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COUNTRY DOSSIER

Japan

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Country Dossier - Japan

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Close to three-fourths of Japanese companies in India are planning to expand their operations and hike their investments in India over the next two years, according to a recent survey conducted by Japan External Trade Organization (JETRO). It is now expected that the total number of Japanese companies in India will grow with this expansion, facilitating more SMEs to enter India. Besides business expansion Japanese companies are also keen to take advantage of tax incentives offered by the Production Linked Incentive (PLI) scheme and the integrated Japanese industrial townships model that is now under the Japan-India Investment Promotion Partnership programme. Meanwhile, the India-Japan Industrial Competitiveness Partnership between the Japan Ministry of Economics, Trade and Industry, and India's DPIIT aims to identify and reduce investment hurdles in specific industrial sectors.

G2G initiatives

Tokyo has expressed interest in setting up joint infrastructure development projects abroad with India. Saito Mitsunori, Chief Representative of Japan International Cooperation Agency (JICA) in India, pointed to possible collaboration in India's immediate neighbourhood in countries like Nepal and Bangladesh where both countries have already undertaken projects.

Semiconductor companies from Japan plan to explore investment opportunities in the Indian market. Takuma Otaki of the Japan External Trade Research Organization (Jetro) said a business delegation, including semiconductor firms, is planning to visit India after March to scout for potential investments. Otaki, who serves as director at Jetro's Delhi office, said Japanese semiconductor firms are interested in jointly working with Indian companies in developing and designing chips

The Japan government-run Japan External Trade Organization (JETRO) India's Chief Director General Takashi Suzuki said that Indian companies acquiring Japanese SMEs could be one of the kick offs to promote bilateral business relations, and to raise the number of Japanese SMEs in India.

Japan is all set to further strengthen its bilateral and multilateral defence exchanges with India. Japan is planning to export to India stealth antennas equipped on a new Maritime Self-Defense Force destroyer which is expected to be the first export case under a Japan-India agreement on defense equipment and technology transfer signed in 2015.

Japan is also eager to increase its defense equipment and technology exports to prop up the domestic defense industry that will include service-to-service exchanges in a broad range of fields including maritime and cyber security. Japanese Prime Minister Fumio Kishida had in March announced an investment plan of Rs 3,200 billion ($42 billion) in India in the next five years.

Sectoral Synergies

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Automobiles/ Green Technologies

- Suzuki Motor Corporation's upcoming electric cell plant in Gujarat and a new vehicle manufacturing plant in Haryana will entail an investment of over Rs 300 billion. The company is also setting up a new global research and development arm in India. Suzuki Motor also plans to leverage the global resources of the Japanese parent and its alliance partner, Toyota Motor, to increase its overseas shipments, which in the last fiscal year accounted for a little over 40% of the exports from India.
- For Suzuki and Toyota, India is set to become a key sourcing hub for not just vehicles, but also for components, including lithium-ion cells for electric vehicles. Maruti Suzuki aims to export vehicles and components worth up to USD 2.5 billion in the next three years.
- Toyota is set to expand its footprint in the green mobility space with the introduction of multiple electrified products in the mainstream market to help cut crude imports and vehicular emissions in India. The Japanese carmaker had jumped on to the green mobility bandwagon with the launch of its first strong hybrid vehicle earlier this year.
- Honda Motorcycle & Scooter India (HMSI) is looking at riding the EV wave with the launch of an entry-level product priced below its best-selling scooter Activa. The company plans to start its battery sharing service for electric rickshaws in India besides charting out strategy to bring its electric two-wheelers in future. It will also launch flex-fuel bike models in India by 2023.

