BUSINESS CLIMATE SURVEY 2016

NORWEGIAN BUSINESSES IN INDIA

DNB

JOTUN

NORSCOT OIL & GAS

telenor

Aatash Norcontrol Ltd.

KONGSBERG

NORGE
SEAFOOD FROM NORWAY

YARA

PREFACE

H.E. Mr. Nils Ragnar Kamsvåg
Ambassador of Norway to India

H.E. Mr. Torbjørn Holthe
Consul General of Norway

Mr. Helge Tryti
Director Innovation Norway, India

Mr. Richard Chapman
NBAI-CHAIR

The study that you hold in your hands is a testimony of the close Norwegian cooperation that exists in India.

The Norwegian Business Association India initiated the move along with a collaborative effort from the Royal Norwegian Consulate General in Mumbai and the Commercial Section of the Royal Norwegian Embassy, Innovation Norway in India to get this report in existence.

The survey has also enjoyed full support from the Norwegian missions & organisations in India.

This is the first annual business climate survey to have been conducted by Team Norway with an objective to assess the current and near future business climate for Norwegian companies, with in-depth focus & study on Maritime sector as the Norwegian maritime industry has developed many business partnerships in India and is eager to do more.

BCS provides a valuable insight to the Indian & Norwegian governments about the companie's concerns with respect to India`s regulatory and policy environment as well as the daily business challenges they face operating in India.

Thus, we look forward to providing future reports each year highlighting further prospects for the Norwegian business community prevailing here.

We view this report as a constructive contribution to improving the business environment in India.

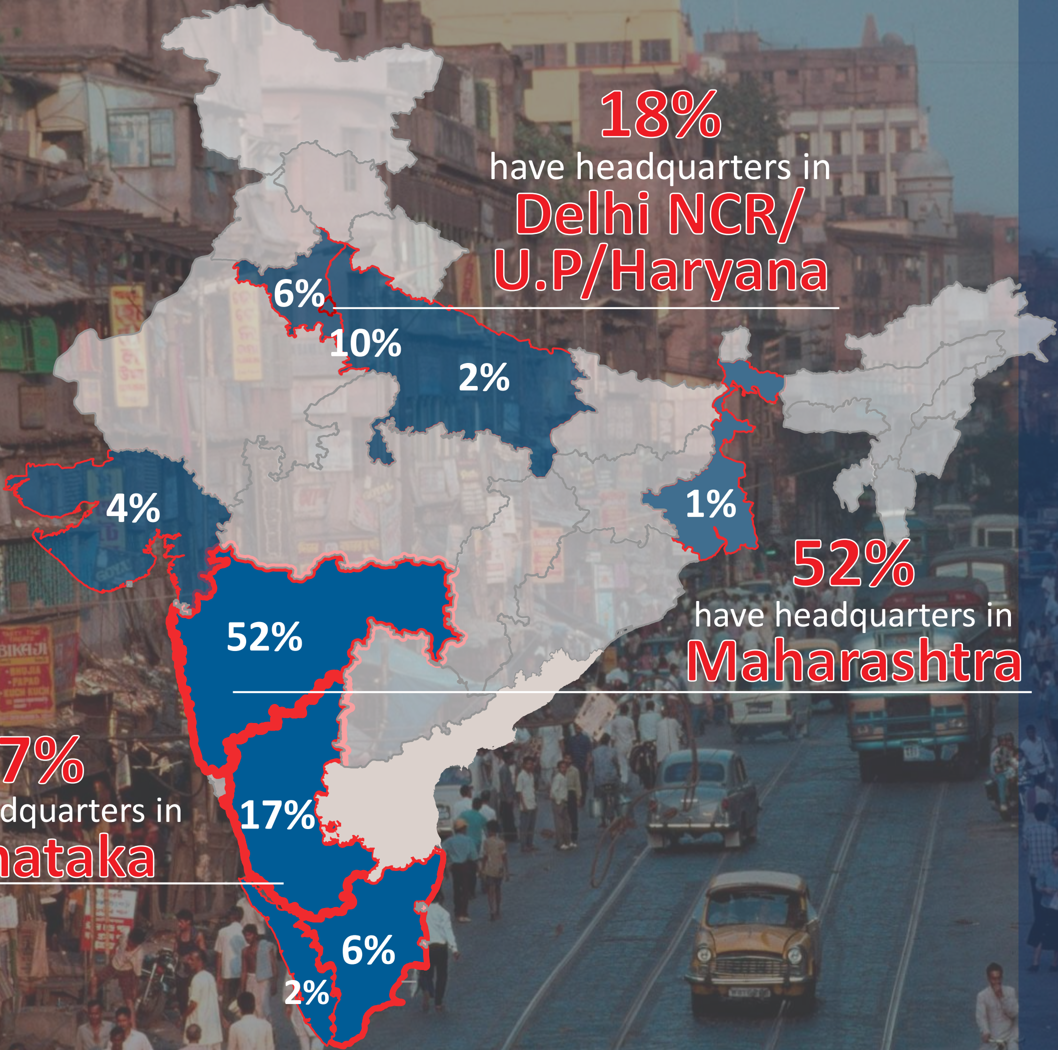
83% of respondents completed the survey, most of them with an impressive number of years of international experience. We are grateful for their contribution.

We would also like to thank our companies who took the time to participate in the survey.

Your input is greatly valued and the key to our joint success.

We look forward to engaging with you in the future to expand Norwegian trade ties with India!

FOOTPRINT



18% have headquarters in **Delhi NCR/ U.P/Haryana**

52% have headquarters in **Maharashtra**

17% have headquarters in **Karnataka**

AT A GLANCE

62%
consider the present business climate favourable

75%
consider the investment climate to be more favourable in the coming 3 years

70%
want to grow market for their line of business

Major investments made in
Services, Marketing & Sales
in 2016

Product quality & brand recognition are the main competitive advantages

68% believe that India is a strategic location for R&D

Bureaucracy & **corruption** are the two main aspects affecting the ease of doing business in India

Increasing salaries is the most critical issue among the workforce in India

55% believe that the Indian market is lucrative for **start ups**

COMPANIES OVERVIEW

Respondent Count

General BCS

83% Norwegian companies in India participated in the 2016 General BCS

Maritime BCS

77% Norwegian Maritime companies in India participated in the 2016 Maritime BCS

Local Workforce in India

501 & more employees	3%
251-500 employees	8%
51 – 250 employees	14%
11 to 50 employees	29%
<10 employees	46%

87 Norwegian companies were approached for General BCS

31 Norwegian companies were approached for Maritime BCS

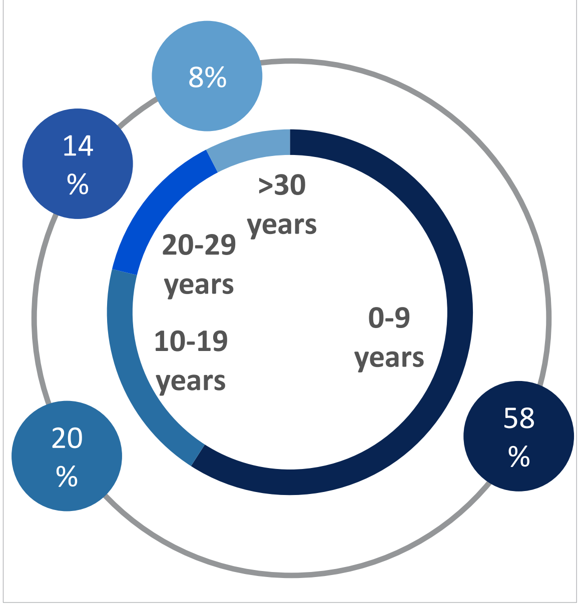
PRESENCE

Maharashtra is a hub for Norwegian companies in India with 52% having their headquarters here
Norwegian companies in India are spread across various sectors with most of them working in Maritime

