

SWEDEN MAKES BUSINESS IN INDIA

BUSINESS
CLIMATE
SURVEY
2015/16



TO START WITH



H.E. Harald Sandberg
Ambassador
of Sweden to India



Ms. Fredrika Ornbrant
Consul General
of Sweden to India



Mr. Kandarp Singh
Chairman of Swedish
Chamber of Commerce India



Ms. Anna Liberg
Trade Commissioner
of Sweden to India

Swedish companies build sustainable business in India.

Sweden and India have long-standing good relations and we are pleased to see they have grown even stronger over the last years. Trade between our two countries has increased and Swedish goods and services are well known for their high standards and quality.

The Swedish business community in India represents companies that are innovative with a focus on long term societal growth and environmental sustainability. Swedish companies have made their footprint known in India with strong brands and we have no doubt the community will continue to do so in the years to come.

With that in mind, we are delighted to present to you the result of the 8th Business Climate Survey conducted amongst the Swedish companies established in India. We hope you will find the report interesting. We are proud to say that the report is based on the input from 141 Swedish companies established in India.

To all of you who took the time and participated in the survey and contributed - a big thank you!



SWEDEN AND INDIA DO BUSINESS TOGETHER

Sweden has a long history of investments in India; both Ericsson and Swedish Match established a presence in India in the early 20th century. Today there are numerous Swedish multinational companies established such as ABB, Astra Zeneca, Atlas Copco, Ericsson, Sandvik, Scania, SKF, Tetra Pak and Volvo. Many of these companies have also invested in manufacturing and research and development in India.

In the last 10 years, several SME companies have found their way to India, bringing cutting edge technology with them in sectors such as Healthcare, Environmental Technology and Engineering Products.

IKEA and H&M were among the first companies to be approved as a foreign investor under the new Single Brand Retail legislation. H&M opened up their first stores in Delhi 2015 and IKEA will open up stores in the coming years.

Trade of goods between Sweden and India amounted to more than 2 billion USD in 2014. Exports of goods from Sweden accounted for two thirds of that amount.

During the first nine months of CY2015, Swedish exports of goods to India grew with 7 % compared to the same period in 2014, while Indian exports to Sweden increased with 11 %.

Bharat Forge Kilsta AB, outside Karlskoga, is part of the \$ 2.5 billion Kalyani Group. The subsidiary specializes in engine and chassis components for the European commercial vehicle markets.

INDIA IN SWEDEN

Indian export of services like information technology to Sweden is strong, with about 20 Indian IT companies operating in the country. Around 10,000 people in India support Swedish companies with IT services.



~160 Swedish companies are currently established in India (2015)

141 (89%) participated in the Business Climate Survey 2015/16

"We see a perfect match between India and Sweden in the defense industry, opening up avenues for collaboration between Indian and Swedish Universities and exposure to the Saab production concept and ways of working. Real progress is where both parties in a partnership can say that they have learnt something from it." Saab has been a trusted supplier to the Indian armed forces for over three decades.

BUSINESS SECTORS

Swedish companies are present in various sectors. This is evidence of Sweden's strong culture of innovation and global outlook. Sweden has held a top 3 rank in the Global Innovation Index since 2008.

MAIN BUSINESS SECTORS

- ENGINEERING PRODUCTS (30%)
- IT/TELECOM (12%)
- LIFE SCIENCE/MED CARE/HEALTHCARE (7%)
- FASHION & LIFESTYLE (6%)
- AUTOMOTIVE/HEAVY VEHICLES (6%)

And many more...

Consulting/Advisory/Legal and other Services, Packaging material, Environmental Technology, Defense/Security, Shipping/Transportation, Education and Chemicals

1 out of 4 companies have more than 10,000 employees globally and 1 out of 3 a turn-over of >1,000 million EUR.

7 out of 10 have established themselves in India between year 2000-2015.



