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THE SWEDISH TRADE & INVEST COUNCIL



PERSPECTIVE ON DOING BUSINESS IN INDIA

HOW TO CAPTURE OPPORTUNITIES IN THE INDIAN RAILWAY SECTOR

09 May 2017

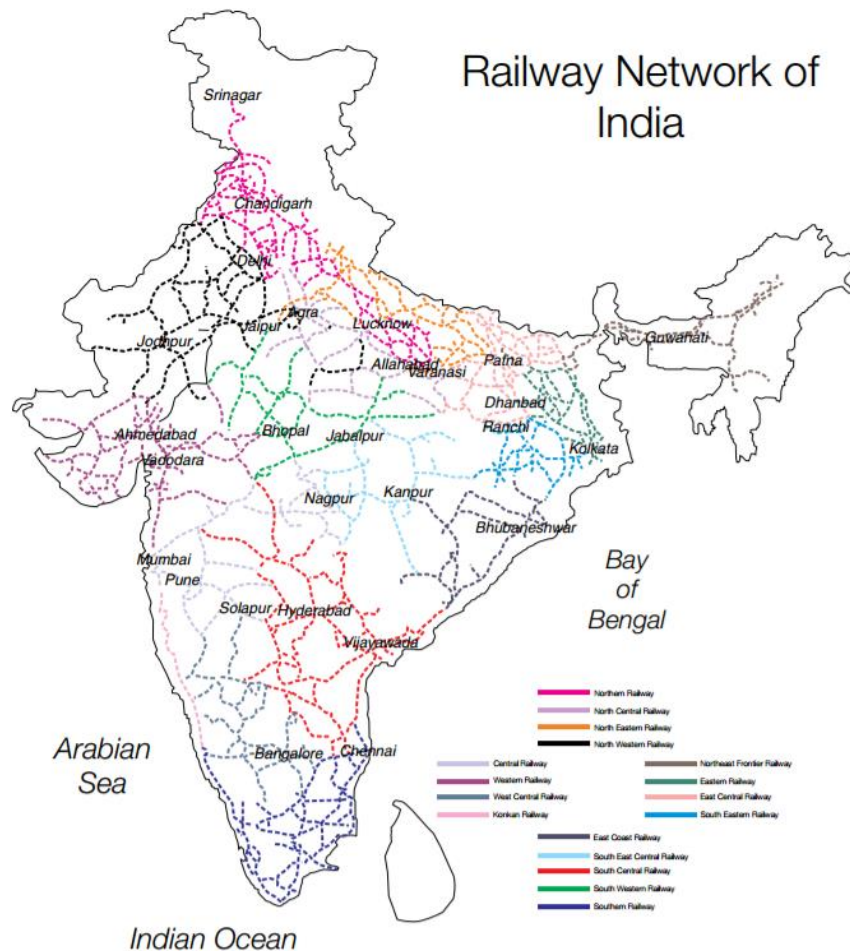
Business Sweden

SCOPE

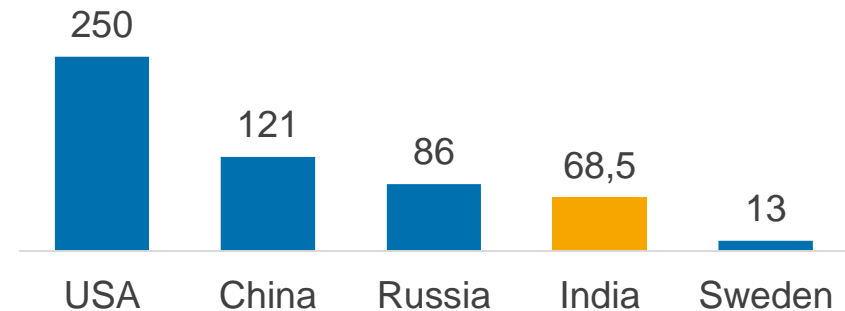
- ▶ Indian Railways – India's lifeline for passenger and cargo movement
- ▶ Winds of change: Opportunities for Foreign Companies
- ▶ Perspective on doing business in India
- ▶ Key railway exhibitions and fairs



INDIAN RAILWAYS IS MOST PROMINENT MODE OF TRANSPORT IN INDIA



RAILWAY NETWORK LENGTH
(‘000 KM)