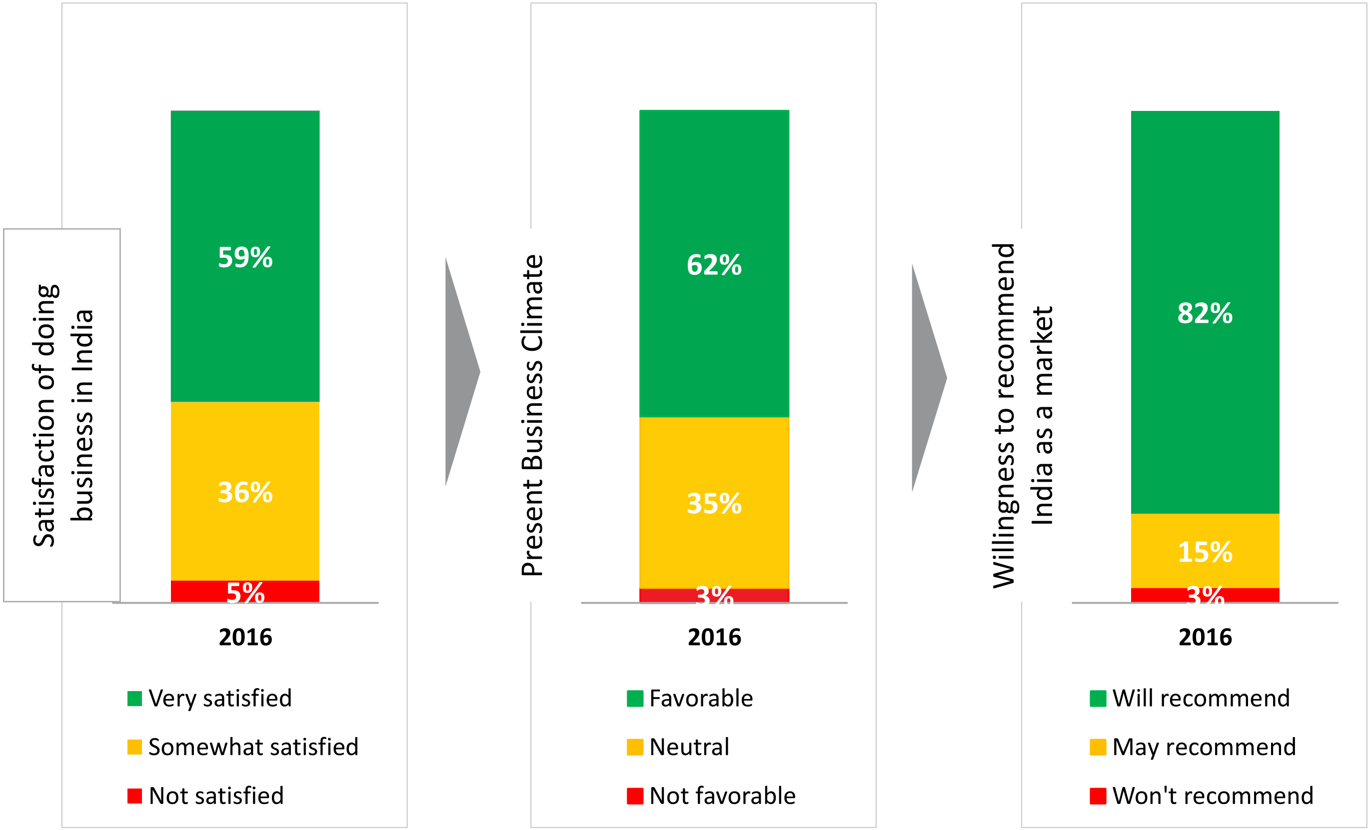
Respondents presence across business sectors

Maritime
Oil & Gas
ICT & IT
Manufacturing
Consulting & Services
Energy
Agriculture & Bio Technology
Marine
Defence
Others (include Healthcare, Medicare, Apparel, Water Treatment, Food Industry, Chemicals etc)

Operational presence in India (in yrs)



BUSINESS OUTLOOK



Future Investment Climate

75% Consider the investment climate to be more favourable in the coming 3 years

19% Consider the investment climate to be as favourable as 2016 in the coming three years

6% Consider the investment climate to be less favourable in the coming three years

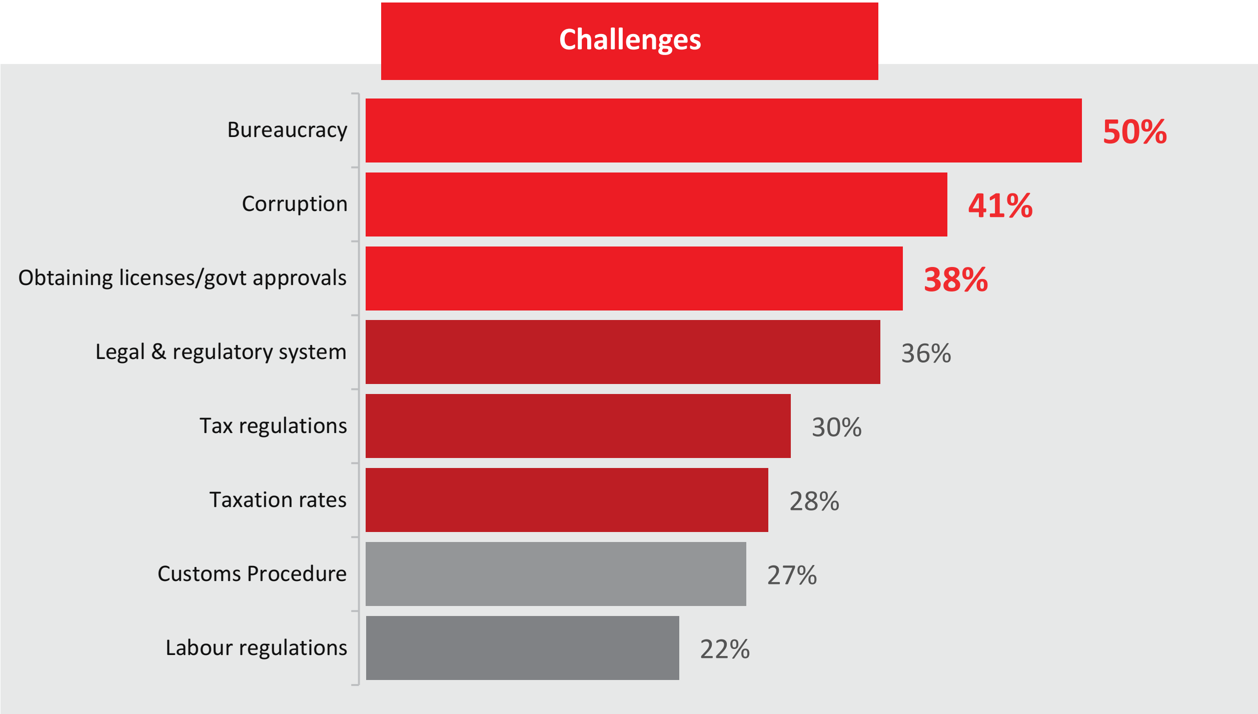
62% consider the present business climate favourable

82% willing to recommend India as a market for business

75% believe that the investment climate will become more favourable in the years to come

Pic: Mattias Fredriksson Photography AB
visitnorway.com

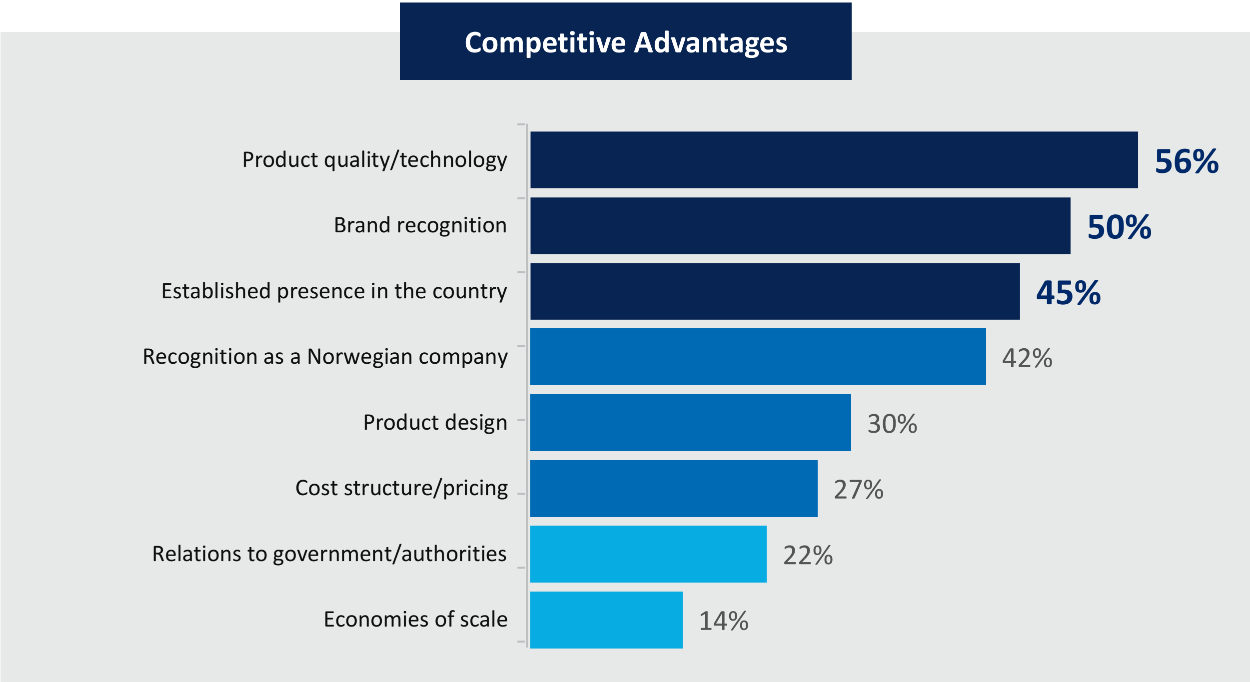
ROADBLOCKS



Bureaucracy & corruption are considered to be the two main aspects affecting the ease of doing business in India for Norwegian companies.

