



Industrial Zone Development - Key Issues from the Experiences of Japanese Industrial Zone in India -

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Industrial Development in India by region

7th Largest population. Development of agriculture and textile industry.



Delhi NCR

Largest population. Development of various manufacturing industries for domestic market. [Suzuki, Honda, etc.]

2nd Largest population. Largest port. Gateway to India. Development of financial sector and commerce.



Ahmedabad

4th largest population. 2nd largest port. Gateway to southern India and export base to the world. "India's Detroit" [Nissan, etc.]

5th largest population. Development of heavy industry and ICT industry. 'India's silicon valley' [Toyota, etc.]



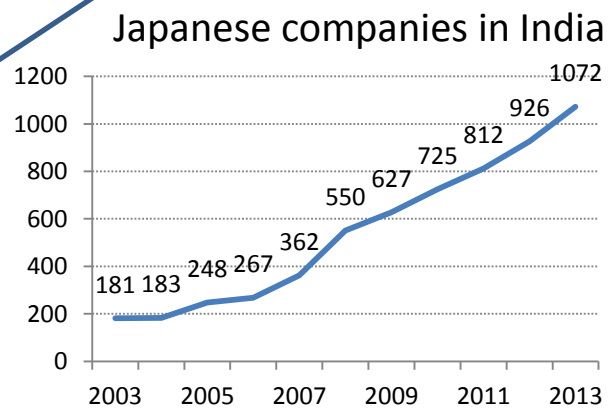
Mumbai



Bangalore



Chennai



Challenges of Japanese Companies for Start-up of factory in India



- **Difficulty in negotiating with local land owners**

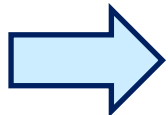
Due to inefficiencies in the land registration system, a land owner is identified by a record of sales of specific land. A developer needs to confirm this record of the past 30 years. A developer may thus confirm ownership of land and finalize negotiation with land owners after a prolonged period.

- **Limitation of available land with good infrastructure access at a reasonable cost**

Due to an increased demand of land for industrialization, land may be speculatively purchased by a broker at an exorbitant price. Thus to promote foreign investment, some developers promise the development of necessary infrastructure. However, the development of infrastructure may be delayed and additional cost may be incurred.

- **Complexity in licensing procedure**

Over 20 licenses are required in the licensing process for the construction of a factory. Because of varying application procedures by departments in charge (national or state government), it is difficult to expect a schedule for the operation of a factory.



Japanese companies prefer to establish a factory in an industrial area in order to minimize risk and expedite operations of a factory in India.

Key Issues of Industrial Area in India

➤ Developed by local government

- No negotiation with local land owner is needed (although disputes may arise and claims by local land owners are revealed after the allocation of land)
 - Ease and speed of investment
 - Preferable arrangement for licensing procedure by local government
 - There are few cases where the infrastructure is well established
- > Most industrial areas are developed by local government.

➤ Developed by private developer

- Negotiation with local land owner is needed (collaboration with local partner with strong local network is essential)
 - Sometimes licensing procedure by local government is delayed (support by local partner is needed)
 - Infrastructure and layout can be flexibly designed (at its own cost)
- > There are 2 cases Japanese developers participating in industrial area development



Industrial Area for Japanese Companies in India

Industrial area developed by local government
(Industrial Development Corporation, etc.)

Mandal Industrial Area (Gujarat State)
- Developer: GIDB (Gujarat Infrastructure Development Board) and iNDEXTb (Industrial Extension Bureau, Government of Gujarat Org.)
*JETRO supports Japanese companies set-up