“INDIA MAY BE A LAND OF OVER
A 100 PROBLEMS, BUT IT IS ALSO A
PLACE FOR A BILLION
SOLUTIONS”

Kailash Satyarthi
Nobel Laureate, Peace 2014

EXECUTIVE SUMMARY

The overall sentiment of the current business and future investment climate in India remains positive but lower than last year. This suggests that 2016 will be critical for implementation of key reforms

Swedish companies increasingly choose to export from India as part of their global supply chain

Lack of right skill set among both blue and white collar workers is one of the greatest challenges for companies across all sectors

Swedish brand and core values (environmental and societal sustainable development, innovation and creativity) is a competitive advantage

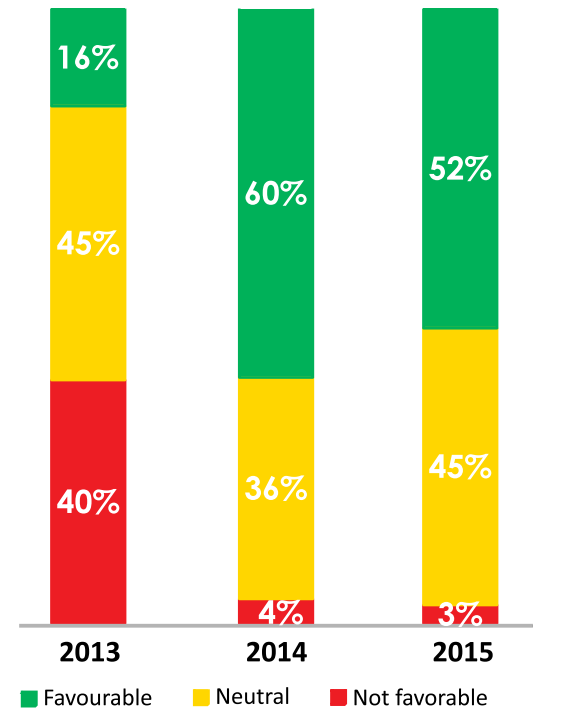
BUSINESS OUTLOOK

Companies in the IT/Telecom and Life Science/Med Tech/Healthcare sectors consider the current business climate to be more favourable and are more satisfied with doing business in India as compared to companies in sector for Engineering Products.

In terms of investment plans, the opposite is true. Companies with Engineering Products have the most aggressive plans, followed by Automotive/Heavy Vehicles and Life Science/Med Care/Healthcare.

Expectation and satisfaction go hand in hand. This year, 57 % report that they are satisfied doing business in India, compared to 67 % in 2014/15

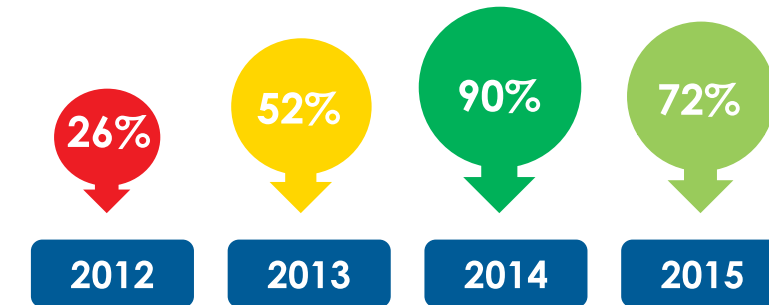
HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN INDIA?



Scale 1-10 where 10 is very favorable and 1 not at all. Answers between 7-10 are considered favorable

INVESTMENT CLIMATE

HOW DO YOU PERCEIVE THE FUTURE INVESTMENT CLIMATE IN INDIA? (FAVOURABLE)



Delay of reforms is the main reason why companies consider the current business and the future investment climate less favourable this year

8 OUT OF 10 companies, same as last year, are looking to increase their investments in the coming three years



6 out of 10 companies have invested as per plan or more in 2015, while 2 out of 10 invested less than originally in the plan.

Main reasons for increased investments are higher than expected market growth and decisions by HQ to focus on India.

Volvo City Buses operate in over 30 Indian cities- motivating citizens to opt for public transportation as their preferred choice. In 2016, Volvo hybrid city buses will start running here. The **Volvo Group** has trained over 60,000 truck and bus drivers in India, and exports its equipment and vehicles to South Africa, Asia and Latin America and will soon export buses to Europe too.

GROWING WITH INDIA

Swedish companies invested in different business areas in 2015, reflecting the belief in India's growth potential and that this potential can only be achieved with the rightly skilled team in place.



MARKETING & SALES
(54% invested, 63% plan to invest)

SME companies especially indicate that they will focus more on Marketing & Sales the coming years.

SKILLS DEVELOPMENT & TRAINING
34% invested, 38% plan to invest

Many companies, especially in the **Automotive/ Heavy vehicles** sector invested in skills development and training last year. Companies across all sectors plan to focus more on skills development and training the coming years.

