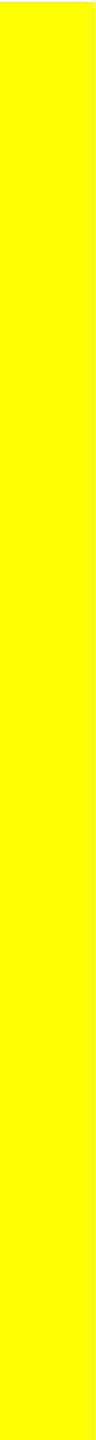




Business Climate Survey India 2008

May 2008





CONTENT

- Introduction to the Business Climate Survey
- Summary
- The results



BACKGROUND

- 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 survey will be conducted annually to enable comparison of results and conclusions over time.
- The objectives of this first survey have been:
 - To monitor the business confidence of Swedish companies in India
 - Assess India's present and future competitive role in the Asian region
 - Gather the joint experience and knowledge of Swedish companies in India in order to provide guidelines for future Swedish business expansion and establishments in the region
 - Serve as important input in the discussions between India's Minister for Commerce and Industry and Sweden's Minister for Trade during meetings to be held in Sweden early June 2008



APPROACH

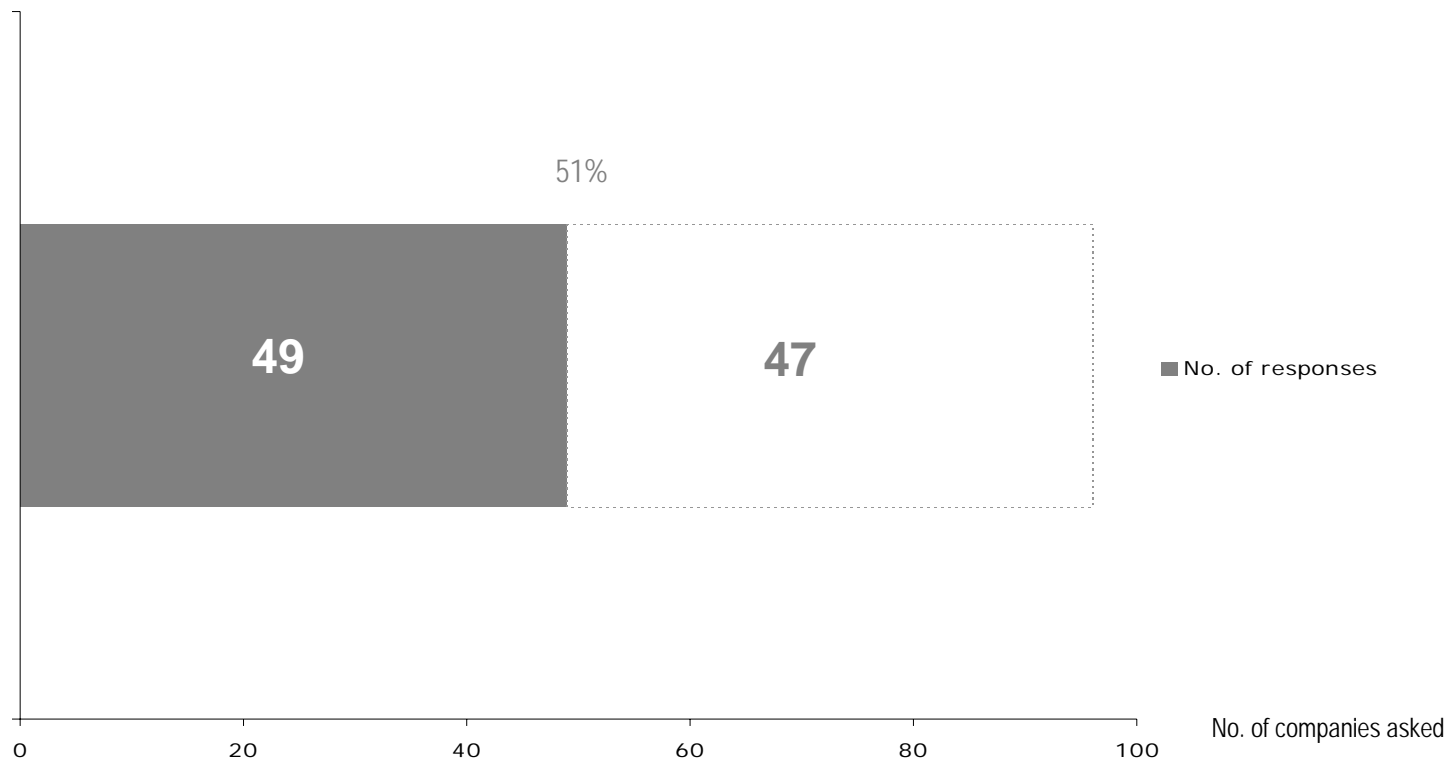
- In April 2008, a written questionnaire was sent out to almost 100 Swedish and Swedish-related companies in India. The response rate was 51%.
- Note that each answer represents one company, and that the companies differ greatly in size. Therefore, the total Swedish activity is not reflected in the numbers.
- The results reflect the respondents of the survey and the respondents are referred to as the Swedish Companies in this presentation.



SWEDISH BUSINESS IN INDIA TODAY

- As of March 2008, 104 Swedish subsidiaries are registered in India
- More than 1,200 Swedish companies are estimated to be doing business in India on a scale exceeding SEK 1 million per annum
- During 2007, Swedish export in products to India amounted to SEK 10.6 billion, making India Sweden's 19th largest export market
- From 2001 to 2007 Swedish export in products to India demonstrated an annual growth rate of 16 percent

THE MAJORITY OF THE LARGER SWEDISH COMPANIES PARTICIPATED IN THE SURVEY



The response rate for a similar survey conducted in Hong Kong annually for 10 years was 59%



CONTENT

- Introduction to the Business Climate Survey
- **Summary**
- The results

SUMMARY

India is a country with enormous potential and an overall favourable business climate