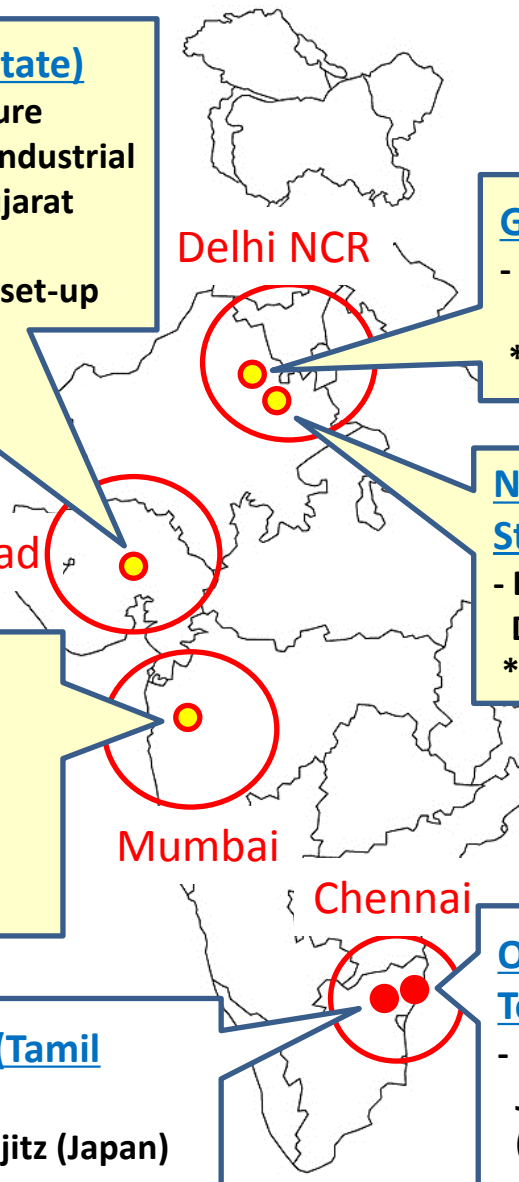
Giloth Industrial Area (Rajasthan State)
- Developer: RIICO (Rajasthan State Industrial Development and Investment Corporation)
*JETRO supports Japanese companies set-up

Neemrana Industrial Area (Rajasthan State)
- Developer: RIICO (Rajasthan State Industrial Development and Investment Corporation)
*JETRO supports Japanese companies set-up

Spa Panel Industrial Area (Maharashtra State)
- Developer: MIDC (Maharashtra Industrial Development Corporation)
*JETRO supports Japanese companies set-up

OneHub Chennai Integrated Industrial Township (Tamil Nadu State)
- Developer: Ascendas (Singapore), Ireo (India), JGC Corporation (Japan) and Muzuho Bank (Japan)

Sojitz Motherson Industrial Area (Tamil Nadu State)
- Developer: Motherson (India) and Sojitz (Japan)



Delhi NCR

Ahmedabad

Mumbai

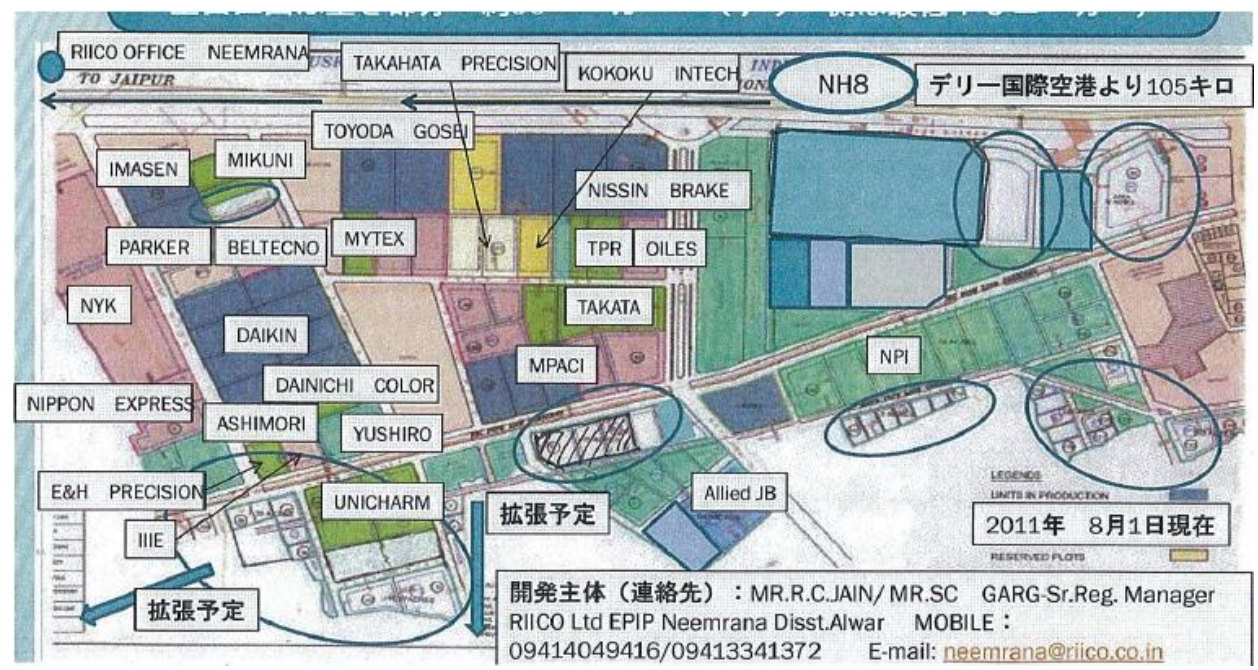
Chennai



Case Study: Neemrana Industrial Area (Rajasthan State)

