also extend to their business dealings. Thus, it is important for any foreign professional or entity visiting the country to have knowledge about Indian work culture and customs. A sound knowledge of India's cultural practices and business etiquette would not only demonstrate a respect for India but will also create a feel-good factor amongst the prospective clients.

- The ‘namaste’ forms an important part of Indian etiquette and is generally used while greeting and saying goodbye. This gesture is akin to the act of genuflection in some countries and is formed by pressing the palms of both hands together (fingers up). The folded hands are placed below the chin and accompanied with a bow. To mark respect, you may also suffix ‘ji’ to the name of a person which could be claimed as a close equivalent to ‘san’ in Japanese
- In India, guests are treated with utmost respect and courtesy. International travellers can expect to enjoy the Indian hospitality
- The proficiency over the English language of working professionals is significantly high. Official communication-letter faxes, emails are generally received without any hitch
- The notion of punctuality is still an anathema in India. It is more to do with the mindset and ingrained in the Indian culture which is undergoing transformation
- The office environment is informal, and there is no strict hierarchy between managers and their subordinates. Employees are treated as equals and independent views are welcomed promoting a healthy work environment

**Introduction to Japanese Business Etiquettes**

- Seniority is still very strong in Japan. The culture values its elders for the wisdom. At a meeting, normally the members always have a time slot for the most senior person to comment. Other members never disagree with him and always pay attention to him. When bowing to a senior, people also bend lower than normally
- Japanese working environment is normally quiet and focused. Generally, disagreements are discussed discreetly
Business card (also called “Meishi” in Japanese) exchange is one of the most important workplace practices in Japan. At the beginning of a meeting or rendezvous in Japan, your host is likely to offer you his business card. In such a scenario, you must receive it with both hands, bow when receiving, after which you are expected to thoroughly inspect the front and back of the card.

The Japanese take titles very seriously; status in a company is everything. If you are in Japan on business, you should get a version of your business card that has both English and Japanese on it with your name and role in the company marked clearly.

Although the Japanese working culture, norms and ethics differ from that of India’s, both countries share strong ties in terms of cultural rootedness. In both Indian and Japanese work environment, indirect communication with high context is preferred, but their manifestation is indeed different. Each culture possesses its own idiosyncrasies which has only become easier to understand in the larger milieu of global cultural exchange. In the same light, several initiatives have been undertaken to propagate Japanese culture in India.

The first being the Cool Japan festival, an event that captures the essence of both entertainment and business between Japan & India held annually in Mumbai. The festival is meant for the youth enjoying video games and anime which have garnered much popularity among this group. Not only the festival but the exponential growth of interest in Japanese pop-culture in India, as well as the creation of Japan-themed groups and clubs is remarkable. For example, the Mumbai Anime and Manga Fan Club has grown to having over 3,000 members in the past four years. Other similar clubs have grown up in Delhi and Bangalore.

Additionally, events such as the Delhi Comic Con, where fans of comics and Japanese culture gather, are hugely popular. Apparently, India’s interest in manga is widespread enough to have Hindi translations of several of them. This is reflective of how the Japanese art form has permeated Indian comic art under the overarching global cultural exchange.

The recently held 15th edition of Indo-Japan festival at JN Tata Auditorium, Indian Institute of Science (IISc), Bengaluru also garnered much attention. What started as a cultural festival of the Department of Japanese Language at Bangalore University has now become a much sought-after annual event. Every year an aspect of Japanese culture is selected as the theme of the Habba and the theme for the festival held in February was ‘Tanabata: When you wish upon a star’. Visitors can experience Japanese culture by taking part in the Japanese tea ceremony demonstration, also try on a Yukata (Japanese traditional attire), write Japanese calligraphy, and see an Ikebana (flower arrangement).
OVERVIEW OF FINANCIAL PLANNING PROCESS FOR JAPANESE CORPORATES IN INDIA
OVERVIEW OF FINANCIAL PLANNING PROCESS FOR JAPANESE CORPORATES IN INDIA

From a macroeconomic and financial perspective, Japan and India are fundamentally different markets. Japan is characterized by high GDP (ranked 3rd on the basis of Nominal GDP), high GDP per capita, low growth and negative interest rates. On the other hand, India is characterized as a mid-sized economy (ranked 7th globally), lower-middle income economy on the basis of GDP per capita, high income disparity, high GDP growth rate, and high interest rates. Given these differences in macroeconomic and interest-rate environment, and various regulatory & tax considerations, it is important for the HQs of Japanese companies to plan in tandem with the management of local Indian subsidiaries to ensure optimal use of internal and external financial resources when operating in India. Such planning will help in making the local operations competitive using best-in-class financial practices, and providing the dual benefits of flexibility and control to the HQ as well as local operations.

Exhibit 1 illustrates the various steps involved in the end-to-end financial planning when operating in India.
As illustrated in Exhibit 1, right from Market Scoping at the beginning to Employee Support at the end, India entry/expansion process entails various critical steps viz. Capital Structure Planning, Growth Strategy Formulation, Manufacturing Setup and Production, Ecosystem Support, and last-mile Retail Banking solutions.