But Swedish companies are also facing a number of obstacles

Taxation

**Incorporation
process**

**Poor quality
versus costs**

Bureaucracy

Corruption

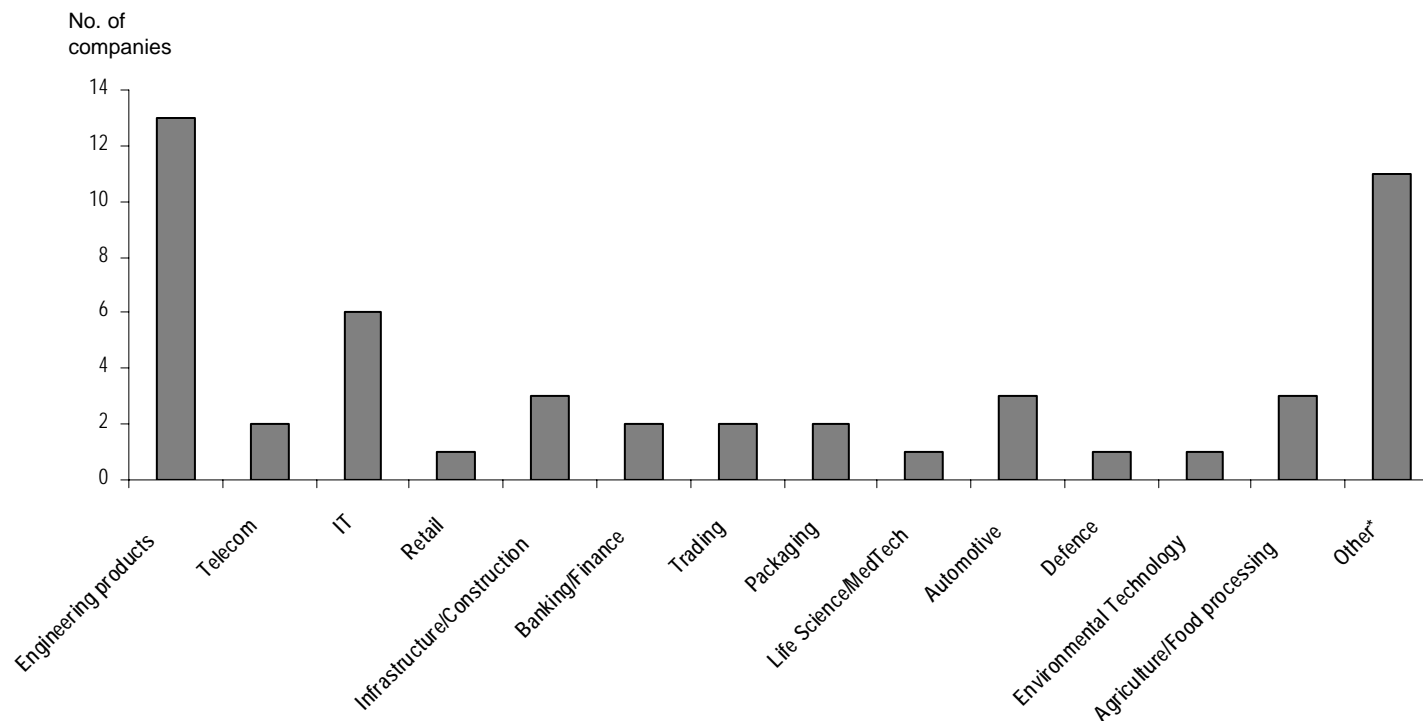
**Poor
infrastructure**



CONTENT

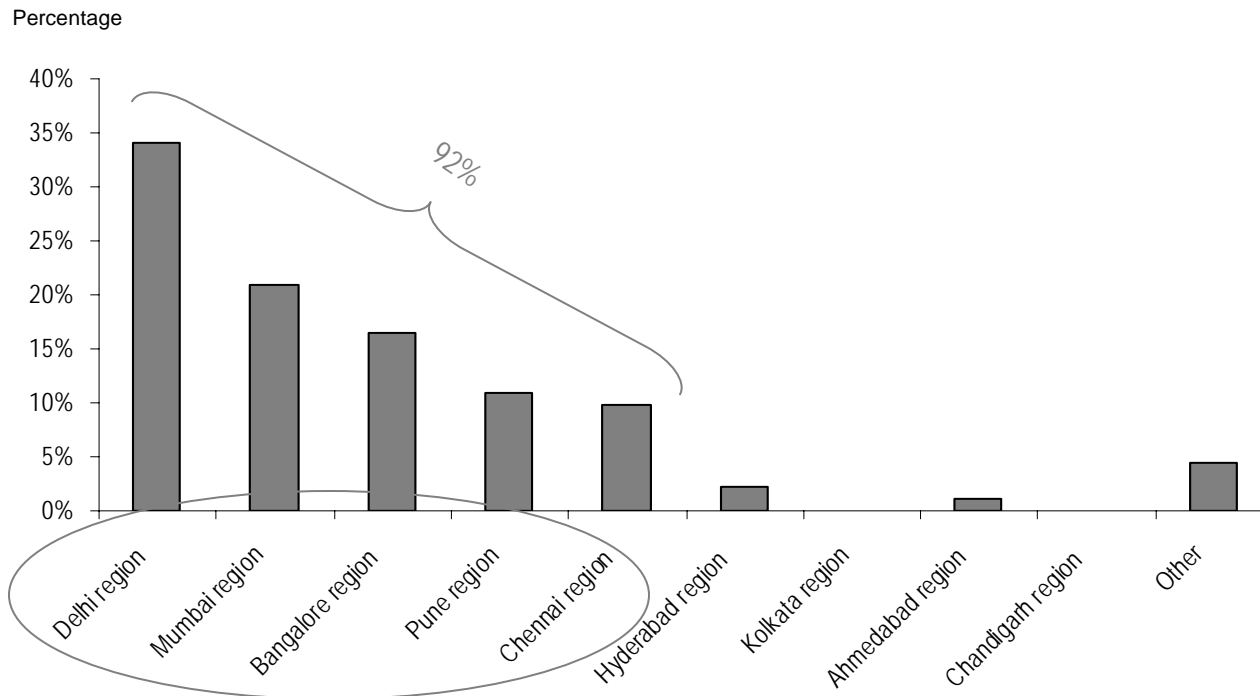
- Introduction to the Business Climate Survey
- Summary
- **The results**

THE MAJORITY OF SWEDISH COMPANIES ARE ACTIVE IN THE ENGINEERING PRODUCTS SECTOR



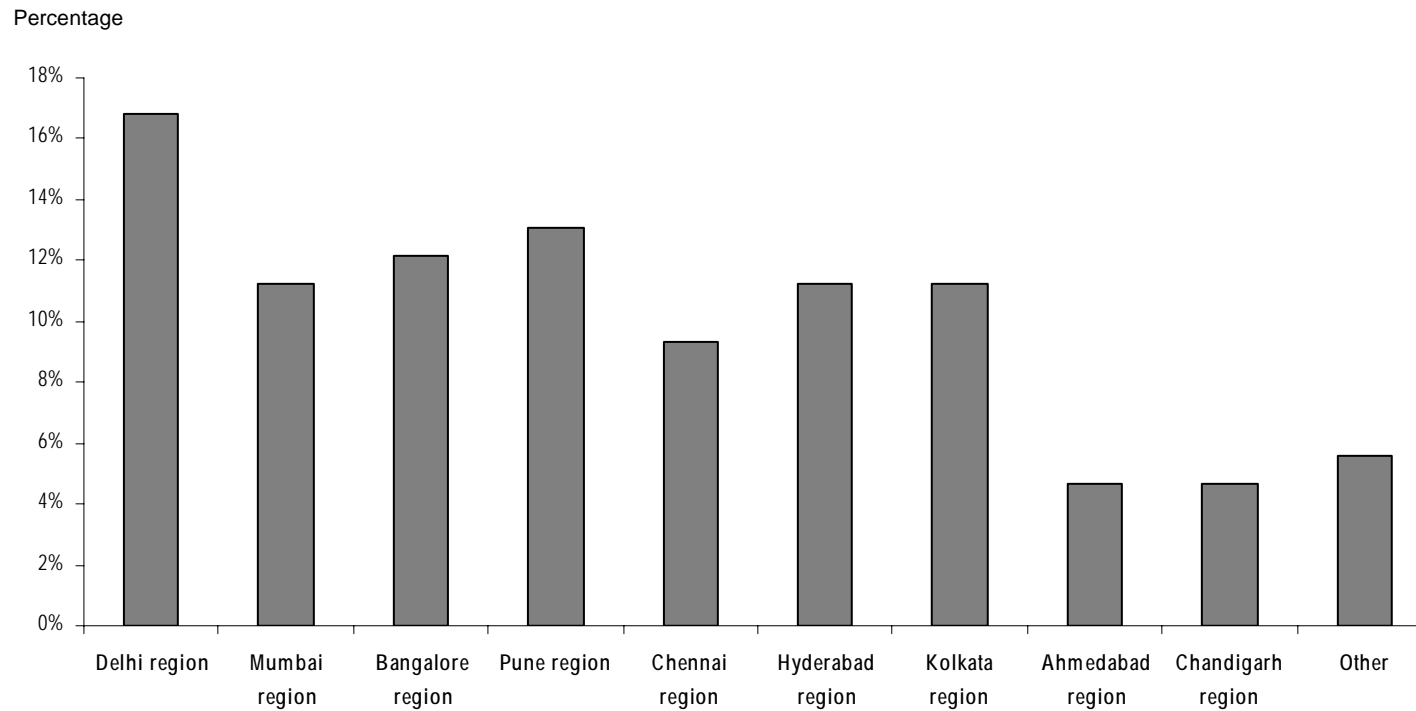
Swedish companies are represented in many sectors in India

5 REGIONS ARE TOP PRIME LOCATIONS FOR HEADQUARTERS

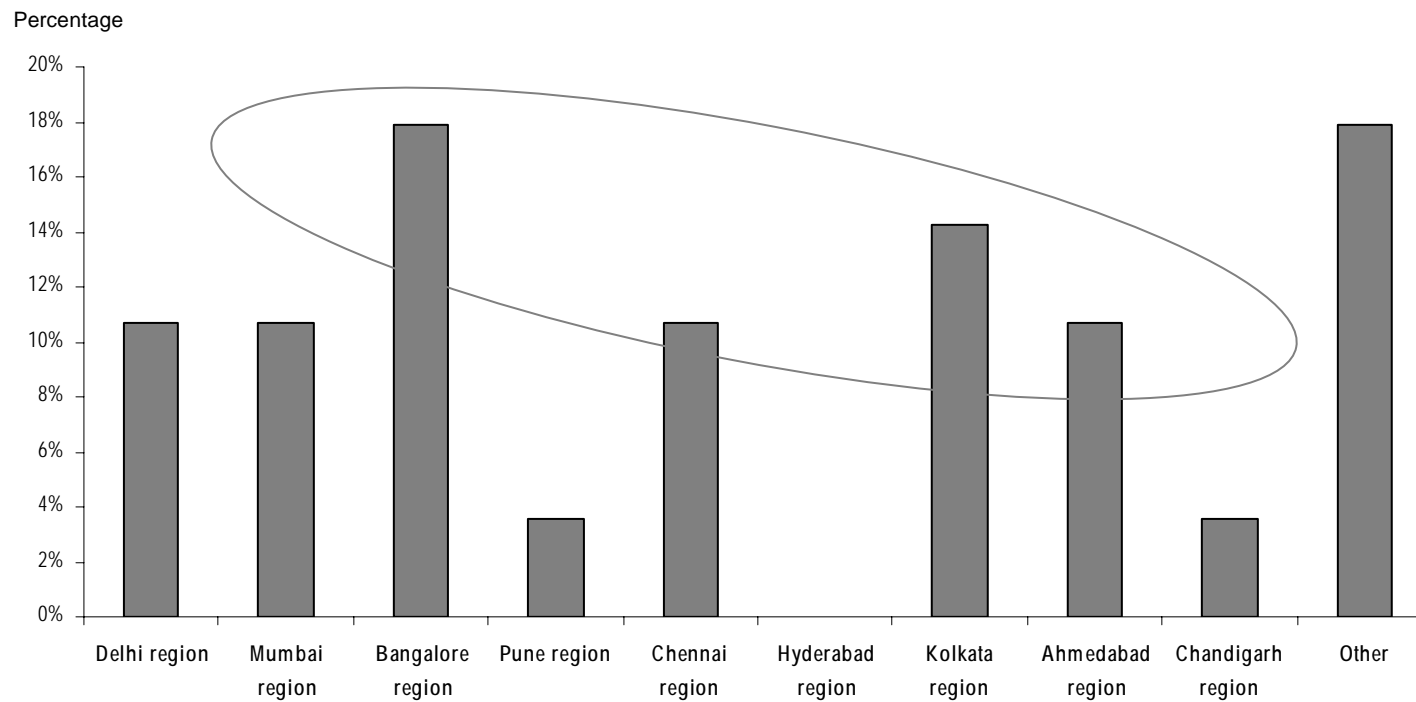


Delhi/Gurgaon is still top location for Swedish Headquarters

SWEDISH COMPANIES HAVE OFFICES ALL ACROSS INDIA...

