

Business Support Program for Swiss SMEs

MISSP

MOMENTUM IN INDIA: SWISS SMEs PROGRAM (MISSP)

“India: The perfect destination for the Swiss Companies”

Presented by

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MISSP Knowledge Partner

17th May 2018

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- A. MACROECONOMIC OVERVIEW: INDIAN ECONOMY**
- B. OVERVIEW OF INDIA-SWITZERLAND TRADE
- C. FOREIGN DIRECT INVESTMENT
- D. SUCCESS STORIES: INDIAN COMPANIES IN SWITZERLAND & SWISS COMPANIES IN INDIA
- E. KEY REFORMS BY GOVERNMENT OF INDIA TO MAKE INDIA INVESTMENT FRIENDLY

INDIAN GDP – GROWTH MOMENTUM TO CONTINUE

Indian GDP expected to be among the fastest growing global economies; services remains mainstay with above GDP growth, private consumption and government expenditure driving growth

1

Indian GDP fastest among growing major economies: GDP growth expected to be above 7% for '18-20

2

Services mainstay of economy: Witnessed consistent above average GDP growth. BFSI, IT/ ITeS, transport and communication have been driving services growth

3

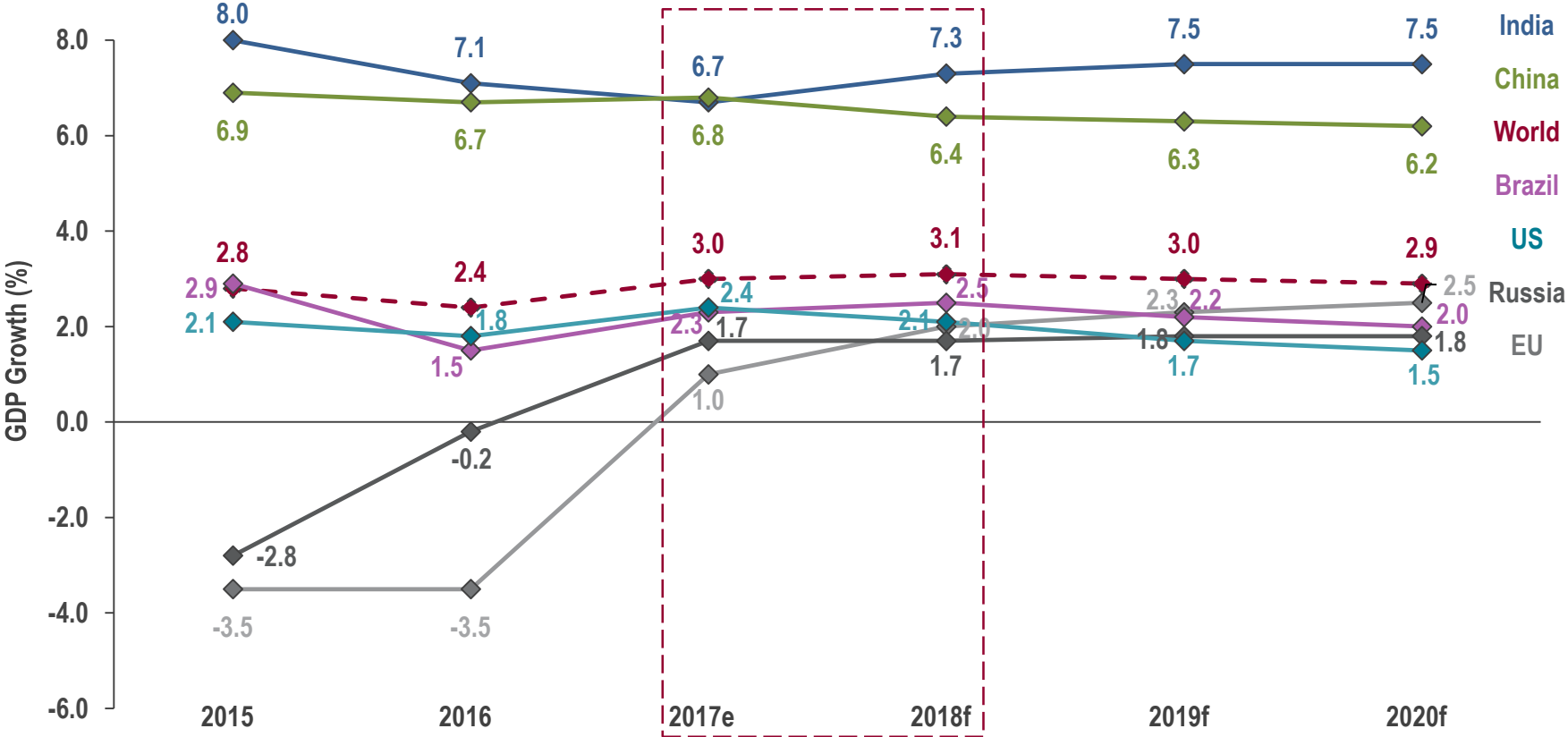
Manufacturing leading industrial growth: Although Industry segment grew at 6.8% during FY'13-17, manufacturing sub segment leads with 8.3% CAGR

4

Private consumption and government expenditure spends have been driving GDP growth during FY'13-17 period, subdued capacity utilization remains deterrent for capital expansion

INDIA ECONOMIC GROWTH (2015-20) – GLOBAL PERSPECTIVE

Global growth exhibits mixed trends where advanced economies are expected to remain stable and below global average and even though emerging economies are stabilizing, India however continues to grow