In the following sections, we detail the financial planning steps and key considerations involved in each step.
GROWTH STRATEGY FORMULATION & KEY CONSIDERATIONS FOR INDIA ENTRY/EXPANSION
GROWTH STRATEGY FORMULATION & KEY CONSIDERATIONS FOR INDIA ENTRY/EXPANSION

The critical success factors for a successful India Entry can be listed as follows:

I. UNDERSTANDING THE MARKET
II. UNDERSTANDING SECTORAL ISSUES
III. DEVELOPING THE RIGHT “INDIA ENTRY STRATEGY”
IV. CRITICAL SUCCESS FACTORS FOR ACQUISITIONS
   i. Understanding Laws Impacting Entry
   ii. Optimal Transaction Structure
   iii. Understanding of Social Environment in India
   iv. Tax Considerations
   v. Legal Agreements
V. UNDERSTANDING & RESOLUTION OF OPERATIONAL ISSUES

The above factors are briefly described in the following paragraphs. However, for each industry and each company, we recommend a case-specific discussion to understand the relevant success factors in each situation.

I. Understanding the Market
   a. India is not one homogenous mass; customer preferences vary across states
   b. Don’t be guided purely by “size” of potential market - but rather the part that has the real purchasing power for the product

II. Understanding Sectoral Issues
   a. Critical to understand sector-specific laws & regulations (example media, telecom, insurance) and sectoral operating issues
   b. Imperative to show willingness to explore and operate under new structures to meet local legal requirements - extremely relevant for regulated sectors in India

III. Developing the right “India Entry Strategy”
   a. Identify the right strategy for India entry – acquisition or joint venture - Greenfield entry may be difficult unless the sector is a high-technology sector or dealing in high value-added products
   b. It may not be easy for a global player to operate in the Indian environment without sufficient hand holding by Indian management or Indian partners
IV. Critical Success Factors for Acquisitions

i. Understanding Laws Impacting Entry
   • Merger control laws and takeover regulations – can impact structure and timing
   • When investing in listed companies, takeover regulations may impact partnership strategy

ii. Optimal Transaction Structure
   • Depends on the commercial objectives of the acquirer, and other considerations including financial, tax, legal and regulatory
   • Asset purchase v/s stock purchase
   • Extent of stake to be acquired and mode of payment (cash v/s stock)

iii. Understanding of Social Environment in India
   • Decision making in family managed businesses in India can be influenced by succession issues, family arrangements etc.
   • Exiting long standing businesses may sometimes not be seen as socially acceptable
   • Need to explore ways to provide deferred exits to promoters
   • At times, providing titular positions to promoters may mitigate social concerns and also facilitate smooth transition

iv. Tax Considerations
   • Choice of acquisition vehicle: Local holdco v/s foreign parent company v/s intermediate holdco located in a third jurisdiction
   • Withholding tax obligations
   • Asset purchase v/s stock purchase
   • Stamp duty may need specific evaluation during asset purchase transaction

v. Legal Agreements
   • Sound, legal and robust structure
   • Legal rights and remedies
   • Choice of governing law

V. Understanding & Resolution of Operational Issues

a. Post-acquisition integration, or managing the cohesiveness of a large team built organically, is critical for long-term success
b. Managing different cultures, including retention of employees (to ensure strong business relationships at all levels including labor, customers, regulators) and need to be cautiously handled

   c. Advance notification and consultation with labor unions and other employee representatives may be required
CAPITAL STRUCTURE PLANNING & KEY CONSIDERATIONS
A foreign parent company, looking to fund its subsidiary in India has various instruments, across debt and equity, available to meet its objectives. The instruments available to such parent companies and subsidiaries are summarized below in Exhibit 2.

**Exhibit 2: Financing Instruments for Subsidiaries of Foreign Parent Companies in India**

The key options across Debt Instruments are onshore INR Financing, External Commercial Borrowing (ECB) from Banks or Foreign Equity Holder (FEH), and debt funding through Foreign Portfolio Investor (FPI) route. Within the FPI route, the RBI announced a Voluntary Retention Route (VRR) in March 2019.

The key evaluation criteria to decide upon choice of instrument finance certain transactions or operations are as follows:

- Eligible Lenders
- Maximum Amount
- Minimum Average Maturity (“MAM”)
- Maximum All-in Cost
- End-use Restrictions
- Rating/Listing of the Instrument
- Prepayment Terms and Conditions
- Refinancing Terms and Conditions
- Tax considerations

An indicative comparison of the instruments is summarized in Exhibits 3 and 4.
### Exhibit 3: Indicative Comparison of Equity and Onshore Financing