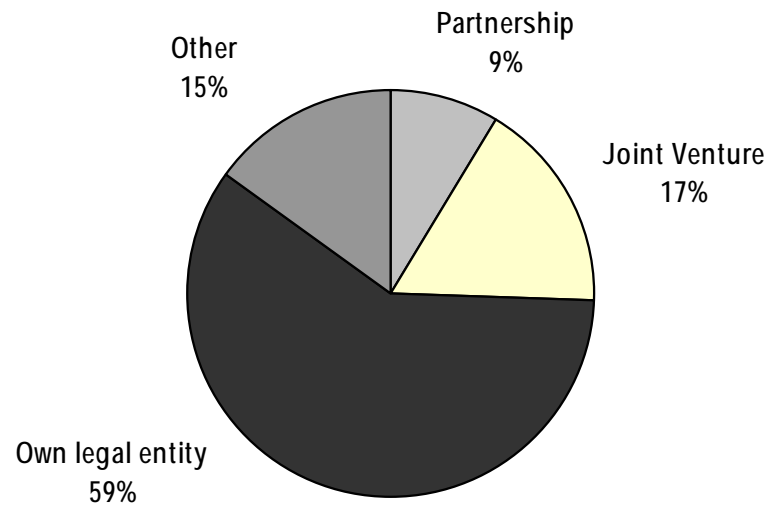


...AND ARE PLANNING TO ESTABLISH OFFICES AT SEVERAL LOCATIONS



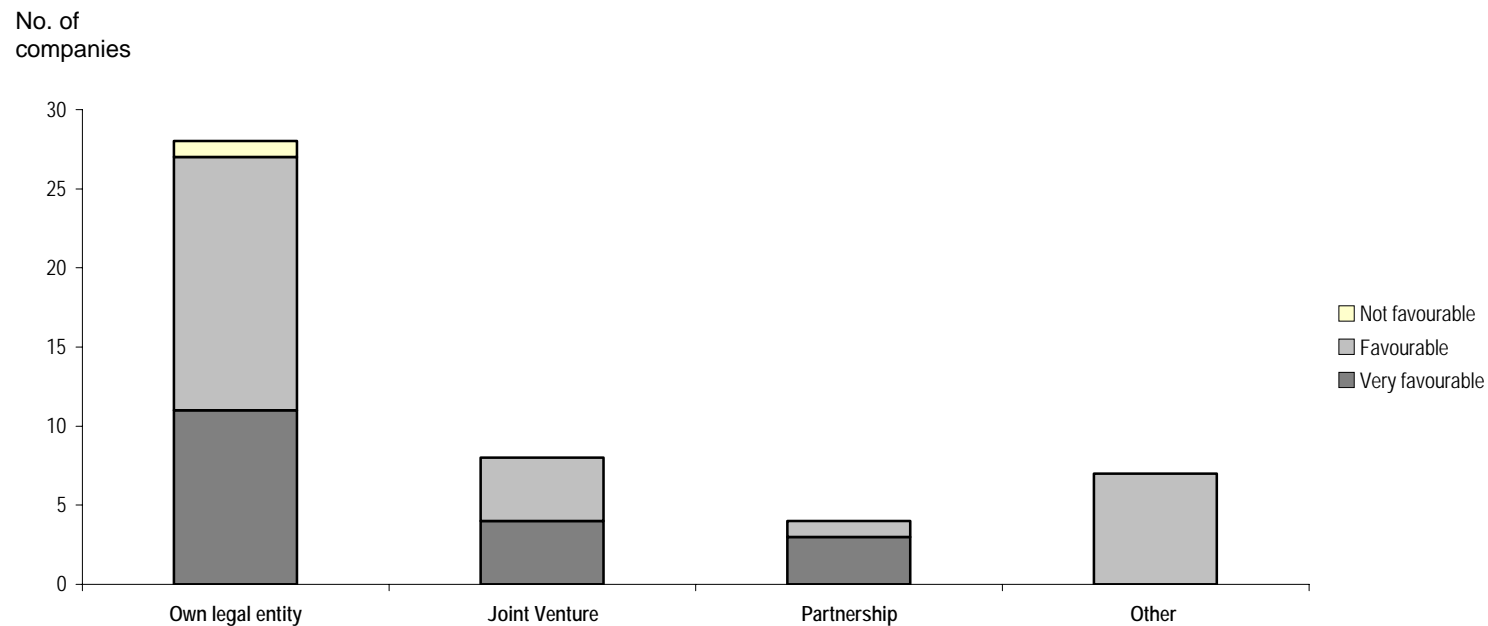
Bangalore, Kolkata, Chennai and Ahmedabad are interesting as new locations for already established Swedish companies in India

OWN LEGAL ENTITY IS THE MOST COMMON FORM OF ESTABLISHMENT...



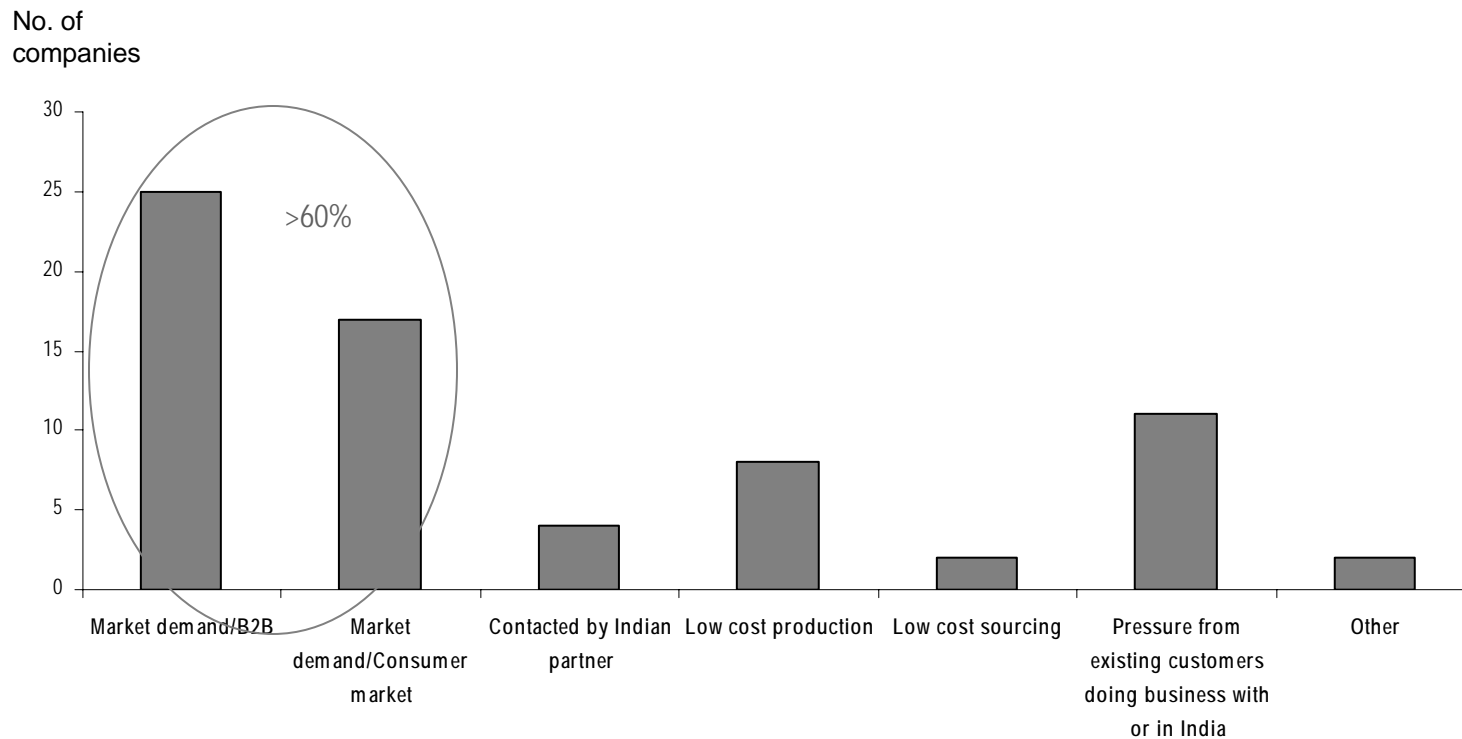
Nearly 2 out of 3 Swedish companies enters India with own legal entity