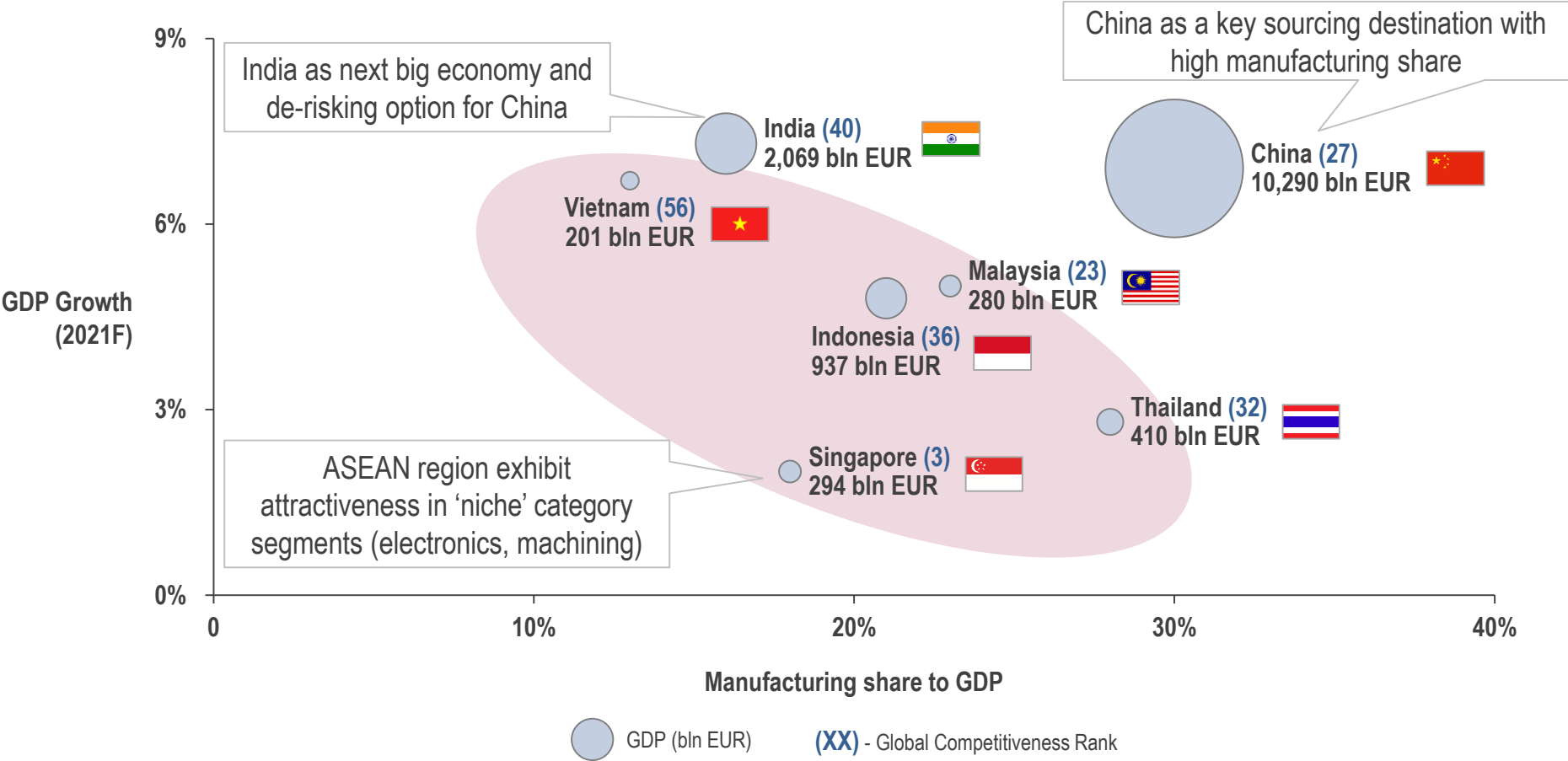


E: Estimates F: Forecast 2010, constant currency USD

Source: World bank Global economic prospects, Jan'18, EAC

REGIONAL POSITIONING – MACRO-ECONOMICS

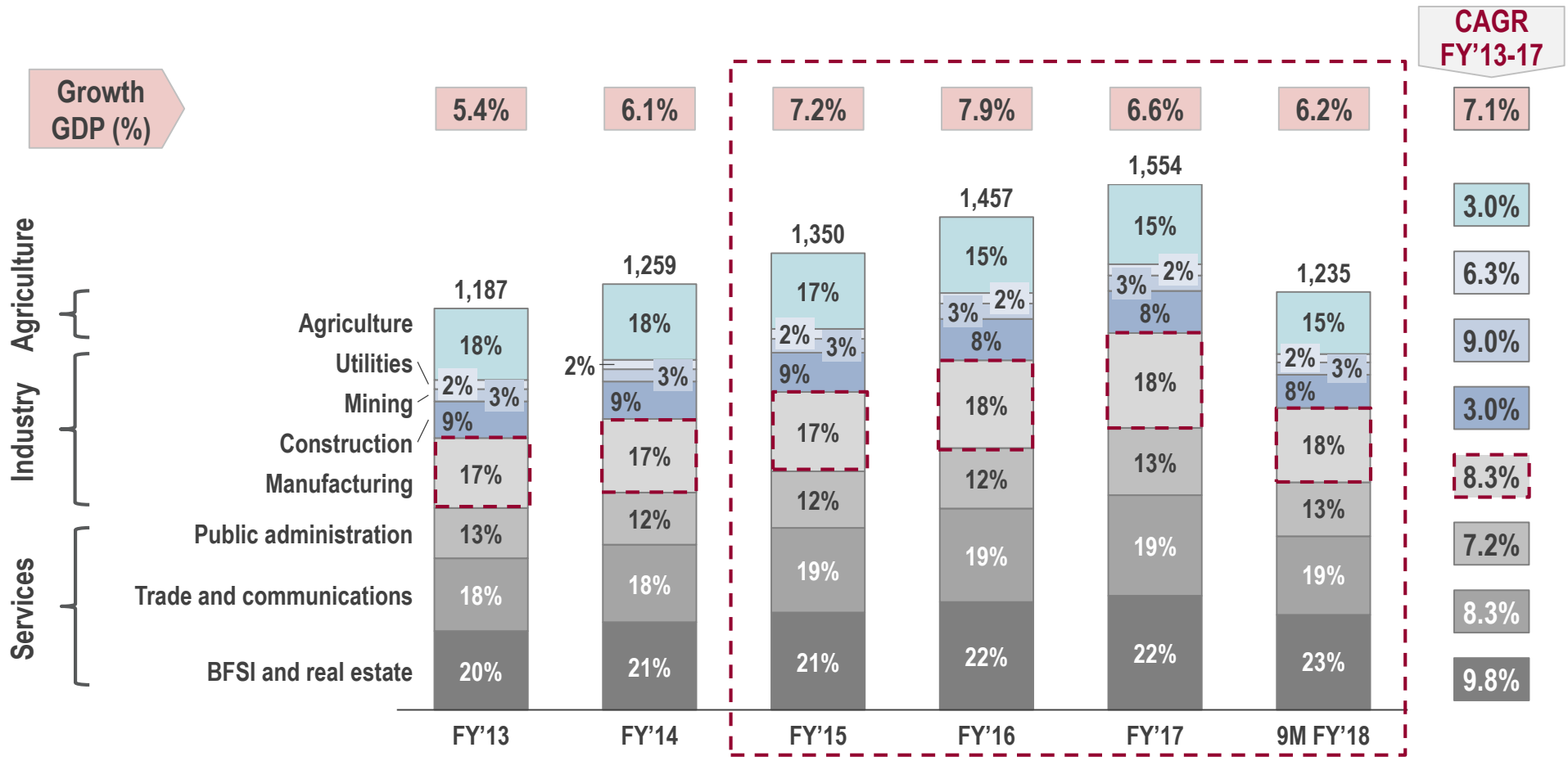
China and India are key regions in Asia with high growth markets as well as key sourcing ‘hot-spots’ in Asia; ASEAN region exhibits attractiveness in ‘niche’ category segments



Source: World Bank, World Economic Forum, IMF

INDIA GDP DEVELOPMENT¹⁾ – SECTOR SPLIT (BLN EUR)

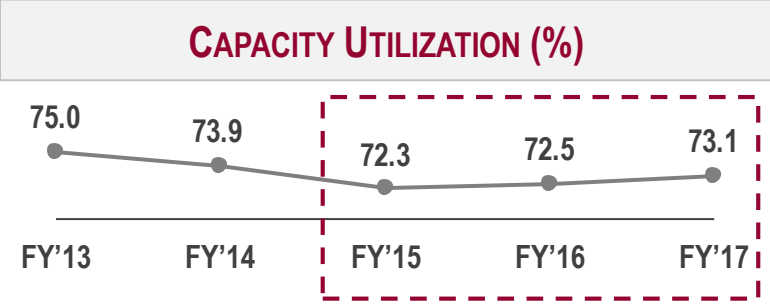
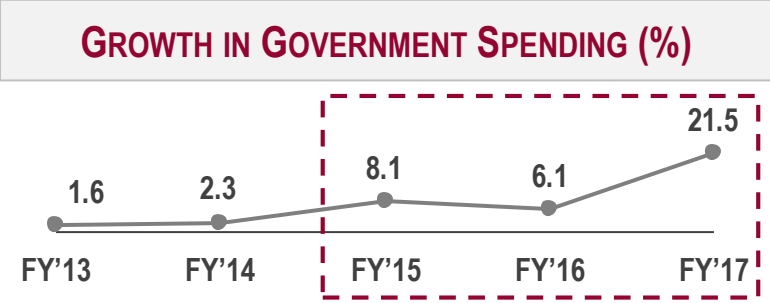
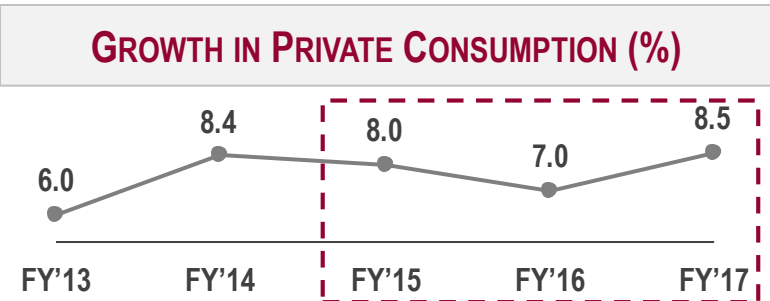
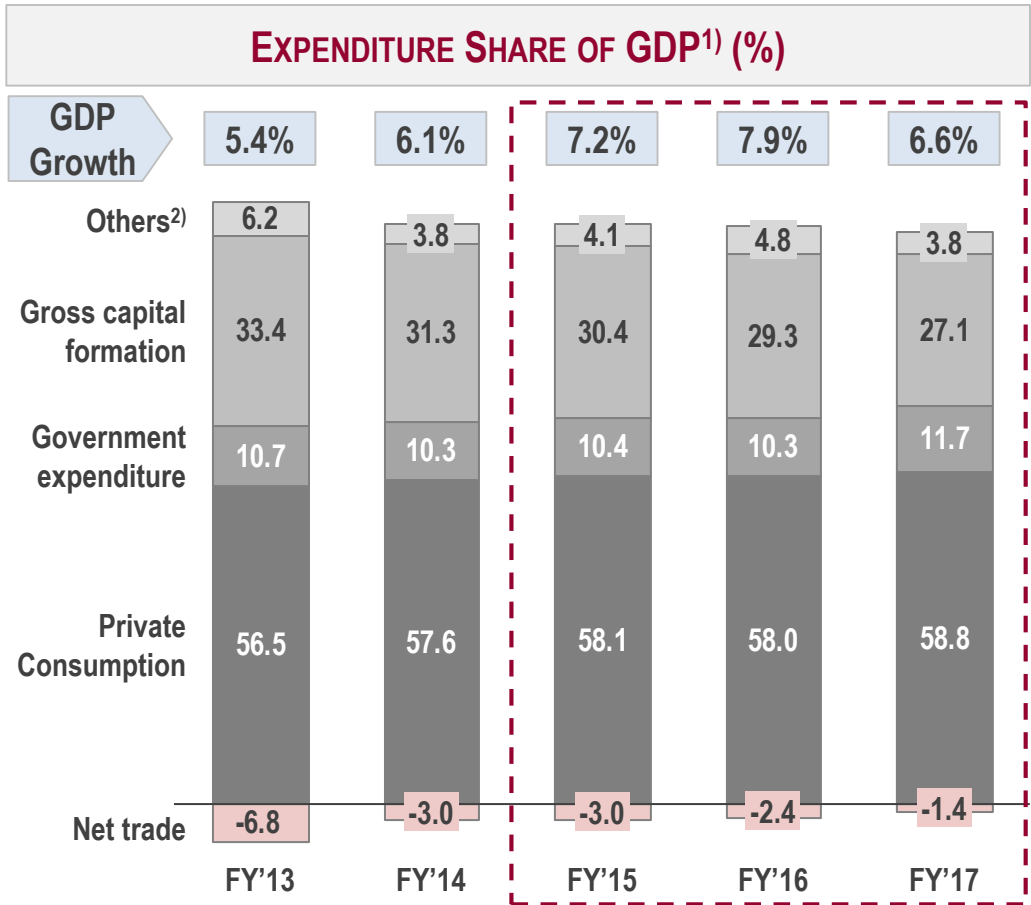
Indian GDP exhibits strong influence of services sector driven by BFSI, trade and communication segment; GDP growth impacted in FY'17/18 due to demonetization and implementation of GST