SERVICES
31% invested, 45% plan to invest

IT/Telecom and Automotive/Heavy vehicles are the main sectors indicating they will invest in services.



1 out of 3 companies report an increased profit margin over the last year. And 50% are positive about their profit margin increasing in the coming three years.

Companies in the sectors of Engineering Products and Automotive/Heavy vehicles are most positive.

GOOD BUSINESS?

58%
2014

Though the companies testify to growth, fewer companies have increased their market share during 2015.

49%
2015

80 % of the companies in the IT/Telecom sector have maintained their market share.

Almost all companies in the Life Science/Healthcare sector observe an increase in market share followed by half of the companies that are into Engineering Products (52 %) & Automotive/Heavy Vehicles (50 %).

INDIA CONTINUES TO BE COMPETITIVE

The companies believe India continues to be a competitive market from a cost point of view. Almost 90 % perceive that the cost advantage is the same, or even better, than last year. Cost of material/components and availability of workers are the key factors cited by the companies giving India the competitive edge

Volvo Cars' vision is that no one should be killed or seriously injured in a new Volvo by 2020. The company therefore engage in questions regarding urban planning, road safety and communication systems between vehicles, people and institutions.

High inflation, increased labour costs, delay in receiving payments and long and complex sales processes are the main factors impacting the cost advantage negatively.



Tetra Pak's manufacturing plant in Chakan, Pune was recently recognized as the group's best performing factory among 37 units worldwide. Tetra Pak has made significant investments in building manufacturing capabilities with a vision to identify and partner with progressive players to make safe and hygienically packaged milk and beverage products available to the Indian consumers.



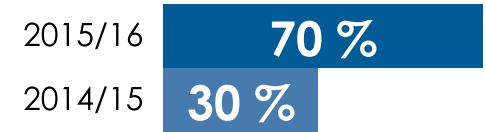
44

80 %

SWEDEN MAKES IN INDIA

or one third of the 141 companies that participated in the survey, manufacture in India.

of them invested in existing or new production units in the last year. And the investments will continue. 85 % of the companies plan to invest further the coming years.



70 % of all manufacturing companies produce in India both for the domestic market and for exports.

This is a significant change compared to last year, when 30 % responded that they produce for both.

Swedish companies in India directly employ more than **160,000** people and another **1,100,000** indirectly.



The Sandvik family has 3,000 members in India today. As a world leader in tooling, materials technology, mining and construction, the company is committed to enhance customer productivity, profitability and safety. Sandvik established operations in Pune in 1960 as one of the first Swedish companies to set up a manufacturing unit in the country.

THE PEOPLE CONNECTION

1 OUT OF 2 companies increased their workforce in India during 2015

2 OUT OF 3 companies plan to increase their workforce in India further the coming year and 40 % of these will increase with more than 20 %.

BLUE COLLAR

WHITE COLLAR

Lack of right skill set continues to be the biggest issue faced by companies across all sectors regarding blue collar workers but this is also one of the top issues for white collars. The companies are active in seeking to close this gap and invest in Skills Development and Training. Though, with the challenge of **low retention and coupled with this, increased labour cost**, Swedish companies face challenges in India that are very different from home.

More than one third of the companies point out **trust and business ethics** as one of the top challenges that they are facing in India.

Labour laws in India are considered as a challenge by Swedish companies. Outdated laws and local interpretation, regulations regarding contractual workers and cumbersome handling of expatriates are some of the issues mentioned, across states and sectors.

SMART CITY BY SWEDEN

SymbioCity pinpoints key urban systems – from energy to IT and water to waste – that are the foundation for good living conditions, prosperity and welfare in any city.

Ola Ericson-Hammarby Sjöstad/imagebank.sweden.se



Werner Nystrand-Bicycle/
imagebank.sweden.se



Helena Wahlman-Recycling/
imagebank.sweden.se

BRANDED:SWEDISH

To be Swedish matters.

The ability to appeal to global audiences, expand rapidly across territories, and reach new markets all across the world. It is a trait that Swedish businesses have always possessed- globalize while maintaining a unique, decidedly Swedish brand identity.

There is a distinct change in the perception of what the competitive advantages are for Swedish companies in India.

Technology, product quality and brand recognition are the main leads. This year with a strong influence of the core values that Brand Sweden embodies- sustainability, innovation, creativity and society.

