

Big wave of Japanese investments on anvil

● More Than Two Dozen Projects Expected In Near Term; Existing Players Push For Expansion

G Ganapathy Subramaniam
TOKYO

WHAT you saw in the form of big-bang portfolio investments by the Japanese in India was only a preview. The real thing is coming in now in the form of big-ticket Japanese investments in manufacturing, research & development (R&D) and software. Following the feedback obtained during last week's India-Japan summit, commerce & industry minister Kamal Nath has estimated that nearly \$5 billion of Japanese foreign direct investment (FDI) would flow into India during the next two-to-three years. Mitsubishi, NEC, Nippon Paint Co, Lotto, Dai Nippon Toryo Co, NKY, Shimadzu Corporation, Yakult Honsha and Elpida Memory are among the Japanese companies that have indicated investments in India in the near term.

In addition, various companies like Toyota Motors, Eizai, Nissan, Suzuki and Kansai Paint Co are expected to bring in additional investments. A number of other companies like Sanyo and Bank of Tokyo-Mitsubishi have indicated that they would expand their presence in India gradually. All this would lead to a new wave of Japanese investments in India, boosting bilateral trade too, feel government officials and industry representatives.

From the Mitsubishi Group alone, at least three companies are expected to bring in investments in the near term. While Mitsubishi Heavy — Japan's largest heavy machinery maker — is taking over SRP Tools Ltd, a large gear-cutting tool manufacturer, Mitsubishi Chemicals plans to more than double its investment here. ETA Melco Engineering Company, a joint venture between Mitsubishi Electric Corporation and Emirates Trading Company of Dubai, is also looking at expansion of its business in India. The joint venture is selling elevators imported from Japan and Thailand, but is looking at manufacturing here — depending on growth in business volume.



The interest of Japanese companies in India is increasing due to increased awareness about the market and the recovery of the Japanese economy, Mr Nath said after the India-Japan summit. The commerce & industry minister met CEOs of small & medium enterprises (SMEs) of Japan to encourage them to do more business with India.

Japanese shipping giant NYK has tied up with Container Corporation of India for an end-to-end auto transportation solutions project, while NEC's investments would come through a joint venture with HCL technologies. The NEC-HCL Technologies venture would focus on mobile-embedded software. Shimadzu Corporation, a \$24-billion instrumentation company, is planning to set up an advanced customer support centre

that will focus on customer training and facilitate analytical method development for its clients.

While large Japanese companies are aware of India's potential, the focus now is on getting SMEs into the act. Entry of Japanese SMEs into India in a big way could lead to a new wave of investment, industry representatives feel. Infoys chief executive officer, president and managing director Nandan Nilekani said the 'profile' of India 'needs to be taken up' to get the Japanese industry interested in large projects. The India-Japan summit — organised by the India Brand Equity Foundation, CII, the commerce & industry ministry and METI of Japan — was aimed at creating awareness about emerging India.

Economic relations between the two countries have improved significantly due to bilateral initiatives and coordinated activities for building an Asian economic community, Mr Nath said. Out of the total FDI inflow of \$36 billion between 1991 and 2005, Japanese proposals accounted for only a little over \$2 billion. The situation is now all set to change since more than 25 investment proposals are in the pipeline and even conservative estimates put the inflow at more than \$1 billion per annum for the next three years. The commerce & industry minister's optimistic estimate is \$5 billion in the next couple of years and this enthusiasm is based on the investment plans of Japanese giants like Toyota and Suzuki, who are already present here. Toyota, for example, is working on a 10-billion Yen investment plan for production of small cars in India, while Suzuki has entered into tie-ups with Nissan-Renault combine for its expansion plans in India. In the pharma sector, Eizai of Japan is looking for expansion of R&D facilities in India while confectionery manufacturer Lotto is investing in Himachal Pradesh. Yakult Honsha of Japan is setting up a joint venture here for Group Danone of France for manufacturing fermented milk.