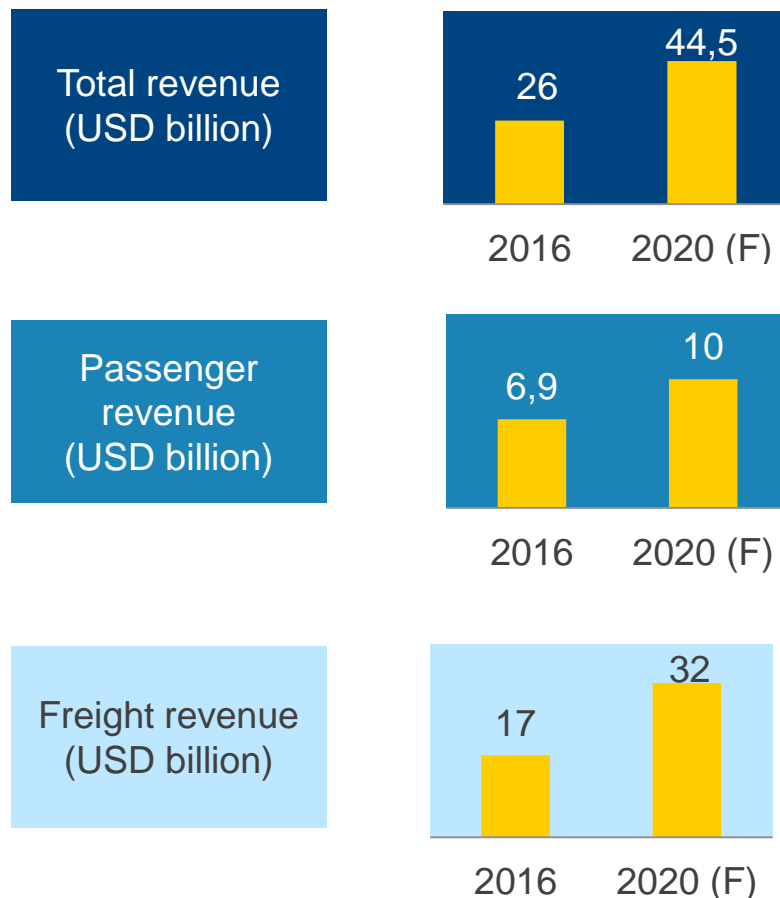
- ▶ Indian Railways (IR) has world's fourth largest rail network transporting almost 22 million passengers daily
- ▶ A highly functional organization – operates **21,000 trains** in a day
- ▶ IR is world's eight biggest employer - employs about 1.3 million people
- ▶ With total route length of 68,525 km, **41%** (28,327 km) is electrified – aim to electrify additional 24,000 km in next 5 years
- ▶ Carried over 1150 million tonnes of freight in 2015-16- expected to reach 2100 million tonnes by 2020

SOURCE: MINISTRY OF RAILWAYS; RAIL ANALYSIS



GROWTH IN FREIGHT TRANSPORT REVENUE WILL OUTPACE THAT OF PASSENGER SEGMENT REVENUE

INDIAN RAILWAYS GROWTH ESTIMATES



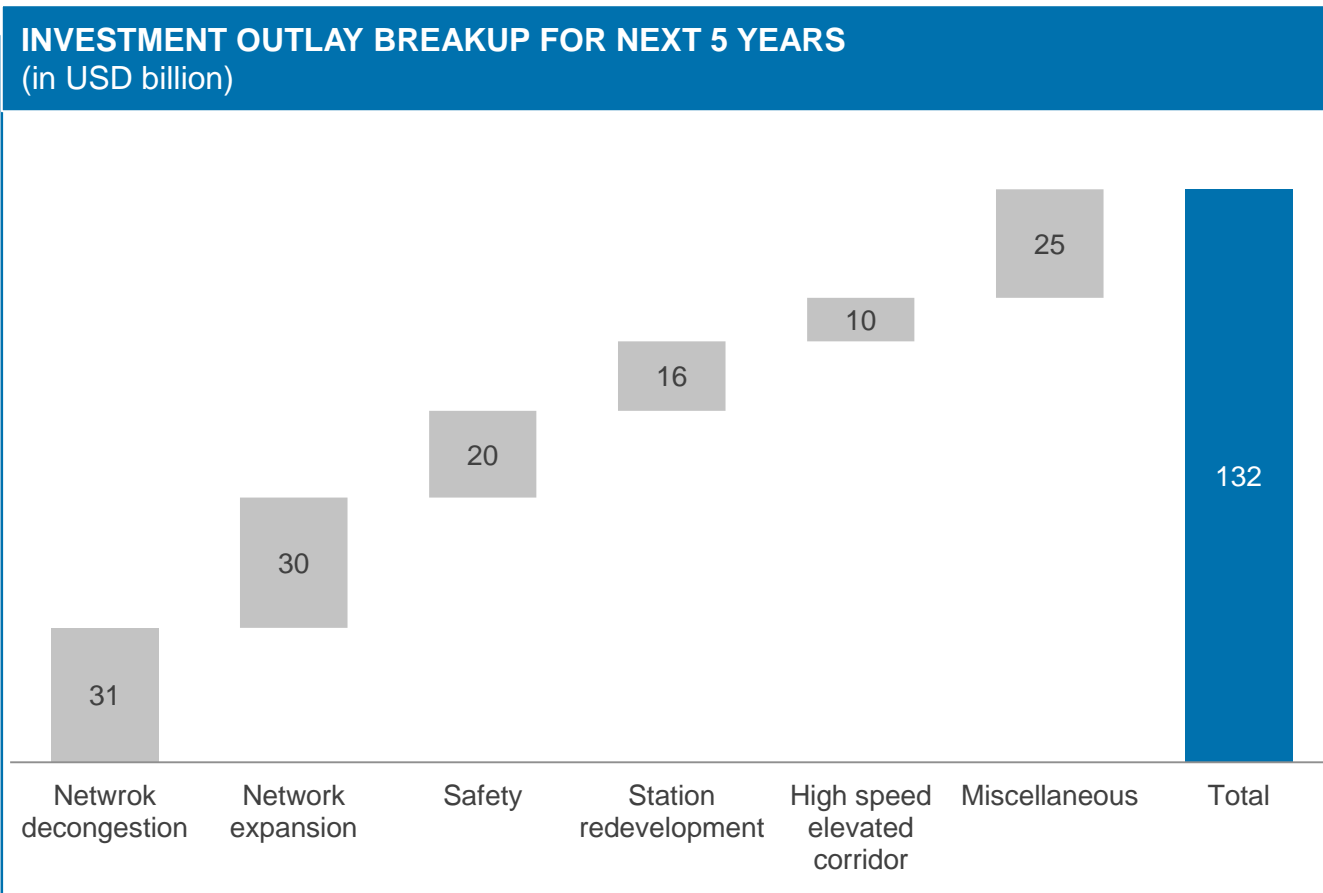
- ▶ Freight revenue continues to be main source of income for IR accounting for over 65% of total revenue generated in 2016
- ▶ Rail freight traffic is expected to double from current levels (73.2 mn tonnes) by 2020
- ▶ Mainly driven by commodities including coal, food grains, iron, steel, petroleum products etc
- ▶ Revenue from passenger segment is estimated to grow at around 9 % PA to reach around USD 10 billion by 2020
- ▶ The long-term strategic plan of Ministry of Railways is to construct six high-speed rail corridors and three dedicated freight corridors
- ▶ Indian Railway also looking forward to include new avenues of revenue generation such as commercial development of land parcels, advertising on trains etc.