- **History:** Developed by RIICO (Rajasthan State Industrial Development and Investment Corporation Ltd.). RIICO and JETRO concluded an MOU in 2006 to facilitate Japanese companies' set up of industrial establishments.
- **Number of Japanese companies:** 46 (Start operation: 37, Reserved or under construction: 9, approx. 80 % has been allocated)
(Daikin, Mitsubishi Chemical, Unicarm, Nippon Steel & Sumitomo Metal, etc.)

- **Access:** 105 km from international airport
- **Area:** 1,167 acres (467 ha)
- **Selling price:** 3,000 INR/m² (approx. 50-60USD/m²) for 99 years lease
- **Utility:** Basic power transmission is prepared
- **Incentive:** Exemption of VAT and electricity tax, etc.



JETRO's support for Japanese companies' start-up in India

- In India, many industrial areas are developed by local government (Industrial Development Corporation, etc.). Because of the complexities in land purchasing and challenges in licensing procedures by local government, Japanese developers hesitate to participate in industrial area development. Unlike the Japanese industrial area in south-east Asian countries, support by Japanese-speaking people is limited.
- Under such circumstances, JETRO concluded an MOU with local government to facilitate Japanese companies' set-up in the industrial area.
 - An MOU with RIICO (Rajasthan State Industrial Development and Investment Corporation Ltd.) in 2006
 - An MOU with Gujarat Industrial Development Corporation (GIDC), Gujarat Infrastructure Development Board (GIDB) and INDEXT-B in 2011
 - An MOU with MIDC (Maharashtra Industrial Development Corporation) in 2013
- JETRO has invited Japanese companies to set-up factories through the provision of information and support for negotiation with local government.

Case Study: OneHub Chennai Integrated Industrial Township (Tamil Nadu State)

- **History:** Currently under development by Ascendas (Singapore), Ireo (India), JGC Corporation (Japan) and Muzuho Bank (Japan). Phase I will be completed in early 2015.
- **Investment by some Japanese companies for manufacturing facility is expected (Hitachi Automotive Systems, Ajinomoto, Takasago, etc.)**

- **Access:** 50 km from Chennai central
- **Area:** 130 ha for industry area (total 586 ha, including commercial and residential area)
- **Selling price:** N.A. (approx. 115-130USD /m2)
- **Utility:** In-house power generation is equipped because of instability of power.



Collaboration with all stakeholders (foreign and local partners, Japanese government) – OneHub Chennai

- **In Sep. 2010, the Singaporean government requested the Japanese government for cooperation on Japanese industrial area development in Chennai. METI offered some Japanese companies. Mizuho Bank and JGC Corporation decided to participate in the project after completion of the feasibility study on demand and risk analysis. The Japanese government (METI, MOFA, JETRO, JICA) and Japan Chamber of Commerce and Industry provided support in obtaining the necessary licenses from local government.**
- **OneHub Chennai will be a good precedent for collaboration with foreign and local partners.**
 - **Ascendas (Singaporean government related developer) has plenty of experience in industrial area development in China, India and other Asian countries.**
 - **Ireo (Indian leading real estate provider) has strong networks with local government.**
 - **JGC Corporation (Japanese leading engineering and construction company) can provide reliable facility depending on request by Japanese company.**
 - **Mizuho Bank (Japanese leading bank) can provide financial and administrative support for investment.**
- **OneHub Chennai is an ideal opportunity for Japanese companies because it comprises of industrial, commercial and residential areas.**

Key Issues for success

- **Full support from local government and Japanese government**
- **Collaboration with reliable local and foreign partners**
- **Business and risk analysis (labor cost, labor productivity, infrastructure, logistics, incentive, rent, market forecast, foreign currency control, exchange rate change, land expropriation risk, country risk, etc.)**
- **Marketing and sales promotion to Japanese companies**
- **Support for set-up and information provision by Japanese speaking person (including visa application, accommodation, restaurant, transport, etc.)**