



India Business Climate Report

The first Business Climate Report conducted among Swedish and Swedish-related companies in India shows that the Swedish business community consider India as a market with great potential and an overall favourable business climate. While confirming the Swedish business community's strong confidence in the Indian market, the report also highlights the most frequent barriers for Swedish companies doing business in India.

Strong Swedish presence in India

India is rapidly developing into an important market for Swedish companies. Companies in the engineering products sector dominate the Swedish presence in India, but Swedish companies are represented in many other sectors as well, such as telecom/IT, automotive, baking, retail and defence.

Five regions are noticeably dominating when it comes to location of Headquarters, with Delhi and the neighbouring Gurgaon as the top prime location followed by Mumbai, Bangalore, Pune and Chennai. However, Swedish companies have established offices all across India, and are investing for expansion to new locations, where Kolkata and Ahmadabad are clearly emerging as FDI friendly locations.

A large number of the Swedish companies in India are represented in other parts of the Asian region as well. The vast majority of the Swedish companies based in India also have operations in China, South East Asia and/or the Middle East. The fact that more than three out of four Swedish companies operating in India are also operating in China, but only one out of six Swedish companies in China are operating in India indicates that there is scope for increased Swedish business activity in India for companies already established in Asia.

Market demand, from both B2B and the Indian consumers, are reported the prime drivers for entering the Indian market. However, India is not only a large market, but also an important production site for Swedish companies' global operations. Production or sourcing is the primary activity of roughly one out of five Swedish companies in India. Nevertheless, India is more than just a low-cost market. Marketing and sales is the core business for a significant larger number of Swedish companies.

The Swedish companies' presence in India is also reflected in the number of employees in Swedish enterprises. In 2005, the 47 largest Swedish companies in India employed about 9.800 employees. In 2011, this figure is expected to increase five times to roughly 50.000. As of today, Swedish companies in India create more than 28.000 local employment opportunities and more than 340.000 are indirectly working for Swedish companies through Indian suppliers or retailers.

Swedish companies perform well and invest for continuous growth

A vast majority of Swedish companies participating in the study consider the present business climate in India favourable or very favourable, and there is a consensus that the business climate will improve in the future. Moreover, almost all companies report that they will increase their activities in India, indicating the anticipation of a bright future business climate.

Swedish companies foresee a good or very good performance in India in the coming three years and investments are expected to grow rapidly in the years to come. In the time period 2004 to 2007, accumulated investments in India made by Swedish companies amounted to about SEK 3 billion. The corresponding

investment figure for the coming four years is expected to more than double, amounting to over SEK 6 billion. It should be noted that 10 companies contribute with over 90 percent of Sweden's total investment in India.

Swedish companies are facing red tape and corruption

While the Swedish business community is growing and Swedish companies generally find doing business in India rewarding, there are also a number challenges facing the companies in the Indian market.

The most frequent mentioned obstacles perceived by Swedish companies are bureaucracy, corruption, taxation rates and taxation regulations. Bureaucracy and corruption, which affect roughly seven out of ten companies, are reported to be due to burdensome government requirements and formalities, non-transparent governance, attempted corruption and overly complex decision making processes.

There is also a shared perception among the Swedish companies that India suffers from poor air quality, water supply problems, inadequate infrastructure, frequent power cuts and lack of land for commercial use, negatively affecting the business climate and undermining India as an attractive and competitive market.

A worrying sign is that housing, office space, cost of land for commercial use and cost of transportation of goods rapidly are touching international levels without corresponding improvements in quality. India's advantage on the other hand is its availability of an educated and English speaking workforce. White as well as blue collar workers are regarded showing high quality to a low cost.

Despite the challenges in the Indian market, Swedish companies have a strong belief in India's future development and potential for growth.

Coverage of the Swedish business community

49 out of 96 Swedish or Swedish-related companies participated in the first business climate survey conducted in the Indian market. This corresponds to a response rate of 51 percent, which is considered high for being a first time study.

The responding companies provide a fairly good representation of the Swedish business community in India. All larger Swedish companies, as well as a number of mid- and small-sized companies, from several different industries participated in the survey. The absence of other Swedish companies established in India, may have an affect on absolute numbers in this report but is not believed to have any affect on general conclusions.

**Swedish Chamber of Commerce India
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About the Business Climate Survey 2008

Business Climate Surveys has been conducted by the Swedish Trade Council and Swedish Chambers at several places throughout the years world wide. This is the first Business Climate Survey in India conducted by the Swedish Chamber of Commerce India in co-operation with the Swedish Trade Council and the Embassy of Sweden. The Business Climate Survey will be conducted annually to enable comparison of results and conclusions over time.

The objective of the survey has been to monitor the business confidence of Swedish companies in India and gather the joint experience and knowledge of Swedish companies established in the region in order to facilitate for future establishment of Swedish companies in India. This year, the survey coincides very well with India's Minister for Commerce and Industry, Mr. Kamal Nath, visit to Sweden in the beginning of June. The conclusions drawn from the survey will serve as important inputs in the discussions with Mr. Nath.