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Equity</th>
<th>Onshore financing (WC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible Lenders</td>
<td>NA</td>
<td>Relationship Banks</td>
</tr>
<tr>
<td>Maximum Amount</td>
<td>Investment is subject to FDI guidelines</td>
<td>Flexible</td>
</tr>
<tr>
<td>Tenor</td>
<td>NA</td>
<td>Flexible</td>
</tr>
<tr>
<td>Maximum Pricing Allowed/Indicative Price</td>
<td>As per the pricing guidelines under the FDI guidelines</td>
<td>For WC it is up to 1 year and for Capex any tenor upward of 1 year</td>
</tr>
<tr>
<td>End Use Related Clauses</td>
<td>NA</td>
<td>Market linked revolving INR borrowing possible</td>
</tr>
<tr>
<td>Rating/ Listing</td>
<td>NA</td>
<td>Can only be used to meet operating expenses</td>
</tr>
<tr>
<td>Prepayment</td>
<td>NA</td>
<td>Not Required</td>
</tr>
<tr>
<td>Refinancing</td>
<td>NA</td>
<td>Prepayment allowed subject to break cost</td>
</tr>
<tr>
<td>Transaction Structure</td>
<td></td>
<td>Allowed without any restrictions at the end of maturity</td>
</tr>
<tr>
<td>*WHT or other Tax implications</td>
<td>DDT/Share buyback tax rates as applicable</td>
<td></td>
</tr>
<tr>
<td>Hedging</td>
<td>Prospective Equity/Equity can be hedged by the Parent entity for investment in subsidiary</td>
<td></td>
</tr>
</tbody>
</table>

*WHT – Withholding Tax
### CAPITAL STRUCTURE PLANNING & KEY CONSIDERATIONS

#### Exhibit 4 – Indicative Comparison of ECB, FPI and FPI (VRR)

<table>
<thead>
<tr>
<th>ELIGIBLE LENDERS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External Commercial Borrowing (ECB)</strong></td>
<td><strong>Foreign Portfolio Investor (FPI) route</strong></td>
</tr>
<tr>
<td>• The lender should be resident of FATF or IOSCO compliant country, including on transfer of ECBs. However,</td>
<td>• FPI should not be a person residing in India</td>
</tr>
<tr>
<td>a. Multilateral and Regional Financial Institutions where India is a member country will also be considered as recognised</td>
<td>• Parent under FPI Route, may also invest, given that the restrictions are complied with</td>
</tr>
<tr>
<td>b. Individuals as lenders can only be permitted if they are foreign equity holders or for subscription to bonds/debentures listed abroad; and</td>
<td>• Eligibility conditions to be met as per SEBI FPI Regulations</td>
</tr>
<tr>
<td>c. Foreign branches/subsidiaries of Indian banks are permitted as recognized lenders only for FCY ECB (except FCCBs and FCEBs)</td>
<td></td>
</tr>
</tbody>
</table>
### MAXIMUM AMOUNT

<table>
<thead>
<tr>
<th>External Commercial Borrowing (ECB)</th>
<th>Foreign Portfolio Investor (FPI) route</th>
<th>FPI under Voluntary Retention route (VRR)</th>
</tr>
</thead>
</table>
| • All eligible borrowers can now raise up to USD 750 Mn equivalent per financial year under the automatic route | • Investment shall be capped at USD 43 Bn for Corporate debt  
• Currently, ~71% of the limit has been utilized (as on April 9th 2019)  
• Aggregate investment by FPI (including investment by related FPIs) shall not exceed 50% of any issue of a Corporate Debt security. In case of excess investment, FPI will not be permitted to make further investments in that issue until this stipulation is adhered to | • Investment shall be capped at INR 750 Bn for Govt Sec and Corporate debt combined  
• Investment amount shall be allocated to the FPIs on tap basis or through auctions. Currently, the limits are available on tap  
• 75% of the amount allocated is to be invested in 3 months  
• During the committed retention period, FPIs shall maintain a minimum investment of 75% of the total amount allocated them. This will also include cash holdings in the separate bank account  
• Income from investments can be reinvested in excess of the amount allocated |
| • In case of FCY denominated ECB raised from direct foreign equity holder ECB liability-equity ratio for ECBs raised under the automatic route cannot exceed 7:1. However, this ratio will not be applicable if outstanding amount of all ECBs, including proposed ones is up to USD 5 Mn or equivalent | |
| • The borrowing entities will also be governed by the guidelines on debt equity ratio issued, if any, by the sectoral or prudential regulator concerned | |
| | | |
## Capital Structure Planning & Key Considerations

### Exhibit 4 (Cont’d.) – Indicative Comparison of ECB, FPI and FPI (VRR)

#### Minimum Average Maturity (“MAM”)

<table>
<thead>
<tr>
<th>External Commercial Borrowing (ECB)</th>
<th>Foreign Portfolio Investor (FPI) route</th>
<th>FPI under Voluntary Retention route (VRR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The minimum average maturity period is 3 years, except the borrowers specifically permitted in the circular to borrow for a shorter period</td>
<td>• 1 year</td>
<td>• No restriction on the MAM</td>
</tr>
<tr>
<td>• For ECB raised utilized for specific purposes, the MAM would be 5/10 years, as the case may be</td>
<td>• Investment in securities of any category (G-secs, SDLs, corporate bonds) with residual maturity below one year shall not exceed 20% of total investment by an FPI in that category applies, on a continuous basis regardless of the maturity of the security at the time of purchase by the FPI</td>
<td>• The investment shall be required to be committed for a minimum retention period of three years (or as decided by RBI from time-to-time)</td>
</tr>
</tbody>
</table>