1) Gross Value Addition

WHAT'S DRIVING INDIAN GDP GROWTH?

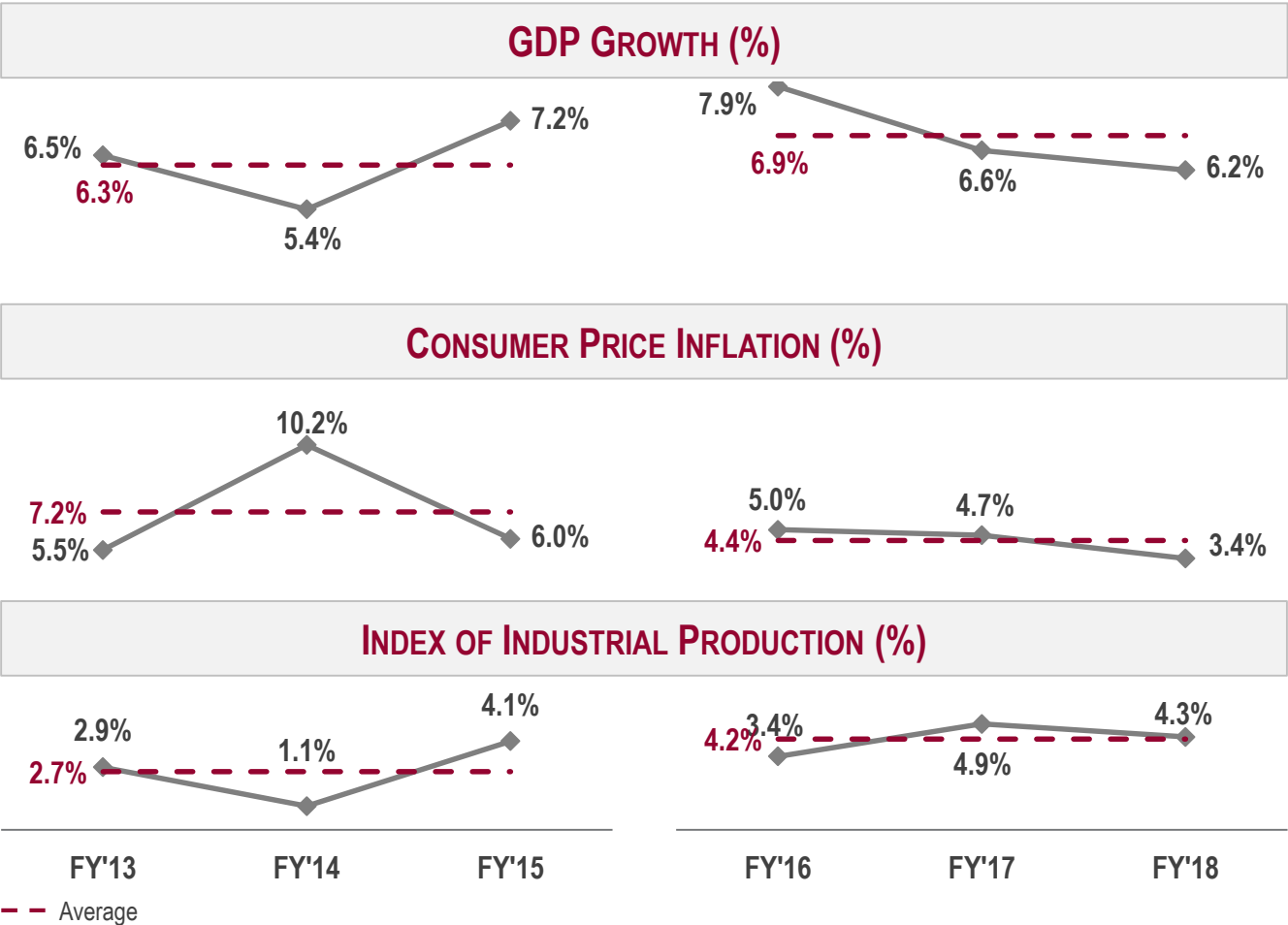
Private consumption and govt. expenditure is driving GDP growth though moderate capacity utilization and capital investment of private sector leads to lower gross capital formation



1) 2011-12 prices 2) Include change in stock, discrepancies

WHAT HAS CHANGED IN LAST THREE YEARS? (1/2)

India remains among the top markets globally for investment opportunities with GDP growth accelerating to ~7% in last three years, inflation within manageable band and gradual pick up in industrial activity



- GDP growth ~ 7%, during FY'16-18 period
- Slowdown in FY'17/18 due to demonetization and GST implementation

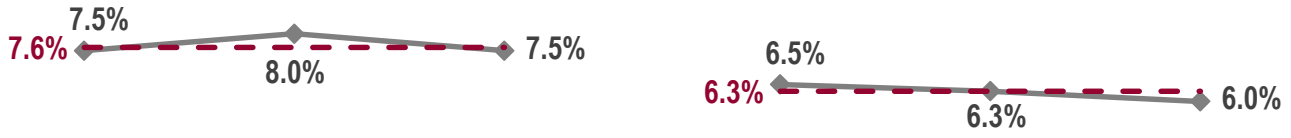
- Inflation remained within band of 4% to 6% set by Govt. and RBI

- Govt. push for local manufacturing, bureaucratic reforms helped SMEs and large companies

WHAT HAS CHANGED IN LAST THREE YEARS? (2/2)

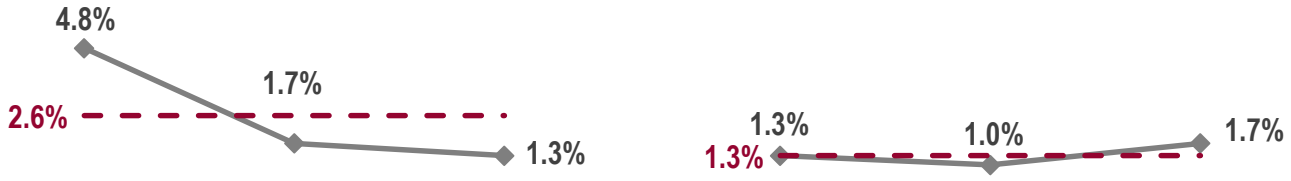
The changing business environment attracted strong capital inflows from foreign investors with FDI in FY'17 close to record high levels