Obtaining licenses and approvals from the government is also a problematic area for these companies

MARKET LEVERAGE



Product quality and brand recognition **scores high for Norway in India**

An edge over competition is also observed due to the strong foothold in the country

Investing more than planned is a function of increased market share & growth as well as confidence in the government's reforms

HQ strategic decision also impacts the amount invested and the area it is invested in

Pic : Sverre Hjørnevik/visitnorway.com

INVESTMENT IN 2016

21% of the companies said they have not invested

18% of the companies have invested **more** than planned

46% of the companies have invested **as per plan**

15% of the companies have invested **lesser** than planned

FUTURE INVESTMENTS

67% of the companies are planning to **increase** their investment

28% of the companies are planning to **maintain** their current investments

5% of the companies are looking to **decrease** their investments/ leave India

INVESTMENT OUTLOOK

Primary investments made in **Services, Marketing & Sales** in 2016.
Significant increase in the number of companies expected to **invest in sustainability**

38%	25%	12%	19%	38%	6%	46%	10%
Marketing & Sales	Product Development	Manufacturing	R&D	Skill Training	Sustainability	Services	New State Expansion
+42%	+56%	+103%	+63%	-11%	+252%	+8%	+160%
55%	39%	23%	31%	34%	20%	50%	25%

67% of the companies are looking to increase their investments in the coming years based on the optimistic view of the future investment climate in India.

Reason for entering India

1	Growing market for my line of business	70%
2	As a part of company expansion plans	55%
3	Long term business relations with India	48%
4	Increase sales	41%
5	Easy availability of labour	27%
6	A lot of scope for innovation	26%
7	Economical resources	23%
8	Improve profits	12%

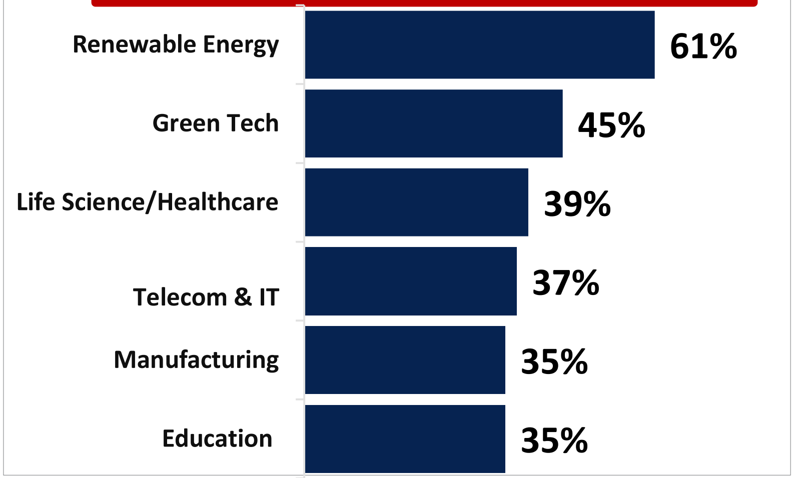
Pic: www.nbai.in

BUSINESS VENTURING & START-UPS

India for Start-ups

Respondents believe the Indian market is lucrative for start ups

Top 6 areas for Start-up opportunities in India



52% companies claim that their market share has increased as compared to last year`s

34% companies claim that their profit margin has increased as compared to last year

69% companies believe their profit margin will increase further in the coming 3 years

Intellectual Property Right

Pic: http://www.makeinindia.com.

Intellectual Property

17%

Respondents are completely confident about Intellectual Property Rights (IPR) in India

Creative India; Innovative India

The new national IPR policy is in compliance with the WTO's (World Trade Organisation) agreement on TRIPS (Trade Related aspects of IPRs) and aims to sustain **entrepreneurship and boost 'Make in India.'**

Procedural timeframes for various legal approvals

Pic: www.europeanceo.com

Approvals from government for new business	41% say 1-3 months
Dealing with government officials	54% say 1-6 months
Clearing all environmental regulations	35% say 4-6 months
Acquire a new land for business	33% say 4-6 months
Registering a property	71% say less than 1 month or 1-3 months
Enforcing a legal contract	33 % say less than a month

Pic: Workers at Global Mode and Accessories Pvt. Ltd/ norwayemb.org

On an average, **19%** of the workforce is female

59% of the companies are looking to increase their workforce by at least **20%** next year

Increasing salaries is the most serious challenge among blue as well as white collar workers
Norwegian companies also seem to be struggling to retain skilled employees

WORKFORCE CHALLENGES

BLUE COLLAR WORKERS

- Increasing Salaries (24%)
- Not Skilled enough (24%)
- Retention (14%)

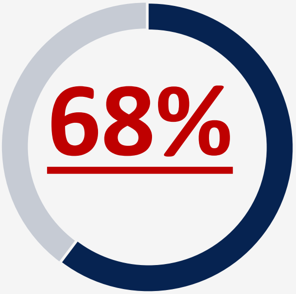
WHITE COLLAR WORKERS

- Increasing Salaries (29%)
- Not skilled enough (16%)
- Retention (16%)

Skill development has emerged as a main area of investment in 2016, resulting from lack of skill as a common challenge across employee groups, found to be more severe among blue collared workers

57% respondents confirm that the processes for decision making are quick enough at their company to bring new innovation to the market before competition

India for R&D



Respondents believe India is a strategic location for R&D

73% respondents confirm their employees create, promote and execute new ideas as a crucial part of their job

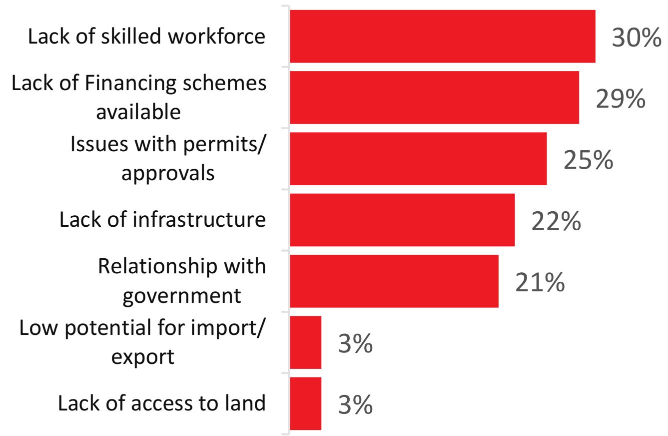
Pic: CH - Visitnorway.com

INNOVATION / R&D

Collaboration Stage

- Ideation **3%**
- Incubation **5%**
- Start-ups **25%**
- Growth **56%**
- Mature **11%**

Innovation/ R&D Challenges



Key Innovation sources

1. Other enterprises within your enterprise group(33%)
2. Suppliers of equipment, materials, components (30%)
3. Clients or customers from the private sector (25%)

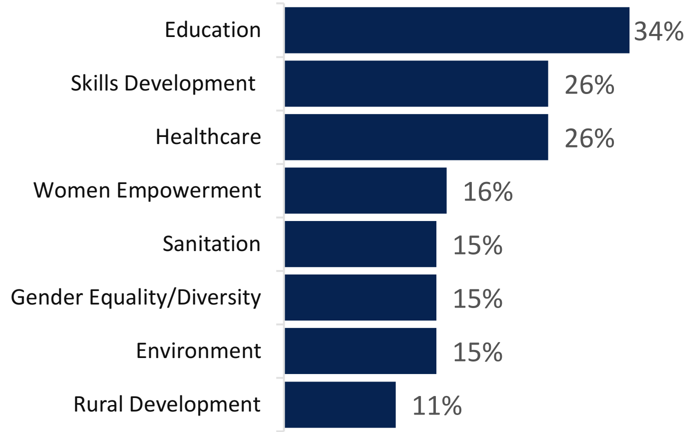
Education, Skill development and healthcare are key areas of CSR Investment for Norwegian companies in India

CSR outreach programs are dominant mainly in Maharashtra followed by Karnataka

Norwegian companies are mainly looking to innovate new products to help reduce social and environmental problems as a way of contributing towards sustainability and CSR

CORPORATE SOCIAL RESPONSIBILITY

CSR Investment Areas



Spread of CSR Outreach Programs

Key Benefits of Investing in CSR

1. Enhance Corporate Reputation
2. Strengthen the sense of Employee
3. Improving relation with suppliers

Complication with CSR

1. High Investment required
2. Lack of corporate skill
3. Lack of institution assistance

MARITIME SECTOR

Norway Pavilion in Maritime India Summit,2016

"Building upon our glorious maritime tradition, we are working hard to achieve new heights in this area. In the very early days of our Government, we announced the ***Sagarmala programme****. This is aimed at leveraging our long coastline and natural maritime advantages. It also focuses on promoting port led development, energizing the coastal economy and infrastructure development in these areas. We particularly want to* ***modernize our ports*** *and integrate them with Special Economic Zones, Port based Smart Cities, Industrial Parks, Warehouses, Logistics Parks and Transport Corridors.*

I must mention that our vast coastline of 7500 kilometers offers a huge investment opportunity. Apart from the length of the coastline, India's maritime potential also lies in its ***strategic location*** *on all major shipping highways. In addition, we have an expansive and productive hinterland, through which flows a* ***network of mighty rivers****. Our maritime agenda will complement this ambitious infrastructure plan for the hinterland which is going on in parallel."*

