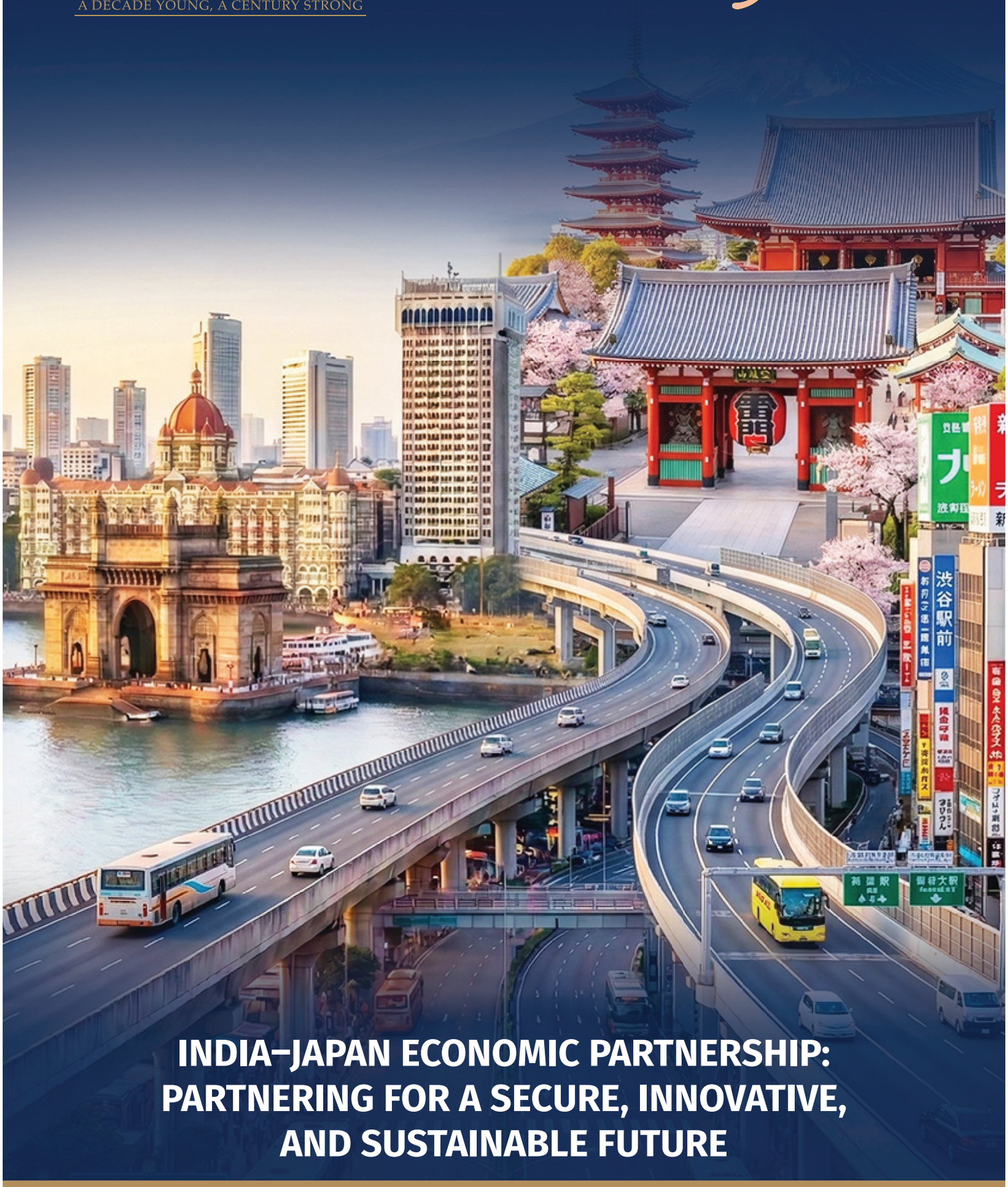
Shardul Amarchand Mangaldas

A DECADE YOUNG, A CENTURY STRONG

FICCI 100

100 YEARS OF BUILDING TOMORROW



INDIA–JAPAN ECONOMIC PARTNERSHIP: PARTNERING FOR A SECURE, INNOVATIVE, AND SUSTAINABLE FUTURE

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MESSAGE

The India–Japan partnership stands today at one of the most consequential moments in its long history. As the global economic and strategic landscape undergoes profound transformation, India and Japan - anchored in shared democratic values, mutual respect, and a deep commitment to peace and stability- are uniquely positioned to shape the architecture of resilient and future-ready supply chains.

This report comes at a time when nations across the world are re-evaluating production geographies, diversifying critical value chains, and seeking partners who offer reliability, scale, technological depth, and long-term alignment. India and Japan together embody these attributes. Japan's strengths in advanced manufacturing, precision engineering, and frontier technologies complement India's growing economic dynamism, expanding industrial capabilities, and globally competitive talent pool.

Over the past decades, Japanese companies have been indispensable partners in India's development journey—building world-class infrastructure, strengthening industrial ecosystems, and contributing significantly to India's manufacturing growth. Today, as India transitions into a more integrated node in global value chains, this partnership is poised for renewed ambition. The India–Japan Vision for the Next Decade, including the commitment of JPY 10 trillion in investment, is a testament to the confidence and the shared strategic direction of our nations.

This report provides a timely and comprehensive guide to the evolving opportunities across key sectors—automotive and electric mobility, electronics, semiconductors, pharmaceuticals, medical technologies, clean energy, defence industries, financial services, and beyond. It highlights not only the economic complementarities between the two countries but also the policy reforms, institutional architecture, and forward-looking sectoral pathways that make India a compelling and trusted business destination for Japanese investors. Equally, it reflects India's appreciation of Japan's technological excellence, quality culture, and long-term partnership ethos.

I am confident that this report will serve as a valuable resource for businesses, policymakers, and investors seeking to deepen India–Japan collaboration. It demonstrates the scale of what we can achieve together—and the shared prosperity our partnership can unlock for the Indo-Pacific region and the world.

(Nagma Mohamed Mallick)

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Foreword

Keiichi ONO
Ambassador of Japan to India

Japan–India economic relations are stronger than ever, and amid a fluid international environment, there is a broad expectation of even deeper collaboration in the years ahead. In this context, I am pleased to welcome the publication of this knowledge report by SAM and the Federation of Indian Chambers of Commerce & Industry (FICCI).

India now has the world's largest population and, underpinned by robust economic growth, is further strengthening its presence as a global power. With abundant science and engineering talent and innovation driven by start-ups, India is helping to propel the global economy. As per the survey of Japanese companies by the Japan Bank for International Cooperation (JBIC), India has been ranked first for four consecutive years as the most promising destination for business expansion.

Amid rising interest and expectations in Japan regarding India, Prime Minister Modi visited Japan in August last year. As an outcome, the "Japan–India Joint Vision" to guide our cooperation over the next decade was announced. We affirmed building a mutually complementary relationship that leverages our respective strengths across three pillars: national security, including economic security; economy, investment and innovation; and people-to-people exchange. For example, under the "Japan–India Joint Vision for the Next Decade", and building on the achievement of the target of 5 trillion yen in public and private finance and investment from Japan to India between 2022 and 2026, a new goal of 10 trillion yen in private investment has been set. As Prime Minister Modi stated at the joint press conference, this truly marks the beginning of "a new and golden chapter".

Developed against the backdrop of these new investment targets, this report offers valuable analysis to support the expansion of bilateral trade and investment. I am pleased that SAM, a prominent Indian law firm, together with FICCI, a body comprising business leaders, have undertaken this concrete analysis. The report sets out an investment roadmap aimed at deepening industrial cooperation, focusing on key sectors such as automotive and e mobility, shipbuilding, electronics and semiconductors, defense and advanced manufacturing, real estate, railways and aviation, clean energy, pharmaceuticals and medical devices, mobility of skilled talent, IT, fintech, start-ups and MSMEs.

In 2025, the Joint Meeting of the India-Japan Business Cooperation Committee was held in New Delhi in March, and the India-Japan Economic Forum was convened in Tokyo in August. In December, a mission of medium-sized and small enterprises visited New Delhi and Bengaluru. Such economic exchanges are increasingly vital to consolidating this "Golden Chapter". This report will serve as a useful reference to catalyze further joint efforts, and I extend my sincere appreciation to SAM and FICCI for taking this initiative.

Japan, despite a challenging international environment, committed to continue to move forward as a true partner towards India's goal of becoming a developed country by 2047. I trust this report will add further momentum to our mutual efforts in the years ahead.

Keiichi ONO
Ambassador of Japan to India

Foreword

Mr Onkar S. Kanwar
Past President, FICCI; Chair, India–Japan Business Cooperation Committee(IJBCC); Chairman, Apollo Tyres

India and Japan share a partnership that is both time-tested and forward-looking. Over the decades, this partnership has evolved from a largely developmental engagement into a strategic, technology-driven, and future-oriented economic alliance. Today, as global supply chains are reshaped by geopolitical shifts, technological transitions, and new expectations of resilience, the India–Japan partnership is positioned to play a pivotal role in shaping the economic architecture of the Indo-Pacific.

The India–Japan Business Cooperation Committee (IJBCC), one of FICCI's longest-standing bilateral institutional platforms, has consistently championed this partnership. This year marks the 49th anniversary of its institutionalisation. It has facilitated industry dialogue, supported investment flows, and built bridges between businesses, innovators, and policymakers of both countries. It is a privilege for me to lead this platform at a time when our economic engagements are expanding in scope, depth, and ambition.

This report provides a comprehensive overview of sectoral opportunities, policy reforms, and strategic complementarities that can drive the next phase of India–Japan economic cooperation. Whether in automotive and electric mobility, semiconductors, medical technologies, clean energy, defence industries, digital finance, or the fast-growing Global Capability Centre ecosystem, India offers scale, talent, and an enabling policy environment, while Japan brings technological excellence, quality discipline, and long-term investment ethos.

It is heartening to see the alignment between India's growth trajectory and Japan's strategic priorities, particularly in advancing resilient supply chains, supporting sustainable industrialisation, and promoting technology-led development. The commitment of JPY 10 trillion in investment over the next decade reflects the strong confidence of Japanese industry in India's economic fundamentals and reform momentum.

I am confident that this report will serve as a valuable reference for businesses, investors, and policymakers in both countries.

As Chair of IJBCC, I remain committed to facilitating business to business engagement, unlocking investment opportunities, and ensuring that this partnership continues to create measurable outcomes for industry.

Onkar S. Kanwar
Past President, FICCI; Chair, India–Japan Business Cooperation Committee(IJBCC);
Chairman, Apollo Tyres

Foreword

Mr. Rohit Relan
Co Chair, India–Japan Business Cooperation Committee (IJBCC)
CMD, Bharat Seats

Japan remains one of India's most valued economic partners, one of our largest investors and a trusted collaborator in trade, innovation, technology, and development. Over the decades, this partnership has evolved into a deeply anchored, future-oriented strategic alliance built on trust, complementarity, and a shared vision for prosperity and stability in the Indo-Pacific.

Nearly 1,500 Japanese companies operate in India today across critical sectors including automobiles, ESDM, semiconductors, medical devices, consumer goods, chemicals, precision engineering, and advanced manufacturing. Bilateral trade has grown over the years underscoring both resilience and untapped potential.

Japan has played a transformative role in India's development journey—supporting flagship initiatives such as Digital India, Smart Cities, industrial corridors, metro rail systems, and next-generation infrastructure. Collaboration has expanded into emerging domains including Production-Linked Incentive (PLI) schemes, supply chain resilience, clean energy, and innovation ecosystems.

As global value chains are reconfigured, India presents a compelling growth opportunity—driven by sustained economic expansion, strong domestic demand, progressive reforms, world-class digital public infrastructure, and a young, skilled workforce.

This Knowledge Report provides a strategic overview of India's economic outlook, regulatory landscape, and sectoral opportunities spanning automotive and e-mobility, shipbuilding, electronics and semiconductors, defence and advanced manufacturing, clean energy, pharmaceuticals, fintech, startups, MSMEs, among others.

FICCI, through the India–Japan Business Cooperation Committee, has consistently fostered dialogue and tangible outcomes in this partnership. I commend FICCI and Shardul Amarchand Mangaldas & Co. for this insightful report.

I am confident it will serve as a practical guide for Japanese companies shaping their India growth strategy.

Mr. Rohit Relan
Co Chair, India–Japan Business Cooperation Committee (IJBCC)
CMD, Bharat Seats

Foreword

Dr. Shardul S. Shroff
Executive Chairman

At a time when the global economic order is undergoing significant transformation, the partnership between India and Japan assumes renewed strategic importance. As countries and businesses reassess production networks in response to shifting geopolitical and economic dynamics, the complementarities between India's expanding market and Japan's technological and manufacturing capabilities create a strong foundation for deeper industrial collaboration. Together, the two countries are well positioned to strengthen resilient and mutually beneficial supply chains across a range of sectors.

Within this evolving landscape, India is rapidly emerging as a major manufacturing and supply-chain hub. As one of the fastest-growing major economies in the world, India is attracting rising levels of trade and foreign direct investment while deepening its integration into global value chains. The scale of India's domestic market, its growing industrial base, and a favourable demographic profile together provide a strong foundation for long-term manufacturing growth. This transformation is also reflected in India's expanding trade footprint. In 2024–25, India's total exports of goods and services reached close to USD 800 billion, and the country is steadily progressing toward the milestone of USD 1 trillion in exports in 2025–26. As India strengthens its role as a global manufacturing and export hub, opportunities for deeper industrial collaboration with partners such as Japan continue to expand.

India's economic progress has also been supported by a range of regulatory and policy reforms aimed at strengthening the country's manufacturing competitiveness and trade ecosystem. Initiatives such as the Production Linked Incentive (PLI) schemes, improvements in the GST framework, efforts to address inverted duty structures, and broader trade and investment facilitation measures are contributing to the development of globally competitive industrial ecosystems across several strategic sectors. At the same time, India's expanding network of free trade agreements (FTAs) and its increasing integration into global production networks are reinforcing its position as an important manufacturing base for international businesses.

As part of their continued efforts to support dialogue between businesses in India and Japan, Shardul Amarchand Mangaldas & Co. and the Federation of Indian Chambers of Commerce and Industry (FICCI) have, over the years, published this annual report alongside the meeting of the India–Japan Business Cooperation Committee (IJBCC). This year's edition examines India's evolving role in global production networks and identifies opportunities for deeper engagement between Japanese and Indian enterprises across a range of strategic sectors. It considers the industrial complementarities between the two economies and the policy environment shaping investment and trade, while highlighting areas where stronger partnerships can support more resilient supply chains.

We are hopeful that the insights presented in this report will contribute to the deepening of industrial and supply-chain partnerships between India and Japan. As business cooperation between the two countries continues to expand, the governments of both nations can further strengthen the institutional foundations of this relationship, including by enhancing the effectiveness of the India–Japan Comprehensive Economic Partnership Agreement (CEPA) and facilitating greater trade and investment.

Best wishes,

Dr. Shardul S. Shroff
Executive Chairman
Shardul Amarchand Mangaldas & Co.

Foreword

Setsuya Yoshino
President
Japanese Chamber of Commerce and Industry in India

On behalf of the Japan Chamber of Commerce and Industry in India (JCCII), I would like to express my sincere appreciation to the FICCI and Shardul Amarchand Mangaldas & Co. for bringing out this timely and comprehensive "Knowledge Report" on India–Japan.

At a time when the global economic order is undergoing major structural change marked by supply-chain recalibration, economic security concerns, geopolitical uncertainty and accelerating technological changes, this report provides valuable insights into how India and Japan can further deepen their economic partnership in a mutual manner. Its sectoral analysis and policy-oriented perspective will serve as a useful reference not only for Japanese companies operating in India, but also for Indian stakeholders seeking long-term, trusted partners.

JCCII represents a broad cross-section of Japanese businesses active in India, spanning manufacturing, infrastructure, energy, services, and emerging technology domains etc. Through our industry-specific committees, JCCII works closely with the Government of India, state governments, and partner institutions to identify bottlenecks, propose practical solutions, and contribute to the continuous improvement of the business environment in India.

We firmly believe that close public–private dialogue is essential to translate strategic intent into executable outcomes. India's scale, growth momentum, and policy focus on manufacturing, infrastructure, and sustainability align well with the strengths of Japanese companies, which bring long-term capital, advanced technology, and a strong commitment to quality and reliability.

JCCII looks forward to continuing its close cooperation with FICCI and other stakeholders to support the expansion of Japanese business activities in India and to contribute to the sustainable development of India as well as the India–Japan economic relationship.

Setsuya Yoshino
President
Japanese Chamber of Commerce and Industry in India

Foreword

Ms. Jyoti Vij
Director General
Federation of Indian Chambers of Commerce & Industry (FICCI)

India stands today at a defining moment in its economic journey. Sustained GDP growth, strong domestic consumption, transformative infrastructure investments, and a rapidly advancing manufacturing and innovation ecosystem have positioned India among the world's most dynamic growth engines. Industrial performance remains resilient, global trade integration continues to deepen, and investor confidence is robust reflected in steady foreign direct investment inflows, particularly in services and manufacturing.

India's demographic dividend, expanding technological capabilities, and progressive policy reforms together create unparalleled opportunities for global partners. Japan has long recognized this potential and has consistently supported India's development through high-quality, long-term investments rooted in trust and shared values.

The India Japan partnership is anchored in mutual trust, deep cultural ties, and a shared commitment to peace, prosperity, and stability in the Indo-Pacific region. From high-speed rail and industrial corridors to digital transformation, clean energy, and skill development, Japan has remained a steadfast partner in India's development journey. The India Japan Business Cooperation Committee (IJBCC), co-established by the FICCI and JCCI, has played a pivotal role for nearly five decades in strengthening this engagement serving as a vital platform for business leadership, policy dialogue, and long-term collaboration.

As global supply chains are reshaped, the synergy between India's scale and Japan's technological leadership presents unprecedented opportunities. This report examines the evolving global economic landscape and highlights the importance of building resilient and future-ready production networks. It identifies priority sectors where deeper India Japan collaboration can unlock sustainable growth and shared value. This partnership is a role model for other countries too.

I am confident that the perspectives outlined in this report will catalyse meaningful dialogue, foster new partnerships, and contribute to a stronger, more resilient, and innovation-driven India–Japan economic relationship in the years ahead.

Ms. Jyoti Vij
Director General
Federation of Indian Chambers of Commerce & Industry (FICCI)

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Executive Summary

Global supply chains are entering a phase of structural recalibration. For more than three decades, cross-border production expanded under trade liberalisation, declining coordination costs, and relative geopolitical stability. Today, the context has materially shifted. Strategic competition among major economies, expanded use of industrial policy, tighter investment screening, climate-linked trade measures, and recurring geopolitical shocks have elevated supply-chain design from an exercise in cost optimisation to a core strategic function of businesses. Production geography is being re-assessed not episodically, but structurally, as companies re-evaluate concentration risk, policy alignment, and long-term ecosystem resilience.

For Japan, this transition carries particular weight. As a deeply integrated manufacturing economy, Japan's competitiveness has long been anchored in dense production networks across East Asia, with significant overseas capacity embedded in complex, multi-tier value chains. However, the changing global order has increased the risks associated with geographic concentration and policy fragmentation, prompting a renewed emphasis on diversification, supply-chain resilience, and economic security.

Within this evolving architecture, India has assumed greater structural relevance. India combines sustained macroeconomic growth, expanding domestic demand, rising capital expenditure in infrastructure, and an increasingly proactive industrial policy framework aimed at deepening manufacturing capacity. Real gross domestic product (**GDP**) growth has remained among the strongest globally, while public capital expenditure has been scaled to reinforce logistics, energy, and industrial corridors. Foreign direct investment (**FDI**) in India has remained resilient despite a more selective global investment environment, and export performance has reached record levels, reflecting growing integration into global markets. These trends provide a foundation for long-horizon capital deployment and production scale.

India's policy trajectory has also shifted. Industrial incentives linked to electronics, semiconductors, automotive technologies, pharmaceuticals, clean energy, and advanced manufacturing reflect a deliberate effort to address ecosystem gaps and reduce import dependence in strategic segments. Trade policy has become more outward-oriented, with expanded free trade agreements and facilitation reforms enhancing market access and export predictability. At the same time, rapid scaling of renewable energy capacity and the development of emissions-management frameworks are reshaping the carbon profile of India's industrial base, aligning production conditions more closely with evolving global decarbonisation requirements. Geopolitically, India's multi-aligned posture and diversified trade relationships provide an additional layer of resilience within a fragmented global system.

The intersection of Japan's outward investment strategy and India's manufacturing expansion has therefore gained strategic salience.

The India-Japan Vision for the Next Decade, including the commitment of JPY 10 Trillion investments by Japanese business in India, institutionalises this convergence. It aligns cooperation across supply-chain resilience, semiconductors, battery ecosystems, critical minerals, pharmaceuticals, clean energy, infrastructure, and advanced technologies. In doing so, it translates structural complementarity into a coordinated platform for capital deployment, regulatory alignment, and ecosystem development. The emphasis on economic security, technology collaboration, and subnational industrial partnerships reflects recognition that resilient supply chains depend not only on investment flows, but on durable institutional coordination.

These structural dynamics manifest most clearly at the sectoral level. Automotive and electric mobility illustrate how localisation incentives and ecosystem development can align with Japanese Original Equipment Manufacturing (**OEM**) capabilities in electrification and precision engineering. Electronics and semiconductors reveal a division of labour in which Japan's upstream strengths can be complemented by India's scaling ambitions in assembly, packaging, and power devices. Pharmaceuticals and medical devices highlight the interaction between Japanese innovation and India's manufacturing depth and regulatory-market integration. Renewable energy and green hydrogen link India's deployment scale with Japan's clean-technology priorities and energy-security objectives. Defence, railways, aviation, digital finance, and global capability centres further expand the scope of industrial and technological cooperation, embedding supply-chain diversification within both manufacturing and services domains.

Supply-chain reconfiguration is thus moving from a reactive response to shocks toward a deliberate restructuring of production geography. In this environment, countries that combine macroeconomic stability, infrastructure momentum, trade connectivity, industrial policy alignment, decarbonisation readiness, and geopolitical flexibility acquire systemic importance. India's evolving economic profile intersects with these variables in ways that are increasingly material for Japanese firms reassessing overseas production, sourcing structures, and market access strategies.

This report examines the forces reshaping the global economic order, assesses how India and Japan are positioned within that transformation, and analyses the sector-level complementarities, policy frameworks, and investment pathways that can anchor deeper and more resilient bilateral supply-chain integration.

CHAPTER 1:

India-Japan in the Changing Global Order

Global supply chains are undergoing a fundamental transformation. For three decades, globalisation enabled the formation of highly fragmented cross-border production networks, as firms unbundled manufacturing across multiple countries to capture cost differentials, scale efficiencies, and comparative advantage. Today, these networks are being reconfigured, shaped not only by economics, but increasingly by geopolitical positioning, industrial policy, and sustainability imperatives. This chapter traces that evolution and examines the forces now reshaping global value chains, with particular attention to the unique and distinctive positioning of India and Japan within this reconfiguration.

The Changing Global Order: Reconfiguration of Global Supply Chains

The Era of Expansion (1990s to 2008): During the late twentieth and early twenty-first centuries, declining trade barriers, multilateral trade rules, and liberalised capital flows created the conditions for unprecedented supply chain fragmentation. Global merchandise trade expanded substantially faster than global output, growing more than twice as fast as world GDP in the 1990s and around 1.5 times as fast in the early 2000s.

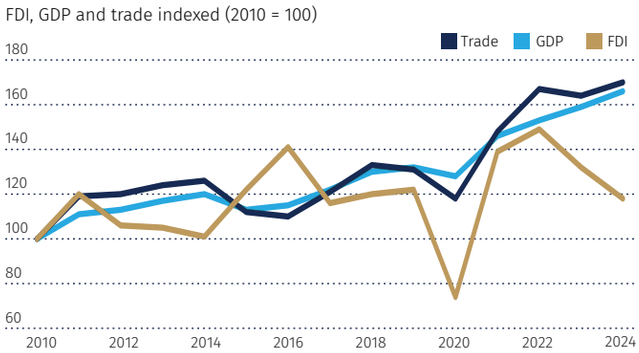
An increasing share of this cross-border trade consisted of intermediate goods and components, reflecting a shift from nationally concentrated production toward distributed manufacturing processes. This gave rise to what are now widely termed "global supply chains" or "global value chains."

Crisis and Contraction (2008 to 2010): The 2008 global financial crisis marked a turning point. World merchandise trade volumes contracted sharply in 2009, far outpacing the decline in global output. Weaker demand in advanced economies reduced end-market absorption of manufactured goods, while tighter financial conditions constrained the capital-intensive investments that had underpinned highly fragmented supply chains.

Stabilisation and Emerging Frictions (2010 to 2019): Although global trade recovered in absolute terms, its growth since 2010 has broadly tracked global output rather than consistently outpacing it, indicating a deceleration in the expansion of cross-border production networks. Global foreign direct investment flows declined from their mid-2000s peak and stabilised at lower levels, signaling reduced commitments to new cross-border production capacity.

Figure 1: FDI is losing pace with GDP and Trade

FDI, GDP and trade indexed (2010 = 100)



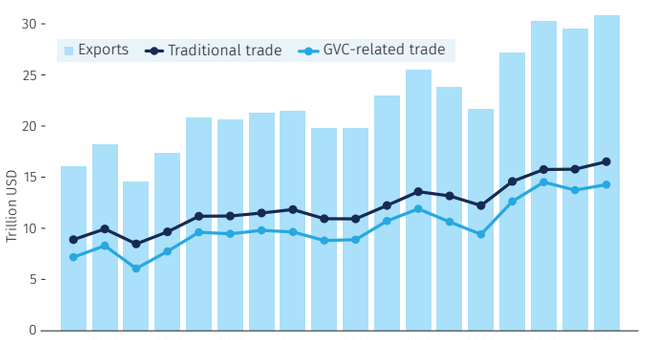
Source: World Investment Report 2025, UNCTAD

Rising trade and technology frictions in the second half of the 2010s compounded this slowdown. Successive United States and China tariff actions and restrictions on technology transfer added uncertainty and cost to highly integrated production networks.

Disruption and Reconfiguration (2020 to Present): A series of overlapping stress events (including the COVID-19 pandemic, heightened geopolitical tensions, financial volatility, and accelerating climate pressures) exposed vulnerabilities inherent in highly fragmented supply chains. GVC-related trade contracted by 5.35% in 2023, and its share of total trade declined from a peak of 48% in 2022 to 46.3% in 2024.

Figure 2: Decomposition of World Gross Exports, 2007-2024

Global trade increased after the COVID-19 pandemic, but the gap between traditional and GVC-related trade widened.



Source: Global Value Chain Development Report 2025, WTO

Factors Shaping Business Decisions in the Changing Global Order

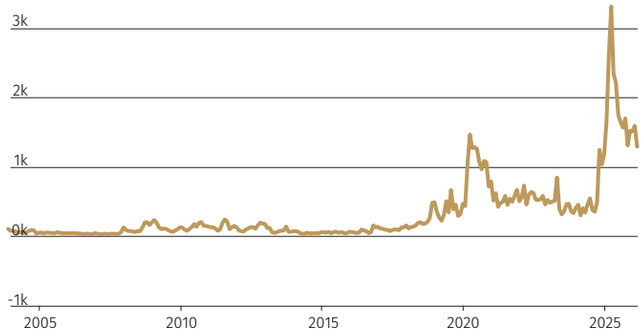
This shift captures a broader transition in the global economic order. Global supply chains are no longer shaped solely by comparative advantage and cost optimisation. Today, firms evaluating where to locate production capacity weigh a more complex set of considerations:

Rise in geopolitical shocks and uncertain global trade policies

A series of recent economic and geopolitical shocks have led to increasing fragmentation of global trade. Rising geopolitical tensions, the shock of a global pandemic, the war in Europe, the Middle-East, and the persistence of structural trade tensions between major economies have altered trade flows and raised uncertainty around the durability of cross-border supply relationships.[1]

Most immediately, tariff escalation, sanctions and export controls have increased volatility across production systems, contributing to higher costs, delays, and, in some cases, outright production stoppages.[2] For instance, rising trade and technology frictions, including successive United States–China tariff actions[3] and restrictions on technology transfer, or the recent tightening of export licensing and controls by China on key rare earth elements and permanent magnet materials to Japan, have added uncertainty and cost to highly integrated production networks.[4]

Figure 3: Daily Trade Policy Uncertainty (7-day moving average) (as of March 1, 2026)



Source: Economic Policy Uncertainty

As these practices become more widespread, businesses are now re-assessing geopolitical exposure and supplier concentration as part of the core supply chain strategy. Risk mitigation measures increasingly include supplier diversification, geographic rebalancing, and the development of parallel or segmented production networks designed to limit exposure to policy driven disruptions. These responses are signaling a shift from episodic crisis management toward deliberate supply chain architectures that prioritize resilience under geopolitical uncertainty.

Industrial policy has become the primary mechanism reshaping supply chains

As governments pursue objectives related to strategic competitiveness, economic security, and supply chain resilience, industrial policy considerations have moved from a contextual backdrop to a material input for cross-border investment decisions for businesses.

Governments are increasingly using a broad set of policy instruments to influence supply chain outcomes. These include subsidies, tax incentives, public procurement, targeted credit, localisation requirements, and investment screening mechanisms that shape where firms can operate and under what conditions.

The scale and persistence of these interventions reinforce their influence on firm behaviour. The number of new industrial policy measures has risen sharply since the global financial crisis, accelerated further after 2020, and reached close to 1400 industrial policy interventions globally by 2022.[5] Governments increasingly justify these measures on the basis of strategic competitiveness, supply chain resilience, climate objectives, and national security, signalling that industrial policy is likely to remain a durable feature of the global economic landscape rather than a temporary response to crisis.

The US is leading a renaissance of industrial policy with the Inflation Reduction Act, 2022 and the CHIPS and Science Act, 2022 as it seeks to restore some of the manufacturing jobs lost to China in the 2000s. Emerging markets are also seeking to mobilize capital toward their industrial objectives with an increasing focus on manufacturing for exports and the viability of cross-border configurations.

As a result, businesses undertaking long term and capital-intensive investments are favoring jurisdictions that offer policy stability and ecosystem support even when factor costs are higher, thus reinforcing the role of industrial policy as a central driver of supply chain reconfiguration.

Climate related risks and policies are now shaping supply chain reconfiguration

Climate related disasters such as prolonged droughts and devastating floods continue to wreak havoc on supply chains, straining infrastructure and testing the resilience of logistics networks. Extreme weather events have contributed to rising shipment delays, supply interruptions, and volatility in commodity prices, with weather related disasters generating huge economic loses.[6] These disruptions have heightened the magnitude of operational risk firms face across geographically extended supply chains.

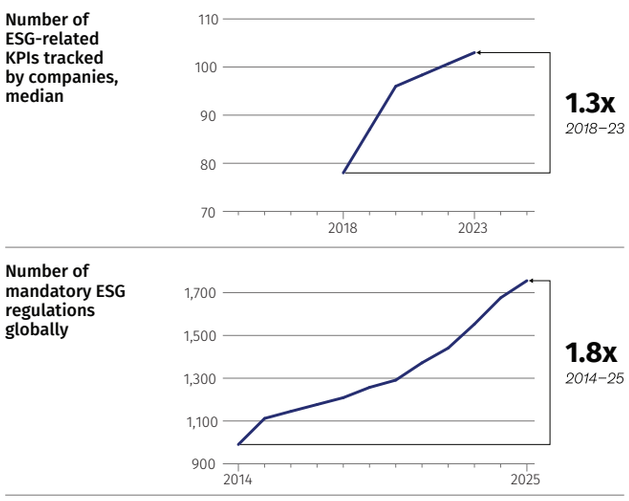
As climate-related physical disruptions become more frequent, businesses are reassessing the resilience of existing production and sourcing models. Recent surveys indicate that more than 70% of large firms have modified their supply chain networks since 2022, reflecting adjustments to sourcing strategies, network design, and regional footprints in response to rising physical risk.[7]

Beyond physical disruption, climate policy is also shaping the cost and regulatory environment in which global supply chains operate. Governments are expanding carbon pricing, emissions regulation, and sustainability requirements, directly affecting production costs and location economics in supply chain decisions. Carbon pricing mechanisms now cover roughly 28% of global greenhouse gas emissions, with implications across energy intensive and trade exposed sectors.[8] For multinational companies, these policies constrain location choices, increase compliance costs, and add complexity to cross-border operations.