SOURCE: IBEF, BUSINESS SWEDEN ANALYSIS

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GOVERNMENT PLANS TO INVEST USD 132 BILLION BY 2020 TO TURBO-CHARGE GROWTH OF IR



- ▶ Modernization to focus on track, signaling, rolling stock, stations and terminals; using ICT for improving efficiency and safety
- ▶ MoU between Railways research wing - (RDSO) and Railway Technical Research Institute of Japan to carry out research work on acquiring modern technology
- ▶ 100% FDI under automatic route is permitted for the following:
 - ▶ High speed train projects
 - ▶ Dedicated freight corridors
 - ▶ Railway electrification & signaling systems
 - ▶ Freight terminals
 - ▶ Passenger terminals
 - ▶ Metro



RECENT RAIL BUDGETS OUTLINE AMBITIOUS MEGA PROJECTS AND INTELLIGENT SOLUTIONS



Track

- ▶ To provide capability for safe, secure and productive freight and passenger trains
- ▶ Mega projects on expansion and excellence – dedicated freight corridors by 2019 and first high speed train projects



Signalling

- ▶ Modern electronic signaling technologies for maximizing track utilization
- ▶ Satellite-based train tracking system to provide real-time information on train location and other trains



Safety

- ▶ USD 15 billion “National Rail Safety Fund” for a complete safety upgrade by 2022
- ▶ Aim to reduce accidents by with technologies like Train Protection Warning Systems and Train Collision Avoidance Systems
- ▶ Equipping anti-collision devices



ICT

- ▶ RFID for management of freight operation
- ▶ Project “One- ICT” to enhance and modernize services and operations
- ▶ CCTV surveillance at all stations by 2019



Station and coach development

- ▶ WiFi in 100 stations this year and 400 other stations next year
- ▶ Bio toilets for all coaches by 2019
- ▶ Mechanical cleaning of trains, stations and platforms
- ▶ Plans to build solar power plants in 200 train stations



R&D

- ▶ “Technology Mission on Indian Railways (TMIR)” in association with Department of Science & Technology
- ▶ MoUs/Protocols for technical cooperation in the rail sector with Sweden, France, Japan, Russia, UK and Germany

NETWORK DECONGESTION

DEDICATED FREIGHT CORRIDORS (DFC) ENVISIONED TO ENHANCE FREIGHT CARRYING CAPACITY OF INDIAN RAILWAYS

KEY FACTS

- ▶ Three new proposed DFCs by 2025 will approximately double the existing network of DFCs - requiring total investment of USD 46 billion
- ▶ As a progressive measure, 100% FDI under the automatic route is permitted for both dedicated freight lines and rolling stock manufacturing
- ▶ Special purpose vehicle – Dedicated Freight Corridor Corporation of India (DFCCIL) – has been setup and project to be funded through public private partnership model



CASE



- ▶ Alstom bagged system contract for Eastern Dedicated Freight Corridor from DFCCIL for Bhaupur (Kanpur)- Khurja Section
- ▶ Works include electrification, signalling and telecom works
- ▶ Work funded by World Bank and awarded through international competitive bidding
- ▶ Project Value: USD 230 million (INR 15 billion)

OPPORTUNITIES FOR FOREIGN COMPANIES

P&S*	<ul style="list-style-type: none"> • Power supply product, electronic interlocking, mobile train communication systems etc • Sub-suppliers to existing players including GE and Alstom
Services**	<ul style="list-style-type: none"> • Technical consulting, advance data management systems, designing services for high speed rail
CB^	<ul style="list-style-type: none"> • Advanced technical support/ collaboration with local construction companies/ service providers
R&D	<ul style="list-style-type: none"> • Energy optimisation, network management etc