REPO RATES (%)



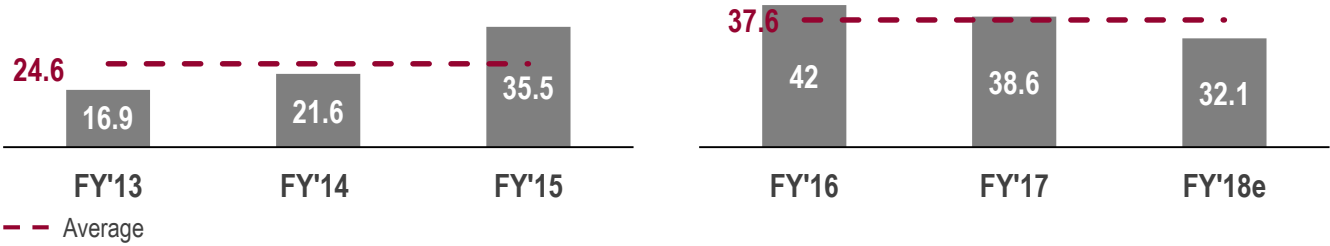
- RBI increasing viability of infrastructure projects with reduced rates for borrowing

CURRENT ACCOUNT DEFICIT AS % OF GDP (%)



- Improvement in CAD due to decline in gold imports and reduction in oil prices
- CAD expected to deteriorate in FY'18 due to rising oil

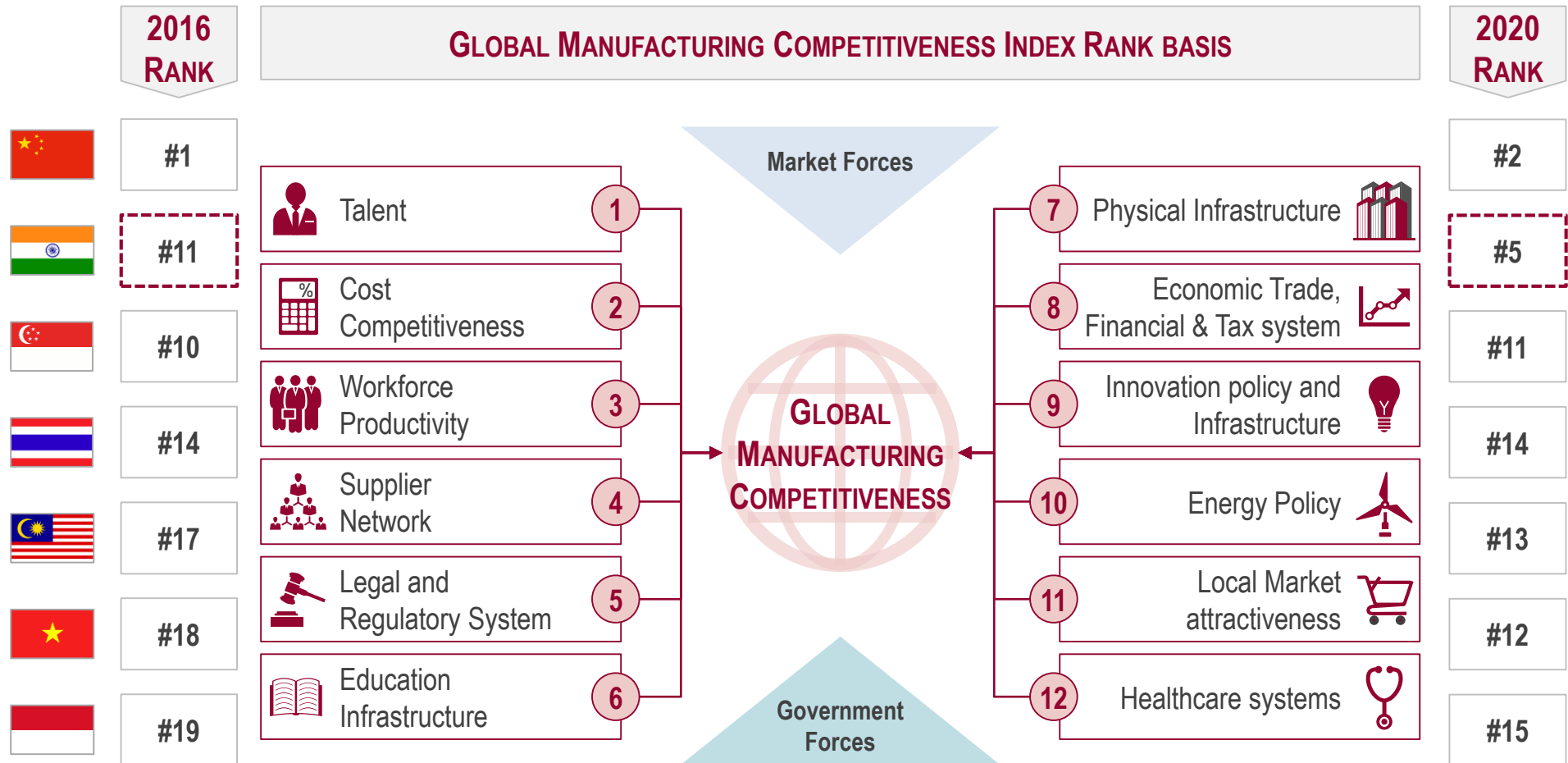
FOREIGN DIRECT INVESTMENT (BLN EUR)



- FDI reforms in insurance, aviation, defense, retail provided impetus for foreign investors

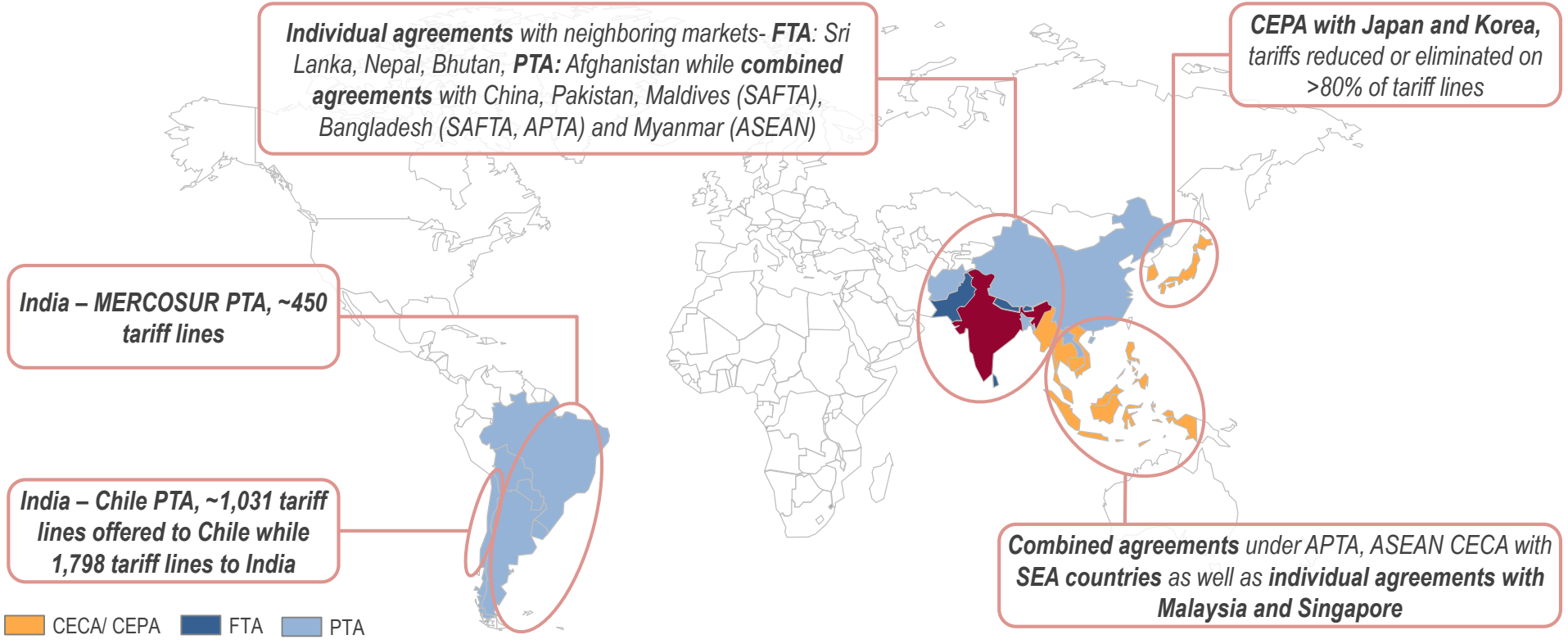
INDIA COMPETITIVENESS – GLOBAL MANUFACTURING