Half of the companies state that being recognised as a Swedish company is a competitive advantage, compared with about 20 % last year.

This perception has been most advantageous mainly for companies in the Automotive/Heavy Vehicle and Engineering Products sector.

1 out of 2 companies recognize being a Swedish brand is a competitive advantage for doing business in India (compared to 1 out of 5 last year)

Melker Dahlstrand-Swedish Innovation/imagebank.sweden.se

In 2015, **Scania** opened up its second production unit outside Bangalore producing trucks and buses. They also initiated a biogas project in Nagpur converting local waste to local fuel for local transport and are running the country's first Green Bus on ethanol. Scania is a pioneer of sustainable transport solutions for the Indian market.



CORPORATE SOCIAL RESPONSIBILITY

Sustainable business and governance practices are at the core of the Swedish society and companies' values. Extensive environmental protection, active measures to respect human rights, improve work environments, promote and work for equality and diversity and to fight corruption are key areas.


Many of the Swedish companies are in the forefront integrating a sustainable approach to business in strategies, policies and daily management.

In India, Swedish companies across all sectors also invest in community development. About a third fall within the purview of the CSR law (section 135, Companies' Act 2013) but more than 1 in 2 companies are involved in different development work, especially in the areas of education, environment and health.

About 20 % of these companies invest more than the 2 % of average net profit, as the law requires.

CORE VALUE: A SUSTAINABLE BUSINESS AND SOCIETY

DIVERSITY: GENDER



On an average, **1 in every 5** employee is female in the Swedish companies in India. The Fashion/Lifestyle sector has the highest ratio of women, followed by Life Science/Med Tech/Healthcare

"IKEA is a company that is based on human values and equality is one of them. To have 50/50 women and men in our workforce is however not only human and what feels right, but it is also good for business. We know that diverse groups perform better." IKEA has sourced products, especially textiles, from India for the last 28 years. Next step is retail . Coming soon.



Gender equality is a crucial quest for the future and imperative to take seriously to build and develop successful and sustainable companies and societies. It is good economics! For Swedish companies, diversity and gender equality are at the core of their business model.

8 OUT OF 10 companies, across all sectors actively work with gender diversity

Ericsson set up and run mobile networks for operators all over India and in the most remote areas with the help of 21,000 employees across all states. For over 100 years in India, Ericsson has shaped the networked society and the way we communicate. Diversity is key for the company as they build a team reflecting their global presence and local connection.

2015/16

14 %

2014/15

50 %

Over the years, relationship with the Indian government and authorities has been seen as a major competitive disadvantage for India by the companies. This year, only 14 % think this is a major roadblock compared with 50 % last year.



1 out of 3 companies state that **not paying bribes** is a competitive disadvantage

BUSINESS CHALLENGES

TAX REGULATIONS AND TAXATION RATES

"... Different departments read the laws differently. It is more or less impossible to follow, in a correct way, the current taxation system"

"Slow roll-out of reforms which have been announced- such as GST"

IMPORT REGULATIONS AND CUSTOM DUTIES

"Shipments stuck in customs for unreasonable periods- too much paper work"

"Restrictions on what we can import and high custom duties decrease our competitiveness"

BUREAUCRACY AND CORRUPTION

"Over 6 months to receive permission to operate a liaison office for sourcing support"

"It is generally not an issue on the higher levels in authorities and government, however, at the local and lower levels we have faced quite a lot of "red tape"

"Lots of departments ask for bribes..."

On the question: "Which of the factors would you rank as the top three most important ones, if addressed, could substantially improve the business climate in India?" 40 % compared with 30 % last year ranked tax regulations as a top 3 issue.

IN FOCUS: SME

1 OUT OF 5 of the companies participating in the survey are classified as Small or Medium sized Enterprises, as per EU definition.

There has been an influx of Swedish SMEs the last decade. Almost **8 out of 10 companies present in India today entered** between 2005 and 2015. 70 % have between 1-20 employees in India. The SME companies are present in many sectors, mainly within **Engineering Products** (40 %), **IT/Telecom** (20%) and **Consulting/Advisory/Legal** (17 %). Up and coming sectors for SMEs are Environmental Technology and Life Science/Med Tech/Healthcare.

Environmental sustainability is a focus area for both SME and large companies and they talk about it. **Nynas** develops oils for different industries and applications. They also drive a cross functional forum on sustainable oil technologies impacting health, safety and environment.