Further, Environmental Social and Governance and emission reporting frameworks in major markets now extend oversight deep into value chains, requiring firms to monitor and report emission intensity across suppliers. The European Union's European Union's Corporate Sustainability Reporting Directive, for example, will be applicable to

approximately 50,000 companies, including a substantial number of non-EU companies with significant EU exposure.[9] At the same time, emission disclosure standards have been adopted or integrated by jurisdictions accounting for roughly 55% to 60% of global GDP, indicating growing regulatory convergence.[10]

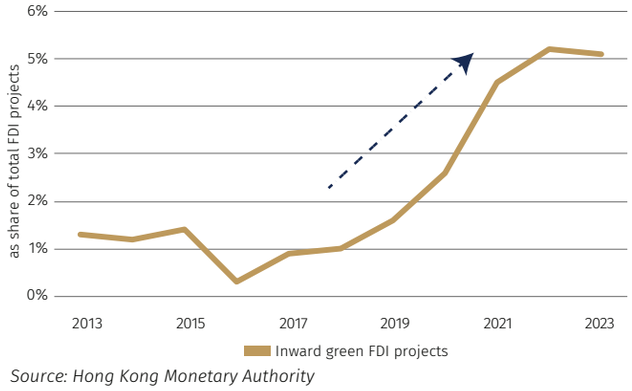
Figure 4: Attention to ESG has increased significantly in the past decade



Source: Mckinsey Global Institute, 2025

In response, businesses are embedding climate considerations into core supply chain governance and risk management processes. This includes reducing exposure to climate vulnerable regions, redesigning logistics networks, and integrating climate metrics into supplier evaluation and procurement, and into investment planning.

Figure 5: Share of green-related greenfield FDI projects



Source: Hong Kong Monetary Authority

How are India and Japan placed in this supply chain reconfiguration?

Figure 6: Supply Chain Framework

Understanding India-Japan's complementarities in the changing global order

As global supply chains undergo structural reconfiguration, India and Japan occupy distinct positions within this evolving landscape. Their differing industrial structures and degrees of integration in global supply chains shape how each is affected by the ongoing reconfiguration of supply chains.

For Japan, these developments are significant. Japan is a deeply integrated manufacturing economy with extensive participation in regional and global value chains. Over the past three decades, Japanese firms built dense production networks across East Asia, with significant concentration in China as both a manufacturing base and export platform. Overseas production has been central to competitiveness in automobiles, electronics, precision machinery, and advanced components.

However, the changing global order has increased the risks associated with geographic concentration, particularly for Japanese supply chains embedded in China. In response, Japan has placed greater emphasis on diversification and supply-chain resilience, encouraging the expansion of production into alternative partner economies while maintaining technological depth in critical sectors.[11]

India occupies a different structural position within global value chains. Its integration into cross-border production networks has been uneven: strong in services exports and pharmaceuticals, and expanding in sectors such as electronics assembly and renewable energy components, but more limited in complex, multi-tier manufacturing networks.

In light of the global supply chain reconfiguration, Japan is seeking diversified production partners that can support resilient industrial ecosystems as firms reassess supply chain exposure. India requires long-term capital and access to advanced technologies to strengthen manufacturing capabilities and deepen integration into global production networks. These differing structural positions have made the India–Japan economic relationship more strategically salient within the changing global order.

Japan retains strong positions in upstream segments of strategic industries, including semiconductor equipment, advanced materials, precision machinery, and high-value manufacturing inputs, anchoring its role within complex global production ecosystems. Its outward investments is characterised by long-term orientation, patient capital deployment, and embedded technology transfer through durable industrial partnerships.

India offers scale with a large and growing domestic market, favourable demographics, and an expanding industrial base seeking deeper integration into global production systems. Its capabilities in software services, digital innovation, and technical human capital complement efforts to broaden manufacturing participation across electronics, pharmaceuticals, and renewable energy components. India's development trajectory reflects both increasing investment absorption capacity and the gradual strengthening of production ecosystems.

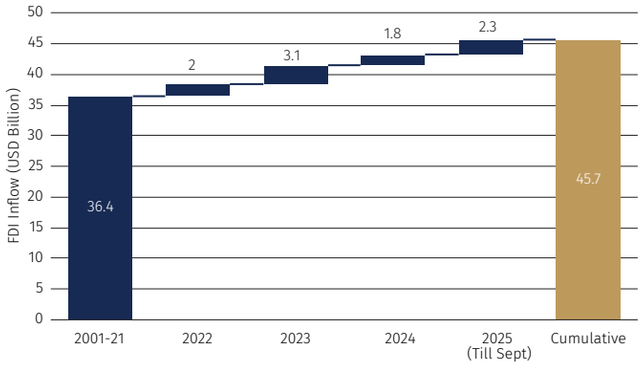
The intersection of these trajectories gives greater salience to bilateral economic engagement between India and Japan to mutually establish resilient supply chains in the changing global order.

India-Japan Economic Partnership: Japanese participation in the Indian economy

Spanning more than seven decades, India-Japan diplomatic relations have provided the institutional foundation for sustained economic engagement. Economic engagement between the two countries has expanded across trade, investment, and industrial cooperation, with Japanese firms playing a visible role in India's manufacturing and infrastructure development.

Investment flows have been central to the evolution of the partnership. Since India's economic liberalisation in the early 1990s, Japanese businesses have progressively expanded their presence, particularly following the strategic elevation of the partnership in 2014. As of September 2025, cumulative Japanese FDI into India stood at approximately USD 45.69 Billion, positioning Japan as the fifth largest FDI investor[12], with around 1,400 Japanese companies operating in the country.[13]

Figure 7: FDI inflows from Japan to India (2000 to Sep 2025)



Source: DPIIT, Government of India

Japanese FDI has been heavily concentrated in manufacturing, especially automobiles, electrical equipment, electronics, chemicals, and general machinery. The automotive sector has served as a flagship example of collaborative value creation, evolving from technology import to integrated production ecosystems involving suppliers, logistics networks, and long-term capital commitment. In recent years, investment has also expanded into services, including finance, insurance, research and development, and business services. This diversification mirrors broader outward investment patterns from Japan while reflecting growing confidence in India's market potential and reform trajectory.[14]

Trade and sectoral complementarity: Bilateral trade has grown steadily, supported by the Comprehensive Economic Partnership Agreement, which came into effect in 2011 and covers goods, services, intellectual property, and mobility of professionals. Trade increased from approximately USD 15 Billion in financial year (**FY**) 2014-15 to USD 25.15 Billion in FY 2024-25.[15]

The composition of trade reflects structural complementarity between Japan's advanced manufacturing base and India's resource and intermediate goods capacity. Japan's exports to India are concentrated in capital goods such as machinery, transport equipment, electrical machinery, and precision instruments that support industrial upgrading. India's exports to Japan include organic chemicals, petroleum products, metalliferous ores, marine products, aluminium, and select manufactured goods.[16]

However, it must be noted that trade volumes remain modest

relative to the size of both economies. Research indicates that non-tariff and process-oriented barriers, including stringent product standards, complex conformity assessment procedures, and high regulatory compliance costs, continue to constrain Indian exporters, particularly in labour-intensive sectors such as textiles, garments and processed foods.[17] Evidence also suggests that tariff liberalisation alone has been insufficient to deepen supply-chain integration or diversify bilateral trade flows.[18]

In this context, a structured CEPA review, undertaken in consultation with industry stakeholders in both countries, should prioritise simplification of rules of origin and customs procedures, strengthened cooperation on standards and certification, deeper services market access, and targeted capacity building for MSMEs through the agreement's Economic Cooperation chapter.[19] Such reforms would shift CEPA from tariff-centric liberalisation toward a more utilisation-driven framework.

Infrastructure and institutional architecture: Infrastructure cooperation represents one of the most visible pillars of the economic relationship. Through long-term official development assistance and concessional financing, Japan has supported projects characterised by technological complexity and multi-decade horizons.[20] The Delhi Metro established an early benchmark for urban transport collaboration, followed by large scale initiatives such as the Western Dedicated Freight Corridor and the Mumbai-Ahmedabad High-Speed Rail project, introducing Shinkansen technology to India.[21]

Bilateral institutions like Japan International Cooperation Agency (**JICA**), Japan Bank for International Cooperation (**JBIC**), Japan External Trade Organization (**JETRO**) have facilitated trade by providing low-interest, long-term ODA loans for infrastructure, furthering private sector investment by providing export credits and project finance and acting as a bridge for businesses. India-Japan fund of USD 600 Million has been specifically designed to finance climate and environmental projects.[22]

India–Japan Vision for Next Decade: Operationalizing Mutually Resilient Supply Chains

In August 2025, at the 15th India–Japan Annual Summit, the two countries adopted the Vision for the Next Decade as the overarching framework for deepening economic partnership and strengthening economic security cooperation. The Vision consolidates structured long-term bilateral engagement across manufacturing, supply chains, digital technologies, infrastructure, and services.[23]

Within the Vision's framework, the announcement of JPY 10 trillion in private sector investment over the coming decade constitutes the single largest forward-looking capital commitment embedded in the ten-year agenda. Positioned under the Next Generation Economic Partnership pillar, the commitment anchors the financial dimension of the Vision.

The JPY 10 trillion target builds upon the earlier JPY 5 trillion public and private investment and financing commitment announced in 2022. The Vision situates this expanded commitment within an integrated framework spanning economic partnership, economic security, mobility systems, ecological transition, digital cooperation, health, people-to-people exchanges, and state–prefecture collaboration.

Industrial and Economic Partnership: The economic partnership pillar sets out the foundation for continued industrial cooperation. Strengthening Japan Industrial Townships, advancing the Japan–India Industrial Competitiveness Partnership, progressing CEPA implementation and review, and expanding SME linkages collectively reinforce the manufacturing dimension of bilateral engagement.

These mechanisms support cooperation across automotive, industrial machinery, electronics, textiles, and food processing sectors. The emphasis is on enhancing industrial competitiveness, facilitating business operations, and strengthening production linkages within bilateral and regional value chains. Agri-business collaboration further extends engagement into food systems and agricultural cooperation, reflecting the breadth of the partnership agenda.

Economic Security and Strategic Sectors: The Japan- India Economic Security Initiative introduces greater sectoral focus within the Vision framework. Semiconductors, critical minerals, pharmaceuticals and biotechnology, telecommunications, clean energy, and emerging technologies are identified as priority domains for structured engagement. Dialogue mechanisms on economic security and strategic trade and technology institutionalise coordination across these areas.

These sectors are central to supply chain resilience and technological development. The policy framework signals sustained cooperation in semiconductor-related collaboration, critical mineral partnerships, pharmaceutical production, telecommunications systems, clean energy initiatives, and emerging technology applications. Within the broader Vision architecture, these domains link industrial development with economic security considerations.

Mobility and Infrastructure Cooperation: The Next Generation Mobility Partnership expands cooperation into transport and logistics systems. High-speed rail, metro technologies, sustainable transport solutions, and cold-chain logistics are highlighted as priority areas of engagement.

Industrial corridors, logistics modernisation initiatives, and state-prefecture partnerships provide implementation platforms at the subnational level. These initiatives aim to strengthen infrastructure foundations and support coordinated industrial development across regions.

Financial, Digital, and Technology Cooperation: Financial and digital cooperation form part of the broader economic partnership agenda. Engagement with the International Financial Services Centre at GIFT City and cooperation on payment systems indicate continued collaboration in financial services that support investment and trade flows.

Digital Partnership 2.0 and AI cooperation initiatives signal expanded engagement in digital technologies and innovation ecosystems. These areas complement industrial cooperation by strengthening technological exchange and knowledge collaboration within the Vision framework.

Mobility and infrastructure initiatives also include cooperation in planning, technology application, and implementation support, reinforcing the operational dimension of bilateral engagement.

Mapping Policy Signals to Likely Investment Deployment:

Vision Pillar	Policy Signals Announced	Likely Areas of Engagement
Next Generation Economic Partnership	Japan Industrial Townships; IJICP; CEPA review; SME cooperation; financial cooperation; agri-business collaboration	Manufacturing sectors including automotive, machinery, electronics, textiles, food processing; financial services cooperation
Economic Security Initiative	Dialogue on Economic Security; prioritisation of semiconductors, critical minerals, pharmaceuticals, telecommunications, clean energy, emerging technologies	Semiconductor cooperation; critical mineral partnerships; pharmaceutical production; telecommunications systems; clean energy collaboration; emerging technologies
Digital and Technology Cooperation	Digital Partnership 2.0; AI Cooperation Initiative; startup collaboration	Digital technologies; AI cooperation; innovation ecosystems
Next Generation Mobility Partnership	High-speed rail; metro systems; sustainable transport; cold-chain logistics	Transport systems cooperation; logistics infrastructure; mobility-related industrial collaboration
Subnational and Infrastructure Cooperation	Industrial corridors; logistics modernisation; state–prefecture partnerships	Cluster-based industrial development; infrastructure strengthening

In the current global order where economic relationships are being reshaped by structural rather than cyclical forces, the India–Japan Vision for the Next Decade represents an effort to align long-term objectives with practical pathways for cooperation.

The JPY 10 trillion commitment therein marks a shift from periodic investment expansion to a structured, long-term economic repositioning. The scale and duration of the investment target indicate that bilateral engagement is moving beyond individual projects toward sustained industrial integration. The Vision therefore translates the structural positioning of India and Japan within the changing global order into a coordinated platform for building deeper and more resilient supply-chain linkages

With their technological leadership, quality discipline, long-term capital, and experience in building complex production networks, Japanese businesses are well positioned to deepen engagement with India, strengthening the resilience and diversification of their global supply chains.

CHAPTER 2:

India's Economic Performance and Investment Conditions in The Changing Global Order

As businesses evaluate India as a production base under supply chain reconfiguration strategies, investment decisions will depend on more than cost considerations. Macroeconomic stability, fiscal credibility, demand strength, external trade access, geopolitical alignment, and climate positioning increasingly shape long-term manufacturing and supply chain decisions.

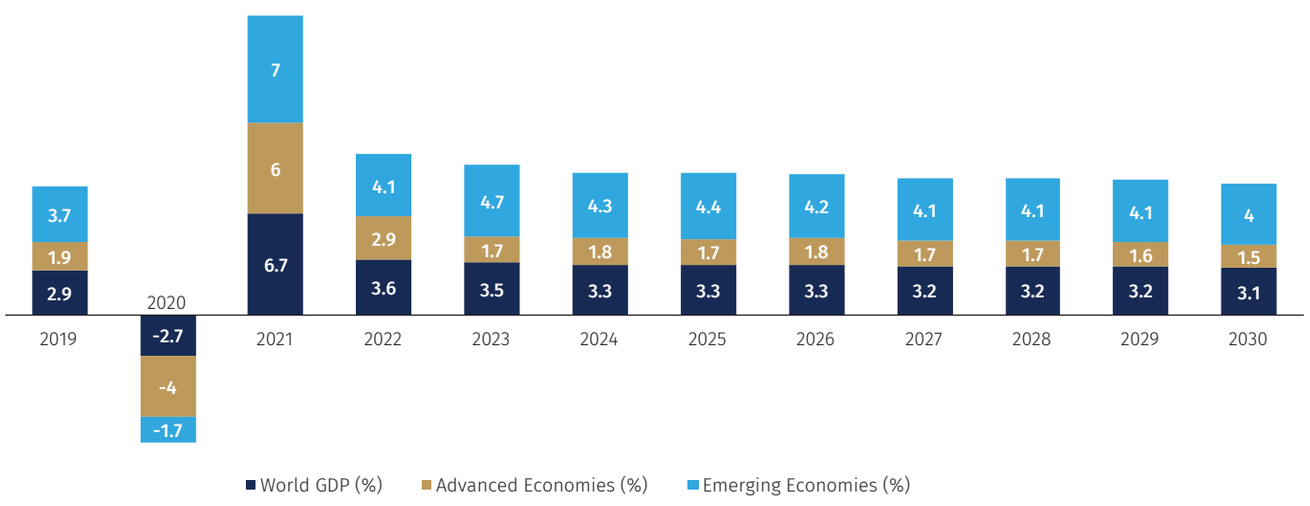
India's Macroeconomic Performance And Outlook: Resilience Amid Global Volatility

At a time when the operating environment for cross-border investment has remained constrained in recent years as slower growth in advanced economies, global trade uncertainty, tighter monetary conditions, alongside geopolitical fragmentation characterized investment conditions, India's macroeconomic performance remains comparatively strong, sustaining one of the strongest growth trajectories among major economies.

Global growth is projected to slow from 3.3% in 2024 to 3.2% in 2025 and 3.1% in 2026, with advanced economies growing around 1.5% and emerging market and developing economies just above 4%.[24]

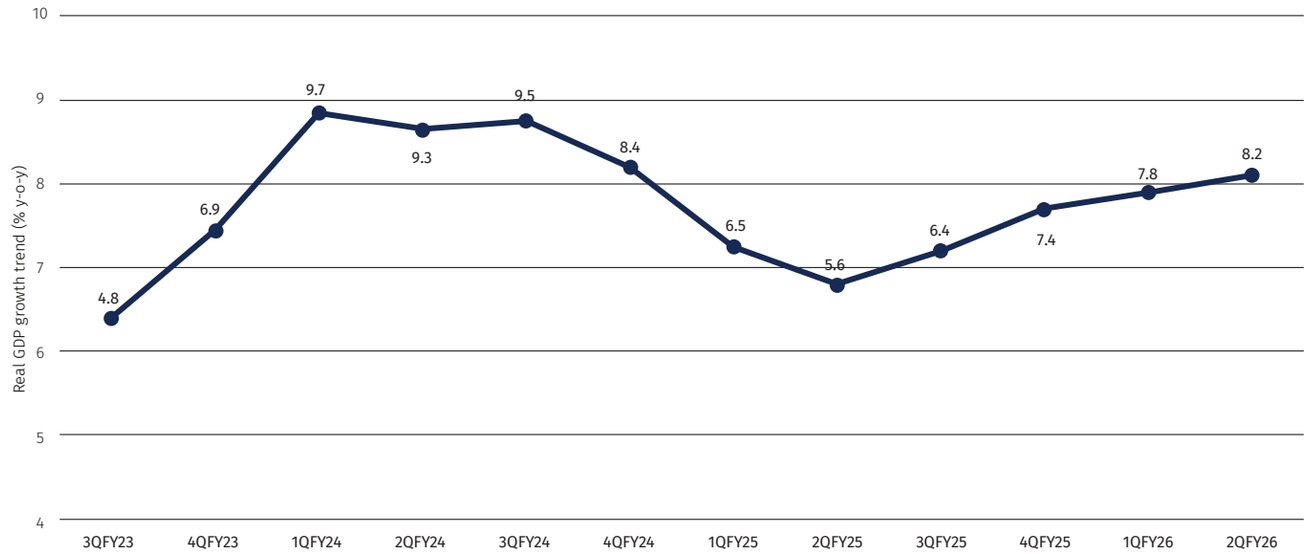
Against this global context, India's GDP is estimated to grow at 7.4% in real terms in FY 2025-26, continuing its run as the fastest-growing major economy for the fourth consecutive year[25], with real GDP growth for FY 2026-27 projected in the range of 6.8% to 7.2%.[26]

Figure 8: Global economic growth outlook worsens amid trade conflict and policy uncertainity



Source: IMF WEO, January 2026

Figure 9: India's Real GDP growth trend (% y-o-y)



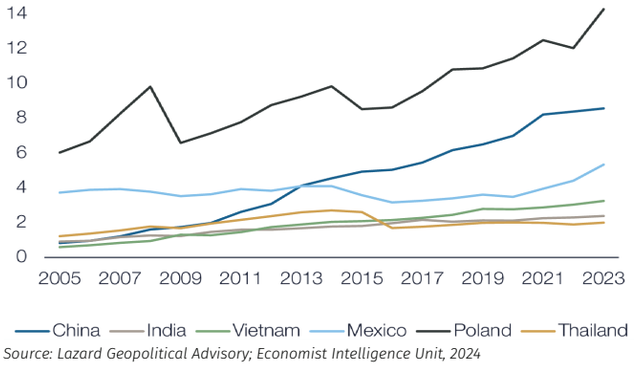
Source: Ministry of Statistics and Programme Implementation, GoI

India's Structural Advantages and Macroeconomic Trends

Labour Profile: Approximately 25% of the incremental global workforce over the next decade will come from India. By 2030, India's working age population will exceed 1 Billion, at a time when the population is rapidly aging in the developed world.

India's vast labour workforce offer variety. On the skilled based talent, India offers the largest pool of English-speaking STEM graduates with an annual addition of 2.14 Million (47% women) and 6.2 Million healthcare professionals. This large pool of skilled labor provides a long runway for improving productivity at a pace faster than the growth in wages.

Figure 10: Manufacturing labour costs per hour: India one of the most competitive

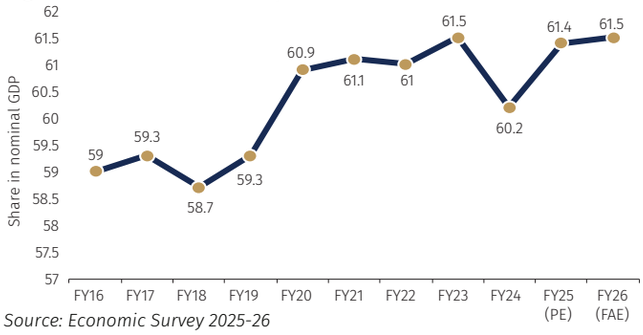


Source: Lazard Geopolitical Advisory; Economist Intelligence Unit, 2024

Domestic Demand: With a median age of 28.4 years, a young India not only offers a large and competitive labour advantage but also unleashes the consumption power of a young population

Domestic demand continues to be the main pillar supporting India's economic growth in FY 2025-26, with private consumption emerging as the strongest driver. As per the Economic Survey 2025-2026, the share of Final Private Consumption Expenditure, a proxy for consumption, in gross domestic product rose to 61.5% in FY 2025-26, the highest level since FY 2011-12, underlining the central role of household spending in sustaining growth momentum.[27]Reaping the demographic dividend, private consumption is further expected to strengthen, benefiting from continued improvements in the labor market, growth in rural incomes, and declining inflation, offering a deep domestic market.

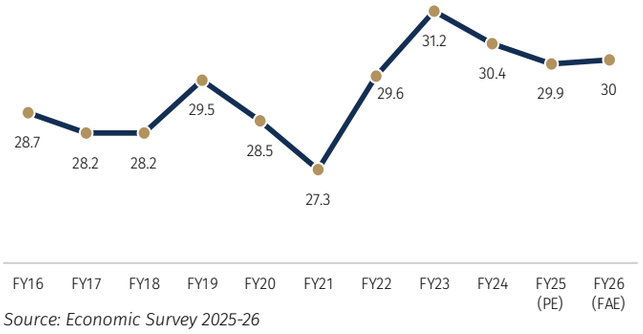
Figure 11: Private Consumption (share in nominal GDP in %)



Source: Economic Survey 2025-26

Investment conditions: Investment has remained a central contributor to India's growth dynamics. Gross Fixed Capital Formation has grown steadily in recent years, supported by sustained public expenditure, improving corporate balance sheets, and rising capacity utilization in manufacturing, with gross fixed capital formation growing by 7.8% in FY 2025–26[28].

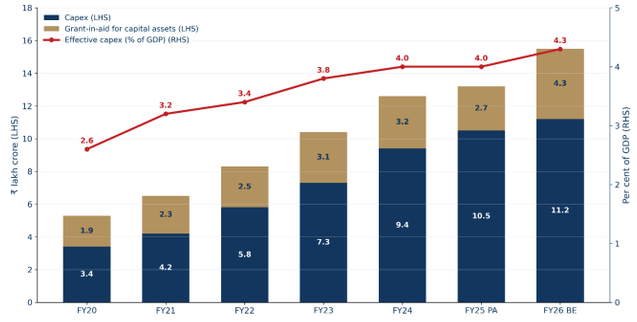
Figure 12: Private Investment (share in nominal GDP in %)



Source: Economic Survey 2025-26

Public capital expenditure has been a major component of this investment environment, accounting for a significant share of total capital formation. Central government capital expenditure has increased sharply over the past few years and remained elevated in FY 2025–26, with budgeted capex of USD 124.44 Billion, equivalent to around 3.3% to 3.4% of GDP. This momentum has been carried forward into FY 2026–27, with the Union Budget raising effective capital expenditure to about USD 190.56 Billion, or around 4.4% of GDP, reflecting a sustained emphasis on infrastructure development.[29] These investments have supported growth through demand effects in the near term, also shaping medium-term supply-side conditions relevant to manufacturing, logistics, and services competitiveness.

Figure 13: Share of Government Capex to GDP has scaled up from prepandemic average of 2.7% to more than 4% now

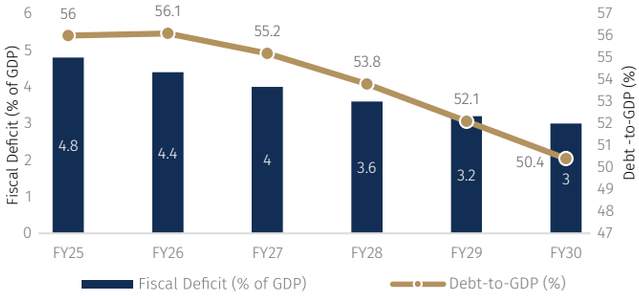


Source: Economic Survey 2025-26

Along with this, there are early signs of private capex normalisation. Manufacturing capacity utilisation has improved with seasonally adjusted utilisation of 75.8% reported in Q1 FY 2025–26, remaining close to long-term thresholds typically associated with new investment cycles.[30] Consistent with this, estimates indicate that private sector capex rose by about 21.5% to approximately USD 29.66 Billion in FY 2025–26.[31] Projections further indicate continued planned investment by the private sector through FY 2026–27, with manufacturing, information and communication, construction, and trade among the leading sectors by incidence of planned capex.[32]

Fiscal Discipline: Fiscal consolidation has progressed alongside growth momentum. As per the revised estimates, the central government fiscal deficit for FY 2025–26 is estimated at around 4.4% of GDP, reflecting continued progress on fiscal consolidation. Building on this trajectory, the Budget has targeted a further, calibrated reduction in the fiscal deficit to about 4.3% of GDP in FY 2026–27, consistent with the government's medium-term consolidation path.[33] The debt-to-GDP ratio is now estimated to be 55.6 percent of GDP in FY 2026-27, compared to 56.1 percent of GDP in FY 2025-26.[34]

Figure 14: Medium term fiscal consolidation path



Source: EY Economy Watch, January 2026

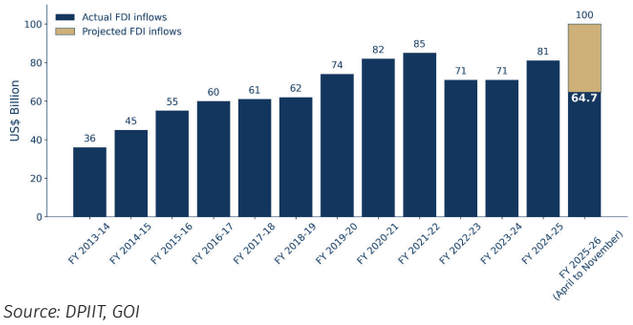
Monetary policy conditions: Inflation conditions eased materially during FY 2025–26, creating space for calibrated monetary policy adjustment. Headline CPI inflation moderated sharply over the course of the year, with April 2025 to December 2025 average headline inflation coming in at 1.7%, driven largely by favourable food price dynamics and supportive base effects, while core inflation remained comparatively firmer, pointing to resilient underlying demand conditions.[35] Against this backdrop, the Reserve Bank of India (**RBI**) reduced the policy repo rate by 25 basis points to 5.25% in December 2025[36], maintaining a neutral policy stance thereafter in February 2026.[37] The moderation in inflation and measured policy easing have supported financial stability and investment sentiment.

Inward FDI Has Remained Resilient and is Shifting Toward Manufacturing and Infrastructure-Linked Sectors

India's inward FDI performance has also remained comparatively resilient amid a prolonged slowdown in global cross-border investment. UNCTAD data shows that global FDI fell by about 11% in 2024 to around USD 1.5 Trillion, marking the second consecutive annual decline and reflecting a more selective and risk-averse global investment environment.[38]During this period, India has continued to attract sizable and rising FDI inflows, underscoring relative strength in headline volumes and a gradual reorientation toward production- and infrastructure-linked sectors.

India has reached a significant milestone in its economic development, with gross FDI inflows totaling an impressive USD 1.12 Trillion since April 2000.[39] Recent years' data on FDI inflows to India indicate strong momentum in FDI inflows. FDI inflow reported in the FY 2024-25 (USD 80.62 Billion) was the highest amongst the last three FYs[40], and gross inflows for April 2025 to November 2025 touching USD 64.7 Billion.[41]

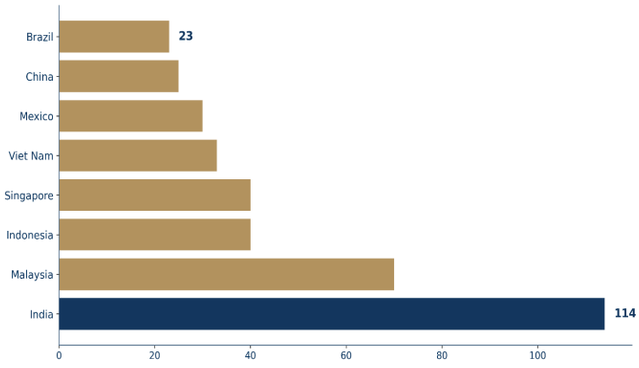
Figure 15: Gross FDI inflows to India (in USD Billion)



Source: DPIIT, GOI

Beyond headline inflow figures, investment indicators point to a structural reorientation in investor interest. India ranked fourth globally in Greenfield investment announcements in 2024, with over 1,000 projects and emerged as the largest destination for greenfield digital investments between 2020-2024.[42]

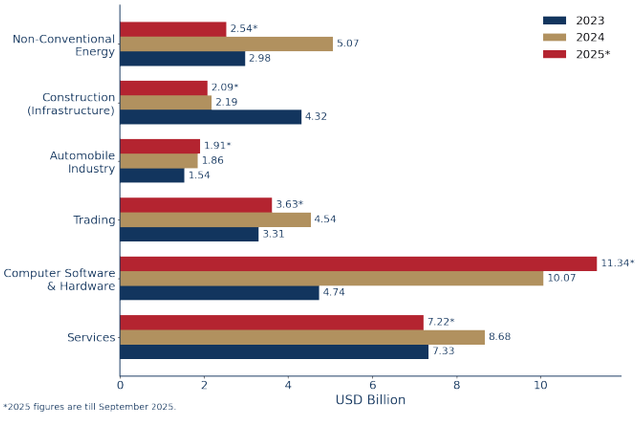
Figure 16: India leads the world in greenfield digital investments (2020-2024)



Source: Economic Survey 2025-26; UNCTAD

Greenfield project announcements and project finance activity indicate sustained focus on capacity creation in digital infrastructure, advanced manufacturing, and renewable energy, reinforcing patterns observed in equity inflows.