...AND AN OWN LEGAL ENTITY IS ALSO A FAVOURABLE FORM OF ENTRY



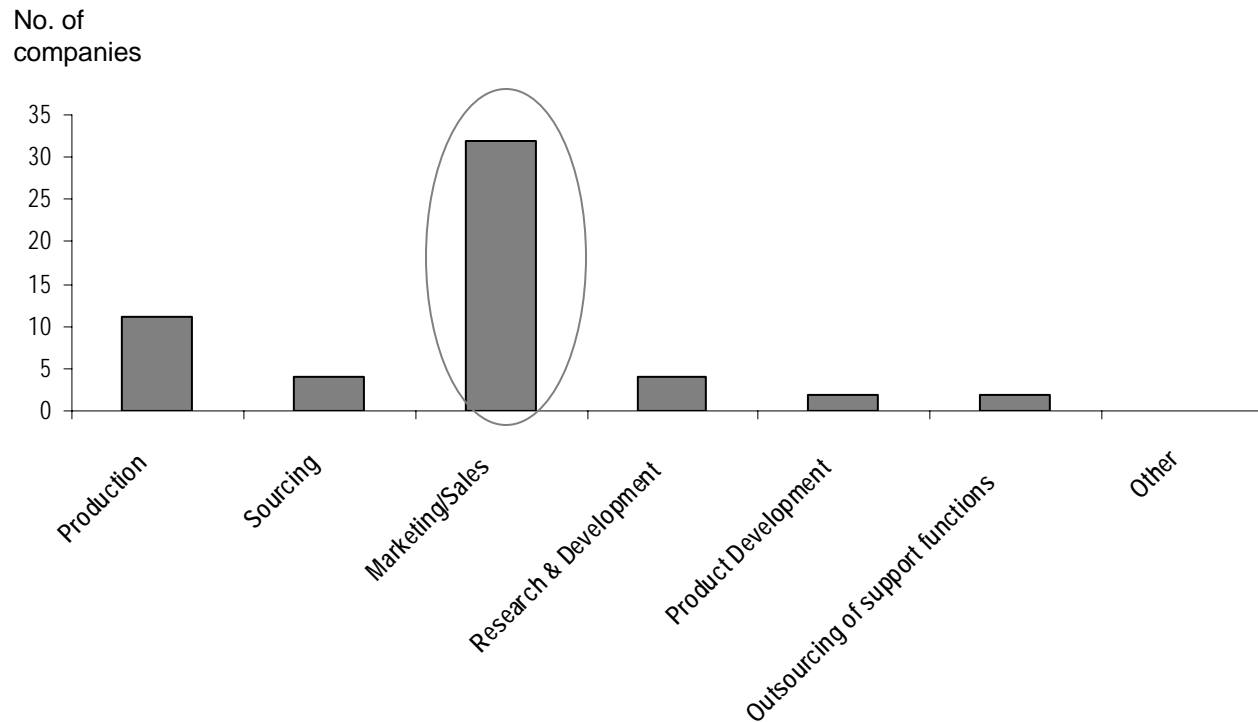
Swedish companies are generally happy with the way they entered India

B2B AND CONSUMER MARKET ARE THE MOST IMPORTANT DRIVERS FOR BUSINESS IN INDIA



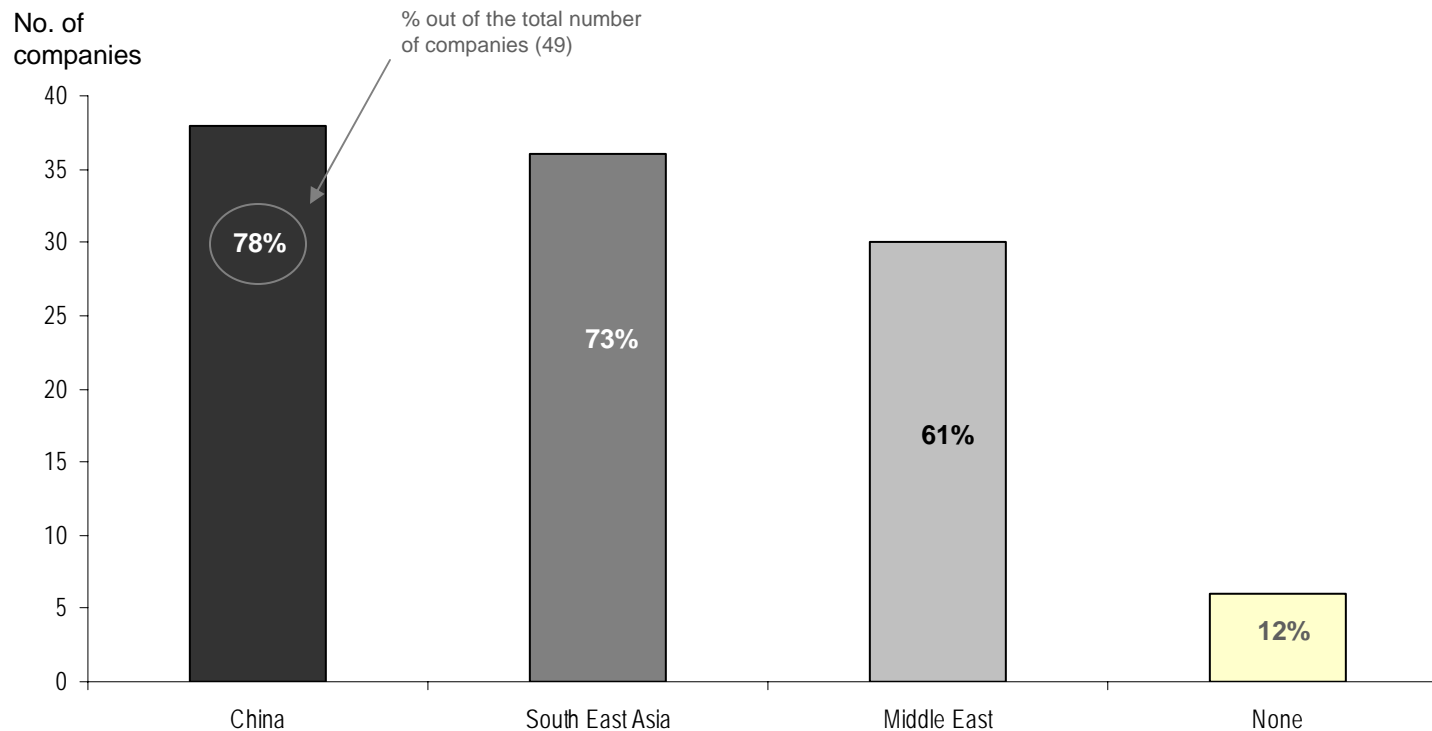
Low cost production is not the primary factor for doing business in India

MARKETING AND SALES IS THE CORE BUSINESS FOR ALMOST 60% OF THE SWEDISH COMPANIES



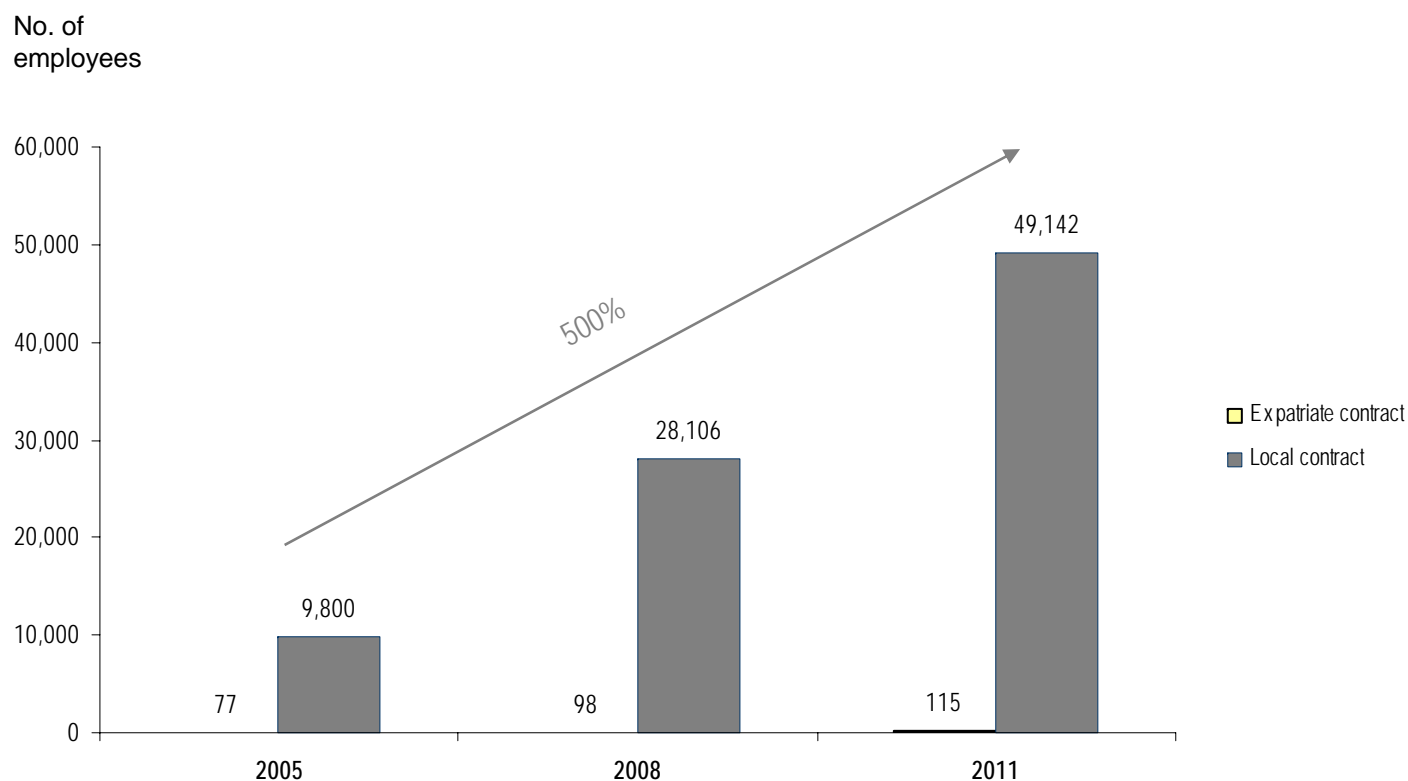
Production in India is the primary activity of about 20% of the Swedish companies. These companies are typically large-sized companies.