OBSTACLES faced by SMEs are issues with taxation, interactions with authorities and banks, permits/ permissions and import regulations.

SMEs encounter more problems with corruption than large companies

... SME companies perceive the current business climate as favourable

**1
OUT
OF
2**

... SMEs invested in India last year. 8 out of 10 plan to invest the coming three years

... did not invest. Less confidence in government reforms is a stronger deterrent to investments for SME than large companies

... companies hold between 20-80 % of the market share in their respective business areas

PRESENCE ACROSS INDIA

Swedish companies are present in all states of India through marketing and sales offices, research and development, manufacturing, distribution and service centres.

In 2015 Swedish companies invested mainly in the states that they are already present in, and 9 out of 10 companies plan to continue to do so the coming years.

DELHI- NCR 61 % OF THE COMPANIES INVESTED HERE IN 2015

MAHARASHTRA 45 %

KARNATAKA 38 %

TAMIL NADU 27 %

1 OUT OF 3 companies are looking to expand into new states in the coming years. The top 3 states of interest are **Tamil Nadu** and **Rajasthan** because they are seen as strategic locations for sales, **Gujarat** for good infrastructure and access to skilled labour.

Companies in **Fashion & Lifestyle**, and **Life Science/Med Tech/Healthcare** sectors are especially looking to expand beyond the operations into new states.

DELHI-NCR: ACCESS



36 %
of the
Swedish
companies
have their
HQ in NCR

Clean air indoors in industrial environments, airports, hospitals and homes is provided by **Camfil**. The company is a world leader in the development and production of air filters and clean air solutions.



- Import regulations and customs duties
- Bureaucracy
- Legal and regulatory system
- Corruption
- Tax regulation



- Strategic location as access point for distribution
- Strategic location for import/export

Atlas Copco has 4 manufacturing units in Pune, Nashik and Hyderabad and 22 offices across India. The company serves customers with innovative compressors, vacuum solutions and air treatment systems, construction and mining equipment, power tools and assembly systems.

33 %
of the Swedish companies have their HQ in MH

51 % of the manufacturing companies are here



- Tax regulation
- Corruption
- Bureaucracy
- Obtaining licences/govt. approvals



- Strategic location for import/export
- Proximity to market
- Proximity to strategic business partner
- Good infrastructure

MAHARASHTRA: MAKE

KARNATAKA: RESEARCH



Cecilia Larsson/Imagebank.sweden.se

16 %
of the Swedish companies have their HQ in KK

- Import regulations and customs duties
- Tax regulations and taxation rates
- Legal and regulatory system
- Bureaucracy
- Corruption
- Labour Laws



- Access to skilled labour
- Proximity to market
- Good infrastructure

With the Swedish businesses coming to India, **Handelsbanken** and **SEB**, two leading banks in Sweden, have also set up office. They provide their clients across India with advisory services and high-quality products.



BUSINESS CLIMATE SURVEY 2015/16

Cecilia Larsson-Kista Science City /imagebank.sweden.se

The Business Climate Survey (BCS) is conducted annually by the Swedish Chamber of Commerce India in partnership with Embassy of Sweden in New Delhi, Consulate General in Mumbai and Business Sweden. This is the 8th consecutive survey.

THE PURPOSE OF THE SURVEY IS TO:

- Assess the business confidence of Swedish companies in India, and identify opportunities and challenges
- Serve as an input to discussions and engagement with the Government of India, state governments and other stakeholders
- Give valuable input to Swedish companies considering doing business with and in India

[Download the report from www.swedishchamber.in/Publications](http://www.swedishchamber.in/Publications)

We would like to give a special thanks to NEPA for their effort, skills and guidance to execute this survey. NEPA has been the partner of BCS since 2011.

POWERED BY
Nepa

www.swedishchamber.in
info@swedishchamber.in



SWEDISH CHAMBER OF COMMERCE INDIA

SCCI is an independent, non-profit networking organization with the mission to enable, promote and encourage Swedish companies to drive long-term, sustainable business in India.

The SCCI community consists of Swedish companies from all sectors and stages of establishment in India and we provide our members with unique opportunities for knowledge sharing and exchange of experiences in doing business in India.

The Chamber continuously works with promoting the value proposition of Sweden to further strengthen the identity and joint interests of the Swedish business community in India.

Together we break new grounds in areas of societal, environmental and business interest.