Figure 17: Sectorwise FDI equity inflows to India



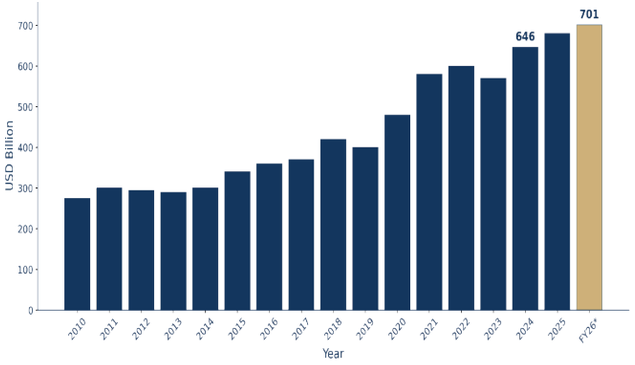
*2025 figures are till September 2025.

Source: DPIIT, GOI

External Sector

India's external sector has provided a stabilising anchor amid heightened global uncertainty. Foreign exchange reserves rose to about USD 724 Billion by end of January 2026, offering a strong buffer against external shocks.[43]

Figure 18: India's Total Foreign Exchange Reserves (USD Billion)



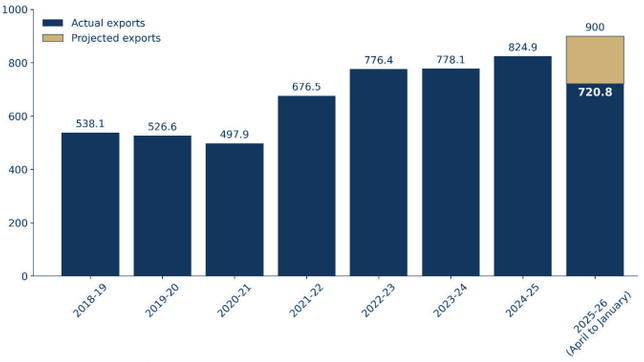
Source: Ministry of Finance, GoI

(Note: FY26 - As of 16 Jan 2026)*

Exports Performance

India's export performance has continued to expand, with goods and India registered a landmark achievement in external trade. Total exports (merchandise and services) hit an all-time high of USD 825.25 Billion in FY 2024–25, reflecting a robust 6.05% annual growth. This strong momentum continued into the new fiscal year, with exports rising to USD 418.91 Billion during April 2025 to September 2025, a 5.86% increase over the same period last year—reinforcing India's sustained upward export trajectory. Remarkably, India's trade performance in the first half (H1) of FY 2025-26 (April 2025 to September 2025) is a record high, highest ever first half (H1) export. Moreover, both the first quarter (April 2025 to June 2025) and second quarter (July 2025 to September 2025) have registered highest ever in their respective quarters, in spite of persisting global uncertainties.[44]

Figure 19: India's total exports value (USD Billion)



Source: Ministry of Commerce and Industry, GOI

India's services sector has continued to drive India's overall export momentum, achieving a record USD 387.54 Billion in FY 2024–25, a strong 13.63% growth. This upward trajectory remained firmly intact in the current fiscal year, with services exports rising to USD

199.03 Billion during April 2025 to September 2025, registering a 9.34% increase over the same period last year.

India's merchandise exports remained steady in FY 2024–25 at USD 437.70 Billion, while non-petroleum exports surged to a historic USD 374.32 Billion, recording a 6.07% growth. The positive trend continued in the current fiscal year, with merchandise exports rising to USD 219.88 Billion during April 2025 to September 2025, an increase of 2.90% over the same period last year. Key export drivers during April 2025 to September 2025 include electronic goods (41.94%), engineering goods (5.35%), drugs and pharmaceuticals (6.46%), marine products (17.40%) and rice (10.02%), which collectively propelled India's strong export momentum.

Trade composition signals value-chain integration

India's deepening participation in global value chains underscores its transformation into a resilient and trusted manufacturing hub, offering stability and scale amid global supply chain realignments. Increasing domestic sourcing of critical components including batteries, chargers, camera and display modules has further enhanced local value addition and self-reliance.[45]

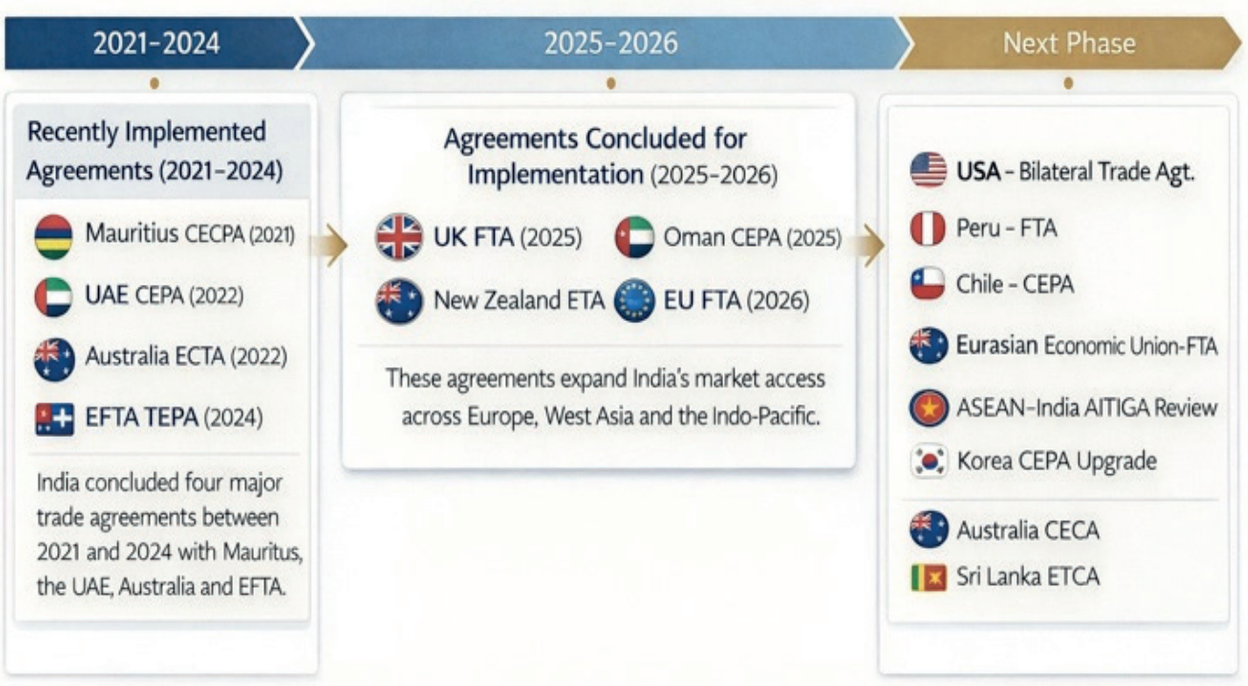
The composition of merchandise exports further reflects India's selective upgrading toward higher-value and more standards-intensive segments. Electronics exports reached USD 40.9 Billion in FY 2024-25, growing by over 32% and accounting for over 9.3% of total merchandise exports. Similarly, engineering goods exports rose to an all-time high of USD 109.6 Billion, while pharmaceutical exports reached USD 30.5 Billion, reflecting sustained competitiveness in regulated and technology-intensive markets.[46]

On the import side, recent trends reflect deeper participation in backward segments of global value chains. At the same time, dependence on imported intermediates remains significant in high-growth sectors. Imports during April 2025 to December 2025 totaled USD 730.84 Billion, with merchandise imports of USD 578.61 Billion, driven in part by capital goods, machinery, electrical equipment, and industrial intermediates. These inflows support domestic capacity expansion in electronics, engineering, and chemicals, but they also underscore ongoing reliance on external suppliers where domestic ecosystems are still maturing.[47]

India's Trade Policy orientation: Expanding market access and export competitiveness

Expanded market access through free trade agreements (**FTAs**) and trade facilitation reforms is strengthening India's export competitiveness and deepening its linkages in global and regional

Figure 20: India's trade policy now focused on securing market access through FTAs



Source: Economic Survey 2025-26

supply chains. As businesses re-assess production and supply networks, predictable access to large and diversified markets reduce market concentration risk and expand the addressable export base for India-based production.

India's recent trade policy trajectory reflects a more proactive and strategically aligned use of free trade agreements to expand market access and embed Indian production more deeply into global value chains. Since 2021, India has accelerated the negotiation and conclusion of trade agreements with major partners, including the United Kingdom, the United Arab Emirates, Australia, European Free Trade Association, Oman and others.

The recently concluded India–European Union Free Trade Agreement in January 2026 is one such milestone. The FTA delivers unprecedented market access for more than 99% of India's export by trade value, while preserving policy space for sensitive sectors and reinforcing India's developmental priorities. This agreement enhances competitiveness in high-value, standards-intensive segments, including textiles, leather goods, and engineered products, and reinforces long-term market integration with one of India's largest export destinations.[48]

Further, evidence of increasing utilisation of such FTAs is visible in the rising issuance of preferential certificates of origin under existing FTAs. The number of preferential certificates of origin issued under free trade agreements implemented so far has recorded a healthy increase, rising to 720,996 in FY 2024-25 from 684,724 in FY 2023-24, suggesting that exporters are more actively embedding preferential access into pricing, sourcing, and market-entry strategies.[49]

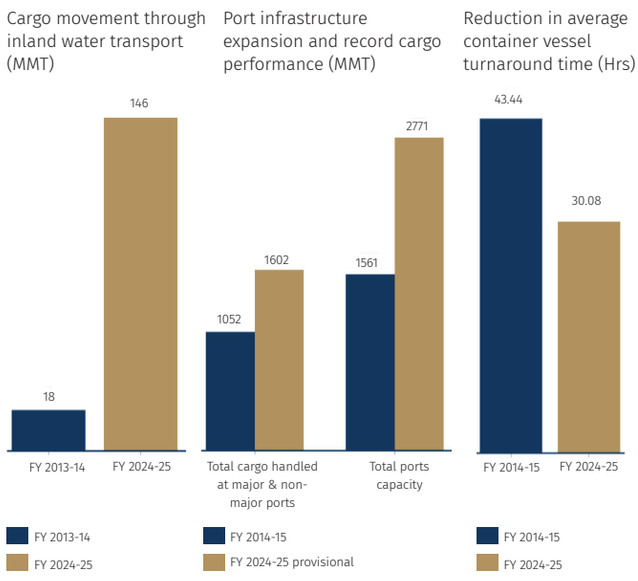
Market access expansion is also being bolstered by broader connectivity initiatives that reduce trade costs and link India more efficiently to markets spanning Europe, the Middle East, and Africa. The India–Middle East–Europe Economic Corridor (**IMEC**) aims to interconnect key regions through multimodal routes, shortening transit times and lowering logistics costs.

Estimates suggest that IMEC could reduce logistics cost by 30% and transportation time by 40%, boosting global trade and benefitting Indian exports by integrating India into pan-regional value chains[50]. For Japanese firms evaluating India as a production and export hub, these developments expand the addressable market and create pathways to serve regions such as Africa and the Middle East through South–South trade linkages and corridor-based connectivity.

Trade related regulatory reforms

Complementing these agreements, trade facilitation and regulatory reforms continue to improve predictability and reduce procedural friction for cross-border operations. Digital customs systems, electronic certificates of origin, and risk-based clearance mechanisms have expanded in scope. Together, these reforms have reduced documentation burdens and turnaround times.[51]

Figure 21: Logistics and Port Reforms Strengthening India's Trade Competitiveness



Source: Ministry of Ports, Shipping and Waterways, GOI

Climate Policy and Industrial Decarbonisation in India: Implications For Japanese Supply Chains

Climate-linked trade measures and corporate decarbonisation commitments are reshaping industrial location choices. The European Union's Carbon Border Adjustment Mechanism (**CBAM**) now applies to carbon-intensive imports, such as, steel, aluminium, cement, fertilisers, hydrogen and electricity, embedding carbon performance into cost structures for exporters to key markets. This shift, combined with tightening emissions disclosure standards and Japan's own Green Transformation (**GX**) strategy, is affecting how Japanese manufacturers evaluate production bases.

India's clean energy transition is progressing rapidly, improving the emissions profile of its industrial power supply. As of late 2025, non-fossil sources including solar, wind, bioenergy, and large hydro, account for more than half of India's installed electricity

capacity, reaching approximately 262.7 GW or 51.5% of total capacity. This milestone was achieved five years ahead of India's 2030 target under its climate commitments.[52]

Highest ever renewable energy capacity addition has been made during 2025. The total renewable energy capacity added during the year (till November in FY 2025-26) is 44.51 GW which is nearly double as compared to the 24.72 GW during the same period last year.[53]

For energy-intensive production, increasing access to grid-connected low-carbon power reduces Scope 2 emissions exposure and supports compliance with decarbonisation reporting regimes required by large buyers in regulated markets. Growing renewable capacity also moderates long-term exposure to fossil fuel price volatility, which remains a consideration for capital allocation in supply-chain planning.

India's institutional approach to emissions management is evolving alongside capacity expansion. The Carbon Credit Trading Scheme is being designed to succeed the earlier Perform, Achieve and Trade framework by creating a structured market mechanism for emissions intensity reduction in energy-intensive sectors, including metals, cement and petrochemicals.

This development has direct relevance in the context of CBAM. Steel and aluminium from India are among the categories subject to the EU's carbon reporting requirements. A credible domestic emissions framework strengthens the reliability of carbon disclosures for export-oriented supply chains, reducing compliance risk and documentation uncertainty as trade partners adjust to carbon-linked pricing regimes.

Policy support for industrial decarbonisation is also expanding. The Union Budget 2026–27 allocated USD 2.22 Billion funding toward Carbon Capture, Utilisation and Storage technologies for heavy industries, signaling targeted support for sectors that are hard to abate but central to manufacturing ecosystems.[54] These measures align with the needs of upstream segments in which Japanese firms often have deep technological engagement.

Combination of clean energy capacity scale-up, institutional emissions frameworks, and targeted technology support are reshaping India's industrial operating environment. For Japanese businesses aligning supply-chain diversification strategies with GX-driven climate commitments and carbon-border compliance requirements, India presents a production base where industrial expansion and emissions management can be advanced concurrently.

India's Geopolitical Positioning

India's evolving geopolitical role adds a strategic dimension to the economic case for deeper supply-chain linkages with Japan. In an era marked by shifting global alliances, rising geopolitical fragmentation, and efforts by firms to reduce overdependence on a single source of production, India offers a geopolitical advantage in the ongoing supply chain restructuring, given its friendly relations with major industrialised countries in both the West and the East, making it an attractive partner in supply-chain diversification strategies that seek to avoid narrow exposure to any single regional bloc.[55]

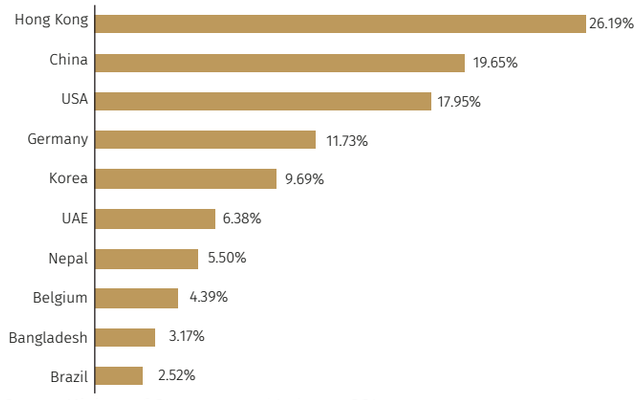
India's recent foreignpolicy posture reflects an emphasis on strategic autonomy in an increasingly fragmented global order. India has pursued policy flexibility through issuebased engagement across major partners and regions, shaped by intensifying geopolitical competition and pressures on traditional multilateral arrangements.

India's external engagement has focused on maintaining functional relationships with all major powers while limiting exposure to binary alignment choices. Relations with the United States and European partners have expanded across defence, technology, and strategic dialogue, even as India has continued diplomatic and economic engagement with Russia and active participation in forums such as BRICS and the G20.

This is reflected in India's trade profile which depicts diverse pattern of market engagement. Merchandise exports in FY 2024-25 totaled USD 437 Billion, with USA being the largest destination accounting for 19.8% of total merchandise exports and the next four destinations being UAE, Netherlands, China and UK, together accounting around 20.2% of total merchandise exports in FY 2024-25.[56]

Import sourcing shows a similar distribution, with China being the largest supplier accounting for 15.7% of total imports and the next four suppliers being UAE, Russia, USA and Saudi Arabia, accounting for 28.2% of the total merchandise imports in FY 2024-25. This dispersion supports access to a broad set of markets and suppliers, reducing reliance on any single external partner and reinforcing resilience under shifting global trade conditions[57].

Figure 22: India's diversified merchandise export base (% change in April-August 2025 vs April-August 2024)



Source: Ministry of Commerce and Industry, GOI

Furthermore, India's regional and IndoPacific diplomacy has followed a similar logic. Engagement through platforms, such as, the QUAD has been framed around shared interests in maritime security, technology cooperation, and regional stability, without formal alliance commitments. At the same time, India has continued to emphasise ASEAN centric mechanisms and bilateral partnerships across Asia, alongside ongoing management of complex relationships with neighbouring countries. This combination of multilateral participation and bilateral diplomacy underscores a preference for coordination across multiple institutional settings.

India's participation in multilateral forums and development focused initiatives has increased its visibility in discussions related to the Global South. Through these engagements, India has taken part in efforts to advance reforms to global governance structures and to engage both advanced economies and emerging markets.

India's geopolitical positioning is therefore characterised by multialignment and selective partnership, and complements Japan's strategic priorities, providing Japanese businesses with an underpinning of stability and diversified access that enhances the overall attractiveness of India as a base for supply-chain expansion.

Supply-chain reconfiguration is moving from a risk-avoidance exercise to a strategic restructuring of production geography. In this environment, countries that combine growth stability, expanding infrastructure, trade connectivity, institutional coordination, and decarbonisation readiness acquire increased systemic relevance. India's evolving economic profile intersects with these variables in ways that are increasingly relevant to Japanese firms reassessing supply-chain

CHAPTER 3:

Sectoral Opportunities for Japanese Investors in India

With the macroeconomic, trade, geopolitical, and climate foundations established, the analysis now turns to sector-level complementarities and opportunities that can anchor deeper India–Japan production integration within the changing global order. This chapter focuses on how key sectors that are central to supply chain resilience between India and Japan are evolving, their scale and competitiveness, and policy incentives that have been put in place to reduce risks for investors for increased participation.

AUTOMOBILE SECTOR

India-Japan complementarity in the automotives sector

The automobile sector remains one of the most systemically important pillars of Japan's industrial economy. Japan's exposure to the automotive sector is structurally high, magnifying sensitivity to supply-chain disruptions and technology transitions. Further, amid the fast-progressing electric vehicle (**EV**) shift, maintaininghigh competitiveness in auto-related sectors and ensuring a smooth labour transition across industries are crucial for the growth of the Japanese economy. As auto production shifts towards EVs, which require different inputs from traditional internal combustion engine cars, parts suppliers will need to adapt to avoid losing market share to foreign players. [58]

This has created a dual challenge for Japanese businesses, sustaining competitiveness and profitability, while rapidly scaling EV and advanced automotive technology investments. India's production scale, export optionality, and a mature supplier ecosystem position it as a complementary manufacturing base for Japanese businesses to diversify their global production networks.

Sectoral Overview

India is currently the fourth-largest passenger vehicle market globally. According to the Society of Indian Automobile Manufacturers, passenger vehicles sales crossed 4.3 Million units in FY 2024-25, supported by rising urbanisation, income growth, and demand for utility vehicles.[59]

Labour cost differentials remain significant. India's automotive manufacturing labour costs remain structurally lower than those in advanced markets such as Japan, while comparisons with ASEAN export hubs vary by location and cost metric. Importantly, productivity has improved through automation, process upgrading, and supplier modernisation, strengthening India's overall cost competitiveness.[60]

Export readiness has also improved markedly. Indian manufacturers now routinely export to markets with differing emission and safety standards. Passenger vehicle exports from India reached approximately 770,000 units in FY 2024–25, reflecting improved quality compliance and logistics integration.

This momentum builds on strong gains in Japan, where exports rose nearly fourfold to USD 813 Million in the FY 2024-25 and reached USD 328.64 Million between April and August in FY 2025-26. Other export destinations include Africa, Latin America, West Asia, and ASEAN geographies where Japanese OEMs already maintain commercial presence. Further, Europe already absorbs roughly one-third of India's auto-component exports, indicating existing supplier integration that could be scaled through preferential access.[61]

Sector Snapshot: Automobiles		
Market Size	Automobiles (and its components)	USD 137.06 Billion[62]
	Electric Vehicles (and its components)	USD 3.7 Billion[63]
Growth Outlook	Automobiles (2026-2031)	7.69%[64]
	Electric Vehicles (2026-2034)	54.94%[65]
FDI Inflows	Cumulative FDI (2000–September 2025)	USD 39.6 Billion[66]
	Recent FDI trend (April 2025 to September 2025)	USD 1.57 Billion[67]
Exports	Total automobile (and its components) exports (April 2025 to December 2025)	USD 19.94 Billion[68]
	Total Electronic Vehicles (and its components) export (April 2025 to November 2025)	USD 317 Million[69]
Top Export Destination	Automobiles (April 2025 to November 2025)	USA[70]
	Electronic Vehicles (April 2025 to November 2025)	Spain[71]

Emerging Opportunities

Auto Components: The auto-component sector constitutes India's most significant structural advantage from a supply-chain diversification perspective. India hosts a large and diversified base of Tier-1, Tier-2, and Tier-3 suppliers producing across powertrain systems, chassis and suspension, electronics, castings, forgings, and safety-critical components. n fiscal year 2025, the auto component industry achieved a turnover of approximately USD 78.7 Billion.[72]

Around two-thirds of exports are directed toward Europe and North America—markets characterised by stringent quality, safety, and regulatory requirements. This export orientation is particularly relevant for Japanese OEMs and Tier-1 suppliers seeking to diversify sourcing while maintaining global benchmarks.[73]

For Japanese businesses, India's component ecosystem offers scope for incremental sourcing diversification and deeper integration through supplier development and co-investment. However, the relevance of incentives differs sharply across

this ecosystem: scale-linked incentives primarily benefit large suppliers and integrated players, while smaller firms gain mainly where incentives are coupled with anchor demand, localisation mandates, and state-level facilitation rather than standalone fiscal support.

India's EV Transition as an Ecosystem Opportunity: India has decided to aggressively move towards electric mobility. While it seeks to attain a 30% share of electric vehicles, in the total vehicles sold, by 2030, the EV penetration rates in 2024 stood at 7.66% in India. These figures show that while there is reasonable progress in the sale of electric buses, the progress on electric cars and electric trucks had been weak compared to the global scenario, but it is picking up. India's EV penetration was only about one-fifth of the global penetration in 2020 but has picked up to over two-fifth of the global penetration in 2024, and it continues to show an increasing trend.

The sale of EVs in India went up from 50,000 in 2016 to 2.08 Million in 2024 taking the total EV stock in the country to 5.45 Million in 2024. Further, the total stock on EVs in India stood at around 9% of the global stock. EV sales in India were around 11% of the global sales in 2024. In the case of electric 2/3 wheelers, India has done well even, when compared to the leading 2/3-wheeler markets, namely China, EU and the other Asian countries.[74]

India's electric mobility transition is now increasingly being structured around ecosystem development rather than isolated vehicle assembly. Policy design has focused on building domestic manufacturing capacity across batteries, power electronics, traction systems, thermal management, and charging infrastructure.

Central-level schemes explicitly link EV adoption with domestic value creation. The Production Linked Incentive (**PLI**) scheme for automobiles and auto components targets advanced automotive technology products, including EV-specific systems, while the PLI-ACC scheme seeks to establish large-scale domestic battery capacity with localisation thresholds.

Demand-side support is reinforced through PM E-DRIVE, which focuses on commercial vehicles, fleets, public transport, and charging infrastructure. This architecture increasingly conditions EV entry on scale, localisation, and verification capability, favouring firms able to integrate manufacturing, supply chains, and compliance across the lifecycle.

For Japanese businesses with strengths in electrification technologies, materials, and systems integration, India's EV transition offers ecosystem-level entry aligned with long-term industrial strategy rather than short-term subsidy arbitrage.

FDI trend and recent FDI investments in the automobiles sector in India

FDI has played a central role in shaping India's automotive ecosystem. Cumulative FDI equity inflows exceeded USD 39.6 Billion between 2000 and September 2025, with annual inflows consistently above USD 1.5 Billion in recent years.[75]

VinFast: VinFast has committed USD 2 Billion toward establishing its electric vehicle manufacturing facility in Tamil Nadu, with approximately USD 500 Million allocated for the first phase. The investment is structured to position Tamil Nadu as a strategic production hub within VinFast's global expansion strategy, enabling a broader India-focused portfolio spanning electric cars, buses, e-scooters, and charging infrastructure, while advancing localisation, employment generation, and India's green mobility transition.[76]

Škoda Auto Volkswagen India Pvt Ltd (-2025proposed expansion): Škoda Auto Volkswagen India has received in-principle approval from its German parent for an additional USD 1.11 Billion investment under its evolving "India 3.0" roadmap. The proposed capital infusion is aimed at recalibrating the group's India strategy following underperformance of its India 2.0 models, shifting focus toward premium utility vehicles, deeper localisation, and potential technology partnerships, while strengthening long-term manufacturing presence despite global restructuring pressures within the Volkswagen Group.[77]

JSW MG Motor India: A joint venture between China's SAIC Motor and India's steel-to-cement JSW Group, structured to expand domestic manufacturing capacity and accelerate the rollout of hybrid and electric vehicle models, combining JSW's capital and industrial ecosystem with MG's product portfolio to deepen India's EV penetration and strengthen local supply chains.[78] JSW MG Motor India announced to invest USD 330 Million to USD 440 Million in 2026 for future expansion.

Japanese FDI participation in the Automobiles sector in India

Japanese firms have anchored vehicle and component ecosystems, facilitating technology transfer and integrating India into global production networks. Recent inflows increasingly target capacity expansion, platform localisation, and EV-adjacent manufacturing rather than greenfield entry alone. The reorientation toward localisation and electrification is most clearly visible in a handful of recent, large-scale Japanese investments across the automotive value chain.

Core OEM & Platform Investments

Suzuki Motor Corporation (SMC): In 2022, SMC invested approximately USD 1.2 Billion in Gujarat, India to localise EV

production, battery systems, and vehicle recycling, anchoring India as a global base for SMC's small EV platforms, including the EVX.[79]

Toyota Kirloskar Motor (Toyota): In 2023, Toyota's USD 2.4 Billion investment in Maharashtra, India for its fourth Indian plant focuses on high-efficiency engines and hybrid drivetrains, targeting over 1 Million vehicles of annual capacity.[80]

EV Platforms & New-Age Mobility

Yamaha Motor Co. & River Limited: In 2023, Yamaha led USD 40 Million in Series-B funding and entered a technical partnership to co-develop a premium electric scooter, accelerating EV entry while advancing Yamaha's long-term decarbonisation strategy.[81]

Critical Components & Manufacturing Depth

Denso Corporation: In 2023, Denso invested USD 277.78 Million in Noida, India to manufacture motor generators for hybrid and electric vehicles, localising a high-value powertrain component critical to EV scalability.[82]

NHK Spring Co., Ltd: Beginning in 2022, NHK Spring committed up to approximately USD 65.15 Million by 2030 to scale high-precision motor-core manufacturing, positioning India as a global supply hub for EV motor components.[83]

Nidec Corporation: Between 2023 and 2024, Nidec **i**nvested USD 666.67 Million across Indian facilities to develop high-efficiency motors and automation systems, with its Orchard Hub targeting full carbon neutrality by 2028.[84]

Cross-Border Integration with Japanese OEMs

Samvardhana Motherson International Limited & Yutaka Giken Co.: In 2024, Motherson acquired an 81% stake (USD 184 Million) in Japan-based Yutaka Giken to deepen integration with Japanese OEMs, particularly Honda, and strengthen two-way supply-chain integration between India and Japan.[85]

Policy support and investment derisking architecture in the Automobiles sector in India

While structural advantages underpin India's attractiveness, their translation into investment decisions depends on whether policy incentives meaningfully offset the structural risks and disadvantages, inherent in automotive manufacturing in India compared to other jurisdictions.

Table below summarizes the interaction between India's policy and incentives framework for the automobile sector and the sector's dominant cost drivers, highlighting where incentives materially improve investment economics:

Automobiles Sector		
Cost Head	**Sector Cost Pressure**	**Relevant Incentives / Policy Levers**
Capital Expenditure	**High** – Large upfront investment in plants, tooling, platform localisation; particularly binding for new OEM capacity, EV platforms, battery manufacturing, and Tier-1 suppliers	PLI Scheme for Automobiles & Auto Components (incremental sales-linked cash incentives) PLI Scheme for Advanced Chemistry Cell (**ACC**) battery manufacturing State-level capital subsidies and mega-project packages (Tamil Nadu, Maharashtra, Gujarat, Uttar Pradesh)
Operating Costs (Labour, Power, Inputs)	**Medium** – Competitive labour and power costs offset by higher material/input costs and import dependence	SGST reimbursement mechanisms at state level (Tamil Nadu, Maharashtra, Uttar Pradesh) Electricity duty exemptions for EV manufacturing (Tamil Nadu, Maharashtra, Uttar Pradesh) Customs duty exemptions on EV/battery machinery and select critical inputs (Union Budget 2025–26)
Logistics & Supply Chain	**High** – Domestic logistics inefficiencies, port congestion, export freight volatility, inventory carrying costs	Industrial Park and EV-park facilitation at state level Indirect, long-term benefits from localisation push under PLI and EV policies
Regulatory and Standards divergence with International Markets reduces export potential	Emissions compliance, safety norms, localisation audits, reporting and verification	Regulatory consolidation (BS-VI Phase 2 embedded into production cycles) Bharat NCAP safety regime Simplification of GST structure for vehicles

Automobiles Sector		
Cost Head	**Sector Cost Pressure**	**Relevant Incentives / Policy Levers**
Market Access & Demand Risk	**Medium** – Demand cyclicality, EV adoption uncertainty, price sensitivity	PM E-DRIVE demand incentives (commercial EVs, fleets, buses, charging infrastructure) State demand-side benefits linked to local manufacturing (Uttar Pradesh) Lower rate of taxation: 5% GST on EVs

ELECTRONICS AND SEMICONDUCTOR SECTOR

India-Japan Complementarity in the Electronics & Semiconductors Sector

In response to recent disruptions in semiconductor supply chains, Japan's policy has evolved toward a dual approach of reshoring selected sensitive capabilities while diversifying production geography for scale-driven segments, identifying semiconductors as a critical technology under its economic security framework.

Electronics value chains, particularly semiconductors, are among the most geographically concentrated globally, and Japan occupies a distinctive position within this ecosystem. While Japanese firms account for roughly 30% to 35% of global semiconductor manufacturing equipment and materials, including wafers, photoresists, precision components, sensors, and power devices, they no longer dominate high-volume chip fabrication.

Midstream and downstream stages Outsourced Semiconductor Assembly and Test (**OSAT**) facility / Assembly, Testing, Marking and Packaging (**ATMP**) facilities, mature-node scaling, sub-assemblies, and electronics manufacturing services are largely offshore, concentrated largely in China, Taiwan and South Korea.