SWEDISH COMPANIES IN INDIA ARE USUALLY REPRESENTED IN OTHER ASIAN COUNTRIES AS WELL



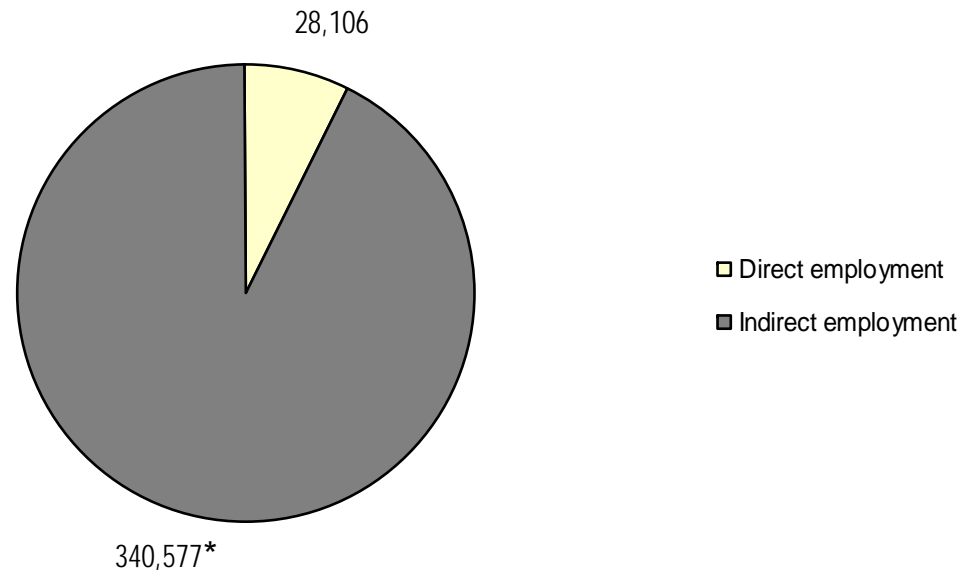
More than 3/4 of the Swedish companies in India also operates in China, compared to 1/6 of the Swedish companies in China also operating in India *Source: STC*

IN A SIX YEAR-PERIOD THE NUMBER OF LOCAL EMPLOYEES OF SWEDISH COMPANIES WILL INCREASE FIVE TIMES



The numbers only represent 47 Swedish companies answering the related question, equal to 49% of all Swedish companies in India

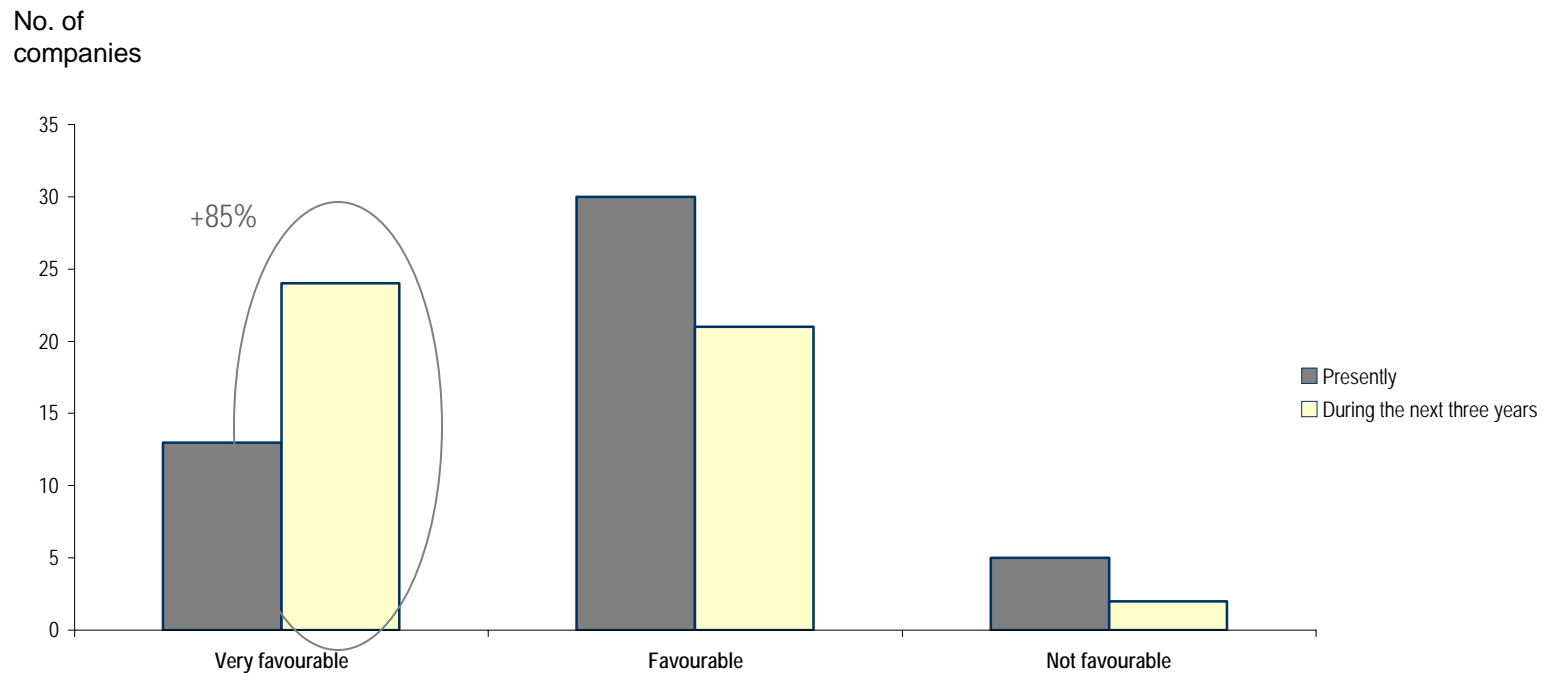
SWEDISH COMPANIES INDIRECTLY EMPLOY MORE THAN 12 TIMES TODAY'S EMPLOYMENT FIGURE



With the same growth as today's estimate for direct employment, Swedish companies will indirectly employ more than ½ million Indians in three years time

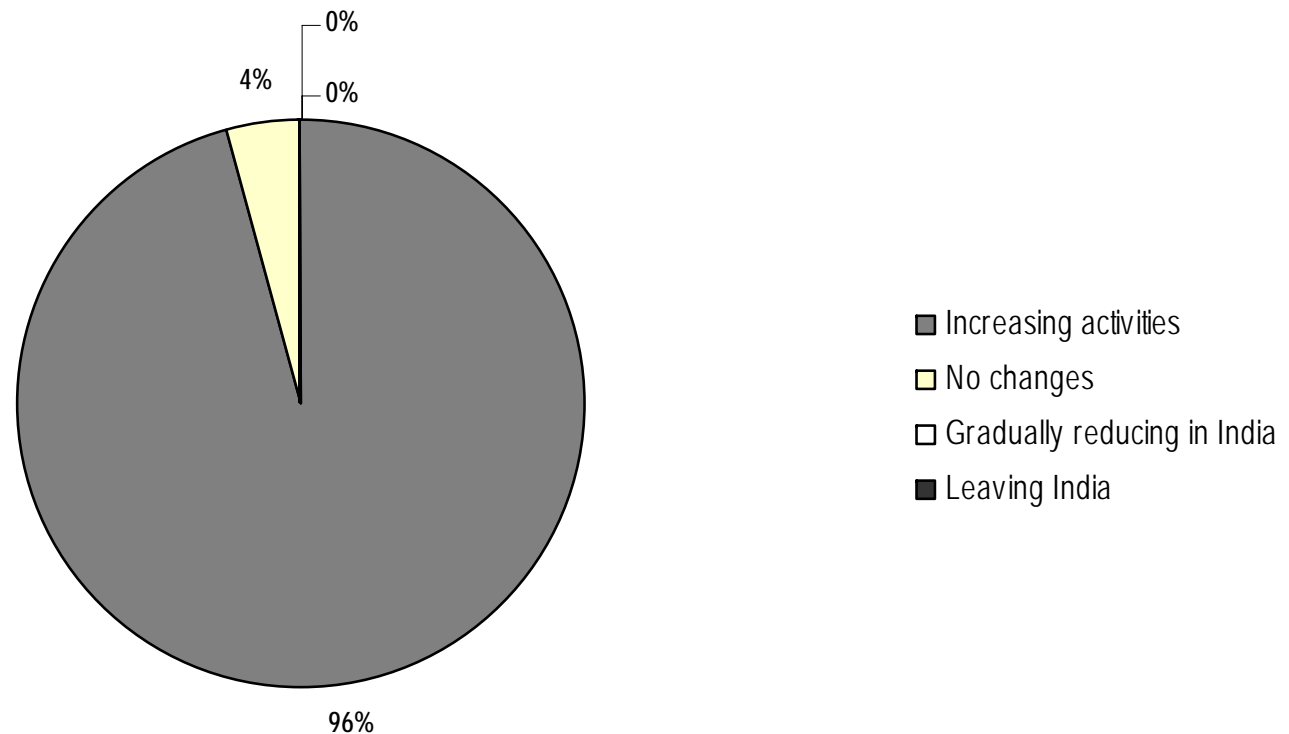
* Reflects only 36 out of the 49 Swedish companies participating in the survey