#### Maximum All-In Cost

<table>
<thead>
<tr>
<th>External Commercial Borrowing (ECB)</th>
<th>Foreign Portfolio Investor (FPI) route</th>
<th>FPI under Voluntary Retention route (VRR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Benchmark rate plus 450 bps spread</td>
<td>• No restriction (all lending has to be on arms length basis and based on market benchmarks)</td>
<td></td>
</tr>
<tr>
<td>External Commercial Borrowing (ECB)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The proceeds can be used for all purposes except for the following. Sectoral end use restrictions will also be applicable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Real estate activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Investment in capital market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Equity investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Working capital purposes except in certain cases subject to stipulated conditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. General corporate purposes except in certain cases subject to stipulated conditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. Repayment of Rupee loans except in certain cases subject to stipulated conditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>g. On-lending to entities for the above activities except in certain cases subject to stipulated conditions</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Foreign Portfolio Investor (FPI) route</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Flexible (except for real estate activities, capital markets and purchase of land for unlisted transactions)</td>
</tr>
<tr>
<td>• Listed FPI Bonds can be used for downstream equity investments, real estate activities, capital markets and purchase of land as well</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FPI under Voluntary Retention route (VRR)</th>
</tr>
</thead>
</table>
### Capital Structure Planning & Key Considerations

#### Exhibit 4 (Cont’d.) – Indicative Comparison of ECB, FPI and FPI (VRR)

<table>
<thead>
<tr>
<th></th>
<th>External Commercial Borrowing (ECB)</th>
<th>Foreign Portfolio Investor (FPI) route</th>
<th>FPI under Voluntary Retention route (VRR)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RATING/LISTING</strong></td>
<td>• Not required but preferred</td>
<td>• Not required, if going for an unlisted bond</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Rating is a prerequisite for Listing</td>
<td></td>
</tr>
<tr>
<td><strong>PREPAYMENT</strong></td>
<td>• Subject to maintenance of MAM</td>
<td>• Not a market norm. Call options can be structured subject to adherence to the minimum residual maturity requirement</td>
<td>• Buyback permissible with investor consent subject to MAM</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Buyback permissible with investor consent subject to MAM</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Committed retention period needs to be adhered to</td>
</tr>
<tr>
<td><strong>REFINANCING</strong></td>
<td>• New ECB all-in cost to be lower and maturity to be at least equal to residual maturity of original ECB</td>
<td>• Not a market norm</td>
<td></td>
</tr>
</tbody>
</table>
### ADVANTAGES

<table>
<thead>
<tr>
<th><strong>External Commercial Borrowing (ECB)</strong></th>
<th><strong>Foreign Portfolio Investor (FPI) route</strong></th>
<th><strong>FPI under Voluntary Retention route (VRR)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Principal can be repatriated fully on maturity of loan</td>
<td>• Principal can be fully repatriated</td>
<td></td>
</tr>
<tr>
<td>• Greater pricing flexibility</td>
<td>• Generally Lower cost vs. INR loans</td>
<td></td>
</tr>
<tr>
<td>• Tax shield available for borrower upto 30% of EBITDA</td>
<td>• No FX risk for India subsidiary</td>
<td></td>
</tr>
<tr>
<td>• FX risk can be hedged in line with parent strategy (only for FCY ECB)</td>
<td>• Tax shield available for India subsidiary upto 30% of EBITDA</td>
<td></td>
</tr>
<tr>
<td>• Can prove to be a cheaper funding alternative to term rupee loan</td>
<td>• Parent (if acting as FPI Investor) can hedge FX risk onshore in line with hedging strategy</td>
<td></td>
</tr>
<tr>
<td>• Can be denominated in INR and hedging can be done by the Lender onshore if desired</td>
<td>• Can also be used for downstream equity investments subject to conditions</td>
<td></td>
</tr>
</tbody>
</table>
Hedging the foreign exchange risk at the time of infusing capital or raising foreign currency debt is a vital component of financial planning. In February 2019, the Reserve Bank of India (RBI) released a draft of the revised directions and regulations on facilities for hedging foreign exchange risk by Residents and Non-Residents. The final revised guidelines for FX hedging facilities, based on comments received, are expected to be released in the near-term.
OPTIMIZING CASH MANAGEMENT BY LEVERAGING DIGITAL INNOVATIONS
## I. OVERVIEW OF PAYMENTS & CLEARING LANDSCAPE – REGULATORS AND TRANSACTIONS

The regulatory framework governing the payments and settlements landscape in India is summarized below in Exhibit 5.