Within this reconfiguration, India's relevance lies in its ability to function as a complementary scaling and integration node. India offers cost-competitive manufacturing, a rapidly expanding electronics market, and alignment with trusted-supply-chain frameworks. For Japanese firms, India is particularly suited for OSAT facilities,

Sectoral Overview

Sector Snapshot: Electronics and Semi-Conductor		
Market Size	Electronics (2025)	USD 89.5 Billion[86]
	Semi-Conductor (January 2026)	USD 12.41 Billion[87]
Growth Outlook	Compound Annual Growth Rate (**CAGR**) (2026-2034)	6.56%[88]
	CAGR (2026-2031)	7.02%[89]
FDI Inflows	Cumulative FDI (2000–September 2025)	USD 7.57 Billion[90]
	Recent FDI trend (April 2025 to September 2025)	USD 566 Million[91]
Exports	The total export of electrical equipment and machinery which includes all types of electrical devices such as sound records, mobile phones, televisions, as well as conductor and semiconductors (April 2025 to November 2025)	USD 34.93 Billion[92]
Top export destination	April 2025 to November 2025	USA[93]

Demand-led scale: India's electronics market has emerged as one of the fastest-growing large electronics markets globally, underpinned by a combination of consumption growth, digital infrastructure expansion, and electronics embedded in manufacturing systems. Unlike earlier phases of electronics growth driven primarily by consumer devices, current demand expansion is now increasingly embedded in industrial electronics, such as datacenters, automobiles and power sectors.

Automotive electronics demand is rising in tandem with vehicle electrification, safety requirements, and software integration. Power electronics demand is expanding alongside renewable energy deployment, grid modernisation, and electric mobility infrastructure. Telecom, data centres, and industrial automation further contribute to sustained electronics absorption beyond cyclical consumer demand.

This demand composition is particularly relevant for Japanese firms. Embedded electronics typically exhibit longer product cycles, higher reliability requirements, and closer integration with mechanical and industrial systems—areas where Japanese firms retain strong technological and quality advantages. At the same time, demand growth across these segments supports scale manufacturing and higher capacity utilisation, which is critical for capital-intensive electronics investments.

India combines market scale, growth visibility, and embedded

electronics demand, allowing electronics manufacturing investments to be anchored in domestic absorption rather than export dependence alone.

Manufacturing momentum: Semiconductors sit at the strategic core of the electronics value-chain reconfiguration. Global demand is expanding rapidly, driven by electric vehicles, power electronics, AI/ data infrastructure, and industrial automation. At the same time, fabrication, packaging, and materials remain highly concentrated across a small set of East Asian locations, amplifying systemic exposure to geopolitical and logistics shocks.

Japan's comparative strength in this ecosystem lies upstream: semiconductor manufacturing equipment, specialty materials, sensors, and high-reliability devices. These capabilities are embedded across global chipmaking, even as high-volume fabrication and packaging have shifted offshore. The resulting strategic posture is dual-track: protect sensitive upstream technologies while diversifying scale-driven and integration-intensive stages that are less technology-sensitive but essential for capacity, cost, and time-to-market.

India's relevance is strongest in those complementary stages. The country is positioning for OSAT/ATMP, power and compound semiconductors, mature-node capacity aligned to automotive and industrial demand, and downstream integration with EMS and component ecosystems. This aligns with Japan's strengths in equipment, materials, and automotive-grade electronics, enabling a division of labour that reduces concentration risk without diluting strategic control over critical technologies.

Export Performance: India's electronics export performance has strengthened materially over the past decade, with exports reaching approximately USD 34.93 Billion between April 2025 to November 2025. While exports remain lower than domestic absorption, the trajectory reflects a steady expansion in assembly, sub-assemblies, and component manufacturing, particularly in segments, such as, printed circuit boards (**PCBs**), power electronics, automotive electronics, and selected industrial systems.

Crucially, export growth complements India's domestic demand anchor. For electronics investments, this dual absorption channel allows firms to balance capacity utilisation across domestic and export markets, reducing vulnerability to external demand shocks and smoothing scale economics.

FDI trend and recent FDI investments in the Electronics and Semiconductor sector in India

FDI is playing a key role in integrating India's electronics and semiconductor system in global supply chains. Cumulative FDI equity inflows exceeded USD 7.57 Billion over the last 25 years, with recent inflows witnessing a surge. Between April 2025 to September 2025, the electronics and semiconductors sector received USD 566 Million as FDI inflows.

Micron Technology (2023-2026): Micron Technology committed USD 2.75 Billion toward establishing a semiconductor Assembly, Testing, Marking and Packaging (ATMP) facility in Sanand, Gujarat. The project completed and was inaugurated on 28th February 2026.[94] This proposal was the first to be approved in the India Semiconductor Mission.The investment is structured to localise advanced back-end semiconductor manufacturing in India, reduce dependence on offshore packaging hubs, and integrate India into Micron's global memory supply chain while strengthening domestic semiconductor resilience.

Tata Electronics and Powerchip Semiconductor Manufacturing Corp (PSMC) (2024): Tata Electronics entered into a definitive agreement with Taiwan's PSMC for a over. USD 11 Billion greenfield semiconductor fabrication facility in Dholera, Gujarat.[95] Under the agreement, PSMC will provide technology licensing, design, construction support, and engineering know-how to build India's first AI-enabled semiconductor fab, positioning the project as a cornerstone of India's strategy to develop sovereign fabrication capability and serve global customers through a diversified, geopolitically resilient supply chain.[96]

India Chip Private Limited (HCL Technologies & Foxconn JV) (2026): HCL and Foxconn formed a joint venture under India Chip Private Limited to invest USD 403 Million in establishing an Outsourced Semiconductor Assembly and Test (OSAT) facility with planned capacity of 20,000 wafers per month..[97] The facility will handle outsourced semiconductor assembly and testing (OSAT) plus a higher-end process called wafer-level packaging (WLP).[98]

Japanese FDI and recent investments in the Electronics and Semiconductor sector in India

Japanese firms are increasingly positioning India as a manufacturing and assembly node within global semiconductor and electronics value chains, with recent investments clustering around OSAT capacity, power semiconductors, battery manufacturing, and semiconductor equipment infrastructure.

Rather than pursuing full-stack fabrication independently, Japanese participation has focused on technology partnerships, equipment supply, and high-value component localisation, aligning India's policy-led semiconductor push with Japan's strengths in materials, tools, and precision manufacturing.

OSAT & Semiconductor Manufacturing Platforms

Renesas Electronics Corporation, CG Power and Industrial Solutions & Stars Microelectronics: In March 2024, the partners announced USD 915 Million joint venture to establish an OSAT facility in Sanand,

Gujarat, designed to scale up to 15 Million chips per day for automotive, industrial, consumer, and 5G applications.[99]

Tokyo Electron Limited and Tata Electronics Private Limited: In September 2024, TEL signed an MoU with Tata Electronics to supply critical fabrication and packaging equipment for India's first logic fab in Dholera, Gujarat, and the OSAT facility in Jagiroad, Assam, strengthening front-end and back-end semiconductor infrastructure.[100]

Disco Corporation: In September 2024, Disco established its Indian subsidiary in Bengaluru to directly support India's growing OSAT ecosystem, supplying high-precision wafer dicing, grinding, and polishing technologies essential for advanced semiconductor packaging.[101]

Power Semiconductors and Advanced Electronics

ROHM Co., Ltd. and Tata Electronics Private Limited: In December 2025, ROHM entered a strategic partnership with Tata Electronics to manufacture power and analog semiconductors, including SiC and GaN technologies, targeting EV powertrains, renewable energy, and industrial electronics.[102]

Electronics Components and Batteries

TDK Corporation: In September 2025, TDK inaugurated a USD 340 Million lithium-ion battery plant in Sohna, Haryana, with capacity to meet nearly 40% of India's demand for batteries used in smartphones, laptops, and consumer electronics.[103]

Murata Manufacturing Co., Ltd.: In February 2025, Murata invested USD 6.6 Million to lease and operate a facility in Chennai focused on packaging and shipping multilayer ceramic capacitors for electronics, EVs, and aerospace applications.[104]

Policy support investment derisking architecture in the electronics and semiconductors sector in India

India's electronics manufacturing strategy relies on a layered incentive architecture that seeks to offset selected cost disadvantages while accelerating scale formation across semiconductors, electronic components, and downstream electronics assembly.

The table below evaluates India's policy and incentives framework for the electronics and semiconductors sector and the sector's dominant cost drivers, highlighting where incentives materially improve investment economics:

Electronics and Semiconductors Sector		
Cost Domain	**Cost Challenges**	**Policy Instruments and Incentive Details**
Capital Expenditure (Plant, Cleanrooms, Tooling)	Semiconductor fabs, OSAT / ATMP facilities, and advanced component plants require very high upfront capital due to cleanrooms, precision Heating Ventilation and Air Conditioning, vibration control, and imported equipment. Long payback periods and high sunk costs deter investment relative to East Asia.	**India Semiconductor Mission**: Up to 50% fiscal support for fabs, OSAT / ATMP, and compound semiconductors via milestone-linked grants. **Electronics Components Manufacturing Scheme (ECMS), 2025:** 25% capex subsidy for priority components, subject to investment and turnover thresholds. **State Semiconductor Policies (e.g. Gujarat, Tamil Nadu, Karnataka):** Additional 20% to 25% capex support (often capped), subsidised land and infrastructure.
Power Cost and Quality	Manufacturing is highly sensitive to power interruptions and voltage instability, affecting yields and equipment life. Despite competitive tariffs in some states, grid reliability remains uneven, requiring costly backup systems.	**State Industrial Power Incentives:** Concessional tariffs for electronics/semiconductor units (e.g. Gujarat). 100% electricity duty exemption for 5 to 10 years in several states. Dedicated feeders and priority restoration in electronics parks.
Water and Environmental Infrastructure	Facilities require large volumes of ultra-pure water (**UPW**) and stringent effluent treatment. Water availability, recycling costs, and environmental compliance remain binding constraints, especially inland.	**State Semiconductor Policies:** Assured industrial water supply at notified tariffs. 25% to 50% capital subsidy for desalination/ UPW plants. **Electronics Manufacturing Clusters (EMC 2.0):** Grant-in-aid for shared water and effluent infrastructure.
High-Technology Equipment Imports	India remains almost fully dependent on imported semiconductor and electronics manufacturing equipment. Earlier customs duties and procedural delays increased costs, though largely addressed.	**Customs & Tax Measures:** Zero Basic Customs Duty on semiconductor fab and OSAT equipment. EPCG scheme for duty-free imports against export obligations. Full GST input tax credit on capital goods.

Electronics and Semiconductors Sector		
Cost Domain	**Cost Challenges**	**Policy Instruments and Incentive Details**
Bill of Materials (BoM) and Import Dependence	India imports most semiconductors, displays, substrates, and passives. An estimated 8% to 15% structural cost disability arises from duties, logistics, inventory costs, and inverted duty structures.	**PLI Scheme for Electronics Manufacturing:** 4% to 6% output-linked incentives on incremental sales of finished electronics to offset cost disadvantages. **ECMS, 2025:** Incentives for domestic PCBs, passives, and display modules. **State Component PLIs:** SGST reimbursement/production incentives in select states.
Logistics and Supply-Chain Friction	Higher inland freight costs, port congestion, and longer lead times than East Asia increase working capital needs and inventory buffers.	**PM Gati Shakti National Master Plan:** Multimodal logistics upgrades. **EMC 2.0:** Co-location benefits reducing last-mile costs.
Time-to-Commission and Project Execution	Projects face long gestation due to multi-agency approvals, utility sequencing, and limited semiconductor-scale EPC experience, eroding project economics.	**State Single-Window Clearance Systems:** Integrated, time-bound approvals. Pre-approved industrial land in electronics parks. Dedicated Project Monitoring Cells under MeitY and state governments.
Regulatory and Compliance Overheads	Firms incur recurring compliance costs across environment, labour, customs, and inspections, with uneven interpretation across states and persistent administrative burden.	Fast-track clearances for strategic electronics projects. Labour Code consolidation reducing multiplicity of laws. Customs digitisation and risk-based assessment.
Skills and Human Capital	Shortage of fab-ready engineers, tool technicians, and experienced supervisors. High training costs and long learning curves, especially in semiconductor manufacturing.	**Design Linked Incentive Scheme:** Financial support for semiconductor design companies. **Chips-to-Startup Programme:** Training in VLSI and chip design, State payroll and training subsidies during initial years.
Financing and Cost of Capital	Higher domestic interest rates, long gestation, and limited semiconductor project finance experience raise cost of capital relative to East Asia.	Capex grants under ISM and ECMS reducing debt requirement. Facilitation by Public Sector Financial Institutions for strategic projects.

PHARMACEUTICALS SECTOR

India-Japan Complementarity in the Pharmaceuticals Sector

In context of the global changing order, pharmaceutical value chains are structurally vulnerable to concentration risk because upstream production of Active Pharmaceutical Ingredients (**APIs**), intermediates, and Key Starting Materials (**KSMs**) is heavily clustered in a small number of geographies.

Drug supply issues in Japan are a significant concern, arising from a combination of factors that have disrupted the availability of essential medications. The key reasons for this include manufacturing disruptions, the country's reliance on a limited number of suppliers, regulatory challenges and sudden spikes in demand. These issues are further complicated by global crises, such as the COVID-19 pandemic, which have exposed vulnerabilities in the drug supply chain.[105]

This shift has encouraged Japanese pharma companies to expand global sourcing, deepen partnerships in cost-competitive manufacturing geographies, and integrate clinical development capabilities across markets where patient pools and trial infrastructure enable faster, more efficient evidence generation.[106]

India's strategic role in this reconfiguration rests on three distinct but reinforcing capabilities. First, India is one of the world's largest suppliers of affordable medicines: the third-largest producer by volume, with more than 3,000 companies and 10,500 manufacturing units, and exports reaching over 200 markets.[107] Second, India's export orientation is increasingly weighted toward stringent regulatory geographies. Third, India is now explicitly using industrial policy to upgrade upstream and higher value segments reducing import dependence for selected APIs / KSMs and expanding capacity in complex products and biopharmaceuticals via PLI-linked incentives.[108]

For Japanese businesses, this creates a clear complementarity: Japan brings advanced innovation, quality systems, and specialty product pipelines, while India offers scalable manufacturing depth, regulatory-market export experience, and an improving upstream ecosystem supported by industrial policy.

Sectoral Overview

Sector Sanpshot: Pharmaceuticals	
Market Size (2025)	USD 68.38 Billion[109]
Growth Outlook (2026-2034)	10.98%[110]
Cumulative FDI Inflow (2000– September 2025)	USD 24.73 Billion[111]
FDI Inflows (April 2025 to September 2025)	USD 1.27 Billion[112]
Exports (April 2025 to November 2025)	USD 16.6 Billion[113]
Top export destination (April 2025 to November 2025)	USA[114]

India's pharmaceutical market has reached sufficient scale to support both volume manufacturing and higher-value product expansion, and is projected to grow at a CAGR of over 10%, driven by rising healthcare demand, chronic disease burden, insurance penetration, and public health procurement.[115]

Demand-side drivers are now structurally stronger than in earlier cycles. India's epidemiological transition reflected in the rising incidence of cardiovascular conditions, diabetes, oncology, and ageing-related diseases, has increased demand for long-duration therapies and specialty care. At the same time, health system capacity expansion and digitisation are improving diagnosis and adherence, pushing volume growth beyond acute therapies. These demand-side dynamics support the case for local commercial scale alongside export-oriented manufacturing.

Export performance and market integration

As the third largest producer of drugs by volume, India contributed 20% to the global export of generic drugs. In FY 2024–25, pharmaceutical exports reached USD 30.47 Billion, reflecting 9.4% year-on-year growth.[116] The export basket is also well-defined: Drug formulations and biologicals accounted for USD 22.93 Billion (75%), followed by bulk drugs / APIs at USD 4.87 Billion, and vaccines at USD 1.22 Billion in FY 2024-25.[117]

India's market integration is visible not only in aggregate exports but also in destination composition. In FY 2024-25, NAFTA accounted for 37.6% of exports, Europe 18.9%, and Africa 12.9%, indicating a diversified export footprint rather than dependence on a single market.[118]

From a Japanese supply-chain strategy perspective, this matters because India-based manufacturing can be plugged into multi-market distribution networks while maintaining exposure to stringent regulatory compliance jurisdictions.

FDI trends and recent investments in the Pharmaceuticals sector in India

FDI has been central to India's pharmaceutical scaling and upgrading. Data shows cumulative FDI equity inflows of USD 24.7 Billion from January 2000 to September 2025 into the drugs and pharmaceuticals sector in India.[119]

Advent International and Suven Pharma (2023): Advent International completed acquisition of a 50.1% stake in Suven Pharma for USD 701 Million,[120] and opening floor to acquire 26% stake, positioning the company as a platform investment in the global Contract Development and Manufacturing Organisation (CDMO) segment. The acquisition was structured to strengthen Suven's capabilities and potentially integrate it with Advent's portfolio company Cohance Lifesciences, creating a scaled, end-to-end CDMO and merchant API player capable of serving global pharma innovators and specialty chemical markets.[121]

TPG Growth & Novo Holdings and SCHOTT Poonawalla (2025): Global alternative asset manager TPG Growth, with co-investment from Novo Holdings, acquired a 35 % equity stake in SCHOTT Poonawalla, the Indian pharmaceutical packaging joint venture of SCHOTT Pharma and Serum Institute of India (SII). SCHOTT Poonawalla specialises in advanced drug containment and delivery solutions, including vials, prefillable syringes, ampoules, cartridges, serving pharmaceutical, biotech, and CDMO customers. Following the transaction, SCHOTT Pharma retained a 50 % share, SII maintained a minority stake, and TPG Growth's investment brought foreign capital and strategic growth expertise to strengthen the JV's manufacturing infrastructure and global market positioning.[122]

Japanese FDI and recent investments in the Pharmaceuticals sector in India

Japan has been a significant contributor to India's pharma investment landscape, contributing to about 12% of the total FDI inflows from Japan to India.[123] Building on this base, Japanese pharmaceutical investments in India have increasingly shifted toward high-value manufacturing, vaccine production, digital R&D capabilities, and access-oriented partnerships, rather than volume-led formulations alone.

Advanced Manufacturing

Otsuka Pharmaceutical Factory has built a durable India presence in IV solutions; it acquired equity in its Indian business in 2013 and subsequently moved to full ownership, positioning India as both a domestic and export base.[124]

Biologics and Vaccine Manufacturing

Takeda Pharmaceutical Company & Biological E. Limited: In 2024, Takeda partnered with Biological E. to manufacture its Dengue Tetravalent Vaccine in India, with capacity of up to 50 Million doses annually, enabling end-to-end vaccine manufacturing and technology transfer for global public-health supply.[125]

Digital R&D & Global Capability Centres

Eisai Co., Ltd.: In July 2025, Eisai, a leading human health care pharmaceutical company, announced a Global Capability Center in Vizag focused on AI-enabled drug development, clinical analytics, and digital R&D, positioning India as a core node in Eisai's global research architecture.[126]

Takeda Pharmaceutical Company: Takeda expanded its Bengaluru innovation centre, with plans to scale to 750 employees, signalling a shift from commercial presence toward integration of India into Takeda's global innovation and operating systems. [127]

Licensing, Market Access & Co-Commercialisation: Landmark partnering activity further illustrates how Japanese firms are complementing India's pharma ecosystem through licensing and co-commercialisation models.

Takeda Pharmaceutical Company & Indian pharmaceutical partners: Takeda licensed commercialisation rights for its GI therapy vonoprazan to leading Indian pharmaceutical firms, leveraging India's domestic manufacturing and distribution networks to accelerate market access and scale. [128]

Shionogi & Co., Ltd.: In June 2023, Shionogi entered sublicensing arrangements via the Medicines Patent Pool with Indian manufacturers to produce generic versions of its COVID-19 oral antiviral, expanding access across low- and middle-income countries.[129]

These investments leverage India's strengths in biologics manufacturing, clinical-scale production, and data-driven research, while allowing Japanese firms to globalise supply chains, compress development timelines, and expand access to therapies in emerging markets.

Policy Support investment derisking architecture in the pharmaceuticals sector in India

India's pharmaceutical sector offers cost-efficient manufacturing and strong global regulatory integration, especially in generics. But attracting investment in higher-value areas, such as, APIs, complex formulations, and innovation requires addressing persistent structural costs. The table below outlines key cost barriers across major segments of the Indian pharma industry and how the recent policy interventions have been designed to mitigate them:

Pharmaceuticals Sector		
Segment / Cost Domain	**Cost Barriers**	**Policy Instruments & Incentive Design**
APIs (Bulk Drugs): Import Dependence & Scale	Structural import dependence due to scale disadvantages, thin margins, and price competition (notably vis-à-vis China). High fixed costs and low global pricing reduced commercial viability despite strategic importance, exposing firms to supply-chain risk and volatility.	**PLI Scheme for Bulk Drugs (2020):** 10% to 20% sales-linked incentives on incremental output of 41 APIs, KSMs, and intermediates to neutralise cost disadvantages. USD 771.11 Million outlay (2020–2026), milestone-based disbursement, priority land allotment, and fast-track clearances.
APIs (Bulk Drugs): Infrastructure & Environmental Compliance	High land, power, water, and effluent treatment requirements. Individual compliance with environmental and GMP norms raised entry and operating costs, especially for mid-sized firms, limiting cluster-scale efficiencies.	**Bulk Drug Parks Scheme (2020):** Grants up to USD 111.11 Million per park (70% of common infrastructure; 90% in hill/NE states) for shared effluent treatment, solvent recovery, testing labs, and utilities. States provide concessional land, GST refunds, and utility subsidies.
Formulations (Finished Drugs)	Biopharma, complex generics, and specialty drugs involve high capex, process risk, and regulatory complexity. Firms historically focused on commoditised generics due to scale and cost barriers in high-value segments.	**PLI Scheme for Pharmaceuticals (2021):** USD 1.67 Billion sales-linked incentives (5 to 10 years) across three categories, prioritising biopharma, complex generics, orphan drugs, and critical formulations. Structured to reward scale-up and early movers.

Pharmaceuticals Sector		
Segment / Cost Domain	**Cost Barriers**	**Policy Instruments & Incentive Design**
Technology & Compliance Upgradation	MSMEs face disproportionate costs in upgrading to WHO-GMP and regulated-market standards, constraining exports and long-term sustainability.	**Strengthening of Pharmaceutical Industry Scheme (2021):** USD 55.56 Million package including The Pharmaceutical Technology Upgradation Assistance Scheme (up to 5% interest subvention or 10% capex subsidy) and APICF grants (70% of project cost) for shared testing, effluent, and training facilities.
R&D & Clinical Trials	Biologics requires expensive R&D, process validation, and large clinical trials, creating entry barriers for firms shifting from generics to innovation-led models.	**National Biopharma Mission:** USD 166.67 Million funding for R&D grants, incubators, and clinical infrastructure; up to 85% clinical trial cost support for select projects; complemented by early-stage BIRAC grants.
Innovation & Drug Discovery	Long gestation, uncertain returns, and withdrawal of weighted tax deductions discouraged investment in new chemical/biological entities and frontier technologies.	**Promotion of Research and Innovation in Pharma MedTech Sector Scheme (2023):** USD 555.56 Million program combining Centre of Excellence (**CoEs**) at NIPERs with milestone-linked R&D grants (up to 35% of project cost) for large firms, MSMEs, and startups across novel drugs, biosimilars, and precision medicine.
Regulatory Time & Cost	Historically long approval timelines and mandatory local trials increased development costs and delayed market entry.	Time-bound approvals, waiver of local trials for globally approved drugs, fee concessions for MSMEs and orphan drugs, and structured regulator–sponsor consultations.

MEDICAL DEVICES

India-Japan complementarity in the Medical Devices Sector

Japan remains one of the world's largest and most sophisticated medical device markets, driven by an ageing population, high clinical standards, and sustained demand for chronic disease management and advanced diagnostics. The Japanese medical device market size is estimated at around USD 34.2 Billion in 2025, with projections estimating the market size to grow at around 4.4% CAGR (2024–2029).[130]

The global medical device market itself has expanded rapidly with estimates suggesting a market size of USD 572 Billion in 2025, projected to grow to USD 1.03 Trillion by 2034, which has elevated the strategic value for Japanese firms to diversify manufacturing and develop global production networks capable of serving the emerging global demand.[131]

Medical devices value chains are structurally prone to concentration risk because high-technology segments (diagnostic imaging, advanced implants, critical care equipment) are dominated by a limited number of global suppliers and manufacturing hubs.

For India, this concentration has translated into persistent import dependence. Industry assessments indicate that 80% to 85% of India's medical device requirements are sourced internationally, and in FY 2023–24 India imported about USD 8.2 Billion of medical devices, more than twice the value of exports from India in the medical devices sector.[132]

This import dependence is now being treated as a strategic manufacturing gap. India's medical devices market and domestic production is now scaling rapidly and is increasingly policy-supported. The Government of India's National Medical Devices Policy, 2023 sets an explicit ambition to expand the sector to USD 50 Billion by 2030, further reaching USD 250 Billion by 2047. On participation in global markets, longer-horizon targets have been set to increase India's share of global markets, from 1.65% currently to 10% to 12% over the next 25 years.[133]

For Japanese firms, this policy-driven upgrading creates a complementary opportunity: Japan brings technology, clinical-grade quality systems, and global product platforms; India offers a large, fast-expanding demand base and a structured localisation pathway in segments where manufacturing scale and cost competitiveness can be paired with rising regulatory capability and cluster infrastructure.[134]

Sectoral Overview

Sector Snapshot: Medical Devices	
Market Size (2025)	USD 19.11 Billion[135]
Growth Outlook (2026-2034)	5.83%[136]
Cumulative FDI (2000– September 2025)	USD 4.16 Billion[137]
FDI Inflows (April 2025 to September 2025)	USD255.82Million[138]
Exports (including optical, medical, and surgical instruments) (April 2025 to December 2025)	USD 3.2 Billion[139]
Top Export Destination (April 2025 to November 2025)	USA[140]

Domestic Market Size and Growth Drivers

The Indian MedTech industry consists of both large multinationals as well as small and medium enterprises (**SMEs**) and represents a sunrise sector of the Indian economy. The industry is currently the fourth largest Asian medical devices market after Japan, China, and South Korea and among the top 20 global medical devices markets in the world.[141]

Demand-side growth is driven by structural shifts, mainly, expansion of hospital infrastructure, rising diagnostics intensity, growth in non-communicable diseases, increased insurance coverage, and greater penetration of advanced clinical procedures beyond metro regions. Importantly, demand is not limited to high-end hospital equipment; it is also scaling in high-volume product classes such as disposables, consumables, basic diagnostics, and patient monitoring, where localisation can be commercially viable at scale.

Export Performance and Market Integration

India's medical device exports remain modest relative to pharmaceuticals but have begun to scale. Estimates suggest that Indian MedTech exports reached USD 4.1 Billion in FY 2024-25, with the United States identified as a primary market, indicating growing integration into stringent regulatory geographies even from a low export base.[142]

On the import side, categories that drive import dependence (imaging, oncology equipment, implants, critical-care devices) have now been explicitly targeted under industrial policy instruments, including PLI-supported capacity creation.[143]

FDI trends and recent investments in the medical devices sector India

FDI has supported the expansion of India's medical devices manufacturing and supply ecosystem, particularly across medical and surgical appliances. sector-wise FDI equity inflow series reports cumulative inflows into Medical and Surgical Appliances of USD 4.16 Billion (January 2000 to September 2025). Reflecting the policy intent to attract global device manufacturers and strengthen domestic production capacity, India permits up to 100% FDI under the automatic route for manufacturing of medical devices, without distinguishing between greenfield and brownfield projects.[144]

Siemens Healthineers (Siemens Healthineers recently committed to infuse USD 177 Million to expand its innovation and manufacturing footprint in India by setting up a facility in Bengaluru, to reduce import dependence, enhance self-reliance in critical imaging technologies.[145]

Wipro GE Healthcare (GE Precision Healthcare LLC & Wipro Enterprises JV) (2024–2029): Wipro GE Healthcare has announced around USD 900 Million to expand its local manufacturing capacity for medical devices and diagnostic equipment. The joint venture structure integrates GE's advanced medical technology portfolio with Wipro's domestic manufacturing and distribution capabilities, reinforcing India's medical device supply chain resilience while serving both domestic demand and export markets.[146]

Japanese FDI and recent investments in the Medical Devices sector in India

Japanese firms have been actively engaged in advancing India's medical technology ecosystem through industry collaboration, technology partnerships, and investment dialogue .Japanese participation in India's medtech sector is increasingly visible in two complementary forms: (i) localisation and manufacturing ecosystems in high-volume categories; and (ii) engineering, R&D, and product innovation capability build-out tied to global platforms.

Long-standing Indo-Japanese collaborations such as Terumo Penpol illustrate the pathway through which Japanese technology and quality systems can combine with India-based manufacturing to support global-scale supply. Terumo Penpol is India's largest blood-bag manufacture. The JV has exported to 82 countries and pursued expansion of manufacturing capacity and R&D in India, reflecting the durability of Japanese participation in India's device manufacturing base.[147]

On the capability side, Olympus has positioned India as an engineering and R&D hub: Olympus has partnered with HCLTech to establish an R&D Offshore Development Center (**ODC**) in Hyderabad, India. Establishing this R&D ODC in Hyderabad is part of Olympus' commitment to leverage global R&D talents and resources driving advancements in medical technology. Concurrent with the creation of the ODC.[148]

Omron Healthcare: In 2023, Omron signed an MoU with the Government of Tamil Nadu to invest USD 14.22 Million in a manufacturing facility for digital blood pressure monitors, scheduled to commence operations by March 2025, reflecting a strategic move to diversify production away from China and serve India's growing chronic-care market.[149]

Sysmex Corporation: Sysmex announced an investment of JPY 3 Billion (USD 20 Million) in 2023 to establish a diagnostics manufacturing base in Sanand II, Gujarat, which became fully operational in 2025, producing hematology analysers and diagnostic reagents to localise high-volume consumables and stabilise supply chains.[150]

Horiba Ltd.: In July 2024, Horiba inaugurated its largest Indian medical equipment and consumables facility in Nagpur, with a phase-wise investment of about USD 25 Million, positioning the site as both a domestic diagnostics hub and an export base for Middle East and African markets.[151]

Broader ecosystem signals also point toward structured Japan-linked investment facilitation. Recently, the Yamuna Expressway Industrial Development Authority entered into negotiations for an MoU with Medical Excellence Japan to attract Japanese investments and technology, including R&D and exports.[152]

Policy support and investment derisking architecture in the medical devices sector in India

India's medical devices sector has historically faced challenges around high compliance costs, limited testing infrastructure, and a fragmented supplier base, constraining the growth of domestic manufacturing. Recent policy interventions have been designed to directly target and resolve these gaps, offering incentives for precision manufacturing, import substitution, and ecosystem development.

The following table maps how current policy incentives address key structural costs relevant to foreign investors.