95% OF SWEDISH COMPANIES IN INDIA CONSIDER THE PRESENT BUSINESS CLIMATE FAVOURABLE OR VERY FAVOURABLE



Swedish companies expects the future business climate in India to improve

ALMOST ALL SWEDISH COMPANIES WILL INCREASE THEIR ACTIVITY IN INDIA IN THE COMING THREE YEARS



No company is planning to reduce their activities or leave India

INVESTMENTS IN INDIA BY SWEDISH COMPANIES ARE EXPECTED TO MORE THAN DOUBLE IN THREE YEARS TIME

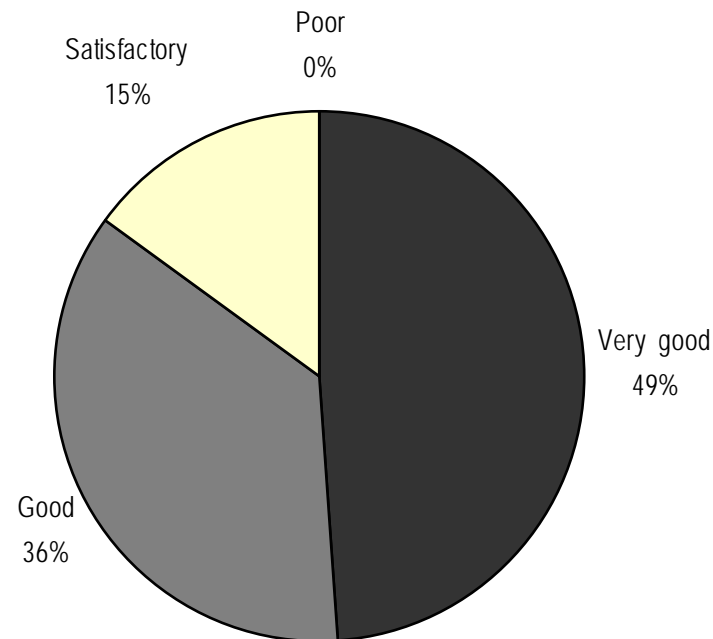
Period	Value (USD)
2004 – 2007*	509,000,000
2008 – 2011 (est.)**	1,058,000,000

* Reflects only 31 out of the 49 Swedish companies participating in the survey

** Reflects only 32 out of the 49 Swedish companies participating in the survey

10 companies stand for 90% of the expected investment figure 2008-2011

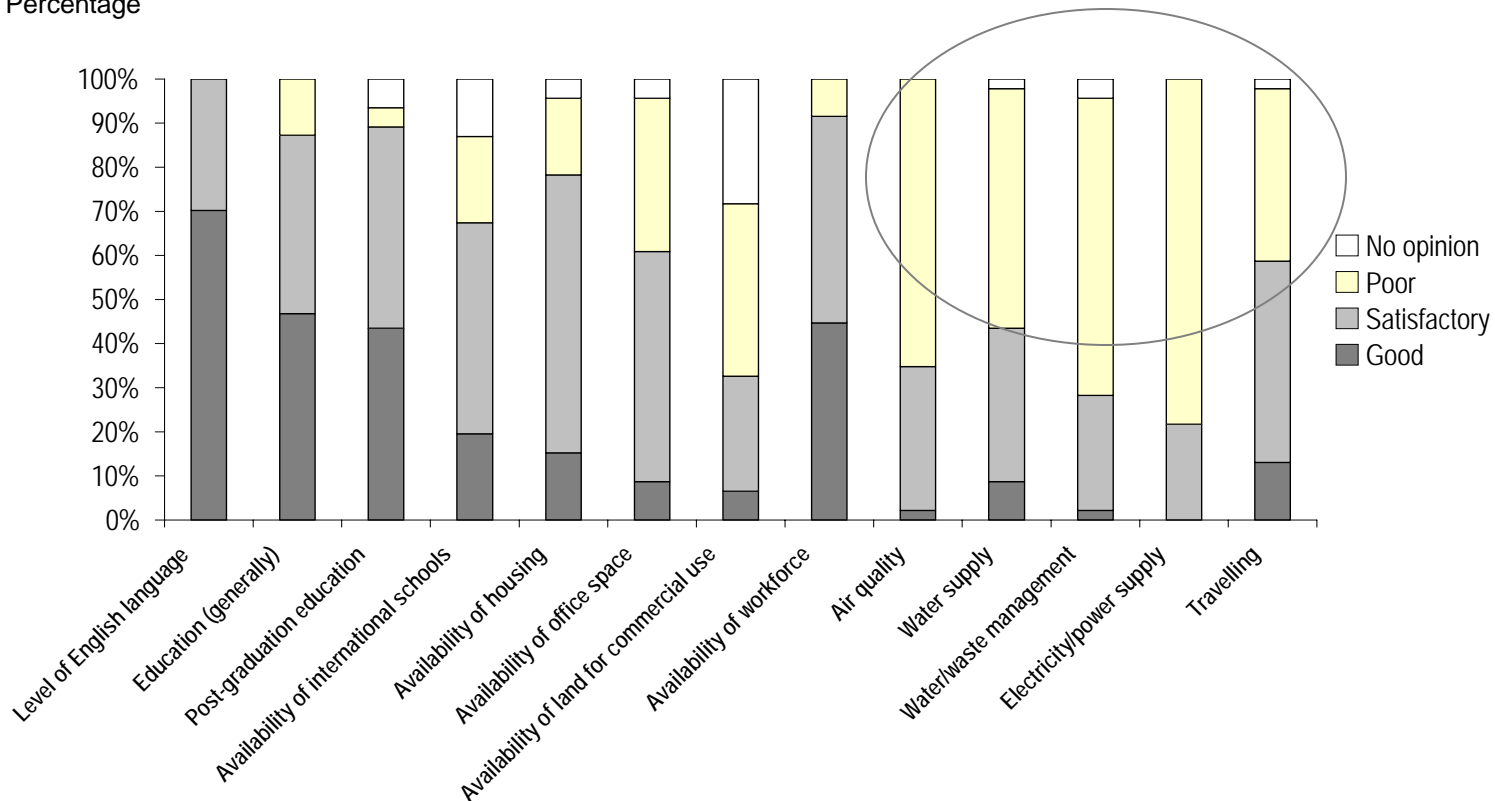
SWEDISH COMPANIES FORESEE VERY GOOD TO GOOD PERFORMANCE IN INDIA IN THE COMING THREE YEARS



The future business climate in India is very bright according to Swedish companies