### Exhibit 5 – Snapshot of Regulatory Bodies and Legal Framework of the Payments and Clearing landscape

<table>
<thead>
<tr>
<th>Regulators / Clearing Houses</th>
<th>Legal Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reserve Bank of India:</strong></td>
<td>• Payments and Settlements Systems Act, 2007: <em>An Act to provide for the</em> regulation and supervision of payment systems in India and to designate the Reserve Bank of India as the authority for that purpose</td>
</tr>
<tr>
<td><em>India’s central banking institution, which controls the monetary policy</em></td>
<td></td>
</tr>
<tr>
<td><strong>National Payments Corporation of India:</strong></td>
<td>• Payments and Settlements Systems Act, Amendment Bill 2014</td>
</tr>
<tr>
<td><em>An umbrella organisation for all retail payments system in India</em></td>
<td>• IT Act, 2000: <em>It is the primary law in India dealing with cybercrime and electronic commerce</em></td>
</tr>
<tr>
<td><em>(Low Value High Volume Payments)</em></td>
<td></td>
</tr>
<tr>
<td><strong>Clearing Corporation of India Ltd:</strong></td>
<td></td>
</tr>
<tr>
<td><em>Provides clearing and settlement for transactions in Government securities, foreign exchange and money markets in the country</em></td>
<td></td>
</tr>
<tr>
<td><strong>EMPAYS</strong></td>
<td></td>
</tr>
<tr>
<td><em>is a RBI governed cloud-based payment solutions provider. IMT is a flagship product which enables corporates and institutions to pay beneficiaries who avail of cardless cash withdrawal facilities</em></td>
<td></td>
</tr>
</tbody>
</table>

The various regulatory bodies, along with the Central Governments over the past few decades, have been working to deepen the penetration of banking and financial services in a safe and fair manner across the country. To achieve this objective, particularly within the last decade or so, a wide array of payment solutions have been introduced in India, backed by the various regulators and governing bodies.

The following Exhibits summarise the various payment, clearing and settlement systems, their interface with regulatory bodies, classification based on underlying technology (paper/electronic) and a brief description of each.
Exhibit 6 below presents a snapshot of the landscape of the Clearing and Settlement systems available in India.

**DIRECT MEMBERSHIP OF ALL CLEARING MECHANISMS**

### Types of Clearing & Transaction Flows

- **Paper Clearing (Non CTS)**
  - Business 2 Business
  - Business 2 Consumer
  - Consumer 2 Business
  - Person 2 Person
  - MICR Clearing (has migrated to Cheque)
  - Truncation System (CTS)
  - Non MICR clearing still remain until it is upgraded & transitioned

- **Cheque Truncation + Electronic Clearing**
  - Business 2 Business
  - Business 2 Consumer
  - Consumer 2 Business
  - Person 2 Person
  - National Automated Clearing House (Low Value, Bulk Payments & collections)
  - Cheque Truncation System (CTS) – Image based cheque processing
  - Immediate Payment Service (IMPS) – 24x7
  - Aadhaar Payment Bridge System (APBS)
  - Rupay (Domestic cards)
  - National Financial Switch (ATM transactions)
  - Aadhaar Enabled Payment System (AEPS)
  - Bharat Bill Payment System (BBPS)
  - Unified Payment Interface (UPI)

- **Institutional Clearing**
  - Securities Settlement
  - CBLO
  - Forex Settlement
  - FX Clear
  - Derivatives

### Settlement Systems

- **Deposit & Accounts Department (DAD A/c)**
  - Residual Cheque clearing
  - DAD->RTGS: Funding BOD
  - DAD->RTGS: Interim Funding
  - RTGS->DAD: Sweep Back at EOD

- **RTGS Settlement Account**

- **National Electronic Funds Transfer (NEFT)**
II. DESCRIPTION OF PAYMENT SYSTEMS AND MARKET SHARE INFORMATION

Exhibit 7 below presents a snapshot of the Payment Systems available in India, followed by a brief description of the various methods.

**Exhibit 7 – Snapshot of Payment Systems available in India**

**Complete Suite of Payment Methods**
- High Value; Low Value
- Paper; Electronic
- Domestic; Cross Border
- Online & STP

**Clearing & Settlement Mechanisms**
- Real Time Gross
- Deferred Net
The key payment systems, as summarized in the exhibit, are briefly explained below:

**High Value Payment Systems**

**Real Time Gross Settlement (RTGS) system** – RTGS system enables transfer of money from one bank account to another on a “real time” and on a “gross” basis. The RTGS service window for customer transactions is available to banks from 8 AM to 4:30 PM on weekdays (Monday through Friday) and on working Saturdays for settlement at the RBI’s end. RTGS is operated by the RBI.

**Paper (Cheque)** – India has an efficient clearing house infrastructure, which is used by businesses to clear cheques, across the country, settling them on the same day, or the next day, and is the preferred mode for a lot of business transactions.

**National Electronic Funds Transfer (NEFT)** – NEFT facilitates fund transfers across all computerised branches of banks (member/sub-member of NEFT) across the country. Presently, NEFT operates in half-hourly batches – there are twenty-three settlements from 8 AM to 7 PM on weekdays (Monday through Friday) and on working Saturdays. NEFT is operated by the RBI.

**Retail Payment Systems**

**Unified Payments Interface (BHIM UPI Platform)** – The BHIM UPI Platform, which is application-based and usable on smartphones with internet access, has the potential to revolutionise the mobile payments arena. The customers can provide just a registered virtual address for making or receiving payments. The BHIM UPI Platform, which launched in August 2016, is enabled through a smartphone application and has grown rapidly since launch, nearing 800 Mn transactions per month in Mar 2019, less than 3 years from its launch.