Medical Devices Sector		
Cost Domain	**Cost Barrier**	**Policy Instruments and Incentive Design**
Capital Investment & Infrastructure	High capex intensity and fragmented infrastructure – Advanced device manufacturing requires imported precision machinery, cleanrooms, testing equipment, and technology transfer, creating high sunk costs. Even mid-tech/SME assembly lines impose disproportionate financial burden. Absence of shared testing and validation facilities raises entry costs and constrains scale-up.	**Medical Device Parks Scheme:** USD 11.11 Million central grant per park for common infrastructure (testing labs, utilities, calibration), with three parks (UP, MP, TN) nearing operationalisation. **PLI for Medical Devices:** USD 380 Million, 5% sales-linked incentive for select high-end devices (imaging, implants, diagnostics) to offset capital and scale disadvantages.
Regulatory Approvals & Clinical Evidence	Time- and cost-intensive regulatory pathways – Expanded coverage under Medical Device Rules, 2017 increased compliance costs, especially for Class C and D devices requiring clinical evidence. Limited accredited testing and trial facilities create bottlenecks, prolong approvals, and raise time-to-market risk.	**Regulatory Streamlining Initiatives:** National Medical Devices Policy 2023; International Medical Device Regulators Forum accession; expansion of Central Drugs Standard Control Organization-recognised labs; **Medical Device Clinical Studies Support Scheme (2024)** for partial trial funding; integration of common testing labs within device parks.
Quality Standards & Certification	High cost of global-quality compliance – International Organization for Standardization (**ISO**) 13485, *Conformite Europeenne*, and Food and Drug Administration approvals require significant audit, validation, and testing expenditure. Startups and SMEs face credibility gaps versus imports with established global certifications.	**Indian Certification of Medical Devices (ICMED) Certification:** Voluntary Indian certification aligned with ISO; procurement preference for ICMED-certified devices. **Common Testing Facilities:** Shared compliance and calibration labs under parks/clusters; expansion of standards of Bureau of Indian Standards.

Medical Devices Sector		
Cost Domain	**Cost Barrier**	**Policy Instruments and Incentive Design**
Input Materials & Tariff Structure	Import dependence and inverted duty structures – Reliance on imported components (electronics, imaging tubes, polymers) exposes firms to duties, logistics costs, and volatility. Historically lower duties on finished imports weakened local manufacturing incentives.	**Customs & Trade Measures:** Gradual correction of inverted duty structures; 5% Health Cess on imported devices; selective duty relief for inputs in PLI-supported products; proposed support for domestic component manufacturing.
Market Access & Import Competition	Imports (70% to 80% of sales) dominate via brand strength, distribution, and after-sales networks. Refurbished imports undercut domestic products. Private procurement remains price- and brand-driven, limiting local uptake.	**Public procurement preference (Preference to Make in India):** Make-in-India preference with local content thresholds; discussions on regulating refurbished imports; promotion through expos, reference installations, and branding initiatives.
Financing & Risk Capital	High cost of capital and limited risk finance – Long development cycles, regulatory risk, and moderate returns deter venture and PE investment. Domestic credit is expensive, and incentives largely target downstream manufacturing over early-stage R&D.	**BIRAC/DBT grants for early-stage R&D**; proposed **Research-Linked Incentive** for innovation-stage costs; state capital subsidies and MSME credit schemes.
Skills & Ecosystem Development	Shortage of specialised medtech talent – Limited biomedical engineers, regulatory specialists, and skilled technicians increase hiring and training costs. Weak industry–academia linkages slow skill formation and innovation diffusion.	**Skill Development Initiatives:** Capacity-building under National Medical Devices Policy; MedTech CoEs at IITs/AIIMS; Biodesign fellowships; on-site training within device parks.

RENEWABLE ENERGY SECTOR

Japan's energy transition strategy places a premium on energy security, cost stability, and system reliability, elevating clean fuels such as hydrogen and ammonia, alongside nuclear power, as central pillars of its decarbonisation pathway. However, this pathway is increasingly shaped by structural constraints. Limited land availability, high population density, comparatively high renewable generation costs, and continued dependence on imported fossil fuels have narrowed the scope for domestically scalable clean energy deployment.

As a result, Japan's decarbonisation challenge is inseparable from the identification of reliable external partners capable of hosting clean energy production and manufacturing at scale. It is within this context that India's renewable energy transition emerges as a foundational pillar of the evolving India–Japan partnership, grounded in complementary strengths and aligned strategic priorities.

Sectoral Overview

India is among the leading countries globally in renewable deployment. India offers scale in renewable deployment, rapidly expanding solar and battery manufacturing capacity, a mission-driven pathway for green hydrogen and ammonia production, and a growing nuclear programme.

It ranks as the third largest renewable energy producer[153]. By November 2025, installed renewable capacity, including solar, wind, biomass, and small hydro, has reached 262.74 GW in November 2025 which is 51.5% of the total installed electricity capacity in the country (509.64 GW).[154].

Solar power is the dominant source of new renewable capacity. Installed solar capacity reached 132.85 GW in November 2025 which is an increase of over 41% as compared to the 94.17 GW in November 2024. Nearly 2.4 Million households have adopted rooftop solar until December 2025 with installation capacity of 7 GW of clean energy under rooftop solar subsidy scheme of the government.[155] National plans set a solar target of approximately 280 gigawatts by 2030, implying annual additions of roughly 40 to 50 gigawatts through the late 2020s.[156]

Wind energy installed capacity crossed 50 GW mark in March 2025. The wind energy installed capacity has reached 53.99 GW in November 2025 which is an increase of over 12.5% as compared

to the 47.96 GW in November 2024.[157] The government has set a target of 100 gigawatts of wind capacity by 2030, including about 30 gigawatts offshore.[158]

Green hydrogen remains at an early stage but is expected to become a major source of future renewable demand. The National Green Hydrogen Mission targets production of 5 Million tonnes annually by 2030. Meeting this target would require approximately 125 gigawatts of dedicated renewable capacity and investment estimated at around USD 88.89 Billion.[159] Industrial decarbonization is creating additional demand for renewable electricity and hydrogen. Policy initiatives target fuel switching in sectors such as steel, fertilizers, refining, and chemicals. Recent hydrogen and green ammonia tenders for fertilizer and refinery use have recorded declining bid prices, with the lowest cost coming at USD 3.07/Kg in February 2026[160].

Sector Snapshot: Renewable Energy	
Market Size (2025)	USD 25.95 Billion[161]
Growth Outlook (2026-2034)	8.16%[162]
Cumulative FDI (2000 - September 2025)	USD 23.87 Billion[163]
FDI Inflows (April 2025 to September 2025)	USD 1.97 Billion[164]

Growth Drivers

India's clean energy transition now constitutes one of the largest infrastructure investment opportunities globally. Government targets under the National Electricity Plan, combined with recent deployment momentum, imply sustained annual renewable additions of 40 to 50 gigawatts through the latter half of this decade. Translating this trajectory into investment terms, achieving 450 gigawatts of renewable capacity by 2030 is expected to attract cumulative investment of approximately USD 500 Billion. Of the USD 500-billion investment, USD 300 Billion would go for wind and solar infrastructure, USD 50 Billion for grid firming investments, and USD 150 Billion on expanding, modernising transmission.[165]

Further, the Central Electricity Authority has estimated a requirement of about 336 GWh of energy storage capacity by FY 2029-30 and about 411 GWh by FY 2031-32 to facilitate reliable integration of renewable energy.[166].

As per National Electricity Plan, over 1,91,000 ckm of transmission lines and 1270 GVA of transformation capacity is planned to be added during the 10-year period from FY 2022-23 to FY 2031-32 (at 220 kV and above voltage level). In addition, 33 GW of HVDC bi-pole links are also planned. The inter-regional transmission capacity is planned to increase to 143 GW by the year 2027 and further to 168 GW by the year 2032, from the present level of 119 GW.[167]

Manufacturing and Exports

India's role in global renewable manufacturing value chains has expanded alongside domestic deployment. In solar photovoltaics, domestic module and cell manufacturing capacity has increased rapidly, reaching a landmark milestone of 100 GW of solar PV module manufacturing capacity in 2025.[168] India's exports of solar photovoltaic (**PV**) products have surged by more than 10 times between FY 2018-19 and FY 2024-25, primarily to the US reflecting India's position as a credible alternative supplier in the global solar value chain. As a result of the rise in backward Integration, India has steadily shifted from a net importer to a net exporter of PV products. Exports have grown sharply from USD 96.66 Million in FY 2018-19 to USD 1.05 Billion in FY 2024-25. The surge was also largely driven by U.S. developers diversifying away from China, though exports to markets outside the U.S. have remained relatively stable.[169]

Wind component manufacturing has also developed an export footprint. Domestic manufacturing capacity for wind turbines and components exceeds 20 gigawatts per year. India supplies a significant share of certain turbine components globally, including gearboxes and towers, which supports both domestic deployment and exports.[170]

Other clean energy manufacturing segments remain at an earlier stage. Electrolyzer and battery manufacturing capacity is being established under incentive programs, though exports are currently limited. Grid equipment manufacturing, including transformers and switchgear, contributes modestly to exports. Over time, scaling of these industries is expected to support greater participation in global clean energy supply chains.

FDI trends and recent investments in the Renewable Energy sector India

As India's clean energy transition moves into more capital-intensive phases, particularly hydrogen production, battery manufacturing, and grid-scale storage, the role of patient capital and advanced technology becomes increasingly pronounced. India offers Japanese investors a jurisdiction where such investments can be scaled while simultaneously supporting Japan's external clean-energy supply objectives.

FDI has already been instrumental in scaling India's renewable energy sector. Cumulative FDI inflows into renewable energy and power generation have exceeded USD 23.87 Billion from January 2000 to September 2025. Renewable energy continues to attract a meaningful share of infrastructure-oriented FDI, reflecting investor confidence in India's policy continuity and demand fundamentals. From January 2024 till September 2025, the sector attracted a total of USD 7.6 Billion.[171]

Sembcorp Industries (2024): Sembcorp Industries committed more than USD 4 Billion to develop a green ammonia production facility in Thoothukudi, Tamil Nadu. The project is designed to produce approximately 200,000 metric tonnes per annum of green ammonia for export markets, particularly Japan, leveraging renewable energy-based hydrogen production. Located within a major port ecosystem, the investment aims to position India as a competitive exporter in emerging global green fuel supply chains while supporting industrial decarbonisation and cross-border clean energy trade.[172]

AM Green (2026): AM Green announced plans to develop a USD 25 Billion renewable-powered High-Performance Computing (HPC) and AI infrastructure hub, targeting a 1-GW artificial intelligence computing footprint powered entirely by round-the-clock carbon-free energy. The project integrates renewable generation—including wind, solar, and pumped storage—with downstream digital infrastructure, linking clean energy deployment directly to next-generation computing demand and advancing energy independence through vertically integrated green power ecosystems.[173]

Japanese FDI and recent investments in the Renewable Energy sector in India

Japanese firms have leveraged India both as a high-growth deployment market and as a base to operationalise long-term decarbonisation strategies, aligning India's scale and policy momentum with Japan's strengths in engineering, project finance, and advanced energy technologies.

Japanese utilities have also engaged selectively through joint ventures and platform investments, consistent with their experience as long-term asset owners. In addition, Japanese firms with strengths in power electronics, grid management, storage systems, and project engineering have participated through technology supply, EPC collaboration, and minority equity positions, rather than greenfield developer-led models.

More recently, Japanese interest has begun to extend into next-phase energy transition segments, particularly green hydrogen and ammonia. These initiatives are typically structured around future offtake alignment, technology validation, and infrastructure readiness rather than immediate volume deployment, mirroring Japan's phased approach to hydrogen integration.

Platform Investments

A prominent example is SoftBank Group, whose early and large-scale investments in Indian renewable energy platforms played a catalytic role in scaling utility-scale solar deployment during the mid-2010s. Japanese trading houses such as Mitsui & Co. and Mitsubishi Corporation have pursued equity participation and strategic partnerships across renewable generation, grid-linked assets, and energy transition platforms, reflecting a portfolio-based approach to clean infrastructure investment.

Sumitomo Corporation & AMPIN Energy Transition: In December 2025, Sumitomo announced a JPY 200 Billion (USD 1.3 Billion) investment through a joint venture with AMPIN Energy Transition, targeting 2 GW of renewable capacity by FY 2027-28. Holding a 49% stake in AMPIN C&I Power, Sumitomo is building a green power platform supplying renewables directly to large industrial consumers, marking its first large-scale corporate renewable supply business in India.[174]

Energy Storage Renewable Power

Mitsui & Co., Ltd. & ReNew Power: In April 2022, Mitsui acquired a 49% stake in ReNew Power's 400 MW Round-the-Clock renewable project, with a total project cost of approximately USD 1.35 Billion. The project combines 1,300 MW of solar and wind capacity with battery storage, enabling firm power delivery under a long-term PPA with SECI and addressing intermittency constraints in India's power grid.[175]

Integrated Energy and Decarbonisation Projects

Osaka Gas & CleanMax: In March 2025, Osaka Gas and JBIC entered into a shareholders' agreement to invest USD 166.67 Million in a 300 MW renewable portfolio through Clean Max Osaka Gas Renewable Energy Private Limited. The platform focuses on solar, wind, and hybrid projects for corporate PPAs, aligning renewables with Osaka Gas's broader integrated energy strategy spanning city gas, clean power, and future low-carbon fuels.[176]

Green Hydrogen and Ammonia Partnerships

Sembcorp Industries, Sojitz Corporation, Kyushu Electric Power & NYK Line: In August 2024, the parties signed a Heads of Terms offtake agreement to supply 200,000 tonnes per annum of green ammonia from India to Japan, establishing the first commercial India–Japan green ammonia export linkage and anchoring demand for large-scale green fuel production.[177]

L&T Energy GreenTech & ITOCHU Corporation: In August 2025, L&T Energy GreenTech and ITOCHU entered a joint development and offtake-oriented partnership to develop a 300 KTPA green ammonia facility in Gujarat, with ITOCHU targeting downstream offtake for maritime and clean fuel applications, linking Indian production to global shipping demand.[178]

ACME Group & IHI Corporation: In January 2024, ACME and IHI signed a strategic term sheet covering long-term collaboration and offtake for green ammonia from ACME's 1.2 MMTPA green

ammonia project in Odisha, part of a broader project pipeline with an estimated total investment scale of USD 5 Billion.[179]

Policy support and de-risking architecture for investments in the renewable energy sector in India

While India's renewable energy sector particularly solar, storage, and green hydrogen are scaling rapidly, various challenges related to import dependence, underdeveloped manufacturing, and high capital costs in upstream segments have persisted. Recent policy efforts have focused on building domestic capacity, securing supply chains, and supporting grid integration. Incentives now target end-to-end ecosystem development, from modules and batteries to transmission infrastructure.

Manufacturing-linked risks are addressed through the PLI Scheme for High-Efficiency Solar PV Modules and the PLI Scheme for Advanced Chemistry Cell Battery Storage, both of which provide multi-year revenue visibility and scale incentives. Emerging technology risks are mitigated through the National Green Hydrogen Mission, which combines fiscal support, demand creation, and technology development under a unified framework.

The following table maps how these interventions address structural cost challenges relevant to foreign investors.

Renewable Energy Sector		
Domain	**Cost Barrier**	**Policy Instruments and Incentive Design**
Solar PV Manufacturing (Cells & Modules)	High capex intensity and upstream scale disadvantage – Fragmented supply chains, reliance on imported polysilicon and wafers, and high capital requirements for integrated facilities create structural cost gaps. Price competition from low-cost imports suppressed margins and deterred upstream investment.	**PLI-National Programme on High-Efficiency Solar PV Modules (2021):** USD 2.67 Billion sales-linked incentives (two tranches), with higher payouts for integrated polysilicon–wafer–cell–module capacity. Supported by customs duties on imported modules and ALMM to anchor domestic demand.
Green Hydrogen (Production & Electrolysers)	High levelised cost and technology dependence – Green hydrogen is 2–3× costlier than fossil hydrogen due to expensive electrolysers, limited domestic capacity, and renewable input costs. Lack of assured offtake and scale raises early-stage project risk.	**National Green Hydrogen Mission (2023):** USD 1.94 Billion SIGHT programme combining (i) production-linked VGF (USD 0.3/kg) to narrow cost gaps and support offtake, and (ii) PLI-style incentives (USD 500 Million) for electrolyser manufacturing. Complemented by pilot funding, R&D support, and demand mandates in refineries/fertilisers.
Energy Storage (Battery Manufacturing & Deployment)	High upfront costs and uncertain revenue models – Absence of domestic cell manufacturing elevates costs, while grid-scale storage faces revenue uncertainty, limiting bankability despite rising system need.	**ACC Battery PLI (2021):** USD 2.01 Billion to support 50 GWh domestic cell capacity via output-linked subsidies. **BESS VGF Scheme (2023):** USD 417.78 Million subsidy (up to 40% capex) for 4,000 MWh grid-scale storage; infrastructure status and ISTS waivers to improve viability.
Transmission & Grid Integration	High capital intensity and long payback – Renewable integration requires transmission expansion in remote regions, involving high equipment costs, land challenges, and low initial utilisation, weakening project economics without support.	**Green Energy Corridor:** 33% to 40% central grant support across two phases. **Strategic ISTS Projects:** Targeted central support (e.g. Ladakh HVDC). Streamlined approvals and priority financing for grid infrastructure.
Financing & Bankability	Cost of capital and offtake risk – DISCOM payment risk, merchant exposure, and evolving market structures elevate WACC despite declining technology costs.	**SECI-backed Auctions & Central PPAs:** Long-term contracts reducing counterparty risk; ISTS charge waivers for renewable/storage projects; infrastructure status improving debt access.

DEFENCE SECTOR

India-Japan Complementarity

Defence manufacturing value chains are increasingly being reorganised around trusted supply chains, technology security, and multi-country production resilience, particularly for electronics, sensors, communication systems, and platform subsystems.

In this context of geopolitical uncertainty, Japan's defence posture has also been undergoing a structural shift. Japan has announced to reach fiscal allocation for defense to 2% of GDP by 2027, marking an unprecedented departure from Japan's post-war spending norm.[180]

This fiscal shift is being accompanied by a reconfiguration of Japan's defence-industrial policy framework. In late 2023, Japan revised its Three Principles on Transfer of Defence Equipment and Technology and related implementation guidelines, signaling a more permissive posture toward defence equipment transfer under its national security strategy.[181] In March 2024, Japan further relaxed export restrictions to enable potential overseas sales of a next-generation fighter aircraft being developed with the UK and Italy—an important signal that Japan is seeking to re-open defence exports and international industrial cooperation.[182]

Similarly, India's defense industrial strategy within this reconfiguration can be defined by three policy-led features.

First, India is creating a visible domestic demand anchor for indigenised production. In FY 2024–25, India signed 193 defence contracts worth USD 23.23 Billion, with 177 contracts awarded to domestic industry, accounting for USD 18.77 Billion, a procurement profile explicitly aligned with the Defence Acquisition Procedure framework that prioritises local sourcing.[183]

Second, India is operationalising indigenisation at scale through structured substitution pipelines. Under the SRIJAN platform, as of February 2025, 38,000+ items were available for indigenisation and 14,000+ items had been successfully indigenised, signalling a large, policy-curated pipeline of component and subsystem localisation opportunities.[184]

Third, India is increasingly capable of serving as an export platform for selected defence categories. India's defence exports have risen to USD 2.76 Billion in FY 2024–25, a 34 times increase from FY 2013-14, and government reporting indicates export reach across more than 100 countries, with key destinations including the USA, France, and Armenia in 2023–24, reflecting growing penetration into both advanced markets (components, electronics, software and sub-systems) and specialised bilateral buyers.[185]

For Japanese defense firms, these developments sharpen the strategic value of complementary manufacturing and technology partners across the Indo-Pacific, particularly where partnerships can deliver (i) resilient supply chains, (ii) cost-efficient production of selected subsystems and components, and (iii) interoperable standards that align with trusted partner ecosystems.

This is precisely the space where Japan's and India's defense industrial policy have begun to converge.

Sector Snapshot: Defence	
Market Size (2025)	USD 30.52 Billion[186]
Growth Outlook (2026-2031)	4.05%[187]
Cumulative FDI (2000–September 2025)	USD 26.54 Million[188]
Recent FDI Inflow (April 2025 to September 2025)	USD 4.80 Million[189]
Exports (FY 2024-25)	USD 2.76 Billion [190]
Top export destination (FY 2023-24)	USA[191]

Strategic Sub-Sectors Where India–Japan Complementarities Are Strongest

Given technology sensitivity and policy priorities on both sides, India–Japan defence-industrial complementarity is most credible in the following sub-sectors:

Defence electronics and sensors (customised components, radars, communications sub-systems): This is a natural overlap with Japan's electronics strengths and India's localisation pipeline. The Mitsubishi Electric–BEL cooperation MoU announced in December 2024 explicitly references collaboration structures and opportunities around customised components for defence and space-related products, signalling an actionable pathway for industrial partnership.[192]

Innovation and deep-tech defence applications: iDEX's structured innovation financing creates a formal entry point for joint pilots, co-development pathways, and early procurement linking.[193]

Maritime and Indo-Pacific oriented capabilities: Bilateral policy documents emphasise security cooperation and defence equipment and technology collaboration, creating the strategic umbrella under which industry-level partnerships can be institutionalised.[194]

FDI trends and recent investments in the Defence sector in India

Despite strong strategic alignment, India's defence sector has historically attracted limited foreign capital. Foreign investment in India's defence sector has totalled only about USD 26.5 Million over 25 years till September 2025.

India's FDI regime for the defence sector has undergone significant liberalisation in recent years to attract foreign capital and advanced technology. The FDI cap in defence manufacturing has been raised to 74% under the automatic route for companies seeking new industrial licences, and up to 100% under the government route for projects involving modern and critical defence technologies. This shift has been complemented by procurement reforms and an explicit push for indigenisation and co-production under the *Make in India* and *Atmanirbhar Bharat* policy frameworks.

Tata Boeing Aerospace Limited (2016): Tata Boeing Aerospace Limited (TBAL) was established in June 2016 as a joint venture between US aerospace major Boeing and India's Tata Advanced Systems Limited to manufacture aerostructures in Hyderabad, Telangana. The 14,000 sqm facility produces fuselages, secondary structures, and vertical spar boxes for the AH-64 Apache attack helicopter and complex vertical fin structures for Boeing's 737 commercial aircraft family, serving customers worldwide, underscoring the venture's role in localising high-precision aerospace manufacturing and integrating Indigenous capacity into global aerospace supply chains.[195]

Bharat Electronics Limited & Safran Electronics and Defense (2025): BEL and Safran Electronics & Defense have signed a 50:50 equity joint venture to manufacture, supply, and maintain the HAMMER precision-guided munition system in India. The JV, incorporated under Indian law with provision for future capital expansion, enables localisation of advanced air-to-ground weapon systems and qualifies as clear foreign direct investment in India's defence manufacturing sector.[196]

Embraer and Mahindra Group (2025): Embraer Defense and Security and the Mahindra Group signed a strategic cooperation agreement to jointly advance the C-390 Millennium military transport aircraft for India's Medium Transport Aircraft (MTA) requirement. The agreement encompasses joint marketing, localisation planning, and exploration of India-based manufacturing, assembly, supply chain participation and MRO (maintenance, repair and overhaul) capability for the C-390 platform, with the objective of positioning India as a potential manufacturing and support hub for the aircraft and strengthening indigenous defence aerospace capabilities.[197]

Japanese Participation in the Defence sector in India

While Japanese large platform-scale investments in India's defence sector remain limited, executed co-production projects and structured MoUs indicate a gradual deepening of industrial trust, laying the groundwork for future joint ventures as regulatory and strategic alignment matures.

India and Japan have issued high-level declarations on security cooperation reinforcing the policy foundation for greater defence-industrial collaboration.[198]

NEC Corporation, Yokohama Rubber, Sampa Kogyo and Bharat Electronics Limited: In November 2024, India and Japan signed a Memorandum of Implementation for the co-production of the UNICORN (NORA-50) integrated shipborne communication system for Indian naval vessels. Valued at approximately USD 35 Million for initial units, this marks Japan's first export of domestically developed defence technology to India for co-production, with Japan providing design and engineering support and BEL leading integration and manufacturing in India.[199]

Mitsubishi Electric Corporation, Bharat Electronics Limited, MEMCO Associates: In December 2024, Mitsubishi Electric signed an MoU with BEL and MEMCO Associates to explore joint business opportunities in defence and space, including customised components for shipborne and airborne radars, electronic warfare systems, and space situational awareness platforms. The engagement remains at an exploratory stage, focused on identifying viable co-manufacturing and supply models.[200]

Policy support and investment derisking architecture in the Defence sector in India

Table below summarizes the interaction between India's policy and incentives framework for the defence sector and the sector's dominant cost drivers, highlighting where incentives materially improve investment economics:

Defence Sector		
Cost Domain	**Cost Barriers**	**Policy Instruments and Incentive Design**
Capital-Intensive Manufacturing & Facilities	High upfront capex and long gestation – Advanced defence manufacturing requires hardened facilities, specialised tooling, and certification, with returns tied to long and uncertain procurement cycles, elevating entry risk for foreign OEMs despite market scale.	**Defence Industrial Corridors (UP & TN):** Plug-and-play infrastructure with state incentives. **FDI Liberalisation:** 74% automatic route (100% govt route for modern technology). **Make-I / iDEX:** Partial public funding for R&D and prototyping to reduce early-stage costs.

Defence Sector		
Cost Domain	**Cost Barriers**	**Policy Instruments and Incentive Design**
Technology Transfer & Co-development	IP risk and localisation costs – Indigenisation-focused procurement and partnership requirements raise IP concerns and increase localisation expenditure for foreign OEMs.	**Strategic Partnership Model:** Structured pathways for licensed production. **Offset multipliers:** Higher credits for critical technologies and corridor investments.
Procurement Timelines & Contracting Risk	Complex, slow acquisition processes – Multi-stage approvals and trials increase bid costs, timelines, and uncertainty, especially in large global tenders.	**DAP 2020:** Streamlined procedures, PMUs for major projects, realistic GSQRs, greater financial delegation, and Buy (Global–Manufacture in India) category.
Offsets & Local Investment Obligations	Compliance burden and unpredictability – Offset obligations historically added cost and complexity with limited technology absorption outcomes.	**DAP 2020 Offset Reforms:** Higher thresholds, G2G exemptions, digital offset portal, and greater discharge flexibility.
Licensing, Security & Export Controls	Regulatory and security compliance costs – Industrial licensing, security clearances, and export controls increase setup time and operating complexity for foreign firms.	De-licensing of components; extended licence validity; digital export authorisations; Defence Investor Cell facilitation.
Domestic Supply-Chain Depth	Shallow vendor ecosystem in high-end subsystems – Limited qualified local suppliers increase localisation and quality-assurance costs for OEMs.	**SRIJAN Portal; Positive Indigenisation Lists:** Defence corridors and iDEX-driven supplier development.
Testing, QA & Certification Infrastructure	Costly compliance and limited shared facilities – Military-grade testing and certification raise project costs when individually borne.	**Defence Testing Infrastructure Scheme:** Government-funded common test facilities; Quality assurance reforms and standardised acceptance norms.

RAILWAYS SECTOR

India's railways sector, one of the world's largest networks, is undergoing rapid modernization with expansion in new dedicated freight corridors, high-speed and suburban lines, which requires requiring cutting-edge technology. Japan's rail industry, a world leader in high-speed trains, signalling and safety systems, finds a natural partner in India's growth.

For Japanese businesses, India is one of the few markets where rail modernisation demand is large enough to function as an external growth engine for Japanese rail ecosystems over a decade rather than through one-off projects. While the core rail network in India remains state-owned and state-financed, the investable opportunity set is widening through infrastructure-linked segments where technology, service models, and asset ownership can be structured.

India's scale (around 7 Billion annual passengers), fast-growing demand (passenger traffic growing at 6% in FY 2024-25)[201], e-commerce expansion and policies for the upgradation of the railways sector will require investments in auto-signalling, bio-toilets, energy-efficient locomotives position it as a hub for Japanese investors to cater to local demand.

Alongwith this, cost-competitive manufacturing clusters and *Make in India* incentives also positioning it as global rolling-stock sourcing and final assembly.[202] The sector also benefits from technology requirements (IoT for predictive maintenance, indigenous Vande Bharat trains) that Japanese firms can support.

The 100% automatic-route FDI regime for specified railway infrastructure provides a clear legal channel for Japanese investors to participate in terminals, maintenance ecosystems, and modernisation-linked assets. India can also serve as a cost-competitive engineering and integration base, improving Japanese firms' ability to compete in third-country tenders without compromising on safety and quality.

Sectoral overview

Market size and growth: Market estimates suggest that the India railways sector's size was approximately USD 8.96 Billion in 2024, growing at 6.4% per year to USD 13.06 Billion by 2030.[203] This is complemented with considerable public capex spending by the Indian government, as the government has continued large scale capital investment in railways infrastructure. In 2026-27, capital expenditure is estimated at USD 32.56 Billion, an increase of 10.5% over the revised estimate for FY 2025-26.[204]

Export opportunities: Indian Railways is rapidly emerging as a global exporter of critical railway equipment, including bogies, coaches, locomotives, and propulsion systems, under the 'Make in India, Make for the World' vision Exports of coaches, locomotives, bogies and propulsion systems have grown from USD 800 Million in FY 2024-25.[205] These railway equipment are reaching Australia, UK, France, Germany, Canada, Mexico, and other countries as part of the 'Design, Develop, Deliver from India to the World' initiative.[206] India's Marhowra loco factory (Bihar) alone secured a USD 346 Million export order for 150 locomotives to Republic of Guinea.[207]. Higher-value exports (e.g. high-speed or electric trains) are still nascent and Japanese participation and technological collaboration in this sector could unlock this.

Sector Snapshot: Railways	
Market Size (2024)	USD 8.96 Billion[208]
Growth Outlook (2024-2030)	6.4%[209]
Cumulative FDI (2000 - September 2025)	USD 1.44 Billion[210]
FDI Inflows (April 2025 to September 2025)	USD 18.68 Million[211]
Exports (2024-2025)	USD 800 Million[212]

FDI trends and recent investments in the Railways sector in India

India's rail equipment sector has over the years attracted moderate foreign capital. Cumulative FDI into "Railway Related Components" stood at USD 1.5 Billion from April 2000 to September 2025.[213]

Siemens Mobility & Indian Railways (2023): Siemens Mobility, together with Siemens India, secured a USD 3.25 Billion contract to manufacture high-horsepower electric locomotives and provide 35 years of full-service maintenance. The project supports Indian Railways' decarbonisation agenda and aims to accelerate the creation of a fully electrified green rail network, with significant lifecycle emissions reduction through improved freight efficiency and advanced propulsion systems.[214]

Rail Vikas Nigam Limited, Transmashholding (Metrowagonmash), & Locomotive Electronic Systems (2023): The consortium established Kinet Railway Solutions Limited, an SPV, to execute a almost USD 4 Billion contract for the manufacture, supply, and maintenance of 120 Vande Bharat Sleeper trains. The partnership integrates rolling stock production with long-term maintenance support, advancing India's semi-high-speed train program under a competitive international tender framework.[215]

Alstom & Chennai Metro Rail Limited: Alstom secured a supply agreement to design, manufacture, and commission 96 Metropolis metro cars for Chennai Metro Phase II of deal value around USD 150-160 Million. The trains are being manufactured at Alstom's Sri City facility under the Make in India framework, supporting localisation of advanced driverless-ready metro systems and strengthening India's urban rail manufacturing capabilities.[216]

Japanese FDI and participation in the Railways sector in India

Japanese participation in India's railway sector has been project-led and technology-intensive, anchored in high-speed rail, metro signalling, electrification, and rolling stock indigenisation, in the form of EPC contracts, system supply agreements, and technology collaboration, often supported by yen-denominated ODA financing.