SOURCE: VARIOUS SOURCES; BUSINESS SWEDEN ANALYSIS

*P&S - PRODUCT AND SOLUTIONS; **SERVICES –TECHNICAL CONSULTING, FEASIBILITY STUDIES AND MAINTENANCE SERVICES; ^CB - CAPACITY BUILDING



SAFETY

HIGH PRIORITY AREA DUE TO RECENT SURGE IN NUMBER OF TRAIN ACCIDENTS

KEY FACTS

- ▶ USD 15 billion “National Rail Safety Fund” for a complete safety upgrade by 2022
 - ▶ Mishaps at level crossings account for about 40 per cent of train accidents – aim to eliminate all unmanned level crossings by 2020
 - ▶ IR lacks sufficient safety features in 80% of Railway coaches
- ▶ Working towards Zero accident mission, IR plans to deploy the European Train Control System, aimed at preventing head-on collisions of trains, on 28 projects across the country in the next five years
 - ▶ Train Collision Avoidance System (TCAS) and Train Protection Warning System (TPWS) possible solutions



SOURCE: VARIOUS SOURCES; BUSINESS SWEDEN ANALYSIS

CASE

- ▶ French firm **THALES** started a pilot project last year involving Train Protection Warning System (TPWS), a technology meant to prevent train accidents due to drivers' failure
- ▶ Currently being implemented on 68-km long rail line near Chennai as pilot
- ▶ Indian Railways aims to functionalize TPWS on a total of approximately 7,900 km of main lines across the country

THALES

OPPORTUNITIES FOR FOREIGN COMPANIES

P&S*	<ul style="list-style-type: none"> • Train Protection Warning Systems and Train Collision Avoidance Systems • Components for high speed • Warning systems for unmanned level crossings
Services**	<ul style="list-style-type: none"> • Ultrasonic testing of rail and welds • Monitoring track geometry
R&D	<ul style="list-style-type: none"> • Collaboration with local component manufacturers for high speed stock

*P&S - PRODUCT AND SOLUTIONS; **SERVICES –TECHNICAL CONSULTING, FEASIBILITY STUDIES AND MAINTENANCE SERVICES; ^CB - CAPACITY BUILDING



GLOBAL E-TENDERS BY INDIAN RAILWAYS PROVIDE DIRECT ACCESS FOR FOREIGN COMPANIES

PRE- RFP

For technical specifications and approvals

RDSO

(<http://www.rdsso.indianrailways.gov.in>)

- ▶ Research Designs and Standards Organization (RDSO) is a technical advisor to Railway Board, Zonal Railways and Production Units
- ▶ It has following functions:
 - ▶ Development, adoption and absorption of new technology for use on Indian Railways
 - ▶ Development of standards for materials and products needed by Indian Railways
 - ▶ Technical investigation, statutory clearances, testing and providing consultancy services
 - ▶ Inspection of critical and safety items of rolling stock, locomotives, signaling & telecommunication equipment and track components

POST- RFP

For tendering and commercial bidding

Indian Railways E-Procurement System - IREPS (<http://www.ireps.gov.in>)

- ▶ Official portal of Indian Railways for procurement of Goods, Works & Services, Sale of Materials, and Leasing of Assets through the process of E-Tendering, E-Auction or Reverse Auction
- ▶ It caters to requirements of all Zonal Rlys. and Production Units of Indian Railways
- ▶ Registration of bidder on IREPS website is mandatory for submission of bids against tenders issued.
- ▶ Vendors registered with IREPS site can download tenders and submit bids for any of the Zonal Railways

SCOPE

- ▶ Indian Railways – India's lifeline for passenger and cargo movement
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INDIA - A NATION OF 29 STATES*, 7 UNION TERRITORIES, 19 LANGUAGES AND ALL RELIGIONS

The Republic of India

Native languages

- Hindi 41%,
- Bengali 8 %,
- Telugu 7 %,
- Marathi 7%,
- Tamil 6 %,
- Urdu 5%,
- Gujarati 5 %,
- Kannada 4 %,
- Malayalam 3 %,
- Oriya 3 %,
- Punjabi 3 %,
- Other 8 %



Religions

- Hindu 81 %,
- Muslim 13 %,
- Christian 2 %
- Sikh 2 %,
- Other 2 %

English knowledge

- 150 million speakers
- 350 million users

* In August 2013, the Indian Government passed a decision to create the 29th state, Telangana, through a division of the current state of Andhra Pradesh