- Indian Prime Minister at the Maritime India Summit/ Mumbai, 14th April 2016

Port Modernization has contributed to the growth of the maritime sector over the last 5 years with the private sector playing an important role

Global slowdown has impacted the ship building industry. However, defence ship building is the silver lining in India

MARITIME SECTOR: LAST 5 YRS

54% of the respondents believe it has grown positively

13% of the respondents believe there has been no change

33% of the respondents believe there has been a slowdown

LAST 5 YEARS: Positive

Reasons for growth

Improvement in Port Infrastructure

"New ports have developed and Infra structure for various port activities been improved"

"Growing Infrastructure in the maritime sector, Modernization of ports and terminals, More PPP model coming in maritime sector"

Focus on Defence Ship Building (Indian Navy & Coastguard)

"We have made a shift from commercial ship building to defence shipbuilding. The defence ship building i.e. Navy & Coastguard has grown a lot in past five years"

Availability of skilled labour

"The opportunity of quantum of work in this sector has been grown drastically, due to the availability of skilled labour"

Reasons for slowdown

Recession/ Global Slowdown

"Due to recession in shipping industry"

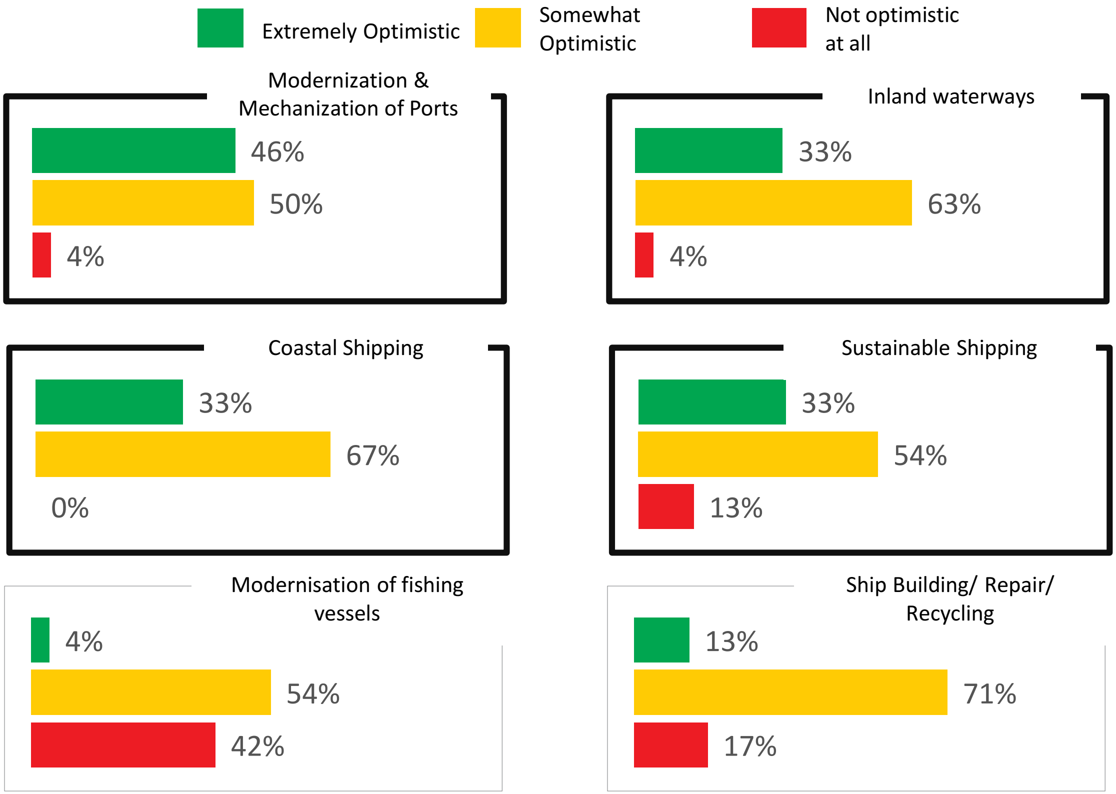
"It is a combined effect of global slow down in commercial ship building and global trade. Similar to this O&G sector- specifically Offshore Marine such as OSV, PSV etc. have slowed down and the end result is the vessels are getting lowest charter rates."

Decline of private/ commercial shipyards

"Most commercial shipyards are going through financial crisis. The effect is somewhat countered by effect of navy /CG shipbuilding"

WITHIN THE MARITIME SECTOR

Optimism about Development/ Implementation



- **Modernization & Mechanization of ports is the area companies are most optimistic about**
- **Development of Inland waterways, Coastal shipping and Sustainable shipping are also considered promising areas.**
- **Respondents are least optimistic about the recovery of the ship building industry**
- **Modernization of fishing vessels is not an area Norwegian companies are optimistic about**

Pic : thediplomat.com

MODERNIZATION & MECHANIZATION OF PORTS

46%

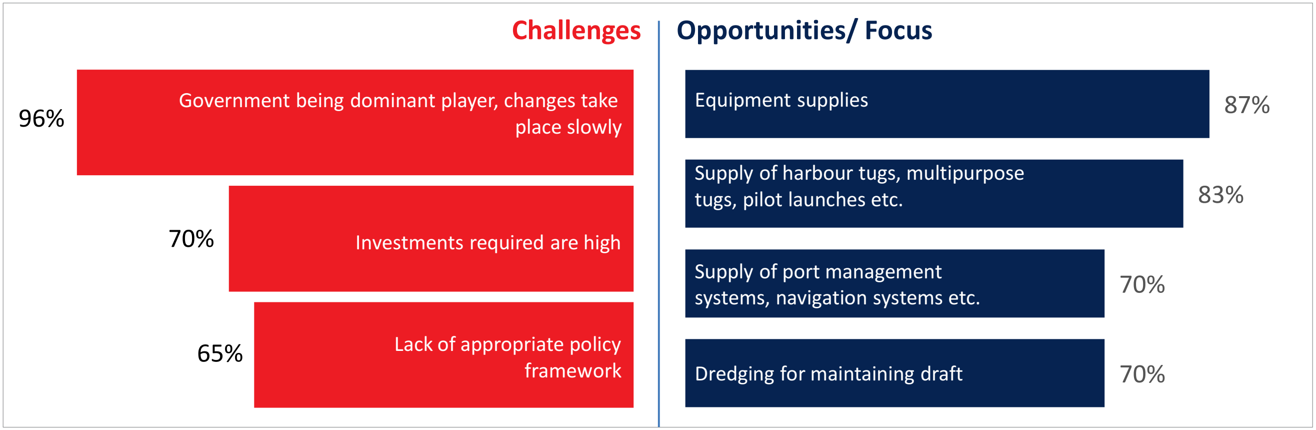
Are extremely optimistic about the modernization & mechanization of ports

Development Timeframe

Timeframe	Share
In 3 years	38%
In 3-5 years	25%
In 5-8 years	29%
> 8 years	8%

Pic: Indian Express

IN FOCUS



Equipment supplies/ supply of harbour tugs, multipurpose tugs, pilot launches etc. are considered to be lucrative opportunities by over **80%** respondents

The **pace of change** is **slow** as the sector is still dominated by the government

70% respondents believe that the private sector will play a very critical role in the port sector.

57% respondents suggest that corporatisation is the way to accelerate the modernization process

INLAND WATERWAYS

33%

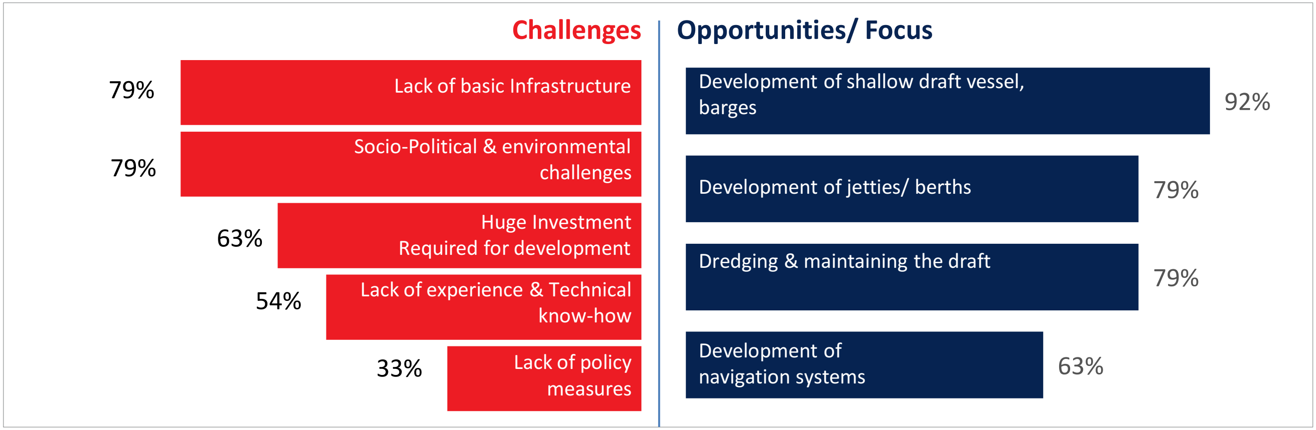
Are extremely optimistic about the development of Inland waterways