India exhibits manufacturing competitiveness with regards to resources, cost competitiveness, infrastructure and supplier network, wherein the economy is expected to feature in top 5 by 2020



REGIONAL SYNERGIES – INDIA TRADE AGREEMENTS

India’s manufacturing competence backed with global acceptability has led to increasing trade agreements across countries in Far East, SEA, SAARC and South America



India’s preferential access, economic cooperation and FTAs with 28 individual countries/ groups which include PTAs/ CECA/ CEPA, highlights India’s manufacturing/ export capabilities

Note: CECA/ CEPA- Comprehensive Economic Cooperation Agreement/ Partnership Agreement, FTA- Free Trade Agreement, PTA- Preferential Trade Agreement, SAFTA- South Asian Free Trade Area, APTA- Asia-Pacific Trade Agreement

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TRADE – SWITZERLAND DOMINATES

Switzerland is 7th largest trading partner of India with trade balance in favour of Switzerland; machinery, chemicals, pharma and textiles are major sectors of trade between two countries

1

Switzerland is 7th largest trading partner for India with the total bilateral trade of 16 bln EUR in FY'17
Trade skewed towards Switzerland: India imported ~15 bln EUR whereas exported ~1 bln EUR in FY'17

2

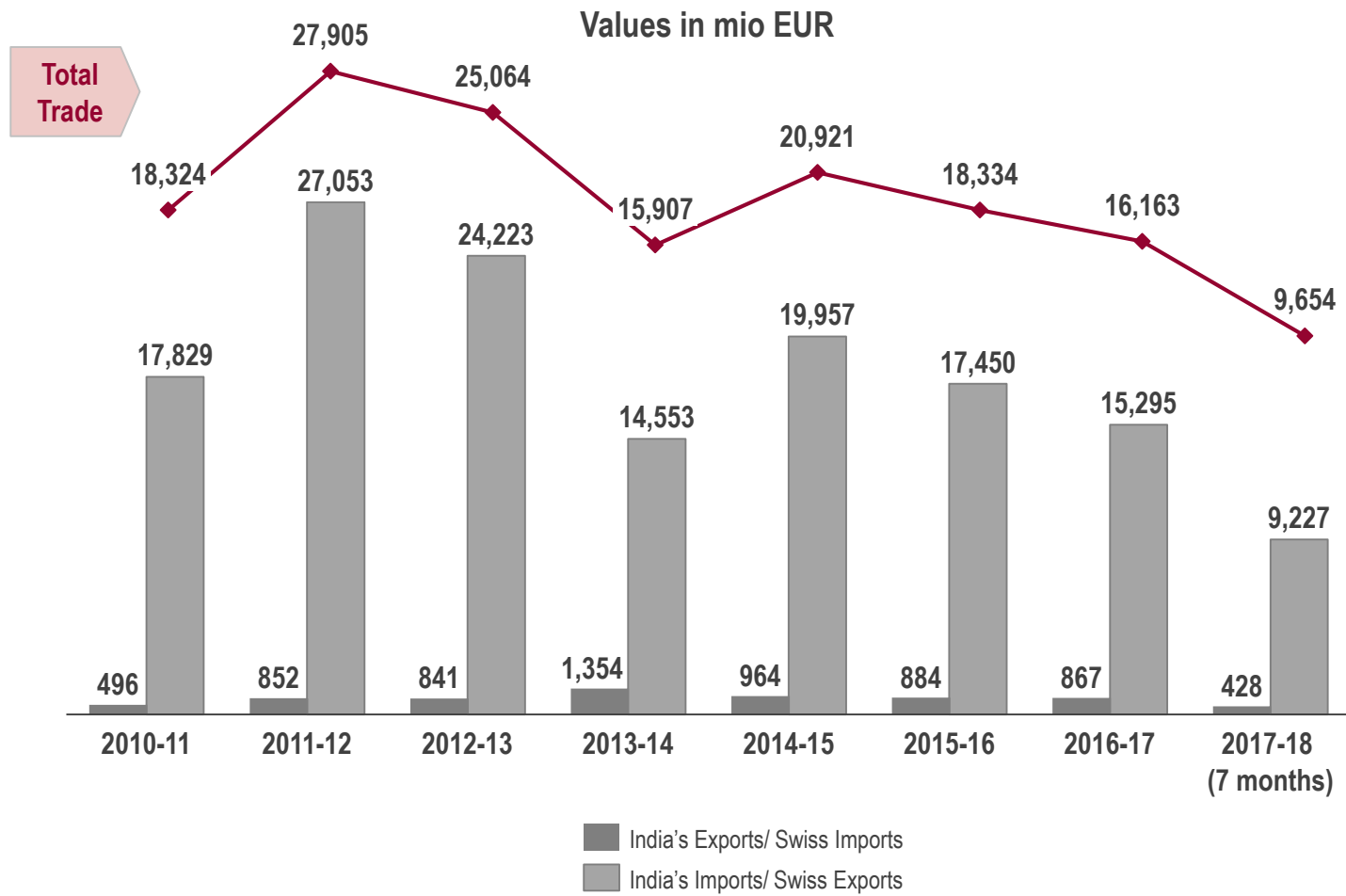
Bullion and precious metals accounts for 90% of imports with machinery, chemicals, pharma and medical devices accounting for balance imports in FY'17

3

Chemicals, aerospace, textiles and mechanical items accounts for 50% of total exports; bullion and precious metals forms 22% of total exports in FY'17

INDIA SWITZERLAND BILATERAL TRADE – OVERVIEW

India is 5th largest destination for Swiss exports in '17; slowing trade due to declining imports of bullion and precious metals; ongoing FTA negotiations between Switzerland and India



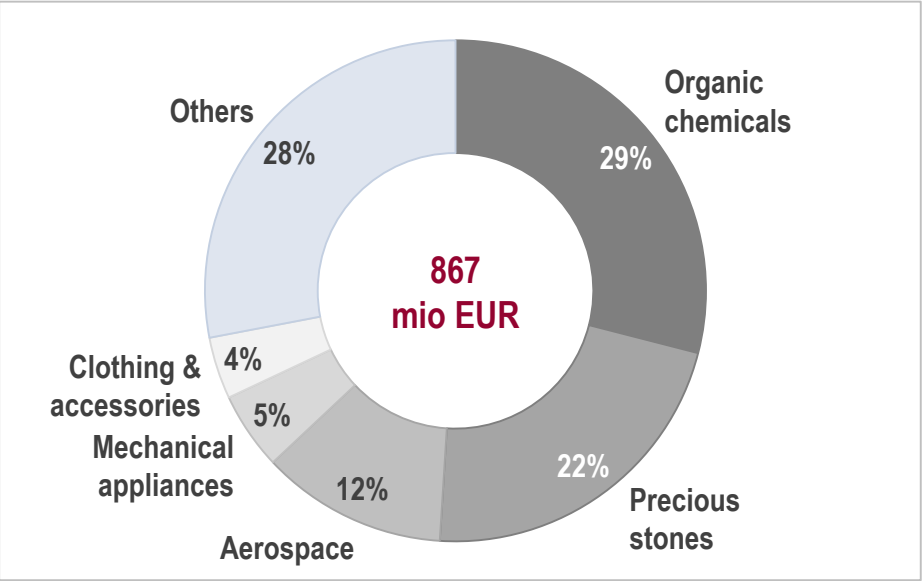
- India ranked as 5th largest destination for Swiss exports in 2017
- Potential rationale for trade slowdown could be
 - Decline in imports of bullion and precious metals
 - Strong Swiss Franc's impacting export competitiveness to Indian market
- Negotiations ongoing between EFTA member states (including Switzerland) and India on a Free Trade Agreement