DOING BUSINESS IN INDIA IS VERY DIFFERENT FROM IN SWEDEN

Ease of doing business ranking 2015, selected countries

Relative rank out of 189 surveyed countries



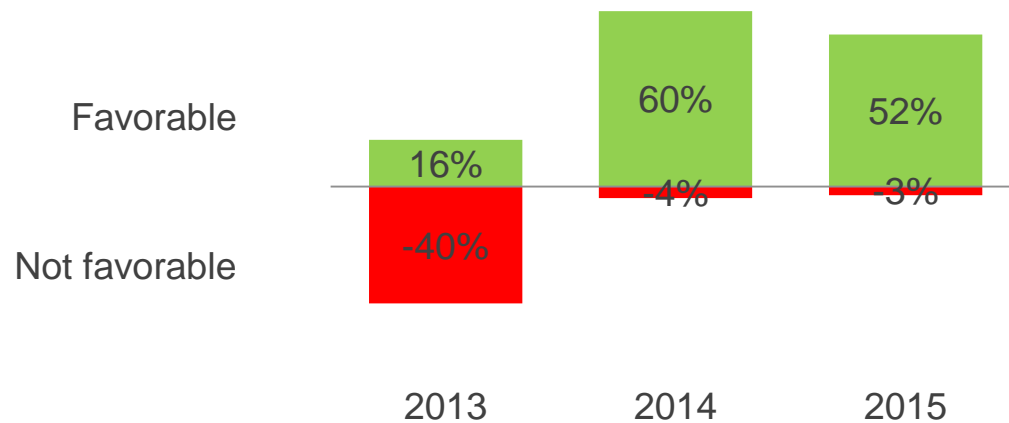
- ▶ India jumped to 130 from 142 in 2015 on ease of doing business, but has set a target to reach top-30 in the next three years
- ▶ The country has a long-standing problem with lack of transparency and widespread cronyism in the bureaucratic and state regulated sectors, most notable in
 - ▶ Getting construction permits, which is done by local boards and registering property
 - ▶ Enforcing contracts, where the legal system is notoriously slow
- ▶ Also, excessive regulation makes starting a business and paying taxes relatively difficult
- ▶ The educated middle class is putting pressure on politicians for more transparency and less corruption in these areas, igniting hope for change through democratic elections

SOURCE: THE WORLD BANK, ECONOMIC TIMES, BUSINESS STANDARD

SWEDISH COMPANIES FEEL THE CHALLENGE BUT HAVE A BRIGHT VIEW OF THE FUTURE

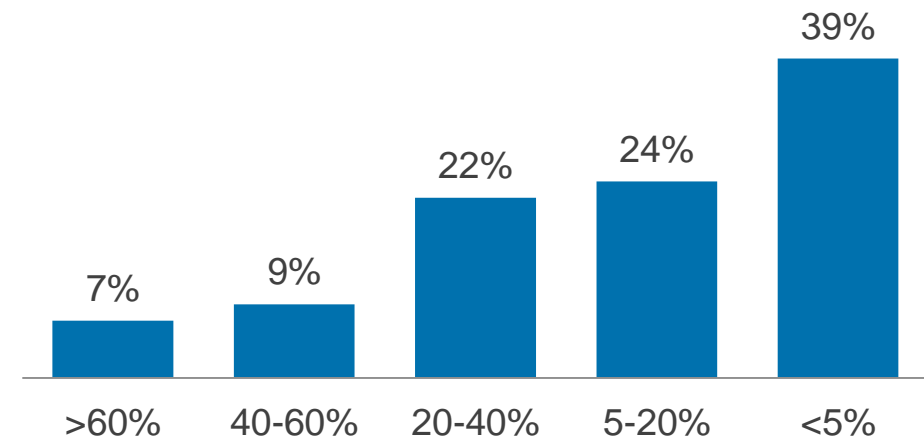
Perceived business climate

Share of companies response (Balance="Neutral")