Development Timeframe

In 3 years	In 3-5 years	In 5-8 years	> 8 years
29%	50%	13%	8%

Pic: Odishanewsinsight.com

IN FOCUS



Development of shallow **draft vessels and barges** is the area where Norwegian companies see significant opportunity

71% respondents see Inland waterways as a significant opportunity in India

79% respondents believe that **infrastructural issues** along with other **social-political and environmental challenges** are holding back the development of Inland waterways as a mode of transport

COASTAL SHIPPING

33%

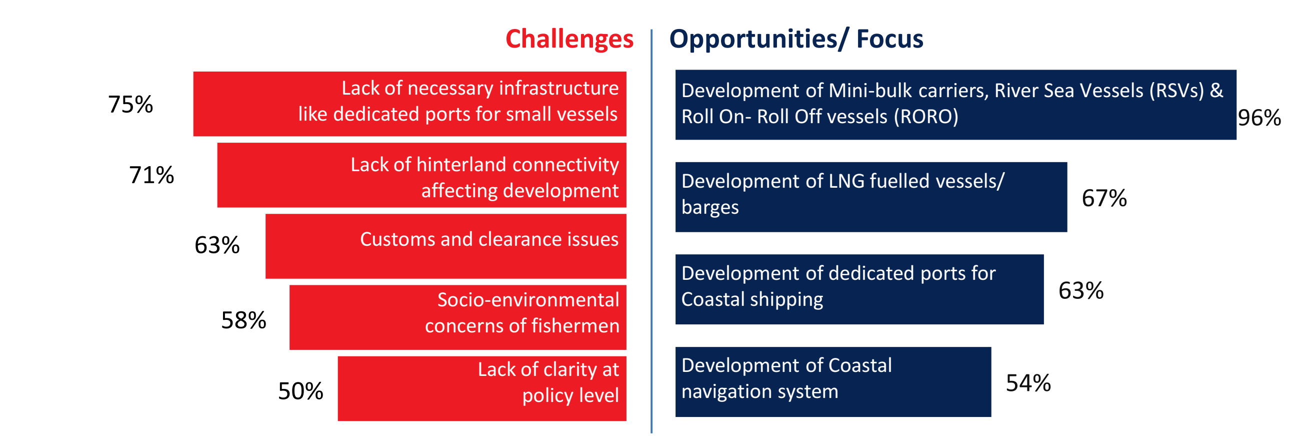
Are extremely optimistic about the development of coastal shipping

Development Timeframe

Timeframe	Share
In 3 years	33%
In 3-5 years	46%
In 5-8 years	21%
> 8 years	0%

Pic:Odishanewsinsight.com

IN FOCUS



67% believe the government's initiative to shift coal, minerals from railways to coastal shipping will give a boost to the sector

Development of **mini-bulk carriers, river sea vessels and Roll on - roll off vessels** is hence recognised as a critical focus area by **96%** of the respondents.

75% of the respondents believe that lack of dedicated ports for small vessels and other **infrastructural constraints** are key challenges for coastal shipping

Lack of hinterland connectivity is also an important issue raised by **71%** of the respondents

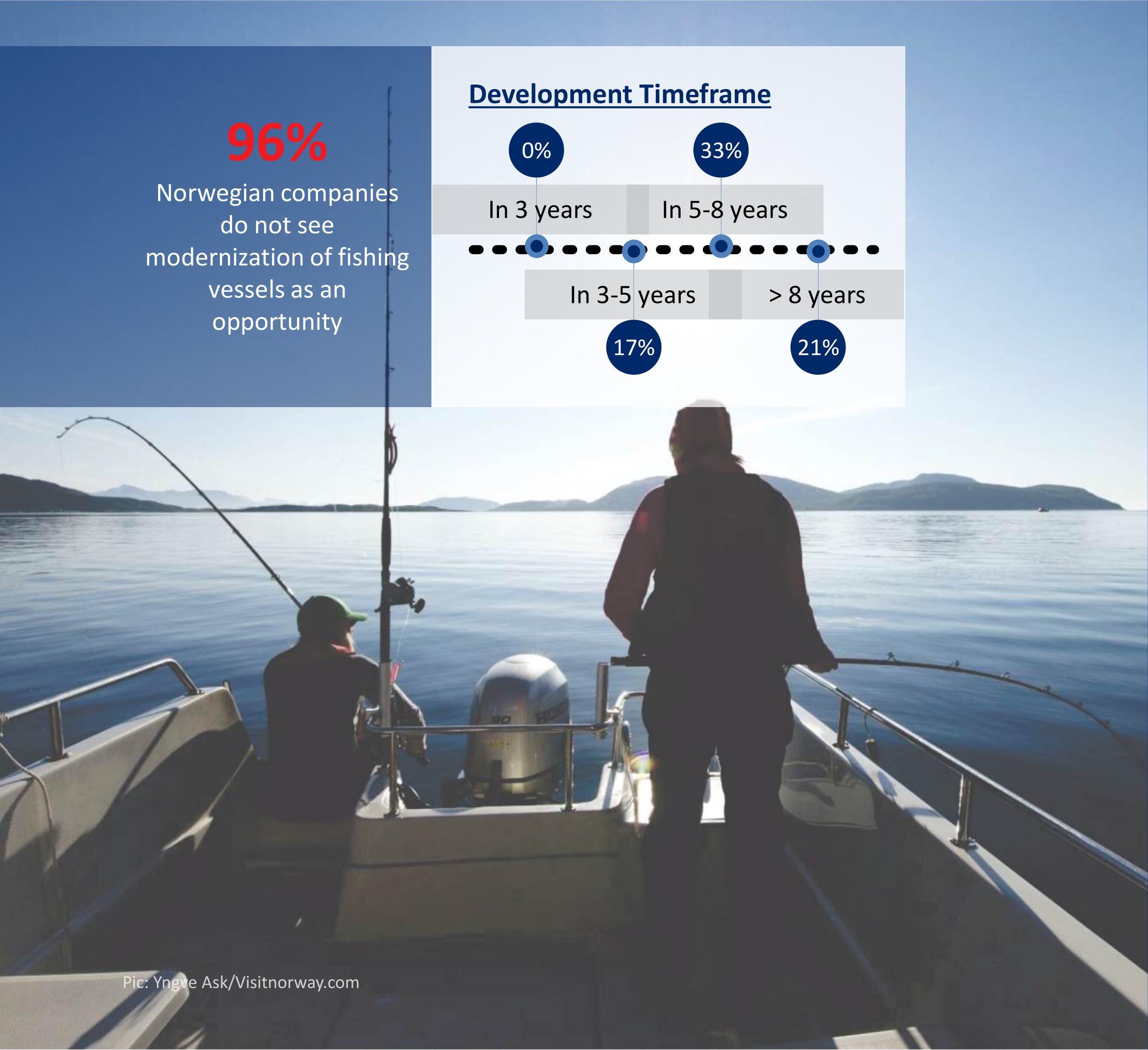
MODERNIZATION OF FISHING VESSELS

96%

Norwegian companies do not see modernization of fishing vessels as an opportunity

Development Timeframe

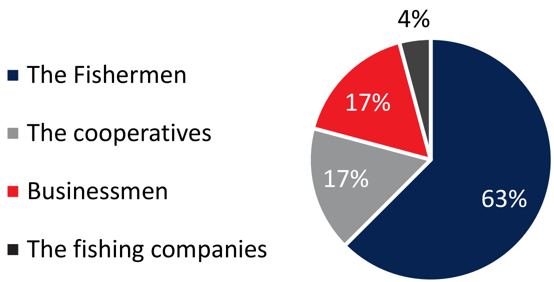
In 3 years	In 3-5 years	In 5-8 years	> 8 years
0%	17%	33%	21%



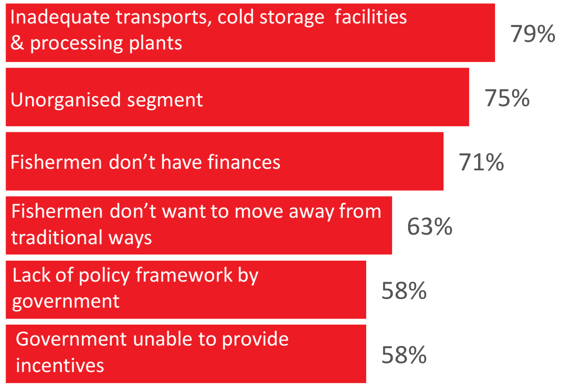
Pic: Yngve Ask/Visitnorway.com

IN FOCUS

Fleet owners



Challenges



79% respondents see lack of adequate **transport and cold storage** facilities as an obstacle in the modernisation process

71% respondents perceive Norwegian fishing and technology as **high tech but expensive**