■ India's Exports/ Swiss Imports
 ■ India's Imports/ Swiss Exports

INDIA SWITZERLAND BILATERAL TRADE – SEGMENT WISE

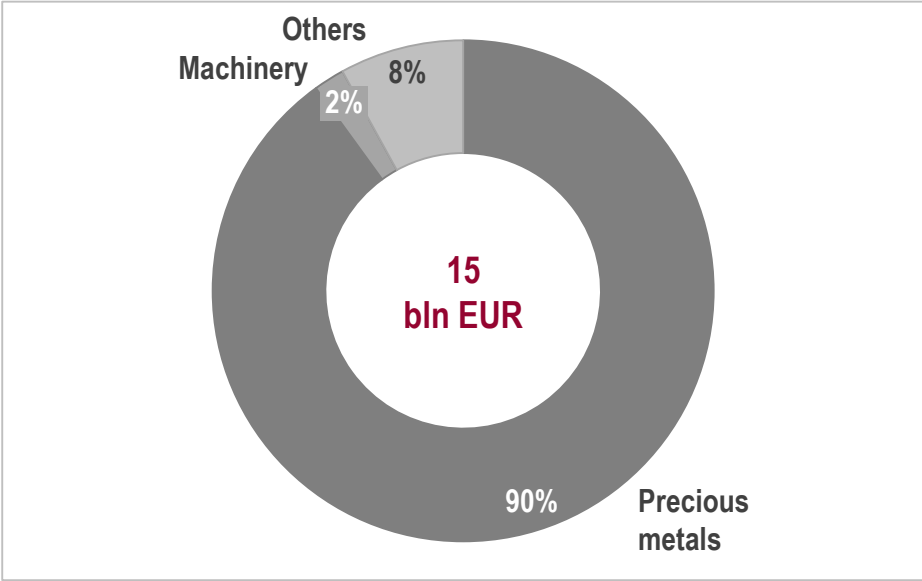
Precious metals are the major trading item between Switzerland and India, followed by machinery, chemicals, textiles, pharma and medical devices

INDIA EXPORT SPILT FY'17 (%)



- Switzerland accounts for 0.4% of total exports from India
- Major items (excl. precious metals):** Chemicals, textiles, aerospace, mechanical and agricultural products and machinery

INDIA IMPORT SPILT FY'17 (%)



- Switzerland contributes ~4.5% of total Indian imports - ranks 5th among major import destinations
- Major items (excl. precious metals):** Machinery, chemicals, pharma and medical devices

XX% % share of total imports to India

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FDI – LIBERALIZATION TO INCREASE SWISS INVESTMENTS

FDI have been liberalized with further opening of key sectors like retail, defense, railways; India among top 10 global countries for attracting FDI with Switzerland being key investor during last 18 years

1

Further liberalization of FDI in India with 100% FDI in single brand retail, defense for state of the art technology, railway infrastructure. 49% FDI allowed in insurance and civil aviation

2

India ranks among top 10 nations for FDI: India has received 326 bln EUR of FDI inflows since FY'00 majorly in services, construction, IT, Telecom and automotive

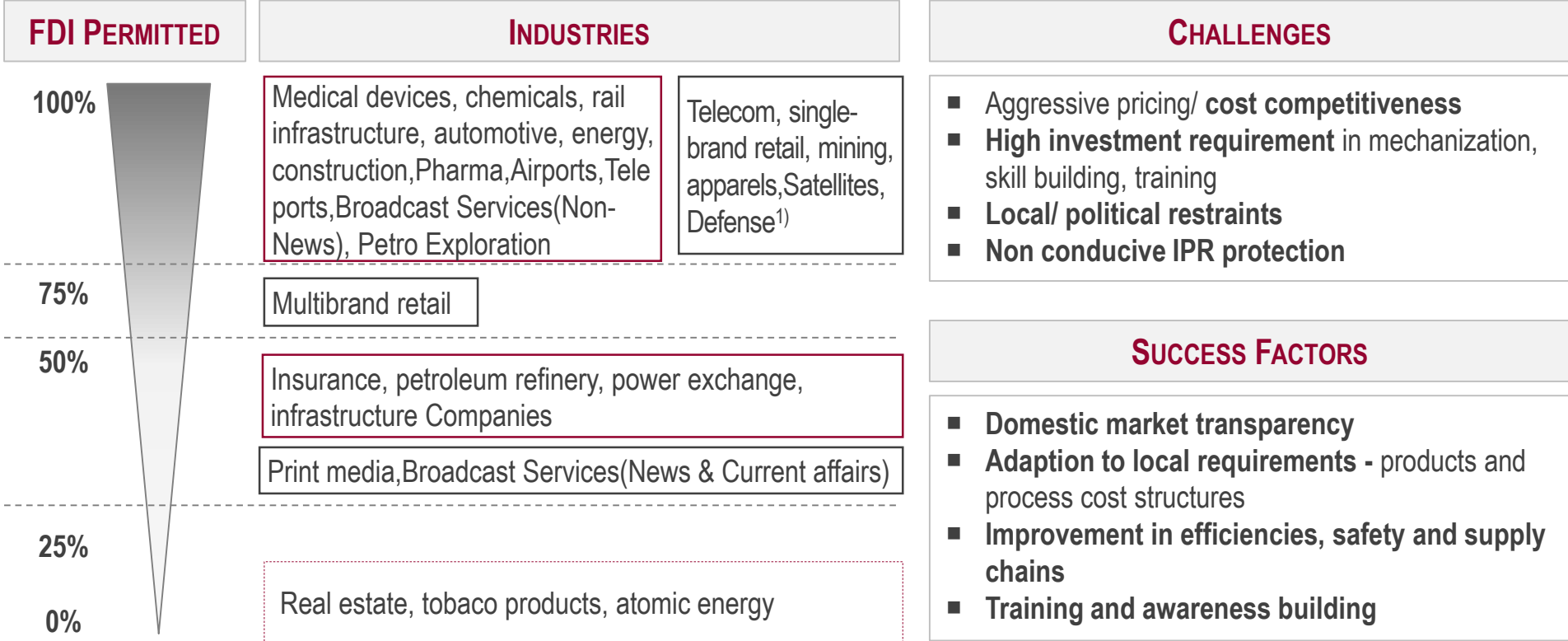
3

Switzerland among top investor in India: Switzerland is 11th major investor with 3.2 bln EUR of cumulative investment during last 18 years

FDI DE-REGULATION

De-regulation forms the first step in opening doors for MNCs to enter Indian market wherein majority of sectors have 100% FDI which allows smooth entry in Indian markets

Definition: Facilitating acquisition of management interest (investment) in a company or enterprise by a non-Indian firm

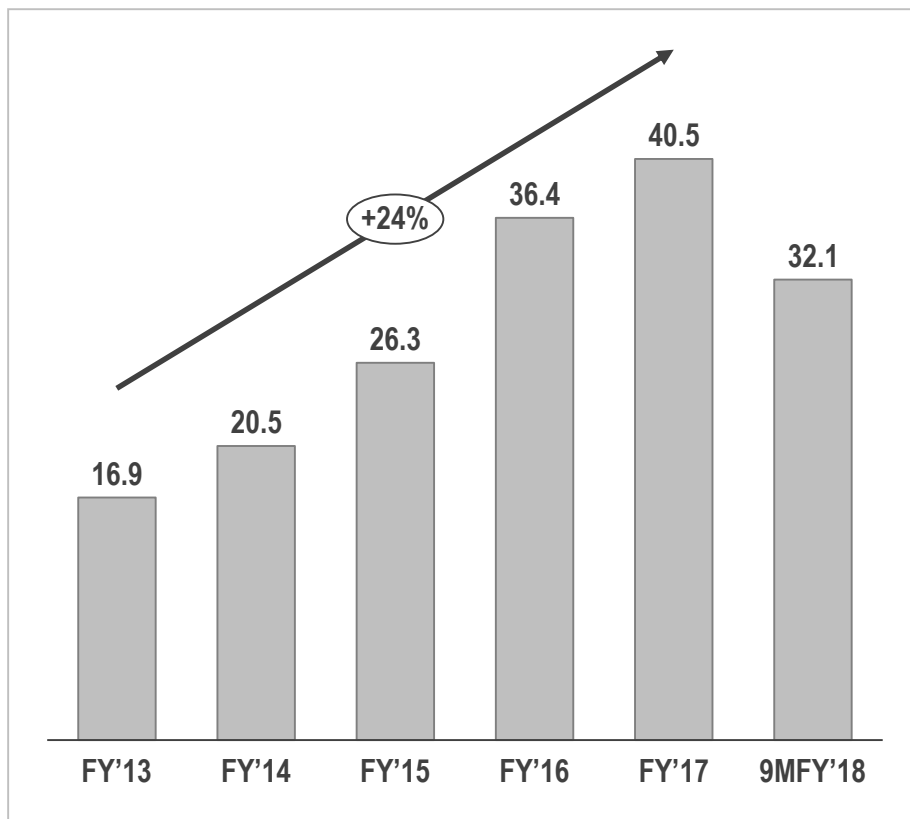


1) Different FDI rates for sub sectors Automatic route Government approval required