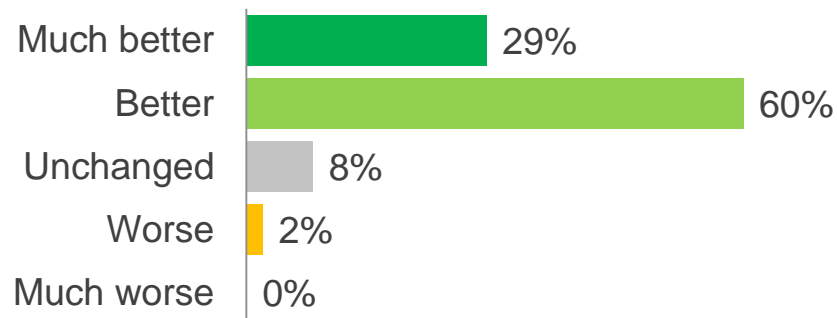


Estimated market share

Share of companies response



Expected business climate in three years



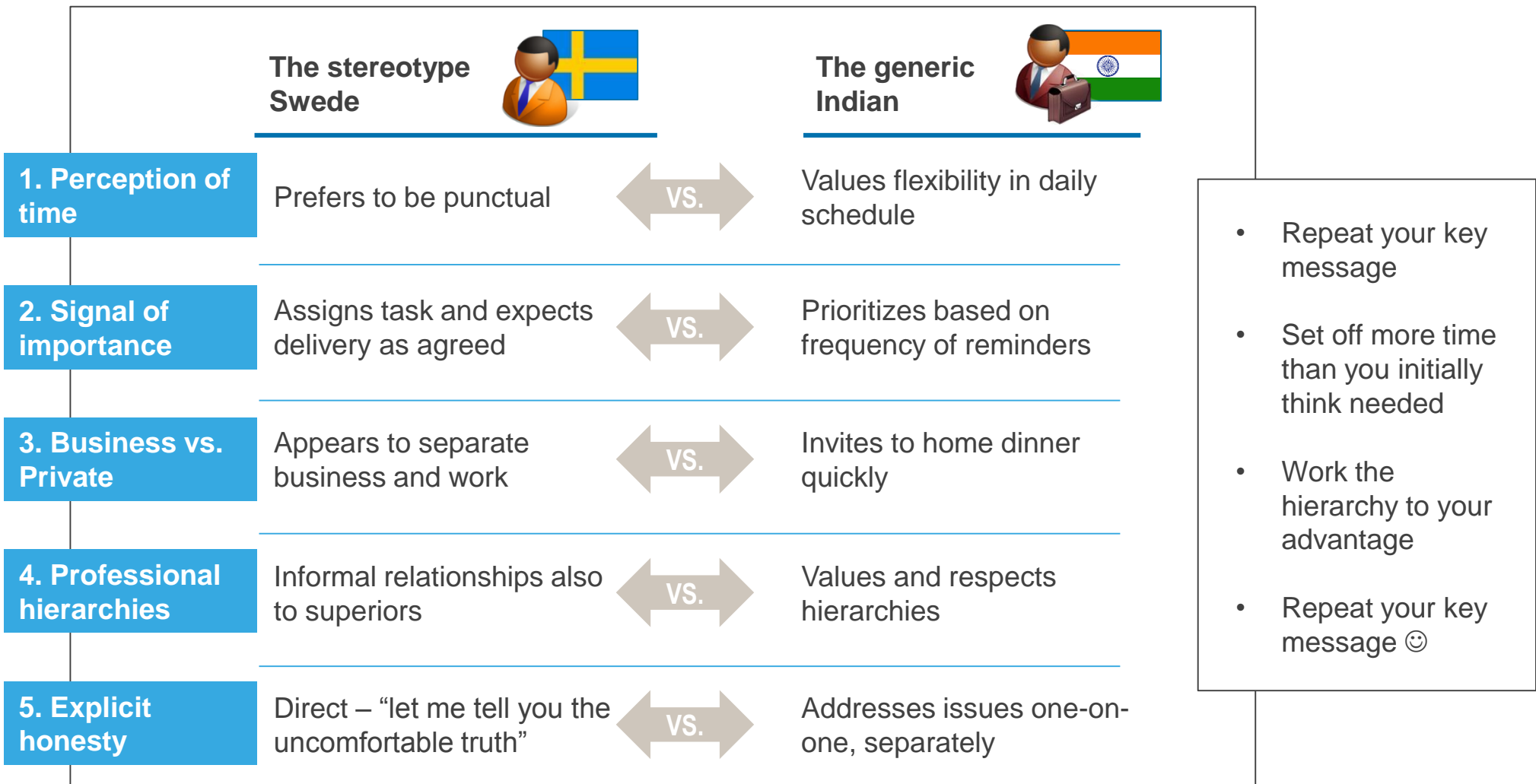
Key challenges

- Bureaucracy and corruption – 70% consider it a top-3 issue
- Tax regulations and taxation rates – big anticipation on a national Goods & Service Tax
- Import regulations, restrictions and customs duty – especially in Life Science / Health Care and Automotive

SOURCE: BUSINESS CLIMATE SURVEY 2014-15 BY THE SWEDISH CHAMBER OF COMMERCE, BUSINESS SWEDEN, AND THE SWEDISH FOREIGN MISSION IN INDIA



INDIAN AND SWEDISH BUSINESS CULTURES ARE DIFFERENT, YET COMPATIBLE





CRITICAL SUCCESS FACTORS TO ESTABLISH AND EXPAND YOUR BUSINESS IN INDIA

Do your homework

India is not only a country, it's a continent full of customers, competitors and colleagues. Apply a fact based approach and develop a strategy for your entry and growth in India.

Take a long term view

India is a long term market. Plan establishment in phases and bring patience and perseverance. Expect red tape, bureaucracy and lengthy procedures.

Hire the best people

Doing business in India can be tougher than most markets – send you best man/woman for the job. Hire carefully and go for competence and attitude – not low cost!

Have a strategy for price / cost

India can be very profitable, if you have a strategy for price and cost.

Be objective oriented

Focus on business objectives - Expect things not to go according to your plan
Study negotiation techniques – they will come handy both in business and privately