Lack of finances is the biggest challenge for modernisation of fishing vessels

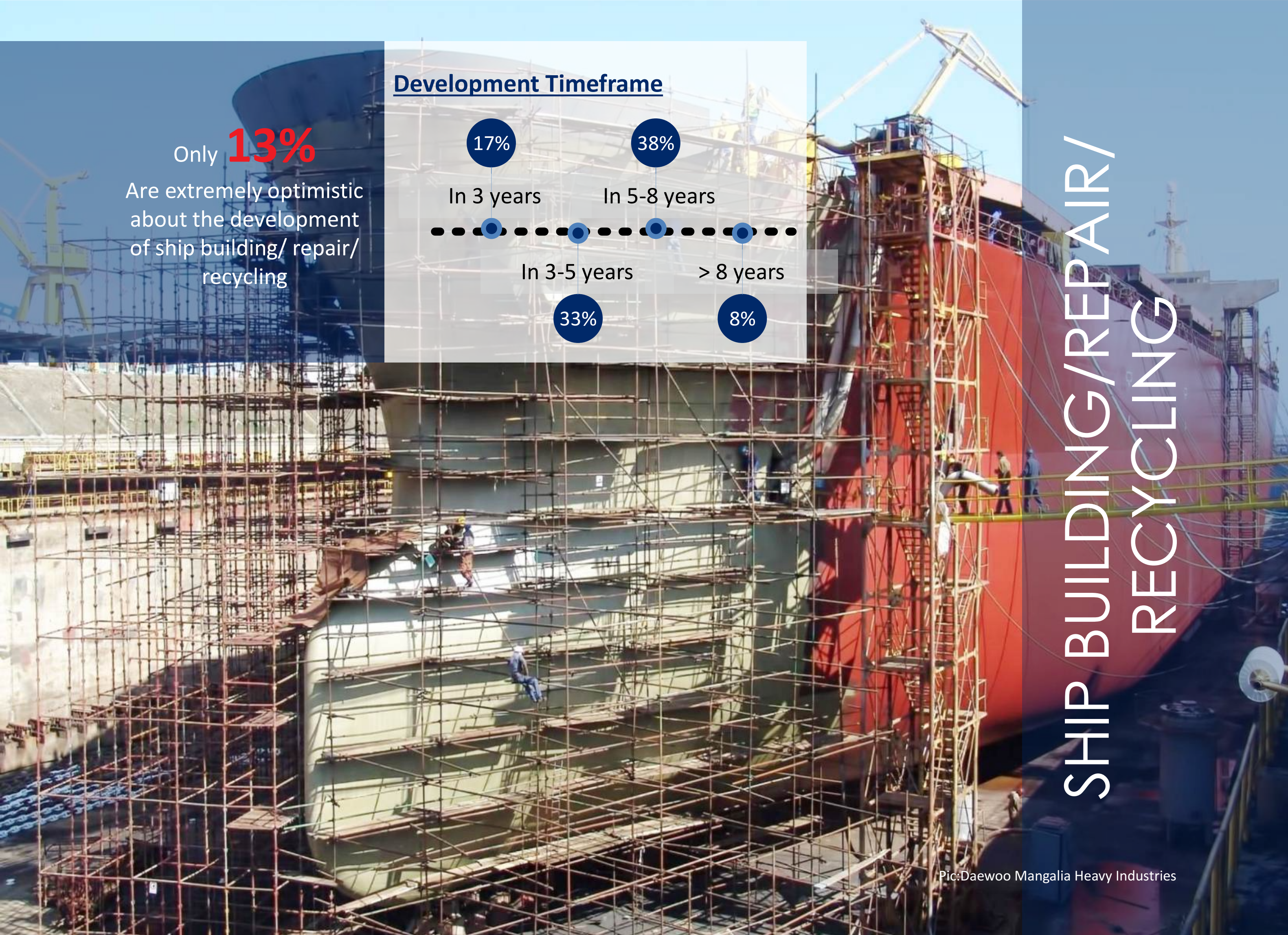
SHIP BUILDING/REPAIR/ RECYCLING

Only **13%**

Are extremely optimistic about the development of ship building/ repair/ recycling

Development Timeframe

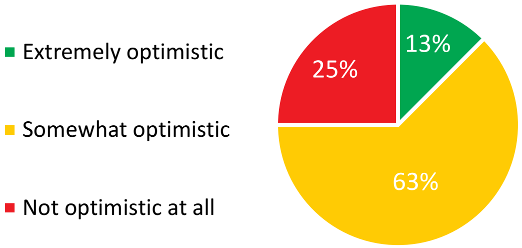
In 3 years	In 3-5 years	In 5-8 years	> 8 years
17%	33%	38%	8%



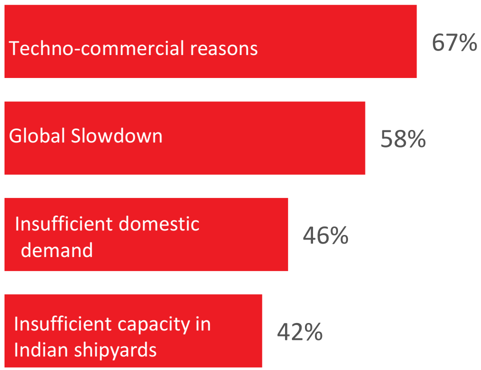
Pic:Daewoo Mangalia Heavy Industries

IN FOCUS

Govt. target of 5% global shipbuilding share by 2020



Challenges



The biggest challenges in ship building is the **global slowdown** as well as certain techno-commercial reasons that have mainly impacted private shipyards

However, focus on **defence ship building** as well as **granting infrastructure status to ship building industry** are initiatives by the government that are believed to revive the sector in the coming years

SUSTAINABLE SHIPPING

33%

Are extremely optimistic about the implementation of/ shift to sustainable shipping in India

Development Timeframe

Timeframe	Share
In 3 years	8%
In 3-5 years	33%
In 5-8 years	38%
> 8 years	8%

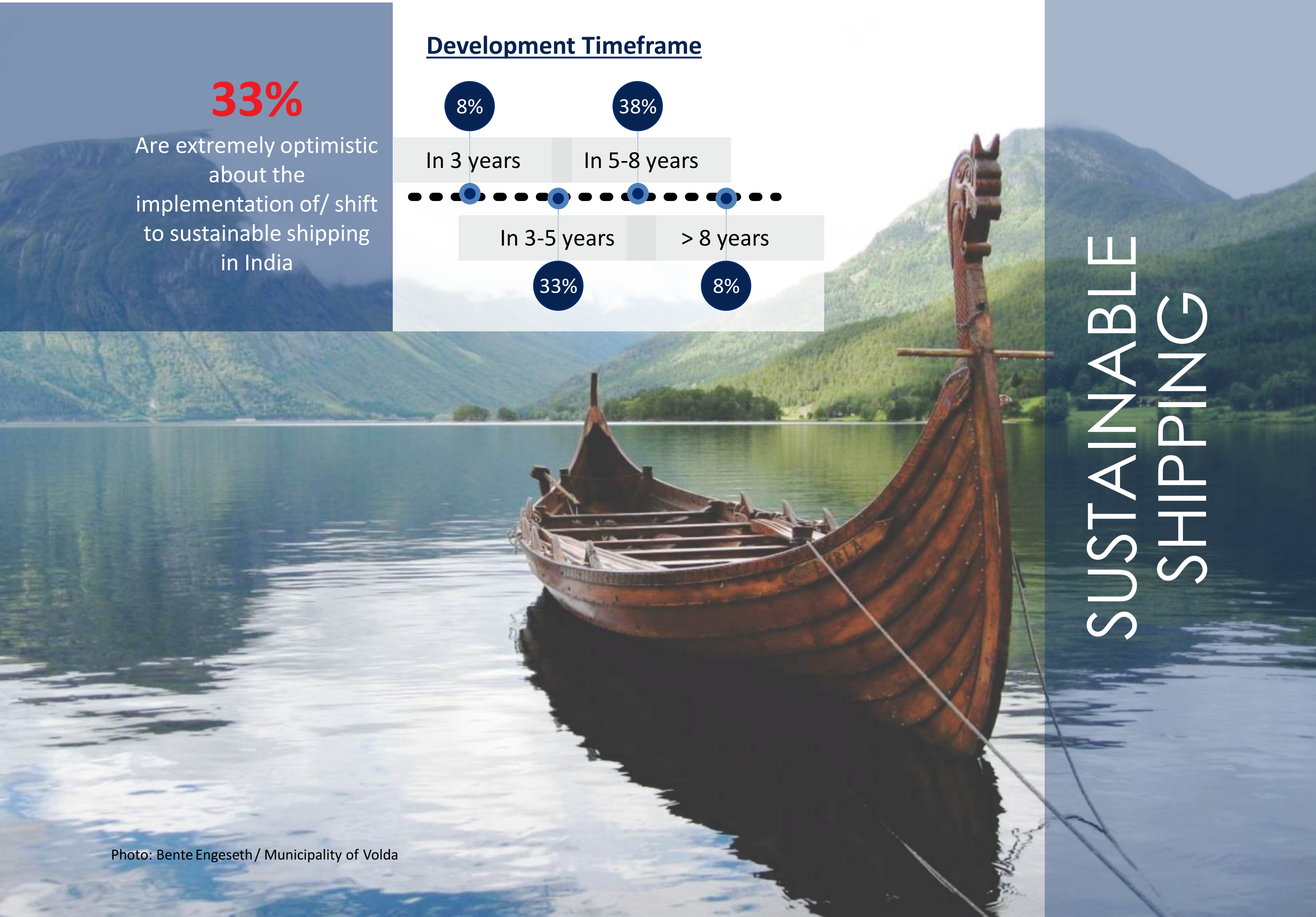
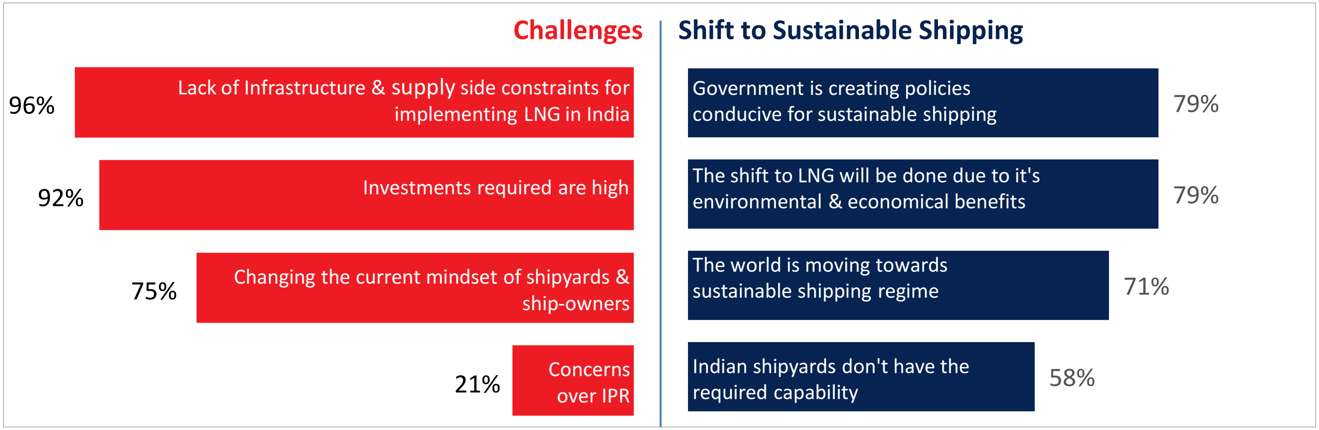


