

IPS Corporate Associates' Lunch Dialogue Doing Business in India

By Fern Yu
IPS Research Assistant

ON 14 AUGUST 2017, members of the Institute of Policy Studies (IPS) Corporate Associates programme had an intimate lunch dialogue with Ambassador Gopinath Pillai, Singapore's Special Envoy to Andhra Pradesh, and Mr Manohar Khiatani, Deputy Group CEO of Ascendas-Singbridge, on "Doing Business in India". The event was chaired by IPS Special Adviser and Ambassador-at-Large Professor Tommy Koh.



(L–R) Ambassador Gopinath Pillai, Professor Tommy Koh, and Mr Manohar Khiatani.

Three key points emerged:

- Singaporeans seeking to do business in India should enter with an open mind and look deeply at opportunities, instead of getting turned off by first impressions.

- As India is large and diverse, businesses may do well in some parts of the country and in particular sectors, but not in others.
- While India's bureaucracy can be nettlesome and the infrastructure is not always business-friendly, Singapore businesses have a leg up over many others due to our positive image among the Indian government and business community.

Opening remarks

In his opening remarks, Prof. Koh observed that Singapore ranked second in the World Bank's 2016 Ease of Doing Business Index. By comparison, India is ranked 130; [Prime Minister Narendra Modi's goal](#) is to raise India's rank to the top 50. India is an important economic partner for Singapore, and has the potential to be much more so. Singapore is already India's largest foreign investor, and the Ascendas-Singbridge and Sembcorp Development consortium was [recently awarded](#) the master development rights to build Andhra Pradesh's new capital city, Amaravati.

Prof. Koh noted that both Ambassador Pillai and Mr Khatani had excellent track records of doing business in India despite facing many challenges; hence, their experience would provide valuable insights for business leaders in Singapore hoping to expand to India

Business in India: Beyond first impressions

Ambassador Pillai's presentation covered two areas: his experiences conducting business in India, and his views on why Singaporeans are not investing as much as they can in India.

Ambassador Pillai's business dealings with India started in the early 1990s. Together with his partners, his ventures have been multifarious and colourful: from successfully turning around a software company, mishaps in the field of Information Technology (IT) training, to cold chain logistics, where their company's IPO was oversubscribed 60 times in spite of many unforeseen delays.

"In India, it's not always what you see that matters. You need to look more deeply than the first impressions you get," Ambassador Pillai observed. This was one of the lessons he picked up in his foray into IT training, where he and his partners had made the mistake of assuming that Singapore was far ahead of India in IT. They also missed out on a once-in-a-lifetime opportunity when Infosys approached them for collaboration in its earlier days, because they were not impressed with what they saw of Infosys then. Today, Infosys is a billion dollar company and one of India's largest IT services providers.

Difficulties in doing business in India

Ambassador Pillai described what he considered to be the three main challenges when doing business in India. First, land acquisition can be a lengthy and difficult process, having to go through government bureaucracy or in the case of private land — which is usually for agricultural use — conversion into industrial land. He had once worked around this by getting private landowners to first convert the land use, before buying the land from them at a higher price. This worked because the private landowners trusted Ambassador Pillai and

his partners — largely due to their being Singaporean and Singapore’s positive reputation — and agreed to process the conversion before the actual sale was made.

Second, funding is often an issue, as Indian banks charge very high interest. The first loan Ambassador Pillai took from an Indian bank had an interest rate of 22 per cent. As he developed his business credentials in India, the interest fell to 12 per cent, and banks are now quite eager to offer loans.

Third, though India has tremendous amount of talent, getting the right person for the right job can be difficult.

Besides the practical reasons described, Ambassador Pillai also pointed to the potential culture shock for Singaporeans making business forays into India. He shared an anecdote about two Singaporean who, having travelled to India for business, refused to leave their hotel and only ate food they had brought from home.

“You must understand the country and its culture. It is not the UK, Singapore, or elsewhere in Europe. You must be prepared for the mindset that they have,” Ambassador Pillai advised. He noted the irony of how, while Singaporeans and the Japanese enjoy the most trust among Indians, these are the two nationalities that find it the hardest to adapt to India. In contrast, businessmen from Korea and China, who take very practical approaches to doing business, do very well in India.

An endeavour worth the while

Mr Khiatani’s presentation looked at how businesses could succeed in India, based on his experiences with Ascendas-Singbridge. He cited four reasons for Ascendas-Singbridge’s relative success:

- (i) Know where your “sweet spot” is, both by sector and geographically, and explore areas out of it with much caution, as vastly different rules and conditions could apply. Go into an area where you can bring value and differentiate yourself from the locals, so you can add value and gain a competitive advantage. Strike the right balance between the best of Singapore practices and local conditions.
- (ii) Get the right partners with common interests and complementary capabilities
- (iii) Establish a good local team, rather than rely on expatriates, as the locals know the landscape best.
- (iv) Have patience and perseverance.

Mr Khiatani advised businessmen to be cautious when dealing with Indian tax laws, as one could end up in drawn-out legal entanglements, which could be “traumatic”. The lack of transparency compounds these challenges. However, one consideration for businessmen is to make provisions for arbitration when they prepare contracts. It also helps that many Indian businessmen are open to conducting arbitration in Singapore, as they consider the system here fair and transparent, said Mr Khiatani.

“Doing business in India is like bringing up a difficult child. She screams, cries, soils a lot — sometimes you feel like throwing her out with the bathwater. But ultimately, you are glad you

had her, because the major issues will somehow resolve themselves,” Mr Khiatani mused. Looking forward, he thinks that the opportunities for Ascendas-Singbridge in India have been positive, given the increasing urbanisation trend and their young, educated population.

Question-and-Answer session

The discussion began with a question on Amaravati — the new capital that is being planned for the state of Andhra Pradesh, and whether it could be considered an iconic project, similar to the Singapore-led city developments in China. Mr Khiatani felt that it was indeed iconic, but it will be a challenging project. As a new city, its entire governance infrastructure has to be built from scratch. Mr Khiatani also clarified that the Singapore consortium, comprising Ascendas-Singbridge and Sembcorp, is involved in developing the seed capital area and not the entire capital city.

Another participant offered three helpful points on what businesses looking to invest in India must get right: (i) they must have the right business partner; (ii) be in the right state to conduct business, as India’s federal system means that the national government has less control; (iii) they have to be in the right business, in particular one that is less regulated by the government.

Another participant reversed the theme of the dialogue and asked how Indian companies can do business in Singapore, as the former are also looking globally for opportunities. Mr Khiatani said that Singapore has served as a key location for many Indian companies that want to internationalise. EDB and IE Singapore have been promoting this for many years. Companies like Ascendas-Singbridge can also support Indian companies who want to grow in the region. He cited the example of how Ascendas-Singbridge had served as a “bridge” for Indian companies wanting to grow in China by hosting them in their business parks. The parks’ international environment and standards are valued by these Indian investors, and Ascendas-Singbridge can also help facilitate discussions with authorities and partners.

[Fern Yu](#) is a Research Assistant at IPS.

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