Be careful when partnering

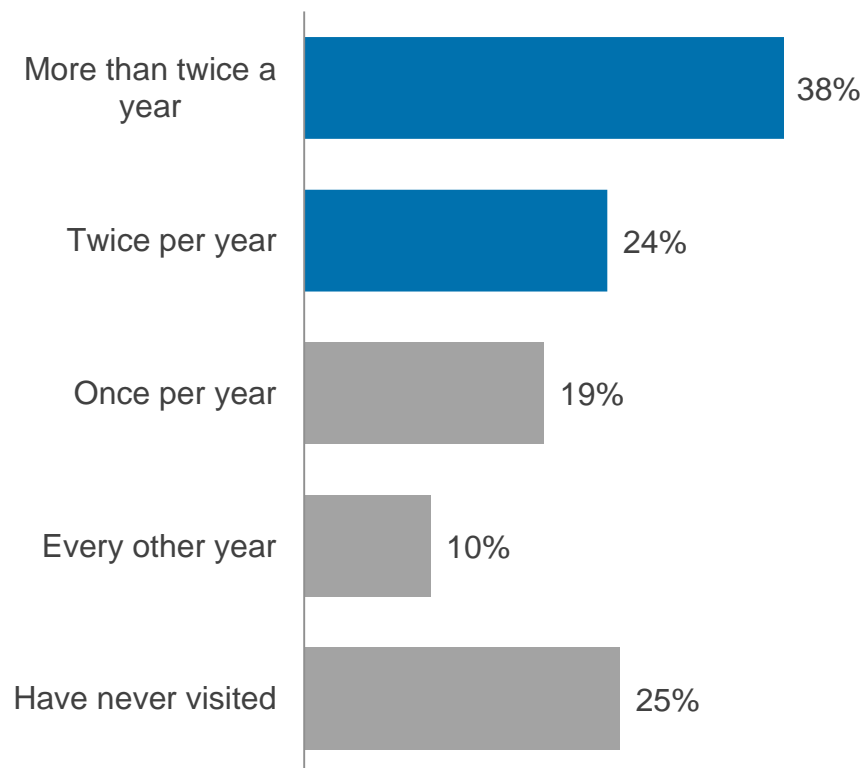
The right partner can make it – the wrong partner may break it! Be thorough in screening of local partners and choose carefully. Be very careful before entering a Joint Venture.



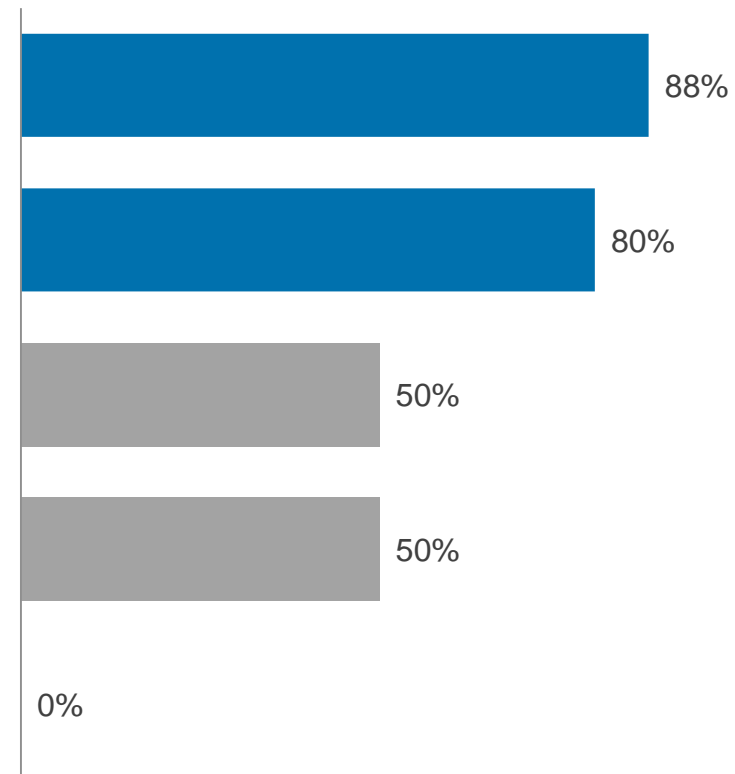
MAKE SURE TO VISIT THE MARKET REGULARLY – IT HELPS YOUR BUSINESS AND MAKES YOU HAPPY!

Frequency of visit to distributor

Percent of responses



Share of respondents in category 'satisfied' or 'very satisfied'



ALSO, THOSE THAT VISIT OFTEN ARE MORE SATISFIED (THOUGH, MAYBE THAT'S WHY THEY VISIT...)

SCOPE

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KEY RAILWAY CONFERENCES AND EXHIBITIONS



Rail India CONFERENCE & EXPO

18th - 19th May 2017, New Delhi

18th – 19th May, 2017

- ▶ The 2017 edition of the Rail India Conference (<http://www.india-railway.com>) plans to focus on the need for Investments, new technology and safety measures in Indian Railway
- ▶ The conference will have the presence all major stakeholders, national and international together at one platform to discuss the future and way forward for Indian Railways



12th IREE 2017

INTERNATIONAL RAILWAY
EQUIPMENT EXHIBITION

Global Platform for Railway Technology & Services
11-13, OCTOBER 2017 • PRAGATI MAIDAN, NEW DELHI, INDIA

11th-13th October, 2017

- ▶ Organised by the Confederation of Indian Industry (CII), in association with the Ministry of Railways
- ▶ International Railway Equipment Exhibition (IREE - <http://www.ireeindia.com>) is the only international event in India for the Railway and its related sectors
- ▶ The IREE attracts participation and visitors from around 20 countries

25 COLLEAGUES ACROSS TWO OFFICES IN INDIA



Experience

Established in 1996

- ▶ Export support activities in India since the 1950s in Kolkata and Mumbai
- ▶ Yearly Track Record:
 - ▶ 250 projects
 - ▶ 20 incorporations
 - ▶ 600 queries
- ▶ Four experienced investment advisers