Photo: Bente Engeseth / Municipality of Volda

IN FOCUS



With the world moving towards a sustainable shipping regime, the shift to LNG and other energy efficient solutions is inevitable

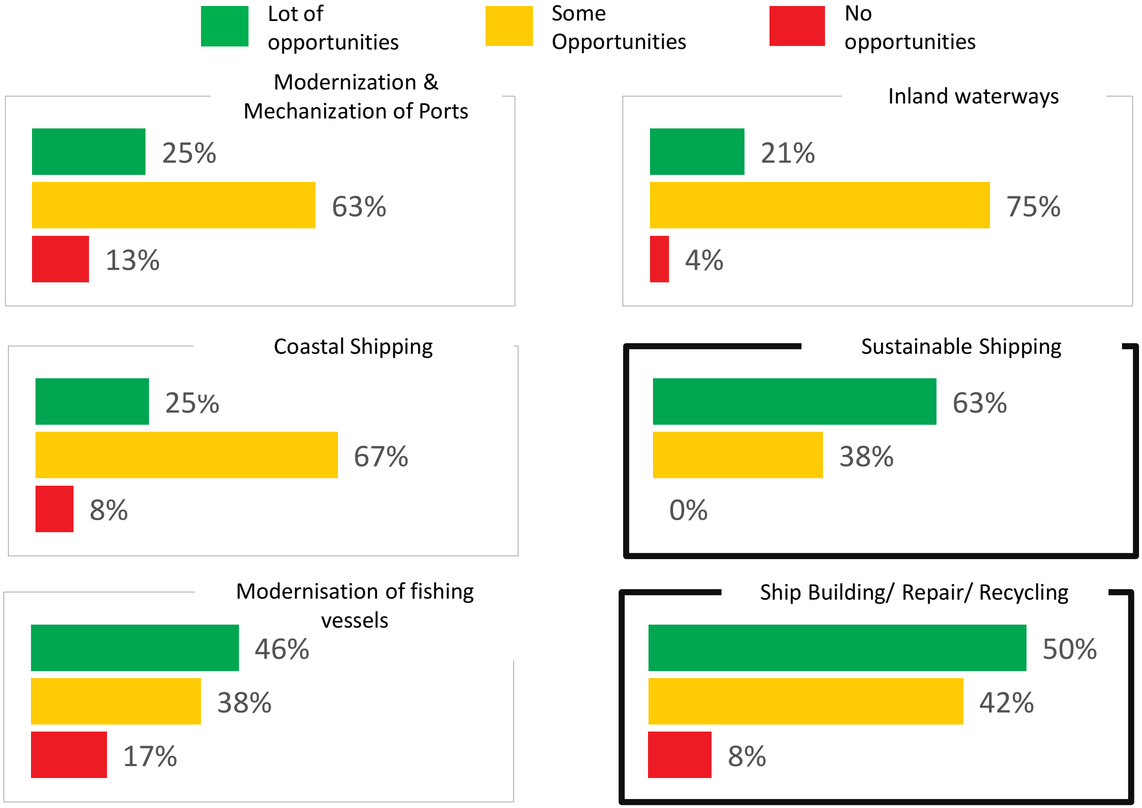
There are challenges in terms of the **investments** required as well as some **infrastructural and supply side constraints**

17% respondents believe that Indian shipyards are capable of building energy efficient ships

67% respondents believe that **small scale distribution of LNG** is an area where Norway has a lot to offer to India

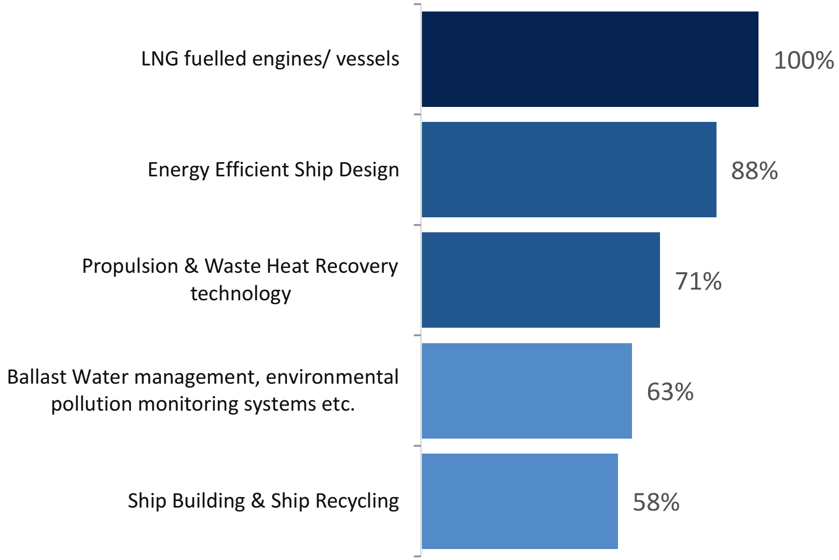
NORWEGIAN COMPANIES: MARITIME FOCUS AREAS

Focus areas specifically for Norwegian companies



IN FOCUS

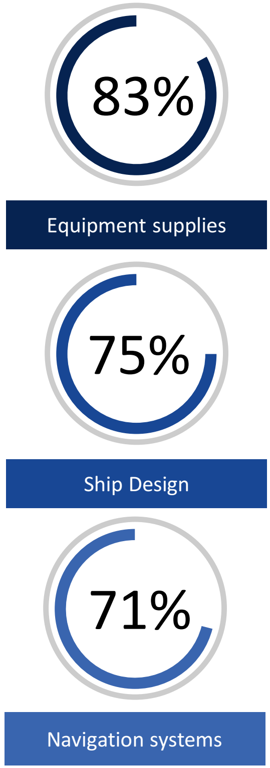
Areas where India needs foreign cooperation



India has identified **LNG as a clean and green fuel for the future**

Norway with its experience and technological know-how can be a good partner in the development of LNG infrastructure in India

Maximum opportunity for Norwegian companies

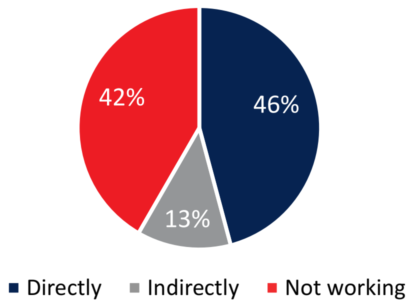


INDIAN NAVY & COAST GUARD

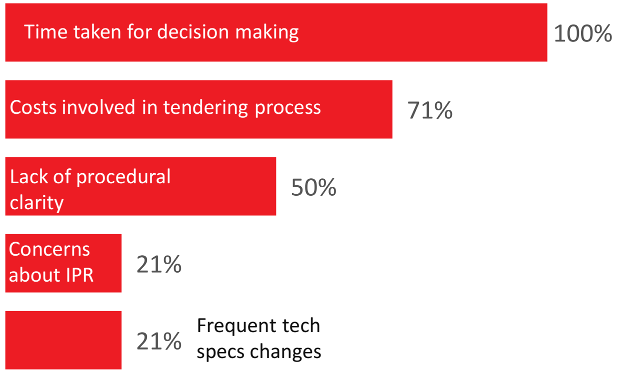
Pic: Sunday Times

IN FOCUS

Working with the Indian Navy/ Coastguard



Challenges



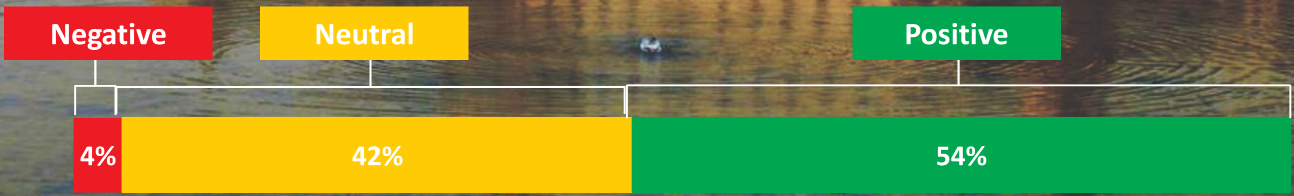
59% of the maritime companies work directly or indirectly with the Indian Navy and Coastguard