High-Speed Rail & Core Infrastructure

Sojitz Corporation & Larsen & Toubro Limited (2022–2023): Sojitz Corporation, in partnership with Larsen & Toubro, secured a USD 460 Million order for construction of the Sabarmati Depot and a subsequent contract for electrification works covering 508 km of the Mumbai–Ahmedabad High-Speed Rail corridor. The partnership was structured to combine Japanese high-speed rail system expertise, project coordination, and access to JICA-backed financing with L&T's domestic engineering and execution capabilities, enabling the deployment of Shinkansen-grade electrification and depot infrastructure for India's first high-speed rail project while anchoring Sojitz's long-term participation in India's advanced rail infrastructure build-out.[217]

Metro Rail Signaling & Automation

Hitachi Rail (Consortium) (2022–2023): A Hitachi Rail–led consortium was awarded a USD 200 Million signalling and train control contract for Chennai Metro Phase II, the largest signalling tender executed by CMRL. The consortium was formed to combine Hitachi's proprietary CBTC and driverless (GoA4) train control technology with local integration capabilities, enabling higher corridor capacity, reduced headways, and digitally optimised operations while anchoring Hitachi's long-

term presence in India's expanding metro systems market.[218]

Nippon Signal Co., Ltd.: In March 2024, Nippon Signal received a JPY 5.8 Billion contract to supply its SPARCS CBTC signalling system for the 29.7 km Ahmedabad–Gandhinagar Metro Phase II extension. The engagement was structured to introduce Japanese CBTC signalling standards into India's growing metro network through collaboration with Indian project authorities, improving operational safety and service frequency while positioning Nippon Signal within India's metro expansion pipeline.[219]

Rolling Stock and Manufacturing Indigenization

Kawasaki Heavy Industries & Bharat Heavy Electricals Limited (2017–ongoing): Kawasaki Heavy Industries entered into a Technology Collaboration Agreement with BHEL to enable indigenous manufacturing of stainless-steel metro coaches and bogies, integrating Japanese rolling-stock design and engineering expertise with BHEL's domestic manufacturing base. The collaboration was designed to support Make in India localisation objectives while allowing Kawasaki to access India's metro and suburban rail market through a technology-transfer-led model rather than direct rolling-stock exports.[220]

CIVIL AVIATION

India-Japan Complementarity

Aviation is strategically material for Japan through high-spec manufacturing supply chains, airport and navigation systems, MRO and engineering services, and aircraft financing and leasing. India provides a demand environment large enough to scale these segments for Japanese companies, while also offering a base to build service and engineering capability that can support Japanese-led regional and global aviation operations.

Sector Snapshot: Civil Aviation	
Market Size (2025)	USD 14.78 Billion[221]
Growth Outlook (2026-2031)	11.86%[222]
Cumulative FDI (2000–September 2025)	USD 5.38 Billion[223]
Recent FDI Inflow (April 2025 to September 2025)	USD 180 Million[224]
Exports (Aircrafts, Spacecrafts, and their components) (April 2025 to December 2025)	USD 1.22 Billion[225]
Top export destination (April 2025 to November 2025)	USA[226]

Sectoral Overview

India's civil aviation sector has emerged as one of the fastest-growing sectors, making the country the third-largest domestic aviation market in the world.[227] Market size projections depict that India's overall aviation market is set to grow from USD 14.8 Billion in 2025 to USD 28.96 Billion by 2031 at a CAGR of 11.9%.[228]

This is fueled by rapid increase in passenger traffic (domestic and international), which reached 237.4 Million in H1-FY 2025-26,[229] which is projected to grow at 8.9% annually, supported by government initiatives such as UDAN scheme to boost regional connectivity, and significant capex on developing airports, which have increased from 74 in 2014 to 163 in 2025, and are projected to reach 350 to 400 by 2047.[230]

FDI trends and recent investments in the Civil Aviation sector in India

Cumulative FDI into India's "Air Transport (including air freight)" sector was around USD 5.3 Billion from January 2000 to September 2025.[231] Japanese investements in the sector have mostly been through ODA assistance in co-developing airports and allied infrastructure: JICA has financed Indian airports and metro lines, and recent initiatives such as JETRO intiatives to link Indian start-ups (drone/UAM) with Japanese OEMs.

Airbus: Airbus has expanded its sourcing and manufacturing footprint in India, with contracts covering aircraft doors (A320, A220), flap track beams, helicopter fuselages, and other structural components produced by over 100 Indian suppliers. Annual sourcing is projected to reach USD 2 Billion by 2030, reinforcing India's role as a global aerospace supply chain hub. The expansion aligns with Airbus' Make in India strategy and leverages India's rapidly growing civil aviation market, while deepening localisation and advanced manufacturing capabilities.[232]

FedEx & Adani Airport Holdings Limited (2026): FedEx has committed USD 276 Million to establish a fully automated 300,000 sq. ft. air cargo hub at Navi Mumbai International Airport through a joint partnership mode with Adani Airport Holdingsl.[233] The project strengthens India's western trade corridor by leveraging multimodal connectivity and is expected to generate significant employment while enhancing international cargo throughput. The investment reflects rising global confidence in India's aviation logistics ecosystem amid expanding e-commerce and export flows.[234]

Tata Advanced Systems Limited & Safran Aircraft Engines (2025): TASL and Safran Aircraft Engines inaugurated a facility

valued at USD 48 Million) to manufacture complex rotating components for the CFM LEAP engine, under a long-term production agreement. The collaboration enhances India's participation in advanced aerospace engine manufacturing and supports localisation within the global commercial aviation supply chain, particularly as India has emerged as one of the largest operators of LEAP-powered aircraft.[235]

Investment Opportunities

Aircraft Leasing and Financing: Given the substantial growth in passenger demand and the corresponding increase in aircraft orders, it is anticipated that India's aircraft fleet size will expand to approximately 2,250 aircrafts by 2035.[236] Commercial airlines will require a substantial investment of USD 210-255 Billion over the next two decades to augment capacity and meet growing passenger demand.[237]

This investment will further increase significantly with the inclusion of helicopters, business jets, engines, and the replacement of current assets. Owning all these assets would place a considerable burden on the financial statements of airlines. The high upfront costs, ongoing maintenance and operational expenses, depreciation, residual value risk, and financing challenges associated with aircraft ownership can strain an airline's financial resources and impact their overall financial health.

In such a scenario, having lessors in the ecosystem, who purchase aircrafts and subsequently lease them to commercial airlines, reduces the costs of operating an aircraft. This arrangement particularly benefits low-cost carriers by enabling them to offer competitive rates in the market. Additionally, the lower upfront costs and the flexibility to adjust aircraft capacity based on seasonal demand make leasing a popular choice in the aviation industry. Currently, Ireland dominates the global aircraft leasing market.

However, given the substantial investments required in the Indian aviation industry, the presence of local lessors would create better opportunities and leasing environment. To support the growth of the aviation industry in India, such significant investments can be facilitated by the IFSC. The IFSC offers access to global financial markets and currencies, enabling airlines and aviation-related businesses to raise capital from international investors. Additionally, the IFSC provides a robust regulatory framework and tax incentives for aircraft leasing and financing, allowing airlines to procure aircraft at competitive rates and reducing their financial burden.

MRO and Engineering services: Further, India's growing aerostructures and MRO clusters represent the highest-probability investment channels for Japanese investors to participate in infrastructure roles (airport development, ground services) in the aviation sector in India.

Airports, MRO, and aviation services India's airport build-out generates sustained demand for passenger processing, terminal operations, baggage systems, security and screening technologies, and airside equipment. Market size estimates for India's MRO market project it to grow to USD 9.5 Billion by 2035.[238] As of 2024, expenditure in MRO accounts for 12% to 15% of the total revenue; it is the second-highest expense after fuel cost. To attract investments, Union Budget 2024-25 introduces incentives to boost MRO activities in aviation, including extending export and re-import periods for repairs and implementing a 5% uniform IGST on aircraft parts. [239]

FINANCIAL TECHNOLOGY

As private equity and venture capital firms recalibrate their investment strategies in response to evolving market dynamics, India's fintech sector is transitioning from a phase of hypergrowth to one of purposeful resilience. The next wave of capital deployment will be more selective, anchored in long-term value creation, robust governance and sustainable business models. India's rapidly digitising economy continues to offer fertile ground for fintechs to drive both commercial success and inclusive impact, particularly in underserved markets.

Sector Overview

The India fintech market size is USD 51.30 Billion in 2026 and is projected to reach USD 109.06 Billion by 2031 at a 16.27% CAGR during the forecast period (2026-2031). Driven by a large, digitally savvy and mobile-first population, progressive regulatory frameworks and a vibrant startup landscape, the country continues to strengthen its position among global fintech leaders such as the U.S. and the U.K.

A key contributor to this success is India's leadership in digital payments and financial infrastructure, powered by its robust DPI. This foundational stack, comprising Aadhaar, unified payments interface (**UPI**) and the Account Aggregator framework, has revolutionised the way financial services are delivered. As of April 2025, Aadhaar had facilitated over 150 Billion authentication transactions, while UPI averaged 657 Million daily transactions as of September 21, 2025 and currently ranks among the world's leading retail fast payment systems by transaction volume. Recent data suggests that in FY 2025–26 (till December 31, 2025), digital transactions volume stood at USD 2.26 Billion and value at USD 26.19 Trillion, reflecting the massive scale at which India now processes digital payments.[240]

Opportunity areas

Digital Lending: Digital lending promises to be the next growth driver of the Indian FinTech ecosystem. There is a large existing. A significant portion of India's population remains underbanked; leveraging Aadhaar based electronic-Know-your-customer (**e-KYC**) and alternative credit scoring can unlock access to formal credit for first-time borrowers in rural and semi-urban regions. With millennials and Gen-Z driving credit adoption, fintechs can craft seamless, digital first lending experiences focused on speed, convenience and embedded finance, including buy now, pay later (**BNPL**) offerings. For instance, the BNPL customer base for online retail in India is expected to grow at a robust CAGR of 43% (2021-2026).[241]

Cross-border finance: Empowering small exporters, particularly MSMEs that drove 46% of India's total exports in FY 2023-24, through embedded trade finance, automated compliance and foreign exchange (FX)-hedging can unlock liquidity and enhance global competitiveness amid slow settlements and complex documentation. Capturing India's growing remittance market, which saw a 14% rise in FY 2024-25, is possible through digital channels offering instant transfers, multi-currency wallets, mobile remittance solutions and low-cost corridors. [242]

WealthTech: AI-powered advisory enables hyperpersonalised investing tailored to India's digitally native investor base. Scaling advice-led engagement through hybrid models blending tech and human insight presents an opportunity to deepen trust and expand reach across wealth segments. Fractional ownership models in real estate, gold and global assets reshape how retail investors build wealth. Wealthtech platforms are redefining exclusivity by making non-traditional assets accessible to the masses. With a significant portion of household wealth currently outside professional management, solutions such as mutual funds and goal-based investing provide a pathway to engage first-time investors and support broader financial inclusion. [243]

FDI trends and recent investments in the Fintech sector in India

Cumulative FDI in India's broad "Services" sector (which includes fintech) is one of the highest at USD 123.9 Billion from January 2000 to September 2025.[244] The fintech sector continued to show steady momentum in 2025, raising a total of USD 2.4 Billion in funding and ranking third globally, behind the United States and the United Kingdom. Despite a cautious global investment environment, the country retained its position as one of the world's most active FinTech markets, supported by strong early-stage activity, large funding rounds, and continued consolidation across segments.[245]

Amazon & Axio (2025): Amazon completed its acquisition of Axio, a digital lending and checkout finance provider in India, in a transaction reportedly valued at approximately USD 200 Million..The acquisition strengthens Amazon's embedded finance ecosystem by expanding credit access to underserved consumers through simplified and transparent digital lending products, reinforcing its long-term commitment to India's digital financial infrastructure.[246]

Jio Financial Services & BlackRock (Jio BlackRock JV, 2023): Jio Financial Services and global asset management firm BlackRock formed a 50:50 equity joint venture, Jio BlackRock, targeting an initial combined investment of roughly USD 150 Million each (USD 300 Million total) to enter India's asset management industry with a digital-first proposition. The venture combines Jio's market reach and digital infrastructure with BlackRock's global expertise in investment management, risk analytics, technology and operations to democratise access to affordable and innovative investment solutions for Indian investors.[247]

General Atlantic & PhonePe (2023–2025): General Atlantic has deployed about USD 1.15 Billion in PhonePe across multiple rounds, taking its stake to 8.9%. The recent USD 600 Million investment in 2025 supports balance sheet strengthening, ESOP liquidity management ahead of the company's anticipated public listing, and continued expansion across digital payments, financial services distribution, and consumer fintech products, reflecting sustained investor confidence in India's digital payments ecosystem.[248]

Japanese FDI and recent investments in the Fintech sector in India

Japanese participation in India's fintech and financial services ecosystem has accelerated over the past few years, driven by India's rapid digitisation of credit, payments, and retail financial services. Rather than early-stage experimentation, Japanese capital, particularly from large financial groups has focused on scaled platforms, embedded finance models, and regulated balance-sheet lenders, allowing Japanese institutions to combine technology-led distribution with financial stability and governance. India has emerged as a core pillar in Japan's Asia strategy for digital finance, financial inclusion, and long-term retail credit growth.

Mitsubishi UFJ Financial Group & DMI Finance (2023–2024): MUFG deepened its partnership with DMI Finance through successive investments, committing USD 400 Million in 2023 followed by an additional USD 332 Million in 2024, taking its total investment to approximately USD 565 Million and valuing DMI at around USD 3 Billion. The investment was structured

to enable MUFG to participate directly in India's embedded digital lending ecosystem, combining DMI's technology-driven origination and POS credit capabilities with MUFG's balance-sheet strength, risk management expertise, and group-wide financial solutions, while expanding access to formal credit for underserved consumers and merchants.[249]

SoftBank & Juspay: In early 2025, SoftBank Vision Fund participated in a USD 60 Million Series D round in Juspay, alongside Accel and other investors, through a mix of primary and secondary capital. The investment was intended to strengthen India's core payments infrastructure, enabling Juspay to scale its open-source payment orchestration platform and deepen the use of AI-driven tools to improve merchant experience, reliability, and real-time payment processing across banks and large enterprises.[250]

Mitsubishi UFJ Financial Group's Ganesha Fund: In 2022, MUFG launched the USD 300 Million Ganesha Fund, dedicated to middle-to-late-stage Indian fintech and digital services companies. The fund was established to create a structured pipeline for strategic partnerships, co-development, and ecosystem building across digital lending, payments, and financial infrastructure, reinforcing MUFG's long-term commitment to India as a cornerstone market within its Asia growth strategy.[251]

GLOBAL CAPABILITY CENTRES (GCCS)

India-Japan Complementarity

GCCs have emerged as a key pillar of India's services-led economic growth. Over the past three decades, GCCs in India have evolved from cost-saving extensions into strategic global innovation engines that drive technology, digital transformation and regulatory excellence.

Early investments into India were largely anchored in cost efficiency, leveraging labour arbitrage to support back-office and transactional processes. As capabilities deepened and talent pools expanded, mandates broadened. A growing share of centres now undertake higher-value activities, including product engineering, advanced analytics, and enterprise-wide digital initiatives. In parallel, governance structures have evolved, with Indian GCCs increasingly integrated into global operating and innovation models. This includes conventional IT/BPO as well as next-gen R&D and product development centers.

With nearly 30% of Japan's population aged 65 years and above, its workforce is shrinking rapidly even as companies grapple with digital modernisation challenges. This has forced Japanese companies to turn to a youthful India to tap into its vast tech talent pool, robust engineering capabilities, and maturing innovation ecosystem.

Sectoral Overview

Today, India hosts more than 55% of the world's GCCs, making it the undisputed global leader in this sector. With over 1,580 centres in 2023, the industry is projected to grow to 1,900 by 2025 and 2,400 by 2030.[252]

The GCC market size in India is valued at USD 70 Billion in FY 2024-25 and is expected to surpass USD 110 Billion by 2030, depending on digital transformation momentum, AI adoption and the formalisation of compliance ecosystems. Currently, GCCs employ around 1.9 Million professionals, with projections indicating that this will rise to 2.8 Million by FY 2029-30. Additionally, over 70% of Fortune Global 500 companies plan to expand their GCC presence in India, underscoring the country's policy stability, regulatory readiness, and operational maturity.[253]

Growth Drivers: India's rise as a preferred location for GCCs is attributed to several advantages:

Skilled Talent Pool: India produces a vast number of STEM graduates each year, making it a fertile ground for technical and business expertise.

Cost Efficiency: Operating costs in India are lower compared to many Western countries, offering substantial savings while maintaining high-quality services.

Mature IT Infrastructure: With advanced IT parks, reliable connectivity, and regulatory support, India is well-equipped for seamless global operations.
Government Support: The Indian government offers numerous incentives to foreign companies, such as tax benefits and ease of doing business, which facilitate setting up operations.

The next decade of GCC growth in India will be defined by "Nano GCCs" - small, agile, compliance-intensive hubs that specialize in niche domains. Each Nano GCC typically employs between 50 to 150 highly skilled professionals and prioritizes innovation over scale. These centers enable global firms to integrate into India's ecosystem more quickly, mitigate regulatory risks, and access talent as needed.[254]

Export performance: As captive centres, GCC revenues largely count as exports of IT/BPM services. India's IT-BPM exports rose 12.48% in FY 2024-25 to USD 224.4 Billion from USD 199.5 Billion

in FY 2023-24.[255] Japanese clients (Toyota, Sony, NEC, etc.) are major customers. While destination "markets" are corporate HQs (US, EU, Japan), one can view a portion of India's software exports as GCC activity for foreign firms. India's GCC growth also indirectly boosts exports of business services and R&D outputs back to parent companies.

FDI trends and Japanese FDI in the GCC sector in India

Cumulative FDI into Services and Computer Software & Hardware sectors is around USD 123.9 Billion and USD 120 Billion, respectively from April 2000 – September 2025.[256] Much of these flows through GCCs. India allows 100% FDI in most sectors, simplifying the process for foreign companies. Moreover, exports of services is exempt from local taxes.

Japan is a top GCC source country for India. As of 2025 India hosts 85 Japanese-owned GCCs (employing over 180,000 professionals, which is projected to double to around 150 GCCs with over 350,000 employees and USD 2.5 Billion annual investment by 2028. Japanese GCCs now account for almost 5% of India's overall GCC ecosystem, and major investments include, Rakuten (USD 100 Million) (e-com/fintech hub), Sony (R&D centre in Chennai), Toyota (IT centre), and numerous banks (Mitsubishi UFJ's service centre).[257]

SHIPBUILDING SECTOR

India–Japan Complementarity in the Shipbuilding Sector

Japan has historically been one of the world's leading shipbuilding nations, anchoring large-scale commercial vessel production, specialised builds, and advanced propulsion technologies within a strong industrial ecosystem, including LNG carriers, eco-efficient hull designs, and digitalised shipyard processes.[258]

However, over the last decade its share of the global shipbuilding market declined to roughly 10-12%[259] from nearly 50% in the 1970s, reflecting structural shifts in the competitive landscape.[260] During the same period, China consolidated its position, accounting for roughly half of global shipbuilding output and a dominant share of new vessel orders by deadweight tonnage, supported by coordinated state policy, yard expansion, export financing, supply-chain depth, and industrial scale.[261]

In response to this structural rebalancing, Japan consolidated yards, optimised capacity, and shifted toward technologically intensive and specialised segments, with greater emphasis on automation, digital integration, energy-efficiency innovation, and green vessels.[262]

This transition away from volume competition has reinforced structural constraints, including a smaller domestic labour pool, higher input costs, and limited scope for rapid capacity expansion.

These constraints narrow Japan's ability to compete in scale-driven, cost-sensitive production segments, while preserving its strengths in high-value design, engineering, and advanced manufacturing systems. Within this context, complementarity with India emerges from differentiated industrial positions rather than overlapping capabilities.[263]

India's shipbuilding ecosystem, though currently small, combines expanding naval and commercial demand, cost competitiveness, workforce depth, and policy-driven industrial expansion. [264] These characteristics position India to undertake scale-oriented and labour-intensive production that is increasingly constrained in Japan.

The complementarity therefore operates on a functional division of roles, whereby Japan contributes advanced ship design, modular production systems, digital shipyard technologies, and green propulsion expertise, while India provides scalable production capacity, labour cost advantages, geographic centrality along Indian Ocean trade routes, and policy-backed expansion. The partnership is reinforced by broader strategic cooperation, including commitments to maritime security, economic integration, smart port deployment, and human-capital upskilling initiatives.[265]

This alignment links Japan's technology-intensive specialisation with India's scale and cost advantages under prevailing structural conditions in the global shipbuilding industry.

Sectoral Overview and Growth drivers

India's current share of global shipbuilding output is small relative to East Asian leaders, at just 0.06% market share in the global shipbuilding market, and the domestic market size was valued at under USD 90 million in 2022. However, projections suggest potential expansion toward USD 8.1 billion by 2033[266], driven by the following structural strengths of India:

Strategic location: India's 12 major ports and 200+ non-major (minor) ports across its 7400 kilometers coastline, and proximity to major shipping routes provide a natural advantage for shipyards, helping reduce transportation costs and turnaround times.[267]

Labour Cost Competitiveness: India's shipbuilding industry benefits from a significantly lower labour cost base compared

with major shipbuilding nations, which provides an inherent cost advantage in this labour-intensive sector. Studies estimate that annual labour cost per shipyard worker in India is approximately USD 1,192, which is 10–20 times lower than labour costs in leading shipbuilding countries such as South Korea and Japan. This cost advantage arises from broader wage differentials in manufacturing and can translate into competitive pricing in labour-driven shipyard tasks such as hull fabrication, outfitting, and assembly.[268]

India's labour cost advantage therefore remains a structural asset, and if combined with targeted skill enhancement, technology adoption, and productivity improvements, could significantly strengthen India's competitive position as shipyards scale and attract strategic partnerships.[269]

Demand drivers: Domestic demand for shipbuilding in India is now emerging as a strong structural growth driver, underpinned by persistent reliance on foreign shipping, targeted government support, expanding coastal logistics, and a rapidly advancing naval modernisation pipeline. India accounts for only a small share of global ship ownership, roughly 2% of total global tonnage. Yet approximately 95% of the country's international cargo continues to be transported on foreign-flagged vessels, leading to substantial outflows of foreign exchange estimated at around USD 75 billion annually in freight and chartering costs.[270]

This persistent dependence on imported shipping capacity and foreign shipyards highlights a latent domestic demand for locally built vessels across multiple categories, from coastal feeder ships to larger ocean-going cargo carriers.

Further, orderbook data reflects meaningful industrial activity. India Maritime Week 2025 saw Oil and Gas Public Sector Undertakings palce 59 shipbuilding orders worth USD 5.3 billion, a strong indicator of domestic demand aggregation and commercial pipeline.[271]

Similarly, inland waterway cargo movement has risen over 320% since 2014. Hence, expansion of coastal and inland waterway networks, supported by national programmes and logistics initiatives, is generating consistent uplift in demand for feeder vessels, barges, and coastal service fleets.[272]

A particularly robust growth driver is India's naval modernisation programme, which is currently one of the strongest demand fundamentals for the sector. The defence shipbuilding pipeline is estimated to exceed USD 25.5 Billion providing multi-year visibility across high-value platforms, including destroyers, frigates, corvettes, submarines, fleet-support ships, and aircraft carriers. A majority of this procurement is reserved for domestic suppliers, with increasing indigenous content in frontline warships and an expanding export opportunity for defence platforms under the SAGAR doctrine.[273]

Similarly, rising global demand for green and specialised vessels are catalysing domestic shipyard expansion, and technological advancement in both commercial and defence segments.

The policy thrust from the Ministry of Ports, Shipping and Waterways further reinforces this demand base. Official targets include securing a 5 percent share of the global shipbuilding market by 2030 and developing 10 world-class shipyards through public-private partnerships and international collaborations.[274]

Foreign investments and participation in the Shipbuilding sector in India

India allows 100% FDI under the automatic route in shipbuilding sector, subject to regulatory clearances in defence-linked projects.[275] Recent developments signal meaningful engagement by global maritime operators and investors in India's shipbuilding ecosystem.

At India Maritime Week 2025, investment pledges totaling about USD 135 billion were recorded, with roughly 20 percent allocated specifically to shipbuilding and shipping ecosystem development. This included strategic MoUs covering ship repair facilities, cluster development, naval vessel partnerships, and infrastructure expansion that support long-term industrial growth.[276]

France's CMA CGM, the world's third-largest container shipping firm, signed a *letter of intent* with **Cochin Shipyard Limited** to construct six LNG-powered container vessels in India, with South Korean shipbuilder HD Hyundai Heavy Industries playing a technical role. The order covers smaller-scale vessels with a capacity of 1,700 containers each to be delivered between 2029 and 2031. This order marks one of the first major international commercial shipbuilding engagements for India and demonstrates growing trust in Indian yards' capabilities.[277]

DP World pledged an additional USD 5 billion infrastructure investment in India, including partnerships for maritime logistics, international ship repair facilities in Kochi, and skill development programmes tied to shipbuilding ecosystems.[278]

India and Japan have officially discussed strengthening maritime cooperation, including investment by Japanese

shipbuilders in Indian yards and related infrastructure. Both countries have highlighted opportunities for Japanese firms such as **Imabari Shipbuilding, JMUC, and Mitsubishi Heavy Industries** to engage in joint ventures, greenfield investment, and technology transfer with Indian shipbuilding entities. This strategic dialogue underscores evolving interest from Japanese industrial players in the Indian maritime and shipbuilding landscape.[279]

Mitsui O.S.K. Lines (MOL) has stated intentions to collaborate with Indian shipyards on vessel construction, particularly for medium-range tankers, and to align with India's subsidy and incentive framework designed to boost domestic shipbuilding capacity.[280]

MOL-Cochin Shipyard discussions on MR tanker construction: Initiated talks with Cochin Shipyard Ltd. to explore sourcing medium-range tankers from India as part of a broader diversification of shipbuilding supply chains.[281]

MOL–Shipping Corporation of India (SCI) MoU on Tugboat Operations: The two companies have signed a partnership MoU 2025 to expand port tugboat services and green maritime solutions in India, demonstrating collaborative operational investment.[282]

ONGC–MOL joint ventures for Ethane Shipping (VLECs): Formed two joint ventures with 50 % stakes each between ONGC and MOL to own and operate Very Large Ethane Carriers under the Indian flag, representing a notable capital participation and operational investment.[283]

Policy Support and Incentives[284]

The Government of India has moved to consolidate policy support for shipbuilding through a multi-pronged strategy. The Indian Government has introduced multiple policy and regulatory incentives to boost the shipbuilding sector and allied marine industries.

Direct Financial Incentives for Vessel Construction: India has strengthened the Shipbuilding Financial Assistance Scheme (SBFAS) with a total allocation of USD 2.75 Billion and an extended validity up to 31 March 2036. The scheme is designed to bridge the cost disadvantage faced by Indian shipyards and to enhance their competitiveness in global markets.

Financial assistance is structured in a graded manner: 15% support for vessels valued below USD 11.2 Million, 20% for vessels valued above it, and 25% for green, hybrid, electric, or specialised vessels, subject to a minimum 30% domestic value addition requirement. Disbursement is linked to construction milestones to ensure accountability and transparency in implementation.

The framework also incorporates a Ship-breaking Credit Note mechanism. Under this provision, shipowners scrapping vessels at Indian recycling yards receive credit equivalent to 40 percent of the scrap value, which can be redeemed against the cost of constructing new vessels at Indian shipyards. These credits are transferable, stackable, and valid for three years, thereby creating a structured linkage between ship recycling and new domestic shipbuilding demand. Oversight and coordination of the scheme are institutionalised through the establishment of a National Shipbuilding Mission, which will facilitate demand aggregation, claim verification, procurement alignment, and international collaboration.

Long-Term Financing Support through the Maritime Development Fund: To address structural constraints in access to affordable capital, the Government has established a Maritime Development Fund (MDF) with a corpus of approximately USD 2.8 Billion.

The MDF comprises two components. The first is a USD 2.25 Billion Maritime Investment Fund structured as an equity-based vehicle with government participation of up to 49%, designed to mobilise additional investor capital into shipping, shipbuilding, and maritime infrastructure. The second is a USD 550 Million Interest Incentivization Fund, operational for ten years up to March 2036, which provides interest support of up to 3 percent to banks and financial institutions lending to Indian shipyards.

The objective of this financing architecture is to lower the effective cost of debt, improve project bankability, and attract both domestic and international investors into long-gestation shipbuilding and maritime infrastructure projects. By reducing financing risk and improving access to long-term capital, the MDF seeks to catalyse expansion of Indian shipping tonnage and strengthen the broader maritime industrial base.

Capacity Expansion and Ecosystem Development: Capacity expansion and infrastructure development are addressed through a USD 2.25 Billion Shipbuilding Development Scheme with a duration of ten years up to March 2036. The allocation includes USD 1.1 Billion for greenfield shipbuilding clusters and USD 920 Million for brownfield capacity expansion of existing shipyards. An additional USD 160 Million has been earmarked for shipbuilding risk coverage, and USD 34 Million for capability development initiatives.

The greenfield component aims to establish integrated shipbuilding clusters through coordinated Centre–State frameworks, while the brownfield component supports expansion and modernisation of existing shipyards through infrastructure upgrades. The risk coverage allocation is intended to mitigate execution risks associated with large shipbuilding contracts, thereby improving investor confidence. Capability development funding is directed toward strengthening technical, design, and skill capacities within the ecosystem, supporting long-term competitiveness.

Regulatory Reforms: The policy framework is complemented by structural reforms designed to improve the ease of doing business and enhance demand visibility. Large ships have been granted infrastructure status, enabling access to long-tenor institutional financing and infrastructure lending channels. This classification expands financing options and aligns shipbuilding projects with broader infrastructure funding frameworks.

The Indian Government has also modernised the legislative framework governing the maritime sector through enactment of updated laws including the Bills of Lading Act (2025), Carriage of Goods by Sea Act (2025), Coastal Shipping Act (2025), Merchant Shipping Act (2025), and Indian Ports Act (2025). These reforms are intended to strengthen regulatory clarity, improve operational efficiency, and align India's maritime ecosystem with international standards.

CHAPTER 4:
State Wise Overview: Investment Climate and Key Policy Incentives

India is a federal country and while policies pertaining to foreign investments are framed by the Central Government, implementation is undertaken by sub-national counterparts. In this regard, Indian States have been offering a number of incentives and investors-friendly environment to foreign investors to attract investments into the State. This chapter provides a brief overview of the policy incentives that the key Indian States offer.

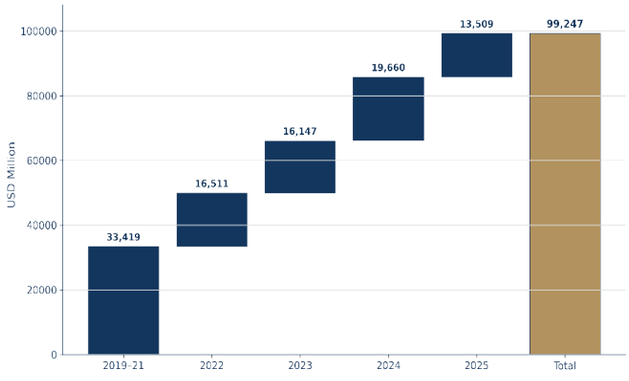
Key Indian States Attracting Major FDI In India

The list of Japanese business establishments in India shows a concentration of Japanese firms in Maharashtra, Tamil Nadu, Gujarat and Karnataka, following the general geographical pattern of FDI in India.

Region-wise study of the FDI inflows to India suggests that economically advanced States have attracted lion's share of FDI inflows in India. More than 80% of FDI inflows in the in India is concentrated in four States - Maharashtra, Karnataka, Gujarat and Tamil Nadu. The concentration of FDI in few States suggests that better infrastructure (physical and human) and growth potential are key preconditions to attract higher FDI.