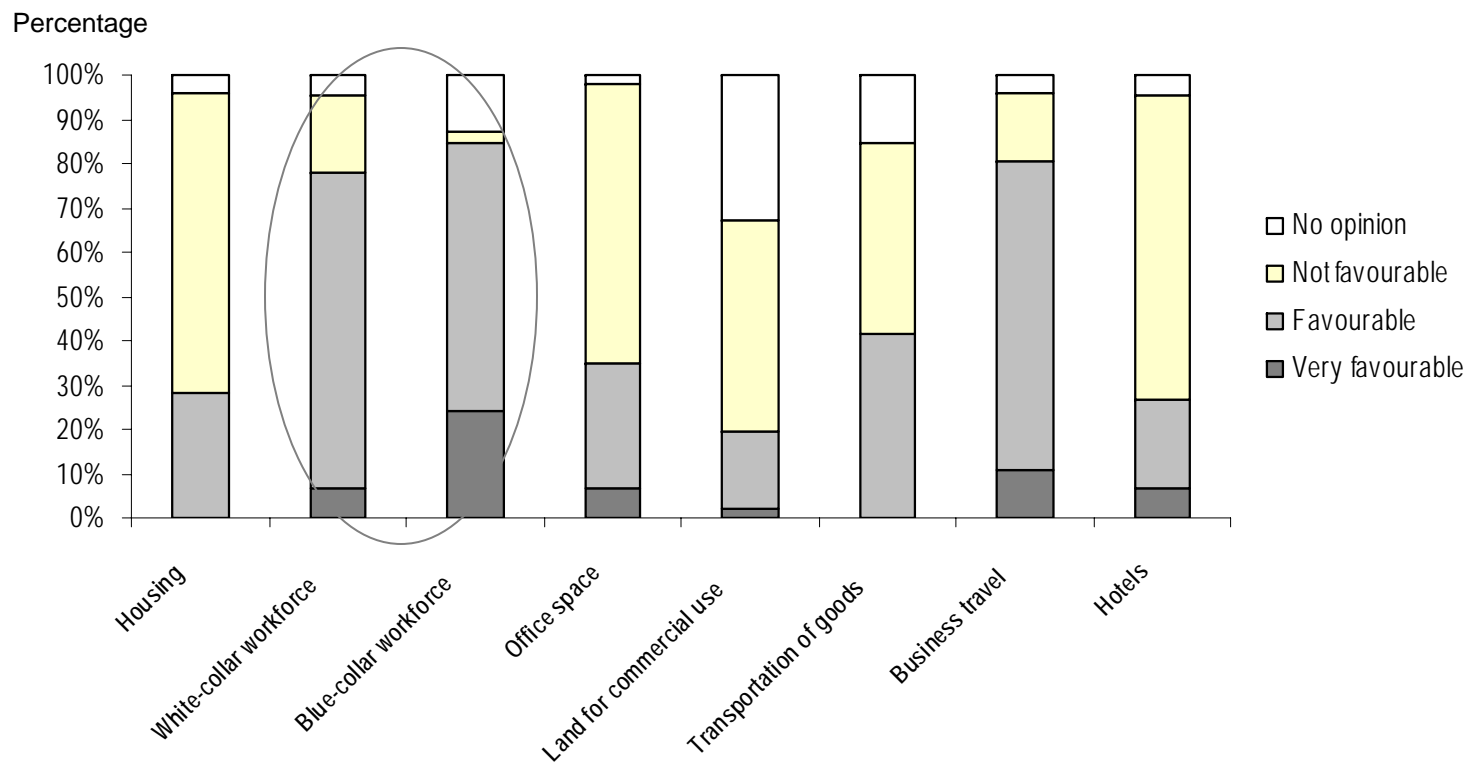
INDIA HAS GOOD AVAILABILITY OF AN ENGLISH SPEAKING AND EDUCATED WORKFORCE, BUT SUFFERS FROM POOR AIR QUALITY, WATER SUPPLY PROBLEMS AND POWER CUTS

Percentage



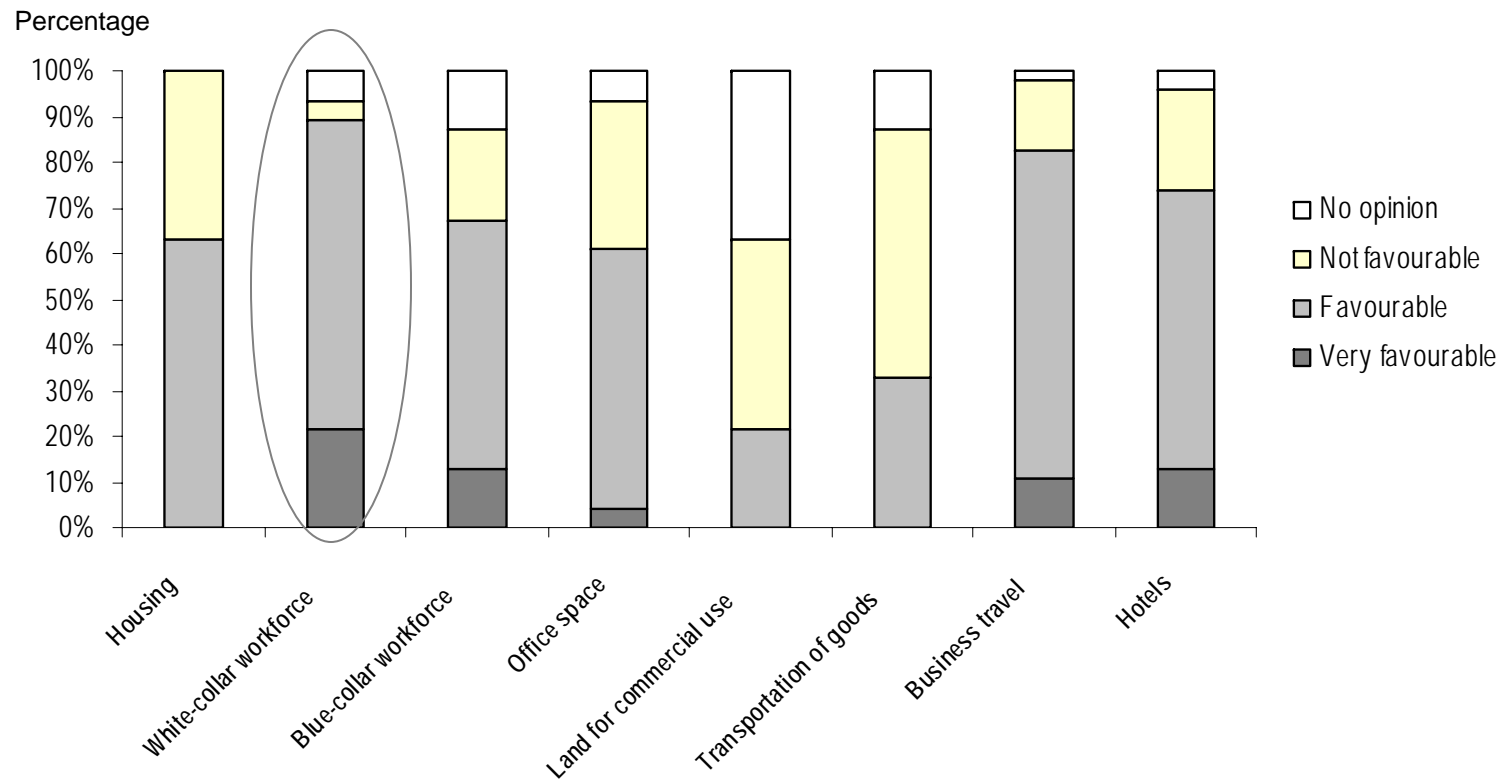
Finding good land for commercial use/office space and travelling is not always easy

HOUSING, OFFICE SPACE, LAND, TRANSPORTATION OF GOODS AND HOTELS ARE CONSIDERED COSTLY



India is still considered a low-wage country

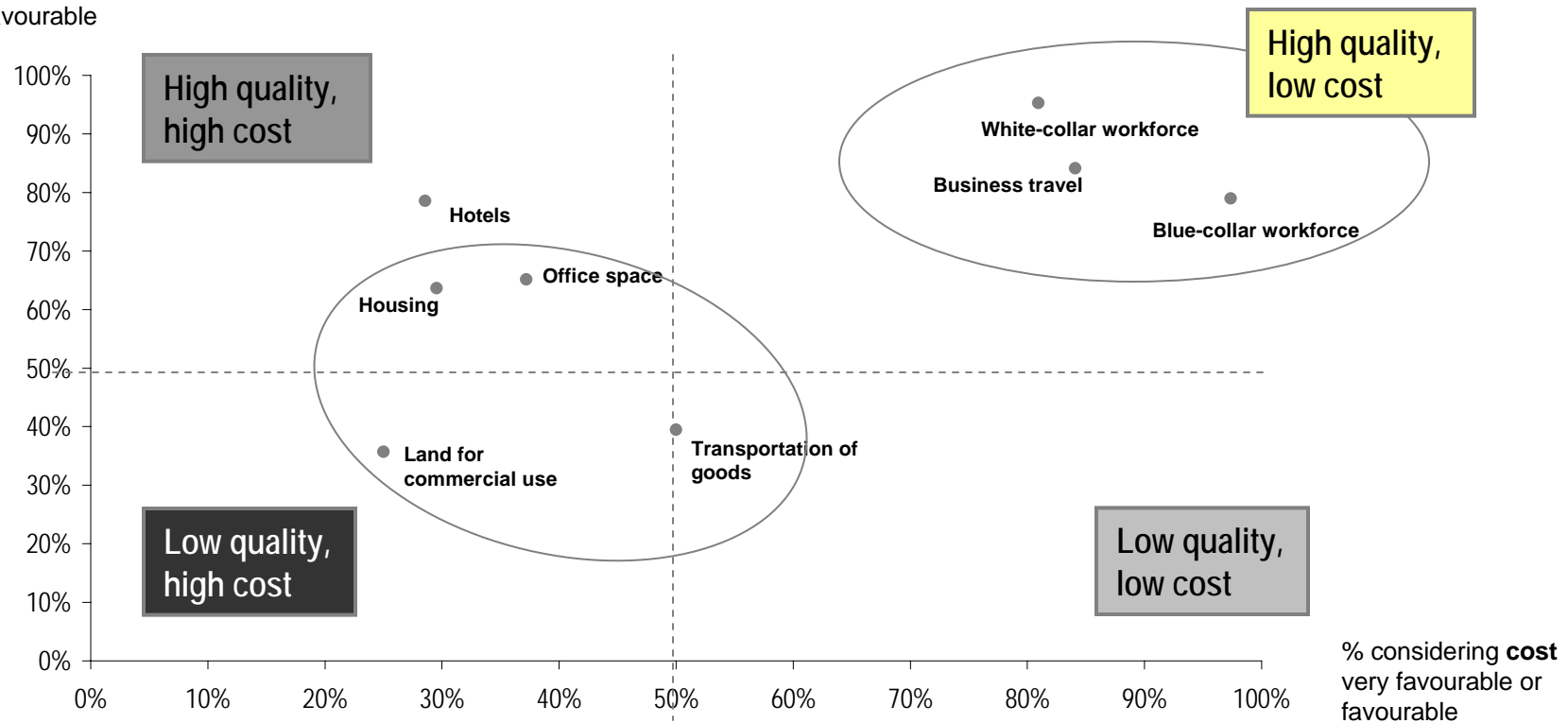
HOUSING, OFFICE SPACE, LAND FOR COMMERCIAL USE AND TRANSPORTATION ARE CONSIDERED LOW QUALITY