FDI INBOUND – SNAPSHOT

FDI inflows have doubled since FY'13 driven by government reforms and further FDI liberalization - 100% FDI allowed in almost all manufacturing sectors

INDIA FDI INBOUND (BLN EUR)



1 EUR= 72 INR

KEY COMMENTS

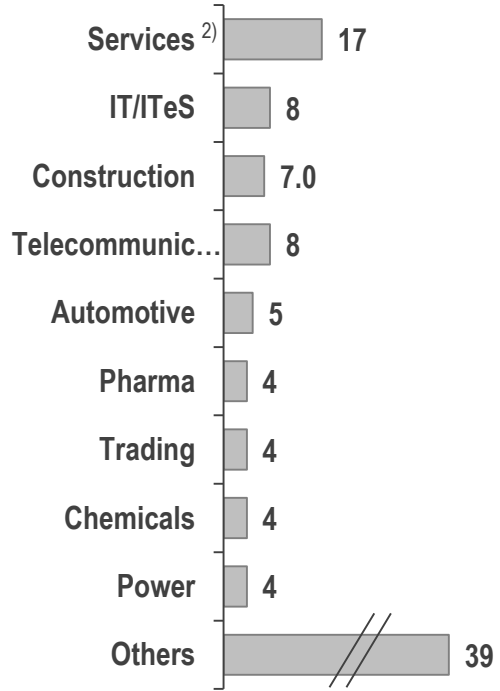
- **Improvement in Foreign Direct Investment Policy:**
 - Over last three years government allowed 100% FDI in single brand retail, in defense for state of the art technology, in railway infrastructure and 49% FDI in insurance & civil aviation
- **India is third largest FDI recipient in Asia** (followed by China and Singapore) and **9th in world for FDI investment 2016**
- **Mumbai and NCR attracted ~60% of FDI in FY'17.** FDI in **NCR region** is dominated by **infrastructure** investments, **Mumbai** by **BFSI and media**, **Bangalore and Chennai** by **IT/ITeS**
- **Tax havens countries like Singapore and Mauritius** constitutes **~50% of FDI investment**

CUMULATIVE FDI (FY'00-18¹) – KEY SECTORS AND COUNTRIES

India has received 326 bln EUR of FDI inflows since FY'00 majorly in services, construction, IT, Telecom and automotive; Switzerland is 11th major investor with 3.2 bln EUR of cumulative investment till date

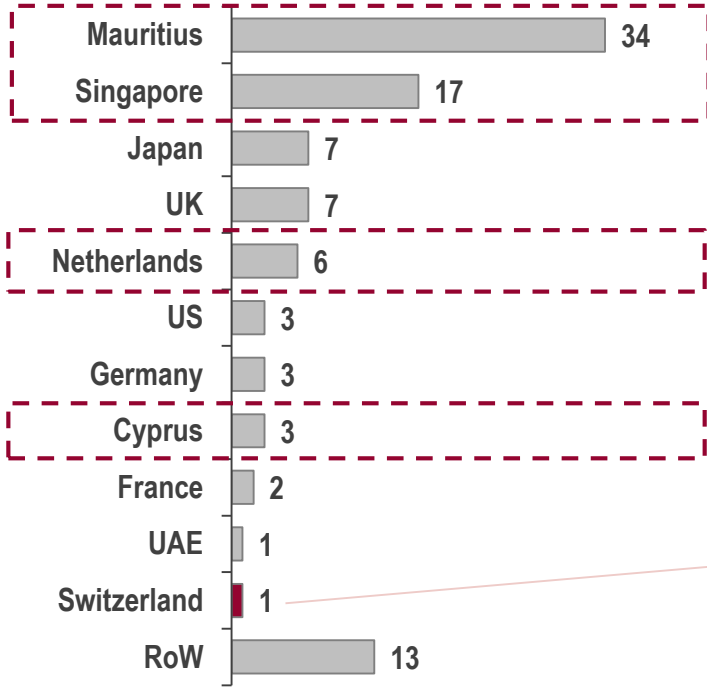
FDI EQUITY INBOUND (%) (FY'00-18¹)

Cumulative FDI: 326 bln EUR



INVESTING COUNTRIES (%) (FY'00-18¹)

Cumulative FDI: 326 bln EUR



- Switzerland is the 11th major investor based with ~3.2 billion EUR inflows till date
- As a large part of FDIs in India are routed through tax heavens, the actual Swiss direct investment in India is estimated at 7.4 bln EUR as per Swiss National Bank reports

1) Till Dec'17 2) Includes financial, banking, insurance, non-financial business, outsourcing, R&D, courier, tech, testing and analysis Tax attractive countries 1 EUR= 72 INR

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SUCCESS STORIES – STRONG INVESTMENTS BY BOTH COUNTRIES

>250 mid and large Swiss companies have made investment in India whereas ~140 Indian companies present in Switzerland; Pharmaceuticals, industrials, chemicals and IT/ITeS among major sectors

1

Swiss companies in India: >250 Swiss companies are present in India, investments in *Swiss excellence sectors like Industrial, chemicals, pharmaceuticals and precision instruments*

2

Indian companies in Switzerland: Presence of ~140 Indian companies majorly in IT/ITeS and pharma sector; India is 7th largest investor in Switzerland with cumulative investments of 1.3 bln EUR during '14-17

MAJOR SWISS COMPANIES IN INDIA (1/2)

Excerpt

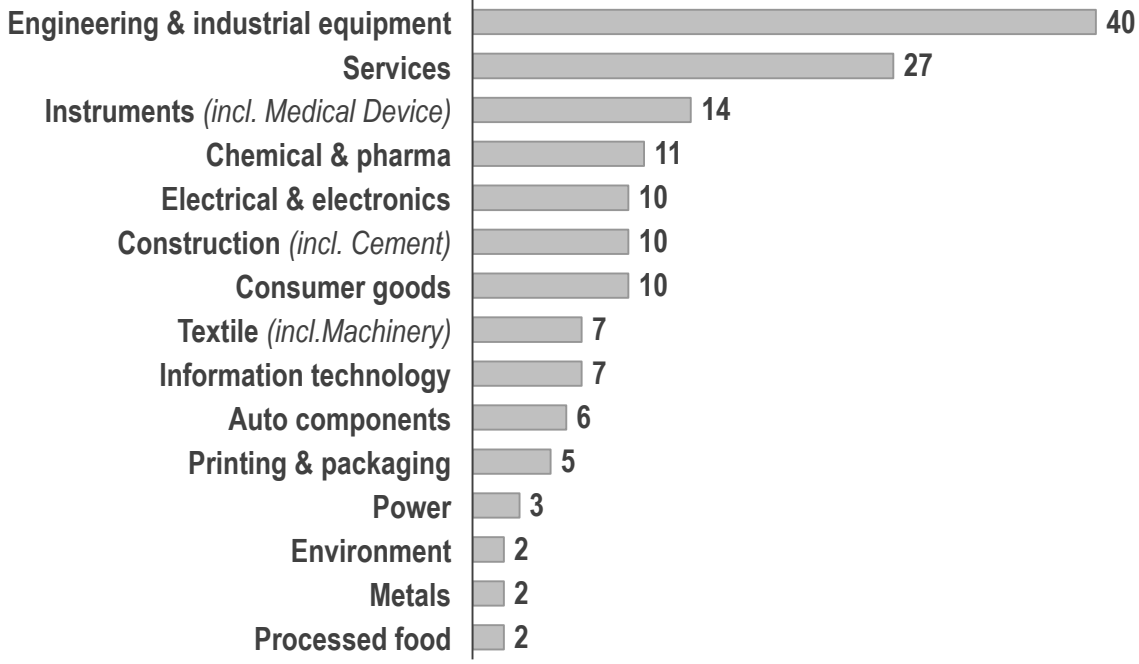
App. 250 Swiss companies employing >100 thsd people are present in India; has presence in traditional sectors of Swiss excellence like industrial, chemicals, pharmaceuticals and precision instruments