MAHARASHTRA

Figure 23: FDI equity inflows to Maharashtra (last 5 years)



Maharashtra continues to be the top destination for FDI in India. In 2025, the state launched various policies to promote investments such as the Maharashtra Global Capability Centre Policy,[285] and the Industries, Investment, and Services Policy.[286] These policies aim to improve employment, improve infrastructure, and to make the state a Global Business Destination, and provide both financial and non-financial incentives. With such initiatives, Maharashtra strives to strengthen its position as one of India's most dynamic economic engines, supported by a diverse industrial base, strong services economy, and sustained domestic and foreign investment.

Indicators	Data
Exports (FY 2024–25)	USD 86 Billion
Export CAGR (2018–2025)	-0.8 %
FDI Ranking (India)	1
FDI Inflows (2019–2025)	USD 99.25 Billion
Population (Estimates for 2025)	128 million
GSDP (2024–25)	USD 315 Billion
Key Export and Investment Sectors	Financial services, automobiles, pharmaceuticals, chemicals, logistics, media & entertainment

Maharashtra was also recognised as top achievers across three reform areas in BRAP 2024.[287] The state has brought key reforms in various sector such as Industries, Labour, Finance to facilitate and promote ease of doing business.[288]

The state has also introduced a separate Maha Parwana (Single Permission), to promote FDI and ease of doing business. For all the proposals of FDI and investment proposals of USD 5.56 Million and above, the Government Letter of Assurance shall be given for commencing the construction and production without availing the permissions related to pre-set up[289], within 48 hours.[290]

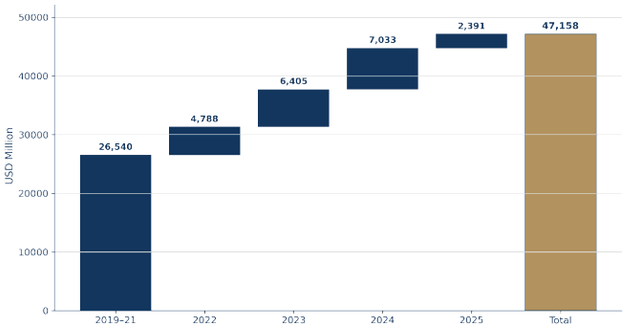
Maharashtra : Key Policy Incentives				
Sector	**Capital Incentives**	**Land Incentives**	**Employment and Skilling Incentives**	**Other Incentives**
Electronics	Capital subsidies, power tariff incentives, tax reimbursements	Special ESDM parks with integrated EMCs, plug-and-play infrastructure	Subsidies for R&D, testing, innovation	Single-window clearance via Maharashtra Industry, Trade, and Investment Facilitation Cell (**MAITRI**) portal, exemption from electricity duty
Automobiles & EVs	Capital subsidies for EV manufacturing & component suppliers	Land banks, flexible pricing & rentals, concessional industrial plots	Skill development programs, employment-linked incentives	Road tax exemptions, registration fee waivers, fast-track approvals

Maharashtra : Key Policy Incentives				
Sector	**Capital Incentives**	**Land Incentives**	**Employment and Skilling Incentives**	**Other Incentives**
Textiles	Capital investment subsidies for spinning, weaving, and garment units	Government covers infrastructure project land costs (80:20)	Additional incentives for women-led enterprises & MSMEs	Electricity subsidies for two years, tax waivers
Defence & Aerospace	Fixed capital incentives for test ranges & storage	Anchor units receive discounted industrial land rates	50% project cost covered for test facilities, incubation centers	Single-window clearance through MAITRI, subsidies for R&D centers

GUJARAT

Along with being the nation's top exporter of the Country with a strong base in petroleum and processed-diamond production,[291] Gujrat is another of the top five FDI spots of the country.[292] Gujrat has also done significant advancement in ease of doing business and foreign investment.

Figure 24: FDI equity inflows to Gujarat (last 5 years)



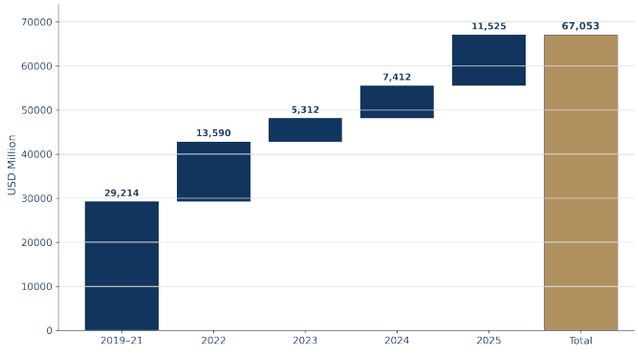
Indicator	Data
Exports (FY 2024–25)	USD 116 Billion
Export CAGR (2018–2025)	8.2 %
FDI Ranking (India)	3
FDI Inflows (2019–2025)	USD 47.16 Billion
Population (Estimates for 2025)	73 million
GSDP	USD 176 Billion
Key Export and Investment Sectors	Petrochemicals, chemicals, engineering goods, textiles, pharmaceuticals, renewable energy

Gujarat: Key Policy Incentives				
Sector	**Capital Incentives**	**Land Incentives**	**Employment and Skilling Incentives**	**Other Incentives**
Manufacturing	7% interest subsidy on term loans, high-value investment incentives	100% electricity duty exemption for five years, concessional land rates	State GST reimbursement up to 100%, EPF reimbursement for new employees	Single-window clearance for approvals, tax rebates
Electronics & Semiconductors	Up to 20% capital assistance, special PLIs.	Land allocation in dedicated semiconductor zones, subsidized industrial plots	Support for R&D, prototyping, and testing facilities	Exemptions from stamp duty & electricity duty, logistics subsidies
Renewable Energy	Carbon credit eligibility incentives, incentives for hybrid projects	Land available at concessional rates for solar & wind energy	Skill training for renewable sector workforce	Single-window clearance system for approvals, relaxed land use norms

KARNATAKA

Karnataka has the second highest contribution to FDI inflow in India for FY 2024-25. Key sectors in the state include biotechnology, manufacturing, and especially information technology sector. Karnataka has proven to be a lucrative destination for Japanese investors. Just last year, the Sumitomo Corporation, Honda Motor Company and JFE Shoji announced fresh investments in Karnataka. Sumitomo will set up a USD 264 Million steel plant in Koppal, Honda will invest USD 67 Million in an electric vehicle unit in Narasapura, and JFE Shoji will revive the NGEF plant in Hubballi with USD 45 Million.[293]

Figure 25: FDI equity inflows to Karnataka (last 5 years)



Indicator	Data
Exports (FY 2024–25)	USD 30 Billion
Export CAGR (2018–2025)	7.8 %
FDI Ranking (India)	2
FDI Inflows (2019–2025)	USD 67.05 Billion
Population (Estimates for 2025)	68.5 million
GSDP	USD 189 Billion
Key Export and Investment Sectors	IT services, biotechnology, aerospace & defence, electronics manufacturing, startups & R&D

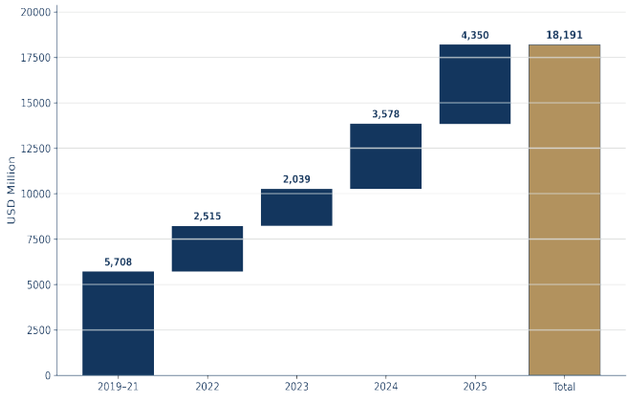
Karnataka has also been recognized as a 'Top Achiever' across two reform areas in the Business Reforms Action Plan (**BRAP**) 2024 for the third consecutive year[294], a testament to the states various initiatives to promote ease of doing business. Some of the key policy incentives as tabulated below reflect efforts which have helped make Karnataka an investor-friendly and pro-industrial ecosystem:

Karnataka: Key Policy Incentives				
Sector	**Capital Incentives**	**Land Incentives**	**Employment and Skilling Incentives**	**Other Incentives**
Manufacturing	Subsidies based on production turnover, investment promotion subsidies	Land conversion fee reimbursement, special land subsidy in private industrial parks	Fixed asset subsidies linked to employment	Electricity tax exemptions for MSMEs, infrastructure support
Defence & Aerospace	One-time subsidy for Common Effluent Treatment Plants	Land fee reimbursement, priority land allocation in industrial clusters	Subsidies for anchor industries creating high-value jobs	Exemption from tax on electricity tariffs, single-window clearance
IT & Data Centers	7% capital subsidy (up to USD 1.11 Million), tax reimbursements	10% land subsidy (up to 10 acres), concessional rates for tech parks	Tax exemptions for data centers, special incentives for startups	Industrial power tariff benefits, green power incentives, exemption on land conversion fees
Biotech	R&D funding, patent cost reimbursement, quality certification subsidies	Land incentives for biotech parks, incubation centers	Training support, grants for biotech innovation centers	Single-window clearance through KBITS, marketing cost reimbursement
EV & Automobiles	Capital subsidies on fixed assets, GST reimbursements	Land conversion fee reimbursement, special zones for EV manufacturing	Skill development programs with stipends, financial aid for skilling centers	Exemption from duty/ tax on electricity tariffs, charging infrastructure support

TAMIL NADU

FY 2024-25 saw the highest economic growth in Tamil Nadu with a 9.69% increase,[295] along with being a top achiever in 4 reform areas for BRAP 2024. Tamil Nadu has the highest presence of Japanese businesses and investors. Collaboration with Japanese entities in the manufacturing and automobile sector is also prevalent, with Mahindra Industrial Park Chennai Limited and Sumitomo Corporation coming together to improve ease of entry and doing business for Japanese entities in the state.[296]

Figure 26: FDI equity inflows to Tamil Nadu (last 5 years)



Indicator	Data
Exports (FY 2024–25)	USD 52 Billion
Export CAGR (2018–2025)	8.3 %
FDI Ranking (India)	5
FDI Inflows (2019–2025)	USD 18.19 Billion
Population (Estimates for 2025)	77.5 million
GSDP	USD 209 Billion
Key Export and Investment Sectors	Automobiles, auto components, electronics manufacturing, textiles, renewable energy equipment

Tamil Nadu has also collaborated with JICA for its Investment Promotion Program.[297] Chennai, in particular is also the city with home to the highest number of Japanese companies, with over 500 companies in the city, as of 2015.[298]

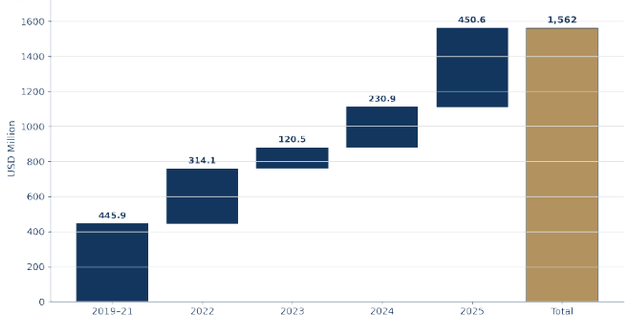
Tamil Nadu: Key Policy Incentives				
Sector	**Capital Incentives**	**Land Incentives**	**Employment and Skilling Incentives**	**Other Incentives**
Manufacturing	Fixed & flexible capital subsidies, tax reimbursements	Land earmarking for new industries, subsidized industrial plots	Training subsidies for local workforce, apprenticeship incentives	15-year State GST reimbursement, green energy incentives
Logistics	Capital subsidies for logistics parks, warehousing incentives	Identified land parcels for logistics hubs, private freight terminals	Apprenticeship programs with private firms	Single-window clearance for project cargo, tax exemptions
EV & Automobiles	Capital subsidies for EV manufacturers & component makers	Land concessions up to 50%, incentives for EV charging stations	Employer EPF reimbursement for new jobs, special training incentives	Single-window clearance for EV charging permits, subsidies for battery recycling plants

Emerging States in India Holding Potential for Foreign Investors:

ANDHRA PRADESH

Andhra Pradesh is emerging as another popular choice for foreign investment. With an economic growth of 8.21%, Andhra Pradesh recorded the second-highest economic growth rate among all states and Union Territories in India for FY 2024-25.[299] Andhra Pradesh was also top achiever in four reform areas for BRAP 2024. The states regulatory initiatives for promoting business is a direct contributor to this.

Figure 27: FDI equity inflows to Andhra Pradesh (last 5 years)



It has been one of the foremost states to have developed sector-specific policies, and forming industrial clusters and developing infrastructure, such as biotech parks, textile parks and hardware parks has been the state's key strategy to attract investments in various industries. Utilizing its geographic location, Andhra Pradesh has hosted more than 40 Special Economic Zones (**SEZ**) which were spread across diversified sectors which include textiles & apparel, food processing, footwear & leather products, multi-products, pharma, IT SEZs, etc.[300]

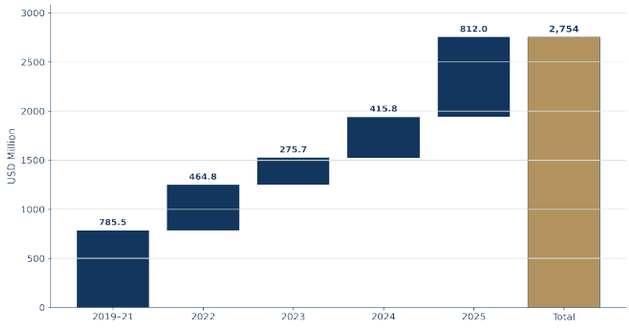
Indicator	Data
Exports (FY 2024–25)	USD 21 Billion
Export CAGR (2018–2025)	6.9 %
FDI Ranking (India)	13
FDI Inflows (2019–2025)	USD 1.54 Billion
Population (Estimates for 2025)	53.5 million
GSDP	USD 104 Billion
Key Export and Investment Sectors	Pharmaceuticals, electronics manufacturing, food processing, aquaculture, renewable energy

The government is striving towards creating quality infrastructure, coupled with a congenial industrial environment in the state, to make Andhra Pradesh an attractive destination for both domestic and foreign investors.[301] To this effect, the state has also launched the Swarn Andhra@47 policy, to transform the state into a USD 2.4 Trillion economy by the year 2047, with a targeted per capita income of approximately USD 61,111.[302] The state is also rolling out over 70 new MSME Parks, anchored in a plug-and-play model, with an aim to make available essential infrastructure, including power, water, internal roads and utilities, thus reducing entry barriers for small businesses and ensuring decentralised investment.[303]

UTTAR PRADESH

Uttar Pradesh, the most populous state of the country, is the 10th largest contributor to FDI inflow in India in FY 2025-26[304] has emerged as a leading reform-oriented state, earning "Top Achiever" status under the BRAP in consecutive assessment cycles, including 2022 and 2024.[305]

Figure 28: FDI equity inflows to Uttar Pradesh (last 5 years)



The state launched "Invest UP" is the current driver to attract foreign investment, with dedicated country desks such as the Japan Desk.[306] The desk is actively collaborating with key Japanese institutions, including the Yamanashi Prefectural Government, JETRO, Indian Commerce and Culture in Japan / Indo-Japanese Chambers, Kansai Pharmaceutical Industry Associations and others, aimed at strengthening bilateral industrial partnerships and facilitating investor requirements across emerging sectors.[307]

Indicator	Data
Exports (FY 2024–25)	USD 22 Billion
Export CAGR (2018–2025)	6.9 %
FDI Ranking (India)	9
FDI Inflows (2019–2025)	USD 2.75 Billion
Population (Estimates for 2025)	240 million
GSDP	USD 191 Billion
Key Export and Investment Sectors	Food processing, leather goods, textiles, electronics manufacturing, defence manufacturing

State Wise: Regulatory Reforms for Ease of Doing Business

State	Decriminalization and Compliance Simplification	Single-Window Registration	Self-Certification and Building Approvals	Land Acquisition	Risk Mitigation Impact
Maharashtra	Criminal offenses reclassified as civil penalties; jail terms replaced with fines[308]	MAITRI portal integrates 12+ registration mandates into single-window system [309]; auto-renewal for metrology licenses[310]	Factory plan approval fees removed; deemed renewal of factory licenses; 10-year license validity[311]	Separate non-agricultural land use approval eliminated; simplified agricultural-to-non-agricultural conversion[312]	Reduces criminal liability exposure; streamlines establishment timelines; lowers land conversion uncertainty
Gujarat	516 provisions across 11 laws converted from criminal to civil penalties[313]	Investor Facilitation Portal provides single-point system for establishment setup, registration, and licensing[314]	Shram Suvidha Portal simplifies factory and establishment registration for labor compliance[315]	—	Significantly reduces criminal enforcement risk; centralizes approvals for faster project launch
Karnataka	Bill introduced to decriminalize and rationalize offenses across 12 laws[316]	E-Biz Karnataka portal enables self-certifications, auto-renewals, and time-bound grievance handling[317]	Affidavit-based clearance for MSMEs/ manufacturing with 3-year moratorium on 15 approvals[318]	Entrepreneurs permitted to purchase land directly from farmers[319]	Reduces approval delays through self-certification; provides compliance buffer for new establishments
Tamil Nadu	1,299 criminal provisions decriminalized; 560+ burdensome compliances reduced; 165 redundant acts repealed[320]	Single Window Portal covers 200+ services across 30+ departments with time-bound, paperless processing[321]	Self-certification for building plans; liberalized FAR, setback, and parking norms[322]	—	Comprehensive compliance simplification; faceless/contactless approvals reduce discretionary delays
Andhra Pradesh	Planned decriminalization of 42 minor offenses across 13 acts[323]	Single Desk Portal facilitates pre- and post-establishment clearances across departments[324]	Self-Certification Scheme (2025) covers building plans and environmental clearances; instant online building permissions[325]	Land conversion requirements eliminated for select categories; procedural delays reduced[326]	Reduces enforcement unpredictability; instant approvals minimize project timeline risk
Uttar Pradesh	99% of criminal provisions across 13 state laws decriminalized; imprisonment replaced with fines [327]	Nivesh Mitra portal automates 14+ license approvals on-spot [328]	Online Building Plan Approval Portal with integrated departmental clearances[329]	Digitized land records; online allotment; transparent title verification; reduced transaction timelines[330]	Near-complete removal of criminal liability for routine non-compliance; streamlined land transactions

CHAPTER 5:

Structuring Investments Into India and Key Regulatory Developments

India holds great potential for long-term growth, however no cross-border engagement is free of challenges. Japanese investors must carefully navigate the regulatory landscape by adapting their business models to local conditions, building strong local partnerships, and investing in understanding the market to sustain their presence. This chapter provides an overview of the legal framework, business entity options, and key regulatory considerations for foreign companies seeking to establish operations in India

Choosing The Optimal Investment Route

Foreign investors seeking to participate in the Indian economy have access to multiple investment routes, each suited to different investment objectives, risk profiles, and regulatory requirements.

Foreign Direct Investment

FDI refers to investment by foreign entities in an Indian company with a long-term strategic objective, typically involving a minimum 10% equity stake. FDI implies lasting interest and potential influence over management or decision-making. FDI in India can be made through two primary regulatory routes:

Automatic Route: Under the automatic route, FDI is permitted without the need to obtain prior approval from RBI or Government of India. The investor must inform the RBI through post-facto filing within 30 days of inward remittance and within 60 days of allotment of shares. Most sectors now allow 100% FDI through the automatic route, including manufacturing, telecom, and financial services sectors.

Government Route: The government route requires prior approval from the competent ministry or department before the investment can be made. Applications are submitted through the National Single Window System portal and then reviewed by relevant stakeholders, including the RBI and Ministry of External Affairs. Certain sectors, including multi-brand retail trading (up to 51%), brownfield pharmaceuticals (beyond 74%), defense (beyond 74%), broadcasting, and aviation, require approval under this route.

Land Border Restrictions: Investments originating from countries sharing a land border with India-including China, Afghanistan, Nepal, Myanmar, Bhutan, Pakistan, and Bangladesh-or where the beneficial owner is situated in or is a citizen of these countries, require prior government approval regardless of sector or investment size.

Foreign Portfolio Investment (FPI)

Foreign Portfolio Investment allows foreign investors to invest in listed financial instruments, including equities, corporate bonds, government securities, and mutual funds, without acquiring managerial control over the investee company. FPIs generally hold less than 10% equity in a single company and are driven by portfolio diversification, yield optimization, and market-linked returns.

FPIs are characterized by short- to medium-term investment horizons, high liquidity, ease of entry and exit, and greater sensitivity to global interest rates, inflation trends, and geopolitical developments. FPI activity is regulated by Securities and Exchange Board of India (**SEBI**), with foreign exchange compliance monitored by the RBI. There are two categories of FPIs:

Category I FPIs: This category includes government-related institutions, pension funds, and sovereign wealth funds with minimal risk profiles.

Category II FPIs: This category comprises corporations, family offices, and high-net-worth individuals excluded from Category I.

Under the updated RBI-SEBI regulatory framework, an FPI whose shareholding crosses the 10% threshold may choose to reclassify the investment as FDI instead of divesting excess holdings, subject to compliance with sectoral FDI caps, timely regulatory filings, adherence to pricing guidelines and FEMA norms, and the requirement that the sector not be FDI-prohibited.

Foreign Venture Capital Investment (FVCI)

Under the FVCI route, foreign investors can invest in Indian entities across high-growth and emerging sectors, particularly technology, biotechnology, healthcare, e-commerce, and infrastructure. FVCIs are subject to specific eligibility conditions and restrictions to ensure funds are employed appropriately.

Key Benefits of FVCI: Access to high-growth, innovation-driven sectors; pricing flexibility with exemption from certain FEMA pricing guidelines; ability to invest in unlisted companies and startups; potential for significant capital appreciation in emerging sectors; and structured investment framework with SEBI oversight.

External Commercial Borrowings (ECBs)

Foreign entities can provide loans to eligible Indian entities under the ECB route. Such loans are subject to certain conditions related to maturity, application of funds, and currency of borrowing, as specified by the RBI.

Indirect Investment Routes

Foreign investors can also obtain exposure to the Indian economy through indirect investment routes:

Depository Receipts: Foreign investors may invest indirectly in Indian securities by purchasing American Depository Receipts or Global Depository Receipts issued against Indian securities but quoted on international stock exchanges.

Overseas Derivative Instruments (ODIs): Foreign investors can invest through ODIs, which are derivative instruments allowing investment in Indian securities. Normally, these are issued by Category I FPIs that can offer the underlying assets for investment.

Alternative Investment Funds (AIFs): AIFs aggregate funds from investors to be invested in growth-intensive sectors including early-stage ventures, SMEs, social ventures, and infrastructure. AIFs are governed by SEBI and fall into three categories: Category I AIFs (venture capital, SME funds, social venture funds), Category II AIFs (private equity, debt funds), and Category III AIFs (trading strategies with or without leverage, including derivatives).

Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs): Foreign investors can participate in India's real estate and infrastructure sectors through REITs and InvITs, which provide regulated pathways for overseas participation in these high-performing asset classes.

International Financial Services Centre (IFSC): AIFs, REITs, and InvITs can also be established under the IFSC framework, which offers regulatory benefits including exceptions from certain Indian regulations, investment flexibility, and access to international financial markets.

Investment Routes	Key Requirements	Approvals	Permitted Instruments	Other Considerations
FDI	Subject to sectoral caps and conditionalities (automatic or approval route)	No registration requirement under foreign exchange laws	Equity and equity-linked instruments, including warrants, convertible notes, compulsorily convertible instruments.	Subject to RBI pricing guidelines Reporting requirements applicable
Foreign Portfolio Investment (FPI)	Limitations on FPI holding Investment under automatic or approval route, sectoral caps, etc.	SEBI registration required	Listed equity of up to 10% Specified listed and unlisted debt securities	Subject to RBI and SEBI pricing guidelines Reporting requirements applicable
Foreign Venture Capital Investment (FVCI)	10 specified sectors (such as infrastructure and biotechnology)	SEBI and RBI registration required	All instruments including those mandatorily convertible into equity, including debt instruments.	Subject to RBI pricing guidelines Reporting requirements applicable
SEBI Registered Entities (Investment Vehicle) including AIFs, REITs and InvITs	Sale or transfer in any manner or redeem the units as per regulations framed by SEBI or directions issued by RBI	SEBI registration required	Units of Investment Vehicles	-

Choosing the Optimal Entity Structure

One of the critical aspects of investment in India is choosing the right investment vehicle – a branch office (BO)/ liaison office (LO)/ project office (PO), or a company or LLP – each vehicle will determine how the funds are infused and the options for repatriation of profits/ capital back to the investor.

A BO is generally engaged in the same business activity undertaken by the parent. Permissible activities include exporting/importing goods/ services, R&D, rendering technical support, etc. A LO, on the other hand, represents the parent in India, promotes imports / exports, promotes technical/ financial collaboration, etc. A PO is a project-specific office in India.

Concerning corporate vehicles, a company can engage in the activities as provided in its memorandum duly approved by the Registrar of Companies (RoC).

On the other hand, an LLP is a vehicle regulated by the RoC in which the partners pool in their contribution and undertake

business activities as defined in the LLP deed. While the umbrella consideration in all forms will be RBI regulations specific to each investment vehicle, care needs to be taken for the applicability of other laws such as corporate laws, LLP act, stamp duty, taxes, and reporting/ compliance requirements.

Regulatory Requirement	Wholly Owned Subsidiary or Joint Venture Company	BO	LO	PO
Prior approval for establishment	No prior regulatory approval if 100% FDI is permitted under the automatic route, however, filings are required to be made before RoC.	Prior approval is required for the establishment of a BO, by filing an application to AD Bank in form FNC along with supporting documents.	Same as BO.	Generally permitted, provided there is contract from an Indian company to execute a project in India.
Validity period of AD Bank approval	N/A	The validity period, if any, will be set out in the approval provided on a case-to-case basis.	Three years, however, application for extension needs to be filed in the prescribed manner.	The validity period of the PO is for the tenure of the project.
Timeline for establishment	Upto two weeks after the date of submission of complete application to RoC.	About two to four weeks to process the application.	Same as BO.	Same as BO.
Closure / winding up of the operations	Complex and time-consuming process in India, and it may take up to two years.	Approval of AD Bank is required, and is relatively simpler process compared to winding up of a company. The AD Bank usually takes about six to eight weeks to issue permission for closure of LO and BO.	Same as BO.	Approval of AD Bank is required, and is relatively simpler process compared to winding up of a company. It would take approximately three to four weeks to close the foreign currency account and wind up the PO.

Preferred Structures For FDI In India

Various investment options are available to a foreign investor in India, which includes:

Joint ventures

Under this structure, two or more companies come together to undertake a specific project or business activity. Due consideration should be paid to management and governance rights (such as adequate board representation, veto rights, the right of transferability of shares and exit rights), and commercial concerns (such as alignment of business plans, roles and responsibilities, non-compete and non-solicit obligations of the concerned parties and intended objectives). These should be agreed upfront under the joint venture agreement. Examples of certain successful joint ventures between an Indian entity and a foreign investor, include Maruti Suzuki and Tata Starbucks.

Mergers and Acquisitions

Foreign investors can opt to invest in India by way of cross-border mergers, or partial or full acquisition of an Indian company. This mechanism offers various market advantages to investors in terms of market consolidation, minimal entry barriers and efficient technology transfer. Protective harbours in the form of deferred consideration or a share swap can be opted for by investors while negotiating terms concerning price adjustment and closing structures, subject to pricing restrictions under the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (**NDI Rules**). Such structures are generally preferred as they offer favourable tax benefits, among others. In this regard, the parties should consider the applicable provisions under the securities laws (in case of public listed companies) and antitrust laws.

Brownfield / Greenfield Investments

Previously, foreign investments in brownfield projects were more preferred primarily owing to their established nature and lower compliance burden. However, over time, there has also been an uptick in foreign investments in greenfield projects in India

Structuring of Transactions

Deferred consideration

In cases of the transfer of equity instruments between a resident and non-resident, the NDI Rules permit payment of an amount not exceeding 25% of the total consideration on a deferred basis, within 18 months from the date of the transfer agreement. To overcome these restrictions, alternatives such as a deposit of shares with an escrow agent, along with an obligation to purchase such shares based on time milestones, can be considered. Earn-out structures are also widely popular, where a part of the consideration is paid to the promoter as manager compensation based on performance metrics.

Transactions by foreign-owned and controlled companies (FOCCs)

For foreign investors with a presence in India, and that intend to expand through acquisitions, downstream investment (i.e. investments through an entity set up in India) may be a better proposition considering that investments undertaken through Indian subsidiaries attract relatively less compliance.

The downstream investment regime is governed by NDI Rules, FDI Policy and Master Direction – Foreign Investment in India dated January 4, 2018, issued by RBI.

There has been lack of clarity on whether deferred consideration rule and share swaps are applicable to downstream investments. To address this interpretational gap, the RBI amended the Master Direction on January 20, 2025, which extends the applicability of the arrangements which are available for direct investment such as investment by way of swap of equity instruments/equity capital, payment arrangements/mechanism as per Rule 9(6) of the NDI Rules etc, to downstream investments, provided that the transaction does not circumvent the provisions contained in Rule 23 of the NDI Rules, including the restrictions on use of borrowed funds for downstream investment. Now, transactions involving FOCCs can have the structural flexibility to allow deferment of consideration as per the deferred consideration rule, and to discharge consideration through share swap instead of cash. Having said this, certain nuances under the reporting obligations should be considered.

Layering

To prevent the misuse of complex corporate structures, Indian company law restricts firms from having more than two layers of subsidiaries. That said, one layer that consists of one or more wholly owned subsidiaries is not considered while computing the number of layers.

Tax Considerations

There are several tax considerations that may affect the structuring of investment in India, including corporate taxes and capital gains taxes. Below is a snapshot of the key tax considerations that may affect the structuring of the investment.

Tax Considerations in FDI

There are several tax considerations that may affect the structuring of investment in India, including corporate taxes and capital gains taxes. Below is a snapshot of the key tax considerations that may affect the structuring of the investment.

DTAAs: Investments in India are often structured through holding companies in various jurisdictions for a number of strategic and tax reasons. In such cases, the risk of double taxation may be avoided by investing through an intermediary holding company in a favourable jurisdiction. Previously, the Indian DTAAs with Mauritius, Cyprus and Singapore allowed for a beneficial framework for capital gains taxation leading to many Indian companies or investors in Indian companies structuring their intermediary holding company in these jurisdictions. However, these DTAAs have since been amended and some of these benefits are no longer available. Further, notably, the DTAA benefit is subject to taxpayers, inter alia, furnishing a Tax Residency Certificate **(TRC)** and other prescribed statutory form; and in addition, and importantly, demonstrating commercial substance in the holding company structure (i.e. the holding company must be demonstrated to have sufficient commercial substance in the home country and should not be set up only to claim DTAA benefits.

This is also in line with OECD's Base Erosion and Profit Shifting Framework which amongst other things aims to curb treaty shopping). The importance of commercial substance has become more important in light of the Supreme Court of India's landmark ruling in *Authority for Advance Rulings (Income Tax) v. Tiger Global International II Holdings* (2026 SCC OnLine SC 86). In the said ruling, the Court held that a TRC, while necessary, is not conclusive to accord DTAA or tax treaty benefits and reinforced that the provisions of Indian General Anti-Avoidance Rules **(GAAR)** will override the provisions of a DTAA if the holding structure is set up for tax avoidance or solely to claim treaty benefits and lacks commercial substance. Thus, amongst others, it will be imperative for foreign investors to demonstrate real economic substance, independent decision-making, and a commercial rationale underlying the holding structures to access treaty benefits.