White-collar workers show high quality

HOUSING, OFFICE SPACE, LAND AND TRANSPORTATION ARE COSTLY COMPARED TO QUALITY

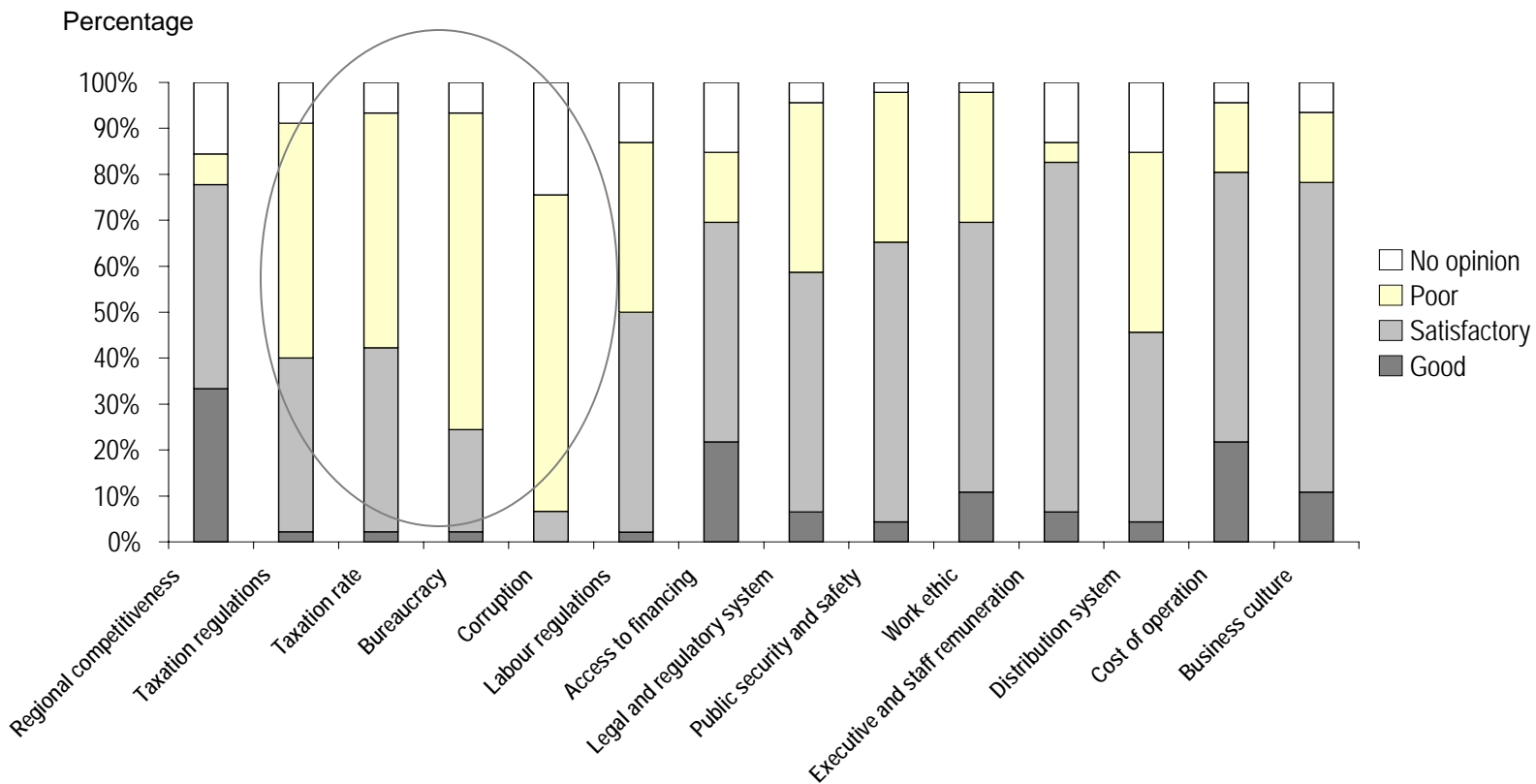
% considering **quality**
very favourable or
favourable



Only companies with an opinion about both cost and quality are included

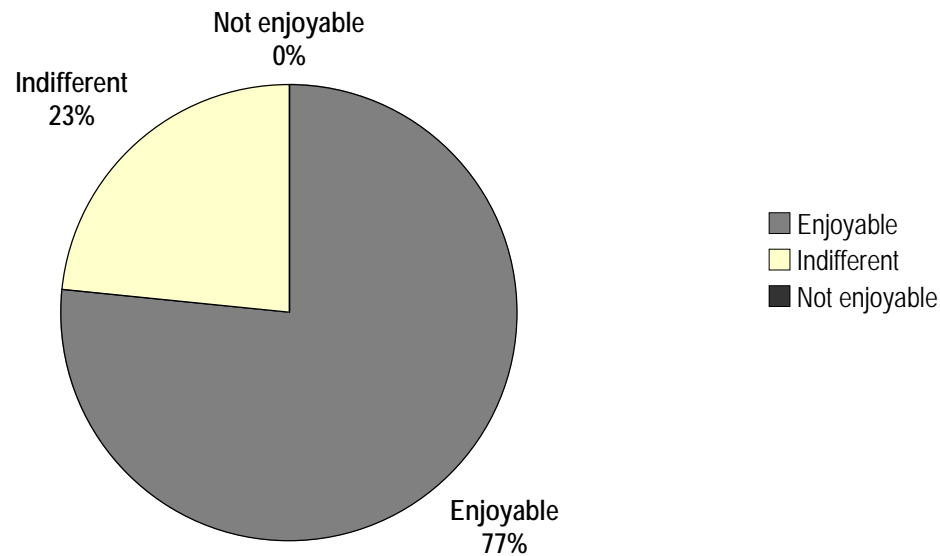
"Costs are rapidly touching international levels without the requisite quality" *Anonymous*

BUREAUCRACY, CORRUPTION, HIGH TAX AND TAX STRUCTURE ARE THE MAIN OBSTACLES FOR SWEDISH COMPANIES IN INDIA



70% of the Swedish companies are experiencing red tape and corruption

MORE THAN 3/4 OF SWEDISH COMPANIES ENJOY DOING BUSINESS IN INDIA



Doing business in India is rewarding

EVERY SECOND COMPANY FACE NO PROBLEM WHEN ESTABLISHING BUSINESS IN INDIA

Problems that some companies do face include:

Non-transparent regulatory issues

Corruption

Long incorporation process

Ineffective and over-complicated
bureaucracy

Taxation problems

Complicated Visa and Foreign
Registration (FRRO) process

"New company has no history in India"

Anonymous

IMPORTANT LESSONS LEARNED BY AND ADVICES FROM SWEDES DOING BUSINESS IN INDIA

Bring patience	Patience is a virtue that needs to be exercised often in India
Study the market	Use the support from the Swedish Trade Council, Swedish Chamber of Commerce India
Take a long term view	Time is not the accorded the same importance as elsewhere in the world - time is considered an extendable thing
Cost is an important criteria	Indian consumers are cost sensitive
Be aware of bureaucracy	Non-transparent, over-complicated and ineffective

IMPORTANT LESSONS LEARNED BY AND ADVICES FROM SWEDES DOING BUSINESS IN INDIA

Taxation & duty systems	The taxation framework in India is very cumbersome
Very poor infrastructure	Infrastructure and environment are not accorded the necessary attention – important to consider when transporting goods
If entering with partner	Be thorough in screening of local partners and choose carefully
Learn how to negotiate	Learn a lot of negotiation techniques - you will need them work wise and in private
Long term relationships are important	Strong persuasive and network channels are required

IMPORTANT LESSONS LEARNED BY AND ADVICES FROM SWEDES DOING BUSINESS IN INDIA

Hire the right people	Hire for attitude, train for skills
India is India	Have an open mind and embrace the Indian reality
Incorporation process	The initial phase for forming a company is a very tedious task
Corruption	In India, most of the business works through influence. Anything is possible, but everything has a price tag
Great market opportunities	India has a huge potential for growth