SWISS COMPANIES IN INDIA

- >250 Swiss companies are present in India through own subsidiaries or joint ventures
- Have created >100 thsd jobs in India
- In terms of Swiss investments in India, traditional Swiss excellence sectors continue to maintain top positions e.g. *Industrial, precision instruments, chemicals and pharmaceuticals*

SWISS COMPANIES INDUSTRY WISE (IN NOS.) - AS PER SURVEY CONDUCTED (IN 2013) BY EMBASSY OF SWITZERLAND IN INDIA

Total number of respondents: 156 out of 200 Swiss companies approached



SWISS COMPANIES IN INDIA – SUCCESS STORIES

India exhibits presence of large as well as mid- sized swiss companies with strong manufacturing and R&D capabilities; further Investments planned by LafargeHolcim, Givaudan and Datwyler

■ **Industry: Pharmaceutical** Roche

- Has strong R&D and sales presence
- Entered India in 1994 - acquired distribution of Nicholas Piramal, 2005

■ **Industry: Industrials** aerlikon

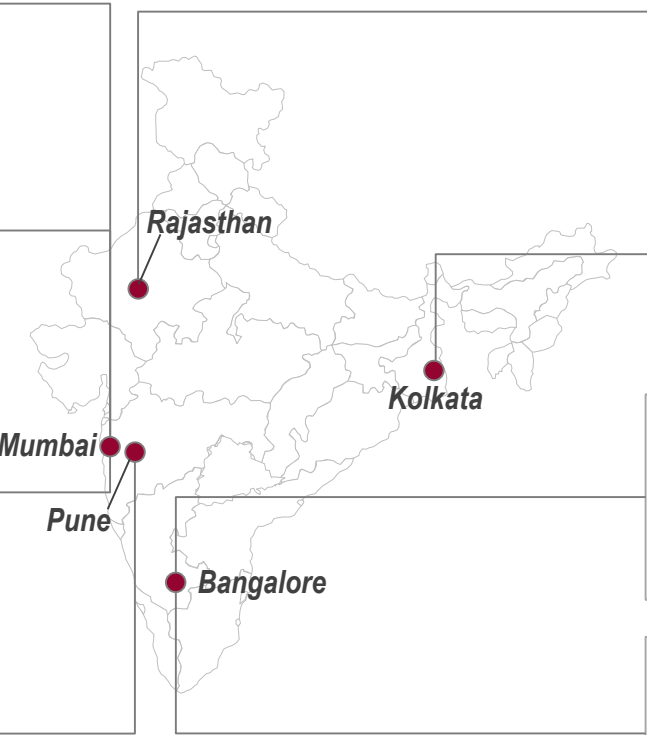
- Entered in 1984, India contributes 5% to the global revenue with 110 mio EUR turnover from 16 manufacturing sites

■ **Industry: Chemicals** Givaudan

- Has manufacturing and R&D presence in India
- Planning investment of 46 mio EUR for expansion (2018)

■ **Industry: Packaging** DATWYLER

- Has manufacturing plant in Pune
- Investing 55 mio EUR for expansion (2017)



■ **Industry: Cement** LafargeHolcim

- Present with 29 cement plants
- Investing further 170 mio EUR for new a new cement plant (2018)

■ **Industry: Electrical equipment** Landis+Gyr

- Entered India in 1992, has manufacturing and R&D presence
- India revenue 30 mio EUR

■ **Industry: Consumer goods** GEBERIT

- Entered in 2010, has manufacturing presence; In 2017, celebrated 1 mio concealed cisterns installations

■ **Industry: Electrical equipment** ABB

- 12 plants and 1 R&D center in India
- India revenue 1.1 bln EUR (2016) contributes ~4% to global turnover

SUCCESS STORY – LANDIS+GYR

Landis+Gyr is present in India over 25 years, is world's leading provider of smart metering solutions; key success factor being strong manufacturing presence and competitive product portfolio in India

INITIAL SITUATION

COMPANY	▪ Landis+Gyr AG	<p>INDIA PRESENCE</p>	COMPANY	▪ Landis+Gyr Limited
COUNTRY OF ORIGIN	▪ Zug, Switzerland		COUNTRY OF ORIGIN	▪ Kolkata, West Bengal
ESTABLISHMENT YEAR	▪ 1896		ESTABLISHMENT YEAR	▪ 1992
TURNOVER	▪ 1.4 bln EUR		TURNOVER	▪ ~30 mio EUR
GLOBAL PRESENCE	▪ 72 sites in 31 countries (of which 18 are manufacturing locations)		GLOBAL PRESENCE	▪ Manufacturing unit and global design centre

INDIA ENTRY

MODE OF ENTRY	▪ Entered India by setting up manufacturing unit and in-house design centre	ENTRY RATIONALE/ STRATEGY	▪ Increasing significance of smart meters and related infrastructure in India
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INDIA BUSINESS OPERATIONS

PRODUCT SCOPE	KEY SUCCESS FACTORS	KEY CUSTOMERS
<ul style="list-style-type: none"> Residential meters Commercial meters 	<ul style="list-style-type: none"> Strong product portfolio of smart and future-oriented metering solution Strong local presence with in-house design center and manufacturing unit 	

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KEY POLICY REFORMS – EASE OF DOING BUSINESS FOR MNCs

Government have developed concrete policies for ease of doing business, norms to promote healthy and sustainable industry growth; Swiss MNCs to benefit from reform push by government

1

Ease of doing business: Implementation of GST, (biggest indirect tax reforms since independence) with unified taxation structure and also which provides bureaucratic ease

2

Improved norms for sustainable growth: Government pushing for improved norms to promote healthy and sustainable growth (e.g. E-waste disposal norms, emission norms for thermal power plants)

KEY POLICY REFORMS – GOVERNMENT (1/2)

Current reforms of government include strengthening of internationalization of Indian economy, increase of export share and attraction of FDI ...

	KEY REFORMS	DETAILS	IMPLEMENTATION STATUS-QUO
Industry 	Make in India program	<ul style="list-style-type: none"> To increase share of manufacturing to 25% by '25 from current levels of 18% 	★ ★ ★ ☆ ☆
	Opening of defence, insurance and retail market	<ul style="list-style-type: none"> Increase in FDI limits in defence and insurance to 49% and single brand retailing to 100% 	★ ★ ★ ☆ ☆
Infrastructure 	Smart cities	<ul style="list-style-type: none"> Recently launched in 2016, urban renewal program for 100 cities implementation has started in 49 city projects 	★ ★ ☆ ☆ ☆
	Sagar Mala project	<ul style="list-style-type: none"> Transforming existing ports into world class ports and development of industrial clusters between a period of 2015–35 	★ ☆ ☆ ☆ ☆
Economic 	End retrospective taxation for cross border investments	<ul style="list-style-type: none"> Remove uncertainty for foreign investors for taxation impact of their earnings 	★ ★ ★ ★ ☆
	Implementation of bankruptcy law	<ul style="list-style-type: none"> Time bound settlement of insolvency and enabling faster turnaround of business 	★ ★ ★ ☆ ☆

KEY POLICY REFORMS – GOVERNMENT (2/2)

... technology transfer (e.g. Smart Cities, Digital India) as well as social initiative like “Clean India” for improving quality of life and convenience

	KEY REFORMS	DETAILS	IMPLEMENTATION STATUS-QUO
Technology 	Digital India	<ul style="list-style-type: none"> Government services to be made available to citizens electronically, improving online infrastructure and by increasing internet connectivity in hinterlands 	★ ★ ★ ★ ☆
	Skill India	<ul style="list-style-type: none"> Campaign to train over 400 mio people in different skills by 2022, to make them employable or get self employed 	★ ★ ☆ ☆ ☆
Social 	Clean India	<ul style="list-style-type: none"> Clean street, roads and infrastructure of over 4 thsd small and large cities of India 	★ ★ ★ ☆ ☆
	Suraksha Bima Yojana	<ul style="list-style-type: none"> Insurance schemes for underprivileged sections of society at subsidized rates 	★ ★ ★ ☆ ☆
Legislative 	De-regulation of petroleum prices	<ul style="list-style-type: none"> Lower government subsidies, encourage private sector for hydrocarbon production 	★ ★ ★ ★ ☆
	Implementation of GST	<ul style="list-style-type: none"> Simplified taxation structure with GST (Goods and Services Tax); improvement in supply chain efficiency 	★ ★ ★ ★ ★

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