**Prepaid Payment Instruments (PPIs)** – PPIs are payment instruments that facilitate the purchase of goods and services, including funds transfer, against the value stored on such instruments. Prepaid instruments have been a useful tool to bring users into the digital payment ecosystem and have shown significant growth in the last 5 years. Interoperability between wallets and bank accounts received a boost, when they could participate in UPI.
OPTIMIZING CASH MANAGEMENT BY LEVERAGING DIGITAL INNOVATIONS

Electronic Clearing Service (ECS) – There are two variants of ECS – ECS Credit and ECS Debit. ECS Credit facilitates one-to-many payments such as dividends, salary, interest payments, etc. and ECS Debit facilitates many-to-one payments such as utility payments and works based on the customer’s standing mandate. ECS is operated by RBI and bank.

National Automated Clearing House (NACH) – NACH has the same features as ECS with a centralised mandate management system. NACH is also used for making payments related to the Government benefits, for instance, subsidies. NACH is operated by NPCI. ECS/NACH provide support for pre-approved mandates for bill payments, and standing instructions. A variant of NACH called eNACH has been created, which is digital, and relies on a digital signature of the user (based on eSign with Aadhaar). This is convenient because it simplifies the process of onboarding a new customer (no issues with checking a wet signature). Recently, the RBI approved the use of other authentication methods for eNach, including net banking and debit card.

Immediate Payment Service (IMPS) – IMPS is a fast payment system operated by National Payments Commission of India (NPCI) and is available 24x7. Under this, the beneficiary gets funds on a real time basis with the settlement between banks happening on a deferred net basis.

The evolution of digital payment solutions and the advent of technology has enabled faster and convenient settlement and payment solutions. It has also resulted in disruptions in the market share of systems by Volume and Value. Exhibit 8 presents the Payment Systems share by Volume and Value in 2018 – 191.

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1 Source: Report of the High-Level Committee on Deepening of Digital Payments
Exhibit 8 Payment Systems Share (2018-19)

Payment Systems Share By Volume (2018-19)

Payment Systems Share By Value (2018-19)
OPTIMIZING CASH MANAGEMENT BY LEVERAGING DIGITAL INNOVATIONS

Breakup of “Others” By Value (2018-19)

The key points to note from the market share data are as follows:

- RTGS has only 1% share by Transaction Volume, but 77% share by Value – indicating it is used for high-volume transactions

- Similarly, NEFT and Paper (Cheque) dominate in terms of value, but not volume indicating that they are also used for higher value payments

- Within the “Others”, UPI, NACH and IMPS dominate the market share – indicating the convenience offered to retail as well as corporate / small-business customers for small-value transactions
III. LEVERAGING PAYMENT SYSTEMS FOR INDIAN OPERATIONS

There are numerous ways in which a Japanese company operating in India can leverage these payment systems to enhance the efficiency of its cash management.

For industries with extensive B2B transactions (viz. dealers and suppliers in FMCG, Automobiles, consumer durables), a combination of various Payment Systems, as summarized in Exhibit 9, can be utilized for increasing efficiencies.

**Exhibit 9 – Key Cash Management requirements of industries with B2B transactions and potential solutions**

<table>
<thead>
<tr>
<th>Key Cash Management Requirements</th>
<th>Potential Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. FMCG</td>
<td>• Virtual accounts for receivables</td>
</tr>
<tr>
<td>• Division and payor identification</td>
<td>• PSBC Warehousing</td>
</tr>
<tr>
<td>• Banking the Pre signed blank cheques from dealers</td>
<td>• Remote scanning of cheques</td>
</tr>
<tr>
<td>• Last mile – visibility /connectivity at retailer level</td>
<td>• NACH Debit</td>
</tr>
<tr>
<td>• Move to a pull based collections model</td>
<td></td>
</tr>
<tr>
<td>• Account rationalisation</td>
<td></td>
</tr>
</tbody>
</table>

| 2. Automobiles                    | • Virtual accounts for receivables |
| • Receivables Reconciliation (Paper and Electronic) | • Cheque pick up feed file |
| • Migrate dealers to a pull based mechanism | • NACH debit |
| • Digitize of import payments | • Online A1/A2 through host-to-host systems |
| • Investment options/Liquidity Management | • Sweeps, Flexi deposits, LM |

| 3. Consumer Durables              | • Virtual accounts for receivables |
| • Division and payor identification | • Online creation of virtual accounts |
| • Faster creation of virtual accounts | • Online A1/A2 |
| • Account rationalisation | • SWIFT for corporates |
| • Digitization of import payments | |
| • Bank agnostic payment platforms | |
Similarly, Exhibit 10 summarises potential solutions in line with the cash management requirements of industries with extensive B2C transactions (viz. end-user transactions in retail, e-Commerce, and NBFC sectors).