However, the process of getting registered as a vendor can be time consuming

India has started focussing on defence ship-building and has ambitious plans for manufacturing and modernisation

79% respondents see it as a big opportunity for Norwegian companies

54% respondents believe that the Indian government has taken concrete steps to develop the maritime sector



Scale 1-10 where 10 is a lot and 1 not at all, Answers between 7-10 are considered positive

Pic: flickr.com

GOVERNMENT OF INDIA

Key Areas Identified

Inland Waterways	88%
Coastal shipping	71%
Modernization & fleet expansion for Navy & Coastguard	67%
Initiatives like Sagarmala Project	54%

Key Steps taken

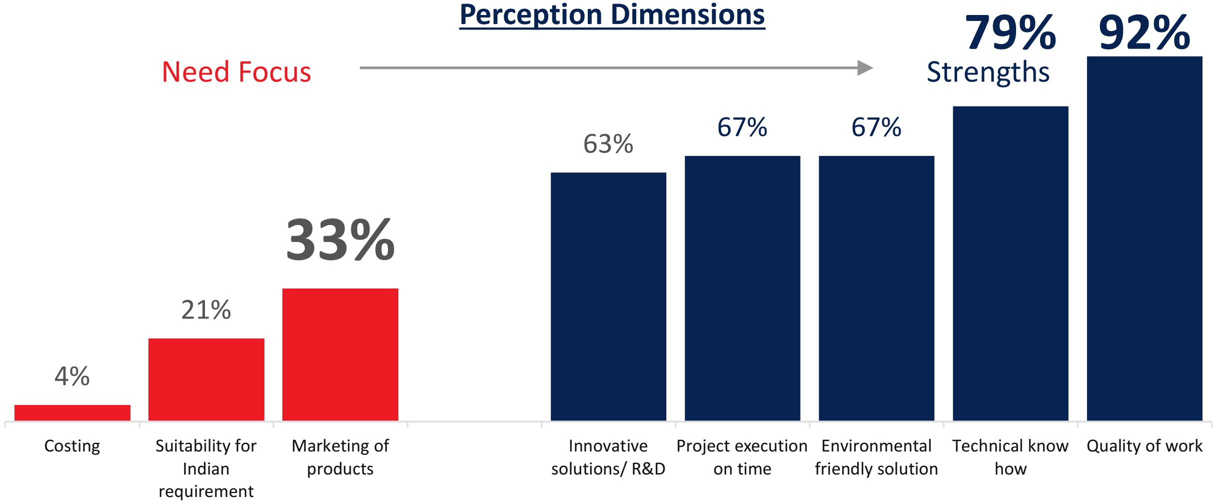
Granting infrastructure status to shipbuilding sector	75%
Make in India	71%
Simplification of taxes & duties	58%
Increased FDI limit	42%

Future Focus

Work towards simplifying procedures	83%
Development of Hinterland connectivity	79%
Financial support for commercial shipbuilding	75%
Put in place clear policy measures	67%
Strengthen the IP regime	29%

NORWEGIAN COMPANIES: PERCEPTION

Perception Dimensions



Main action points going forward

Norwegian Companies in the maritime sector are primarily noted for their technical know how and quality of work in the Indian market

Two areas where Norwegian companies need to work on are costing of products/ services and product customisation

Robust marketing through Network development with local players will be beneficial to get projects/ business

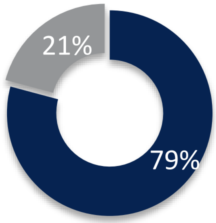
Pic: knut.arne.gjertsen/Foap/Visitnorway.com

The workforce available has a good academic background but needs training on technical skills
Their performance on work ethics and discipline is satisfactory

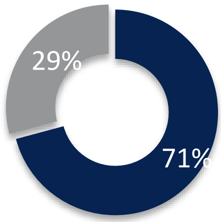
Pic: WordPress.com

WORKFORCE IN INDIA: MARITIME SPECIFIC

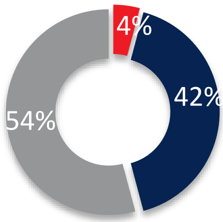
Economical to hire



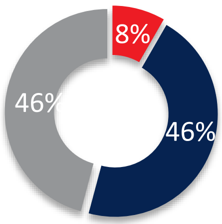
Academic background is as per required standards



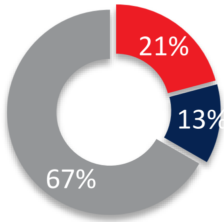
Have necessary skills & expertise



There is sufficient supply of workforce



High on work ethics & discipline



- Completely agree
- Somewhat agree
- Completely disagree

21%

Respondents believe Norwegian companies face cultural barriers/ differences while doing business in India

Pic: merethe/Foap/Visitnorway.com

CULTURAL BARRIERS: MARITIME SPECIFIC

Conservative approach and resistance to change are two aspects of the Indian business culture creating barriers for business development

Hierarchical organisation structure and frequent changes at the top slow down the decision making process

80%	80%	60%	60%	40%
Traditional Approach & Conservative mindset	Hierarchical decision making	Time consuming processes	Need personal contacts to get work done	Political interference

FUTURE OUTLOOK: OPTIMISTIC

Reasons for future growth

Policy changes/ Government Initiatives

"A lot is happening with support of Government in last two years, and this will continue for at least three more years."

"Because of Government Initiative and policy measures"

"Change in Govt policy towards business"

"Government has keen interest to improve the Maritime sector and policy in this regard is being changed for the better. Investment is being solicited and obtained."

"Govt has passed project in millions of dollars in the naval defence sector with a time frame"

"Government policy, subsidies and a growing competence in India regarding shipbuilding"

Pic credit : Cachet

Prime Minister Modi at the Norwegian Pavillion for Maritime India Summit 2016

MARITIME SECTOR: NEXT 5 YRS

96% of the respondents believe it will grow

only **4%** of the respondents believe there will be no significant change

0% of the respondents believe there will be a slowdown

PURPOSE OF THE SURVEY

1)The survey provides a useful tool for Norwegian companies in India to measure their operations and compare outlooks and strategies with the broader business community.

2) It also highlights the future opportunities & strengths the Indian business scenario has to offer.

3) The report would be presented to both the Indian & Norwegian governments / agencies / departments on issues of concern to Norwegian companies operating in, or trading with India.

4) Business Climate Survey takes the measure of the business landscape, as reported by Norwegian companies engaged in business throughout India across sectors & states.

5) Current attitudes toward the business environment in India represent the continuation of a trend that will remain to cultivate over the next few years, and perhaps a healthy reassessment of expectations.

6) While the Business Climate Survey lays bare the difficulties faced , it also demonstrates optimism. Many tough decisions remain for India, but the most difficult decision to embrace reforms, has already been made.

Nepa

The survey was conducted by a Swedish research firm in India, NEPA through qualitative and quantitative phases. Nepa is a new age Swedish Online Market Research, Analytics and Consulting firm and has been executing Business Climate Surveys in India since 2011. We thank Nepa for the services rendered.

Norwegian Embassy

Norwegian Consulate General

Innovation Norway

nbai Norwegian Business Association (India)

TEAM NORWAY! Together conducted the first business climate survey. We look forward to providing future reports each year highlighting further prospects for the Norwegian business community in India.

For further inputs, you can contact our project heads for the survey at the details given below :

Mahnaaz Khan
Project head-General BCS
Head of Secretariat-NBAI
mahnaaz.khan@nbai.in
+91 9967166889
www.nbai.in

Pankaj Patil
Project head-Maritime BCS
Maritime Advisor-Innovation Norway
Pankaj.R.Patil@innovationnorway.no
+91 9819811141
www.innovasjonnorge.no/en/start-page

Royal Norwegian Consulate General, Mumbai
TCG Financial Centre, 3rd Floor, C-53, G Block
Bandra Kurla Complex, Bandra (E), Mumbai

Download BCS -Link
http://www.nbai.in/bcs

Norwegian Embassy

Norwegian Consulate General

Innovation Norway

nbai

Norwegian Business Association (India)