Transport/ Infrastructure

- Hitachi Rail has won a bid to run automatic Metro train operations at Chennai. This signalling tender worth Rs 16.20 billion would enable automatic driverless train operations. Hitachi Rail STS SPA and Hitachi Rail STS India Pvt Ltd has been awarded the bid for the 'design, manufacture, supply, installation, testing and commissioning of signalling, train control and video management system.
- Mitsui & Co Ltd. Bagged the contract for supplying head-hardened rails for laying tracks on two stretches of the Phase II project for Chennai Metro Rail Ltd. (CMRL). The rails will be specially designed and will require minimal maintenance with a longer lifespan.
- The Japan International Cooperation Agency (JICA), which has been lending to Delhi Metro Rail Corporation (DMRC) since its inception, will continue to consider the upcoming metro corridors. The Japanese Lending agency is considering the upcoming three corridors under the fourth phase of expansion of DMRC (in the National Capital Region) at an estimated cost of Rs 240 billion.

Energy

- Hitachi Energy will supply power transformers to NTPC Renewable Energy Limited (NTPC REL) for its upcoming 4.75 Gigawatt renewable energy park in Gujarat. It will provide ten transformers manufactured at its factory in Vadodara.
- Japan's MUFG Bank, has executed a Rs 4.50 billion sustainable trade finance facility for Tata Power, the company said today. This credit facility was extended for the solar projects under TP Kirnali Limited (TPKL). Incorporated in 2020, TPKL is a 100% owned subsidiary of Tata Power Renewable Energy Limited (TPREL), a clean energy platform.

Sectoral Synergies

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Mergers & Acquisitions

- Japan's leading financial services player Credit Saison Company invested Rs 5.40 billion in its wholly owned local subsidiary, Credit Saison India, signalling its intent to enhance exposure in the world's fastest-expanding major economy. This takes the total investment by the Japanese parent and its affiliates to Rs 16 billion into Credit Saison India, which expanded its portfolio of assets to Rs 50 billion in four years.
- Torrent group is planning to make an offer for Reliance Nippon Life Insurance Company (RNLIC), a 51:49 joint venture between Reliance Capital (RCap) and Nippon Life of Japan. Reliance Nippon is amongst the leading private sector life insurers with a private sector market share of 1.1 per cent, in terms of new business premium, according to Reliance Capital annual report. The total premium for the 2021-22 financial year stood at Rs 50.37 billion against Rs 47.36 billion reported in the previous year.
- Larsen & Toubro (L&T) bought the entire stake held by Chiyoda Corporation in L&T-Chiyoda Ltd for Rs 750 million.
- Japanese beverages group Kirin Holdings has increased its stake in India's B9 Beverages, the maker of Bira 91 beer, to close about 20% from 10% by investing an additional Rs 5.70 billion in the company, valuing the beer maker at USD 550-600 million post the fundraiser.
- Sumitomo Mitsui Financial Group is among other global banks keen on buying stakes of state equity in IDBI Bank. Sumitomo Mitsui Financial Group is present in India through its subsidiary Sumitomo Mitsui Banking Corporation. It also owns a majority stake in Fullerton India Credit Company, a non-bank finance company
- Japanese semiconductor manufacturer Renesas, a global leader in microcontrollers is acquiring India's Steradian Semiconductors which is into 4D imaging radar solutions,. The acquisition will help Renesas expand its reach in the radar market and boost automotive and industrial sensing solution offerings.
- Travel and hospitality technology services provider RateGain Travel Technologies Ltd has entered into a pact to buy data exchange platform Adara Inc for USD 16.1.

Manufacturing

- Japan's biggest steelmaker Nippon Steel Corp plans to almost double crude steel output capacity at its India's Hazira plant to secure more of the growing market. Nippon Steel would also consider further expanding Hazira and building a new steel mill in eastern India.
- SMI a subsidiary of Japan's Shibaura Machine, the leading manufacturer of high-precision injection moulding machine in the world, has announced its plans to invest Rs.2.25 billion in India primarily to expand its manufacturing capacity in Chennai.
- Daikin Industries Ltd is currently building a third factory in India, investing 15 billion yen in a facility that can produce 3 million units a year. The company is seeking to ramp up production for domestic buyers, as well as for export to the Middle East and Africa.

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