**Exhibit 10 – Key Cash Management requirements of Industries with B2C transactions and potential solutions**

<table>
<thead>
<tr>
<th>Key Cash Management Requirements</th>
<th>Potential Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reduction in check out queues and faster checkout process</td>
<td>• QR based collection through UPI</td>
</tr>
<tr>
<td>• Physical cash management</td>
<td>• Cash pickup and cash deposit machines</td>
</tr>
<tr>
<td>• Digitization of Import payments</td>
<td>• Online A1/A2 through host-to-host systems</td>
</tr>
<tr>
<td>• Credit/Debit card acceptance at store</td>
<td>• Referral tie ups with POS service providers</td>
</tr>
<tr>
<td><strong>4. Retail</strong></td>
<td></td>
</tr>
<tr>
<td>• Supporting multiple collection modes</td>
<td>• Host-to-host systems</td>
</tr>
<tr>
<td>• Transaction failure for online collections</td>
<td>• Referral tie up with multiple PG providers</td>
</tr>
<tr>
<td>• Managing cash on delivery</td>
<td>• UPI at point of delivery</td>
</tr>
<tr>
<td>• Conversion of CoD to Online</td>
<td>• Cash pick up and cash deposit machines</td>
</tr>
<tr>
<td>• Regulatory compliance</td>
<td>• Nodal accounts</td>
</tr>
<tr>
<td><strong>5. E-Commerce</strong></td>
<td></td>
</tr>
<tr>
<td>• Digital collection mechanisms</td>
<td>• NACH Debit (e-mandates)</td>
</tr>
<tr>
<td>• Reduce dependency on physical cash/efficient ‘physical cash’ collections</td>
<td>• UPI based collections</td>
</tr>
<tr>
<td>• Faster disbursals</td>
<td>• IMPS/UPI based payments</td>
</tr>
<tr>
<td>• Automate reconciliation</td>
<td>• Cash deposit machines</td>
</tr>
<tr>
<td>• Be Future Ready</td>
<td>• Virtual accounts for receivables</td>
</tr>
<tr>
<td><strong>6. NBFC</strong></td>
<td>• Integration via API</td>
</tr>
</tbody>
</table>

Another unique tool, available with only very few financial institutions in India, that helps in building simplified yet comprehensive cash management systems for scalable operations in India, is the Virtual Accounts. Exhibits 11 and 12 below explain the concept of Virtual Accounts with examples.
Exhibit 11 – An Introduction to Virtual Accounts

Virtual Accounts (VA) are not physical accounts, they function like “physical account numbers” for the company holding the physical account (titled “ABC Main Account at Bank in Exhibit 11). For the payer, a VA is like a physical account number. Once a receipt is received with beneficiary account using the VA, the system can map the VA and credit the master physical account along with payer identifier. VA numbers can be created from the company’s ID sequence from their enterprise resource planning (ERP) system.

Exhibit 12 summarises the various benefits of the functionality of VAs and how it could be leveraged in India to simplify a company’s daily banking operations.
OPTIMIZING CASH MANAGEMENT BY LEVERAGING DIGITAL INNOVATIONS

Exhibit 12 – Business needs & objectives and potential solution offered by VAs

Virtual Accounts help facilitate reconciliation across multiple collection channels

<table>
<thead>
<tr>
<th>Business Needs/Objectives</th>
<th>Potential Solution Offered By VA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immediate and automated identification of remitters</td>
<td>Assign unique Virtual Account to each customer</td>
</tr>
<tr>
<td>Reduction in number of bank accounts</td>
<td>- Create virtual accounts based on customer IDs in your ERP</td>
</tr>
<tr>
<td>Cover multiple collection channels – Cash, Cheque, Electronic</td>
<td>- Credit to your current account identifies your customer</td>
</tr>
<tr>
<td>Automated application of funds</td>
<td>- Online creation of virtual accounts</td>
</tr>
<tr>
<td></td>
<td>Full control on virtual accounts assigned to your customers to ensure automated reconciliation</td>
</tr>
<tr>
<td></td>
<td>Virtual accounts can be used for multiple collection channels (paper-based and electronic)</td>
</tr>
<tr>
<td></td>
<td>Host-to-Host connectivity with ERP for automated intra-day updates</td>
</tr>
<tr>
<td></td>
<td>Alerts to remitters on receipt of funds</td>
</tr>
</tbody>
</table>

Illustration: An example of typical Virtual Account transaction mapping

<table>
<thead>
<tr>
<th>Virtual Accounts</th>
<th>Level 1 conversion: Location mapping</th>
<th>Level 2 conversion: Depositor mapping</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depositor 1: INR 40000 VA: 88001132768910</td>
<td>88001 &gt; MUMBAI</td>
<td>1327687910 &gt; ABC</td>
</tr>
<tr>
<td>Depositor 2: INR 50000 VA: 8800298765432190</td>
<td>88002 &gt; DELHI</td>
<td>98765432190 &gt; PQR</td>
</tr>
<tr>
<td>Depositor 3: INR 90000 VA: 8800345612378950</td>
<td>88003 &gt; CHENNAI</td>
<td>45612378950 &gt; XYZ</td>
</tr>
</tbody>
</table>

In the example as illustrated in Exhibit 12, the actual physical account held with the bank is A/C number 5455541236. Three depositors – Depositor 1, 2 and 3 – deposit money in three different accounts (VA numbers given to them based on the company’s internal ERP). Under Level 1 conversion, the city is determined by the first 5 digits of the VA number. Under Level 2 conversion, the Depositor name is identified based on the remaining digits of the VA number. The amount from all three transactions are deposited in the company’s physical account (single account only) and the account statement shows details of the city and the depositor after converting the VA number. This caters to multiple business needs of the company as summarised in the table in Exhibit 12 under the header “Potential Solutions offered by VA”. These depositors could be dealers, suppliers or other channel partners and/or customers.
STRENGTHENING SUPPLY CHAIN MANAGEMENT THROUGH SUPPLY CHAIN FINANCE
STRENGTHENING SUPPLY CHAIN MANAGEMENT THROUGH SUPPLY CHAIN FINANCE