Presence

Two offices

- ▶ New Delhi and Bangalore
- ▶ Additional support through Swedish Consulates in Mumbai, Chennai and Kolkata
- ▶ Support across South Asia through Swedish Consulates in Bangladesh and Sri Lanka

Knowledge

25 experienced consultants

- ▶ Focus on international business development
- ▶ Mainly locally employed
- ▶ Speak 10 languages combined
- ▶ Combination of industrial and consulting experience

Network

Represent Official Sweden in India

- ▶ Dual ownership between Swedish Gov and Industry
- ▶ Brand Sweden
- ▶ Swedish Embassy
- ▶ Swedish companies
- ▶ Indian business and, government bodies



CONTACT US

BUSINESS SWEDEN IN INDIA

NEW DELHI

Business Sweden

Embassy of Sweden, Nyaya Marg,
Chanakya Puri, New Delhi-110021, INDIA

T +91 11 46067100

Indien@business-sweden.se

www.business-sweden.se/indien

BANGALORE

Business Sweden

SKAV Lavelle 909, Richmond Circle,
Bangalore-560 001, INDIA

T: +91 80 415 29100

Indien@business-sweden.se

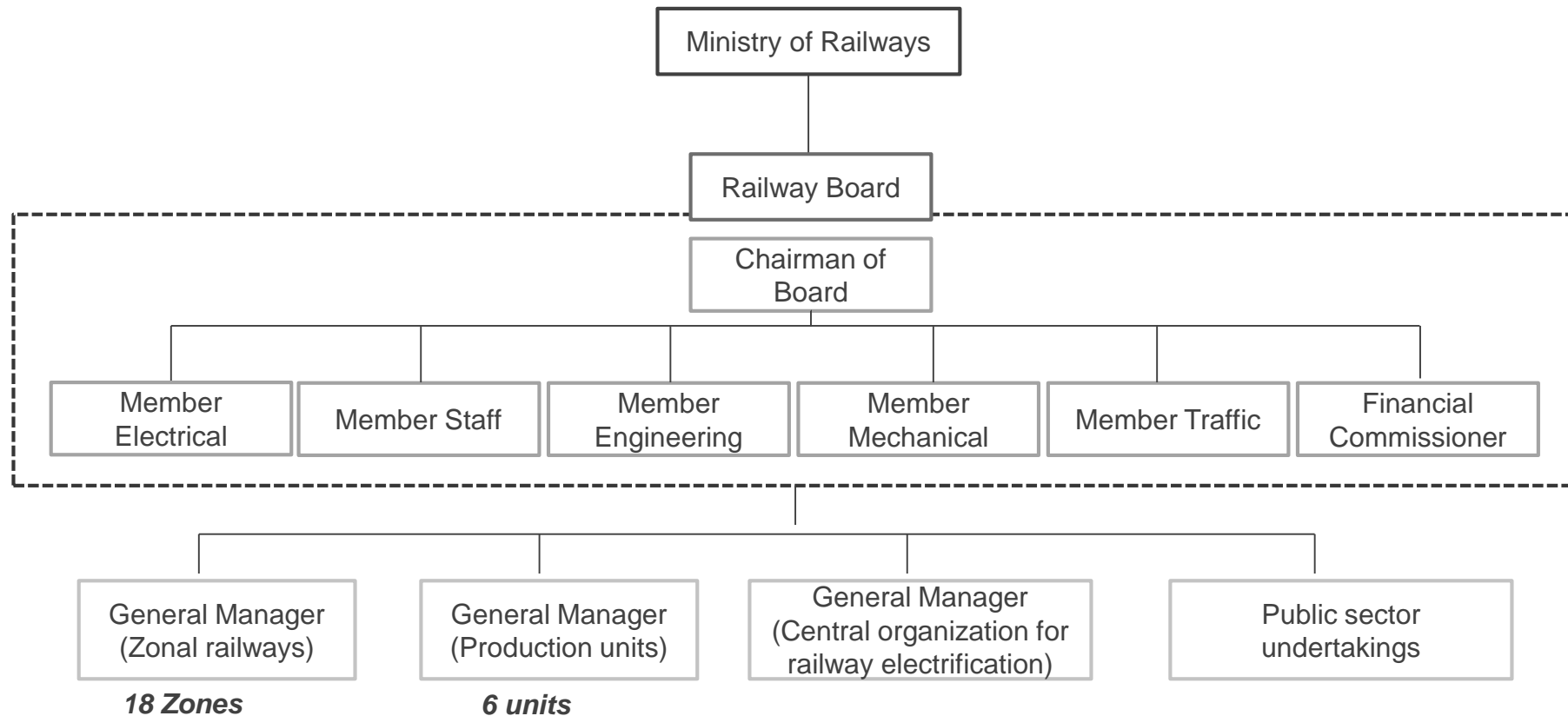
www.business-sweden.se/indien

We are located in India since 1995 and have offices in Bangalore and New Delhi.

From our offices in India, we also cover Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka.



ORGANIZATIONAL STRUCTURE



- ▶ The apex management organization is the Railway Board, also called the Ministry of Railways
- ▶ The board is headed by a Chairman who reports to the Minister of Railways and has five other members
- ▶ The General Managers of the zonal railways and the production units report to the board