I. Background – Key Challenges faced in Supply Chain

It is often observed that in case where suppliers and buyers in the supply chain (collectively, “supply chain partners”) are SMEs or small, family-owned enterprises, securing financing from financial institutions becomes slightly difficult and cost of borrowing tends to be higher. Supply Chain Finance is a tool that enables financial support to supply chain partners and, in the SCM strategy of a company, implementation of Supply Chain Finance is a key differentiator over other competitors.

For illustration purposes, taking SCM in the manufacturing industry as an example, each business function faces different business challenges and has different objectives as summarized below:

- Procurement: Ensuring steady supply, increased loyalty from suppliers, minimizing purchasing costs, etc
- Production: Optimizing inventory management and driving efficiencies, etc
- Sales: Sales growth through channel expansion, risk management of receivables, ensuring robust demand, etc
- Finance: Securing cost-efficient working capital, optimizing interest cost, minimizing transaction costs, etc

For example, when the Finance function thinks of securing working capital, instead of choosing bank debt or other third-party financing, they may consider increase in days payables outstanding through requests to Procurement function to discuss with suppliers or decrease in days receivables outstanding through requests to Sales function to discuss the same with buyers.

However, during negotiations with suppliers or buyers, it is often seen that the partners make demands such as increase in procurement price or reduction of sale price which may be contrary to the objectives of the respective functions. In case such negotiations do not conclude favorably, it often becomes inevitable for Finance function to opt for bank debt or third-party financing.

Such situations can result in conflicts amongst various functions such as Finance, Sales, Procurement. Supply Chain Financing serves as a tool to resolve such conflicts, and to create a win-win solution for the company and its supply chain partners.
II. Overview of Supply Chain Finance

Supply Chain Finance comprises of Supplier Finance at the procurement end of value chain and Buyer Finance / Distributor Finance at the sales end.

It draws from a company’s trustworthiness as a buyer with its suppliers and its product quality as a supplier to its buyers, essentially drawing from the strength of the supply chain of the company and thereby acting as a tool to offer more competitive financing to supply chain partners.

Through implementation of Supply Chain Finance, a company can expect the following benefits:

• Improvement of Cash Conversion Cycle (CCC)
• Optimization of Working Capital financing / reduction of capital procurement cost
• Improved financial metrics
• Stronger relationships with supply chain partners / increased loyalty
• Lock-in of Suppliers and Buyers with superior performance and profile
• Improved procurement costs and selling price
• Increase shareholder value through profit maximization
CONCLUSION

India presents a high-growth market across various industries in the near, medium as well as long-term for Japanese companies.

However, the fundamental differences between the macroeconomic and interest-rate environment across Japan and India necessitate detailed & coordinated planning of financial resources across Japanese HQs and local operations in India.

Right from market scoping to selection of last-mile retail banking solutions that ensure the convenience of local as well as expat employees, the planning requires a nuanced understanding of the macroeconomic environment & regulatory landscape, grip of the industry & business drivers, speed of execution, and cross-border teamwork. The key financial planning activities across each step can be summarized as follows:

- Market scoping – growth strategy formulation, capital structure planning and selection of appropriate debt/equity instruments
- Market entry – strategy implementation, capital infusion, hedging
- Operations setup – identifying term funding solutions, collections solutions, & leveraging digital payments solutions (e.g. Virtual Accounts)
- Ecosystem setup – Ecosystem support (supply chain financing)
- Employee support – retail banking solutions for local as well as expat employees

At the market entry and market scoping stage, the critical success factors include comprehensive and apt understanding of the Indian business environment, sectoral issues, developing the right "India entry/expansion strategy" (organic or by way of acquisitions), and ability to understand and resolve the operational issues post-entry. Furthermore, at the time of implementation of strategy, a key differentiator can be the planning of capital structure and identification of the most suited capital infusion instrument(s).

During the operations and ecosystem setup stages – which can be a continuously evolving process as the Indian operations grow – leveraging the sophisticated, technological instruments across the payments landscape and optimal channel financing options can be the key differentiators. Supported by proactive and supportive regulators, the Indian market offers various High Value as well as Low Value Payment Systems backed by latest technological platforms as well as the traditional paper-based systems. Virtual Accounts, NACH, IMPS, UPI and a combination of other such Payment Systems can be used to create an effective, end-to-end collections solution, customised for the complex operations across India.
Supply Chain Financing can also be a key business differentiator as, given the relatively smaller size of Indian economy vis-à-vis the developed economies, the local Indian vendors may not possess the financial strength comparable to their peers in developed economies.

The above parameters and most importantly, industry-specific, business-specific, customised solutions based on the various options and regulations, can be best understood by partnering with the facilitators across the Indian Central and State Governments, financial institutions and third-party advisors with a long history and deep experience of advising in India.
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