India has entered into more than 100 bilateral DTAAs or tax treaties to avoid double taxation, including with Japan. A taxpayer may be taxed either under Indian law or under India-Japan DTAA to the extent it is more beneficial. Particularly with respect to taxes on dividend income, on interest income, on royalties and technical fees, a Japanese investor may take advantage of the beneficial withholding tax rate under the India-Japan DTAA vis-à-vis the higher withholding tax rate under the Income-tax Act, 1961 **(Income Tax Act)**.

Carry-forward of Losses: The Income Tax Act, provides taxpayers the right to carry forward their business losses for eight assessment years until the same can be set off against their business profits, subject to the condition that the beneficial ownership of shares carrying at least 51% of the voting power of the taxpayer company must be the same at the end of both the year during which the loss was incurred and the year during which the loss is proposed to be offset (except for certain startups).

Therefore, investors should be mindful of the historical and potential tax liabilities of the business, and the ability to carry forward such losses pursuant to their investment.

Tax considerations in Export units

Export-Oriented Units: India offers tax relief at both the central and State level for export-oriented units (**EOUs**). EOUs enjoy various benefits, including customs and excise duty exemptions on imported and locally procured goods, Goods and Service Tax (GST) exemptions on exports, and access to duty-free raw materials.

They also benefit from streamlined regulations, world-class infrastructure, and the ability to retain 100% of foreign exchange earnings, enhancing financial flexibility. Further, India's SEZs offer their own comprehensive tax relief, and companies opting for the concessional corporate tax rate do not have to pay minimum alternate tax.

Recent Tax and Investment Measures

Data Centre Tax Holiday: The Union Budget 2026-27, proposes that foreign companies providing cloud services using data centre infrastructure in India will receive income tax exemption until 2047, subject to servicing Indian customers through a domestic reseller entity.

Capital Equipment Exemption for Contract Manufacturers: The Union Budget 2026-27 proposes to exempt income arising to foreign companies from the provision of capital goods, equipment, and tooling to contract manufacturers in custom bonded areas in India for electronic goods manufacturing. This exemption applies up to tax year 2030-2031, provided the Indian manufacturer operates in a custom bonded area, produces electronic goods on behalf of the foreign company, and the equipment remains under the control and direction of the Indian manufacturer.

IT Services Safe Harbour: Multiple IT and IT-enabled services have been brought under a unified category with a safe harbour margin of 15.5%, simplifying transfer pricing compliance.

Foreign Investment Relaxations: Individual Persons Resident Outside India (PROIs) will be permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme, with individual limits increased from 5% to 10% and overall limits raised from 10% to 24%.

Rationalisation of Minimum Alternate Tax (MAT): MAT represents tax on "book profits" of a company when the tax liability of the company under the normal provisions of the Income Tax Act is lower than MAT. Under the existing framework, MAT is levied at 15 % of book profits, and the excess of MAT paid over regular tax is available as MAT credit, which can be carried forward for up to 15 years.

MAT applies to both domestic and foreign companies, though foreign companies are exempt if they do not have a PE in India in terms of the relevant DTAA between India and country of residence of the foreign company.

The Finance Bill, 2026 proposes to overhaul the MAT regime and proposes to reduce MAT rate to 14 % (from existing 15%), and further proposes for MAT to become a final tax from 1 April 2026, meaning no new MAT credits will be generated post 1 April 2026.

Domestic companies that have opted for the concessional tax regime[331] are not subject to MAT.

Key Benefits for Foreign Investors: The Union Budget 2026-27 announcements create significant opportunities across manufacturing, infrastructure, technology, and services sectors. Foreign investors can leverage enhanced PLI scheme allocations, infrastructure development projects, MSME supply chain opportunities, and favorable tax provisions for digital services and data centres.

BCD exemption extended to Battery Energy Storage Systems (BESS): BCD exemption available on capital goods for manufacturing Lithium Ion Cells for EV batteries extended to BESS. This will incentivize the manufacturing sector for Lithium Ion Cells in India.

SEZ DTA Clearance: Special one-time measures have been

introduced to facilitate sale in the Domestic Tariff Area (**DTA**) at concessional rates of duty by eligible SEZ manufacturing units, proportional to their export revenue of the previous year.

Place of supply of intermediary services changed from place of supplier to location of recipient: Recommended by the 56th GST Council. Once notified, this change will have a significant impact on cross-border transactions, which will qualify as exports (subject to fulfilment other conditions) ending litigation re: intermediary services, and facilitating refunds for exporters of services.

Recent Regulatory Developments

Financial Sector Reforms

India has undertaken significant regulatory reforms across its banking, capital markets, and insurance sectors, with a focus on reducing compliance uncertainty and enhancing predictability for foreign investors. These reforms consolidate fragmented regulatory frameworks, introduce structured consultation processes, and establish clearer enforcement parameters, collectively mitigating regulatory risk for international capital.

Banking Sector

The Reserve Bank of India (RBI) has taken steps to reduce regulatory uncertainty for foreign financial institutions. The RBI's Framework for Formulation of Regulations, issued in May 2025, mandates public consultation with minimum comment periods, impact analyses before finalizing rules, and periodic review of existing regulations—providing foreign entities with advance notice and input channels on regulatory changes. The RBI has also consolidated over 9,000 circulars and guidelines, reducing the burden of navigating fragmented directives.

For foreign investors deploying technology-driven solutions, the RBI's FREE-AI framework (Framework for Responsible and Ethical Enablement of Artificial Intelligence), formalized in August 2025, establishes clear governance expectations for AI use in the financial sector. The framework applies to all RBI-regulated entities, including banks, NBFCs, and payment system operators, and requires board-approved AI policies, incident reporting mechanisms, and customer disclosure of AI-driven decisions. This provides a predictable compliance baseline for fintech investors and foreign banks integrating AI into their Indian operations.

Capital Markets

The Securities Markets Code, 2025, tabled in Parliament in December 2025, consolidates three foundational statutes—the Securities Contracts (Regulation) Act (1956), the SEBI Act (1992), and the Depositories Act (1996) into a single framework. For foreign investors, the Code addresses key sources of regulatory risk: it eliminates fragmented enforcement by granting SEBI unified jurisdiction across the securities lifecycle, introduces an eight-year outer limit for initiating investigations (providing enforcement predictability), and decriminalizes minor procedural lapses by replacing criminal sanctions with administrative penalties for technical defaults. Criminal prosecution is reserved for serious market abuse. The Code also establishes an Ombudsperson mechanism for structured, time-bound grievance redressal, giving foreign portfolio investors an independent forum for resolving complaints. Additionally, strengthened conflict-of-interest controls and tighter governance requirements for SEBI's expanded Board enhance institutional accountability.

To reduce administrative friction for market entry, SEBI has introduced the SWAGAT-FI (Single Window Automatic and Generalized Access for Trusted Foreign Investors) framework, effective June 1, 2026. The framework provides a unified digital gateway for low-risk foreign portfolio investors, enabling single-window onboarding and ongoing compliance. This standardizes the registration process and reduces the procedural complexity that has historically created delays and uncertainty for foreign investors seeking access to Indian capital markets.

Insurance Sector

The Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025, notified on 21 December 2025, raises the foreign direct investment (FDI) limit from 74% to 100% under the automatic route, eliminating the prior requirement for joint venture structures and allowing full foreign ownership of Indian insurers.

The Act reduces several regulatory frictions relevant to foreign market entry and ongoing compliance. The threshold for IRDAI approval of share transfers has been raised from 1% to 5% of paid-up equity capital, reducing transaction-level regulatory intervention. The net owned fund requirement for foreign reinsurance branches has been lowered from approximately USD 555 Million to approximately USD 111 Million, reducing capital barriers to entry. Insurance intermediary licenses are now one-time rather than requiring renewal every three years, and the Act provides for license suspension rather than immediate cancellation for minor defaults—reducing the risk of disproportionate enforcement consequences. For data governance, the legislation aligns policyholder data protection with the Digital Personal Data Protection Act, 2023, providing foreign insurers with a clear compliance baseline for India's privacy regime.

Digital Personal Data Protection Act and Rules

The Digital Personal Data Protection Act, 2023 (**DPDPA**), along with the Digital Personal Data Protection Rules, 2025, came into force in November 2025, establishing India's comprehensive

data protection framework. The substantive provisions are being implemented in phases, with full enforcement expected by May 14, 2027. Key features include:

Scope and Applicability: The DPDPA applies to processing of personal data collected from individuals within India and has extraterritorial applicability extending to processing outside India if in connection with offering goods or services to individuals within India.

Consent and Notice Requirements: Data Fiduciaries must obtain freely given, specific, informed consent through clear affirmative action. Prior notice must be provided in clear and plain language detailing the personal data sought, purpose of processing, and grievance redressal mechanisms.

Data Principal Rights: Individuals have rights to access, correct, update, and erase their personal data, as well as the right to grievance redressal. Grievances must be resolved within 90 days.

Significant Data Fiduciary (SDF) Obligations: Entities designated as SDFs face enhanced obligations including data audits, data protection impact assessments, appointment of a Data Protection Officer, and restrictions on cross-border data transfers for certain categories of personal data.

Data Breach Reporting: A two-tier reporting requirement applies for personal data breaches, requiring notification to the Data Protection Board and all affected individuals regardless of breach materiality.

Penalties: Non-compliance penalties range from USD 111 to USD 27.7 Million.

Multiple labour laws consolidated into four Labour Codes have now been notified

The Government of India announced implementation of four consolidated labour codes with effect from November 21, 2025: the Code on Wages, 2019; the Industrial Relations Code, 2020; the Code on Social Security, 2020; and the Occupational Safety, Health and Working Conditions Code, 2020. Final central rules are expected to come into force from April 1, 2026. Key reforms include:

Simplified Compliance: Introduction of single registration, single license, and single return across labor compliances.

Wage Architecture: New uniform wage definition impacting calculation of provident fund, gratuity, overtime, retrenchment compensation, and leave encashment.

Workforce Restructuring: Threshold for prior government approval for retrenchment and layoffs increased from 100 to 300 workers. Contract labour applicability threshold increased from 20 to 50 workers.

Social Security Expansion: Wider coverage for all workers across organised and unorganised sectors, including gig and platform workers. Aggregators may be required to contribute a prescribed share of turnover to social security funds.

Fixed-Term Employment: Fixed-term employees entitled to all benefits at par with permanent workers and pro-rated gratuity after one year of service.

Corporate Law Amendments

Fast-Track Merger Framework Expansion: The Ministry of Corporate Affairs amended the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 in September 2025 to significantly expand fast-track merger eligibility. The framework now covers mergers between unlisted companies with outstanding loans, debentures, or deposits not exceeding USD 22.22 Million; mergers between holding companies and subsidiaries (provided the transferor is not listed); mergers between subsidiaries of the same holding company; and inbound reverse mergers of foreign holding companies with their Indian wholly owned subsidiaries.

Small Company Threshold Revisions: Effective December 1, 2025, the definition of "small company" was amended to increase the paid-up capital threshold from USD 445,000 to USD 1.11 Million, and the turnover threshold from USD 4.44 Million to USD 11.11 Million, providing compliance relief to a broader range of companies.

Foreign-Owned and Controlled Entities (FOCE) Framework: Foreign investors should note the FOCE framework, which clarifies compliance obligations for Indian companies under foreign control. Following updates in early 2025, the RBI expanded the definition of "control" to capture indirect foreign influence through layered ownership structures, offshore vehicles, or trusts. Indian entities designated as FOCEs must comply with India's FDI regime for specified corporate actions, including restructurings, intra-group transfers, and downstream investments. While this framework increases regulatory scrutiny for complex ownership arrangements, it provides greater predictability by establishing clear parameters for when FDI compliance obligations are triggered—enabling foreign investors to structure their holdings with certainty about applicable requirements from the outset.

CHAPTER 6:

Why Investment in India's Mid Sized Sector is Critical: "Chuken-To-Chuken" Alliances are the Key to a Resilient India–Japan Supply Chain -By MIRAIndia Inc.

Japan's ¥10 trillion investment commitment to India has reached a key turning point. The economic foundation is ready. Political trust between the two countries is strong. Infrastructure corridors are expanding. But strong supply chains are not built by policy plans alone. They are built in factories, by engineering teams, and through long-term industrial partnerships.

The next stage of the Indo-Japan economic corridor will not be defined solely by large conglomerates. It will be shaped by direct collaboration between Japanese mid-tier enterprises, commonly referred to as Chuken, and India's high-calibre mid-sized manufacturing companies. The future belongs to co-creation. By forging "Chuken-to-Chuken" alliances, both nations can achieve technological convergence, operational depth, and global competitiveness that transcends traditional supplier relationships. This is a huge opportunity for Japanese Chuken to invest for building business in India and beyond.

Our previous report "Opportunities in India for Japanese SMEs in the manufacturing sector" for your reference: P54 https://www.amsshardul.com/wp-content/uploads/2025/03/India-Japan-Report-2025.pdf.

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SME sectors in India and Japan: The Mid-Market Backbone

Japan's industrial strength has not depended only on its famous global companies. Below the surface, there is a strong and well-connected network of mid-sized firms and small-to-medium manufacturers that form the real backbone of its manufacturing power. Under the definitions of Japan's Ministry of Economy, Trade and Industry, Chuken companies (Medium-sized enterprises) usually employ between 301 and 2,000 people, while manufacturing SMEs employ fewer than 300 people or have capital below ¥300 million

These firms are not marginal players. They often dominate niche global markets in specialized components, materials, and equipment. In the semiconductor sector, for example, Japanese Chuken and SME manufacturers control critical segments of materials and processing equipment that are indispensable to global production lines. Their competitive advantage is rooted in Monozukuri—the art and science of manufacturing defined by craftsmanship, discipline and relentless refinement.

India, meanwhile, has developed its own emerging class of mid-sized industrial leaders. These companies, typically generating annual revenues equivalent to approximately ¥5 to ¥20 billion, function as the engines of India's supply chain. Many operate as Tier 1 or Tier 2 suppliers to multinational corporations across Europe, the US, and Asia. They possess international certifications, in-house research and development capability, strong engineering teams, and land and factory infrastructure ready for expansion.

These Indian firms are not peripheral subcontractors. They conduct business on equal terms with global manufacturers. In many ways, they represent India's equivalent of Japan's Chuken—agile, technically capable, and strategically ambitious.

Lessons from Japan's SME Ecosystem for India's Industrial Growth

Japan's manufacturing ecosystem demonstrates that industrial competitiveness is not created solely by scale. It is created by depth. The overwhelming majority of highly specialized functions within Japan's advanced manufacturing sectors are supported by mid-sized enterprises that provide irreplaceable technological expertise.

India's ambitions under its manufacturing and semiconductor initiatives require precisely this kind of ecosystem. Large investment announcements and flagship factories alone cannot ensure resiliency. A truly robust industrial ecosystem demands localized, technically sophisticated supplier networks capable of sustaining innovation over decades.

Japanese Chuken and SMEs have already demonstrated their ability to establish global manufacturing hubs in China and Southeast Asia. Today, India stands as the next strategic frontier. While the number of Japanese companies operating in India has remained relatively stable at around 1,400 to 1,500, significantly fewer than in China, the mindset among mid-sized Japanese firms is shifting. Supply chain diversification, geopolitical recalibration, and India's demographic and market scale are reshaping strategic calculations. The opportunity is no longer just an idea.

According to the latest JBIC survey (published in December 2025), the difference between large companies and SMEs in choosing India as a destination for business expansion was approximately 24 percentage points in the previous year. This suggests that India poses significant challenges for small and medium-sized enterprises. However, this gap narrowed to 7.7 points in the latest survey (48.1% of large corporations and 40.4% of Chuken/SMEs chose India as destination), with some SMEs now considering market entry in conjunction with their clients (large Japanese corporations) expansion of their business in India.

Current Landscape of Japanese Mid-Sized Investment in India

Japanese corporate presence in India has historically been led by large enterprises in automotive, electronics, machinery, and chemicals. Mid-sized firms have participated more cautiously, often constrained by limited overseas bandwidth, insufficient local market visibility, and concerns regarding quality control, intellectual property protection, and operational complexity.

Successful examples do exist. In automotive parts, industrial machinery, and B2B supply chains, Japanese SMEs have built strong positions by working with trusted Indian firms. Our experience over more than 20 years with Indian manufacturers, universities and research bodies shows one clear point: skilled Indian mid-sized companies are the key to a strong and resilient supply chain.

Key Indian Company Targets for Japanese Collaboration

As mentioned above, skilled Indian mid-sized companies are the key to a strong Indo-Japan supply chain. These firms do not merely "support" industry leaders. They transact, innovate, and compete on equal footing with leading corporations from Europe, North America, and East Asia. They are integrated into global procurement systems and have already proven their reliability under demanding international standards.

The Indian "powerhouse" that aligns most naturally with Japanese Chuken and SMEs is characterized not by size alone, but by operational depth and strategic ambition.

Credibility: Such companies possess a proven track record as Tier 1 or Tier 2 suppliers, backed by international certifications and audited quality systems. Their credibility has been earned through years of

delivery performance and compliance with global OEM expectations.

Strong Technical Capabilities: In-house research and development capabilities, product design competence, and structured talent development programs allow them to adapt quickly to technological shifts. Rather than depending entirely on foreign blueprints, they are capable of collaborative engineering.

Resource readiness: Many have already invested in land acquisition, factory and warehouse facilities, modern manufacturing systems including environmental consideration and R&D scheme, and digitalization in business management. Furthermore, they are ready to prepare advanced mother machines for expansion and investment for the future. Their workforce includes not only skilled technicians and operators, but also experienced managers and business development professionals capable of handling international partnerships.

Strategic agility: These companies demonstrate a willingness to venture into new industrial domains, whether electric vehicle components, advanced materials, automation systems, or high-precision infrastructure components. They are growth-oriented and prepared to take calculated risks.

Local mastery: Strong relationships with government agencies, regulatory bodies, and industry associations allow them to navigate India's complex compliance landscape efficiently. This local intelligence significantly reduces operational friction for foreign partners.

Customer base: It often includes leading multinational corporations across automotive, electronics, machinery, and infrastructure sectors. Serving such clients has refined their quality standards and operational discipline.

Passion for growth: Many are led by dynamic second-generation entrepreneurs who combine respect for legacy with global ambition. In numerous cases, one can observe a cultural affinity with Japanese manufacturing values—a respect for process, quality and long-term partnership that mirrors elements of Monozukuri.

For Japanese Chuken and SMEs seeking resilient, forward-looking partners, these Indian mid-sized powerhouses represent not peripheral options, but strategic anchors, worthwhile investing in finding such partners and collaboration.

For Japanese Chuken and SMEs looking for strong, future-ready partners, these Indian mid-sized companies are not side options, but key anchors worth investing in and collaborating with.

Rising Demand for Japanese Technology in Indian Manufacturing

Across India's industrial landscape, a strong demand for advanced manufacturing capability is accelerating. Automotive manufacturers require higher-grade precision components and electric vehicle technologies. Semiconductor-related industries seek advanced materials processing and equipment integration. Machinery manufacturers look for robotics, automation and productivity enhancement systems. Even related sectors such as logistics and industrial packaging demand higher reliability and process sophistication.

Leading companies are increasingly requiring local supply chain players to establish production in India, driven by the 'Make in India' policy. For instance, Suzuki has announced an ambitious target to expand its annual manufacturing capacity in India to 4 million units by FY2030-31 (up from approx. 2.26 million in FY2022), backed by a total of investment of 4.5 trillion JPY through 2030.

Tokyo Electron (TEL) has signed a strategic Memorandum of Understanding (MoU) with Tata Electronics to catalyze India's semiconductor ecosystem. As a strategic equipment and service partner, TEL will provide critical manufacturing equipment and technical expertise for the Tata Group's semiconductor fab in Gujarat and a packaging facility in Assam, projects with a combined investment of INR 1.18 trillion (equivalent to approximately JPY 2.0–2.1 trillion based on market exchange rates; official announcements are denominated in INR only). For Japanese suppliers, TEL's expansion creates a "high-tech gateway," offering opportunities to supply high-precision components and specialized services within a reliable, Japan-led infrastructure in India.

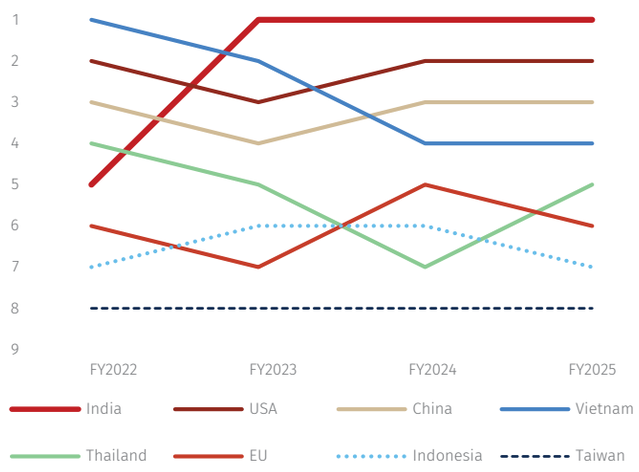
Beyond automobiles and semiconductors, India is seeing a massive influx of global investment across diverse industries. In Aerospace and Heavy Industry, giants like Airbus, Boeing, GE, and Siemens are establishing large-scale assembly lines and high-tech hubs for power equipment. Simultaneously, the electronics sector is rapidly expanding through major players like Foxconn, turning India into a strategic global manufacturing base. Notably, Apple has dramatically scaled its operations, with India now accounting for approximately 14% of global iPhone production—a figure projected to reach 25% by 2028.

Japanese companies, regardless of size, possess expertise that directly addresses these needs. Precision machining, process optimization, robotics integration, materials science, and quality control systems represent areas where Japan maintains a competitive edge.-

According to a JETRO survey from February 2026, Japanese large

corporations have consistently named India as their top investment destination for the past three years.

Figure 29: Future Investment Destinations: Ranking of Large Japanese Corporations



Mutual Benefits: A Partnership of "Co-Creation"

For Chuken-to-Chuken collaborations to succeed, they must generate value that transcends traditional supply chain arrangements. The relationship cannot be limited to a buyer-supplier transaction. It must evolve into a partnership structured around shared growth, shared risk, and shared innovation.

For Japanese companies, the benefits extend far beyond geographic diversification. By integrating Japan's precision machining and process technologies with India's cost-efficient mass production capabilities, firms can develop highly competitive products for both domestic Indian demand and international markets. The combination of technical excellence and production scalability creates a powerful dual advantage.

Customer reach: Partnerships with Indian mid-sized powerhouses also provide immediate access to one of the world's largest consumer and industrial markets, serving a population exceeding 1.4 billion. Moreover, India offers a strategic base for expansion into third regions, including the Middle East and Africa, where demand for industrial goods and infrastructure continues to grow.

Speed to establish business foundation: Collaborating with established Indian partners allows Japanese firms to accelerate market entry while diversifying operational risks related to capital deployment, human resources, and local information asymmetries. Leveraging an existing customer base and established networks with industry associations and government bodies reduces early-stage uncertainty and improves capital efficiency.

Transformation of Indian mid-sized companies: Access to Japanese precision engineering and manufacturing discipline enhances their global competitiveness. Rather than remaining regional suppliers, they can upgrade into technologically advanced players capable of meeting stringent international standards.

Credibility for the Indian partners: Collaboration with Japanese firms also strengthens market credibility. The association with Japan's reputation for quality and reliability enhances trust among multinational customers. This reputational capital often translates into expanded business opportunities across continents.

Long term partnership with shared vision: Indian firms seek joint research initiatives, capital investment cooperation, and strategic alignment that supports medium- to long-term expansion. Through such collaboration, they gain access to broader business options and the structural capacity to scale.

From the MiraIndia perspective, what India's most capable supplier companies truly desire from Japanese Chuken/SMEs is not simply machinery or process know-how. They seek an attitude of co-creation. When collaboration occurs directly at the core of the supply chain, both nations can achieve unprecedented technological convergence and accelerated business expansion.

Examples of Chuken-to-Chuken Collaboration

Case 1: Automotive Manufacturing Upgrade by a Pune based SME In Pune, one of India's major automotive hubs, a mid-sized component manufacturer supplying both domestic and foreign automakers has embarked on upgrading its production systems to meet rising demand for higher-grade components.

The company has already secured land and factory facilities capable of supporting expanded mass production. Negotiations with a Japanese partner aim to introduce advanced technical capability into existing operations. For the Japanese firm, the collaboration offers rapid market entry with reduced operational risk, supported by pre-established customer relationships and verified compliance standards.

Case 2: Semiconductor Supply Chain Partnership: In the semiconductor supply chain, a Japanese SME with downstream product expertise has partnered with a second-generation Indian family-run manufacturer possessing extensive local networks and international certifications.

The collaboration began through export sales from the Japanese firm's

overseas facilities into India. As local demand expands, both sides are exploring joint development initiatives and potential localized production. The Indian partner's investments in research facilities and renewable energy-powered factories demonstrate a commitment to global standards.

Case 3: Automation Enhancement in Rajkot: In Rajkot, Gujarat, a forty-year-old manufacturer serving medical and machine tool sectors evaluated global automation providers to enhance productivity and quality.

Ultimately, Japanese robotics technology was selected over lower-cost alternatives because of reliability, customization, and technical support. The partnership is evolving toward potential localized production of automation components, creating deeper integration within the Indian industrial ecosystem.

Case 4: Advanced Supplier Development for Suzuki India: The automotive supply chain illustrates another powerful pull factor. The production ambitions of Suzuki Motor Corporation in India have generated cascading demand for advanced supplier capability.

Indian component manufacturers responding to electric vehicle and advanced R&D requirements are actively seeking Japanese Chuken partners to meet evolving standards and scale requirements.

Case 5: Infrastructure Collaboration for Precision Components Infrastructure offers another strategic frontier. India's high-speed rail and modernization initiatives, driven in part through collaboration with Indian Railways, are generating demand for ultra-precision components that currently require importation.

A Maharashtra-based Tier 1 supplier is actively pursuing partnerships with Japanese firms capable of transferring niche technologies for localized production aligned with national manufacturing priorities.

These examples demonstrate that success depends not on transactional introductions but on shared long-term vision.

Market Entry and Investment Roadmap for Japanese Chuken & SMEs: A Phased Strategy for Market Entry and Integration

Stage 0: Building the Strategic Landing Pad: Before capital is deployed or factories are constructed, Japanese Chuken and SMEs must solve what many executives privately describe as the "No Clue" problem—the gap between recognizing India's strategic importance and understanding how to begin. Here are some of the resources Japanese companies can utilize to decide how and where to begin:

Public institutions: Institutions like JETRO provide useful economic data and policy guidance.

However, success requires moving beyond "General India" to what can be termed "Domain-Specific India." Each industrial cluster—whether automotive in Pune, precision engineering in Rajkot, or electronics in southern India—operates under distinct supply-demand dynamics. Building a Strategic Landing Pad means assembling a specific robust ecosystem of supporters.

Specialized consulting firms: Act as architects of market entry. Their role extends far beyond introductions. They conduct deep industrial cluster analysis, identify technology absorption rates within specific sectors, evaluate competitive positioning, and design phased entry strategies aligned with a company's size and risk tolerance

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Regional and mega banks: Play an increasingly sophisticated role. Beyond financing, they provide soft infrastructure—assessing the creditworthiness of potential partners, offering reputational intelligence, and facilitating introductions to trusted local networks. This financial intelligence reduces exposure and protects deployed capital.

Trading companies: Whether general or sector-specific, function as operational reality checks. They provide insight into logistics constraints, distributor reliability, pricing transparency, and on-the-ground competitor behavior—information rarely captured in formal reports.

Local experts and research firms: Indispensable for conducting discreet, thorough due diligence. Evaluating a potential partner's management ethos, internal governance, and succession stability requires cultural fluency and field investigation.

Indian industry bodies: Such as the Federation of Indian Chambers of Commerce & Industry and other sectoral associations, like ACMA (Automotive Component Manufacturers Association) and IMTMA (Indian Machine Tool Manufacturers' Association) provide policy updates, networking platforms, and access to emerging industrial initiatives.

Together, this ecosystem transforms uncertainty into structured strategy. It converts a broad ambition to "enter India" into a disciplined, data-driven market entry blueprint. When engaging

in international business, utilizing comprehensive support services that provide strategic advice aligned with global standards and compliance is highly effective. Especially between countries like Japan and India—where there are significant gaps in culture, business practices, and communication—having experienced Japanese and Indian professionals act as intermediaries can facilitate smoother business operations. This also helps adjust flexibly in the rapidly changing market environment.

Stage 1: Market Sensing Through Export: The most effective method to reduce uncertainty is to sell first. Export-based engagement allows Japanese firms to test product resonance without committing heavy capital expenditure.

Participation in trade exhibitions, targeted distributor partnerships, and pilot projects with select Indian customers provide real-time feedback on pricing expectations, technical requirements, and service standards. This stage determines whether a company's Monozukuri excellence fills a genuine local gap.

Stage 2: Test entry with marketing / sales collaboration: Once demand is confirmed, localization becomes the next crucial step. Japanese firms should collaborate with reliable Indian partners through licensing or OEM agreements to verify whether their advanced technologies and high quality standards can be replicated at local cost levels. It is essential to confirm not only manufacturing skills and quality assurance capabilities, but also compliance and shared values. Additionally, readiness for mass production and the ability to take risks with further investment must be thoroughly assessed. These checks lay the foundation for building trust and sustainable long-term collaboration.

Stage 3: Strategic Integration Through Joint Ventures or Equity: A company should move forward to strategic integration through joint ventures or equity investment only after market needs, technical reliability, the partner's manufacturing capabilities, quality assurance, compliance, shared values, readiness for mass production, and willingness to take on investment risks have been thoroughly confirmed. At this stage, the company shifts from export-focused operations to becoming a locally rooted player, establishing the foundation for sustainable cooperation.

Localized production enhances supply chain resiliency, reduces currency and logistics risks, and positions the partnership as a global supply hub. From this base, expansion into adjacent regions such as the Middle East and Africa becomes strategically viable.

Finding and Selecting the Right Local Partner

Partner selection is very crucial in a country as geographically and industrially diverse as India, and when the market environment is dramatically changing. The central question is not merely what to build, but with whom to build it.

Financial statements alone are insufficient indicators of suitability. Operational discipline, management ethos, succession stability, and long-term ambition must be assessed through direct engagement and site investigation.

Second-generation leadership within family-owned firms often acts as a catalyst for international collaboration. These leaders typically combine respect for legacy operations with an appetite for innovation and overseas expansion.

Relying solely on surface-level introductions can be a costly mistake. Thorough on-site investigation, cultural compatibility assessment, and alignment of long-term vision are indispensable to sustainable collaboration.

Way Forward: Japanese Chuken's opportunities for investment to expand business

Chuken now has a strong opportunity to invest and expand business in India and globally. Japan's ¥10 trillion commitment to India is more than money—it is a chance to strengthen the industrial backbone of two major economies.

This commitment will succeed not through single megaprojects, but through strong networks of mid-market partnerships that bring technology into local supply chains.

Chuken-to-Chuken collaboration turns uncertainty into shared opportunity. It spreads risk, speeds up technology sharing, and boosts global competitiveness. By focusing on co-creation instead of just outsourcing, Japan and India can build one of the world's most resilient industrial corridors.

The future of Indo-Japan manufacturing will not depend on size alone. It will grow strategically at the core of the supply chain—where precision meets ambition and mid-sized firms shape global outcomes.

Getting professional help is recommended to guide entry into the Indian market, provide expert advice, access resources, and handle challenges. Acting quickly to fill gaps is essential, it is also the real investment.

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331 Under the concessional tax regime, domestic companies may opt for a tax rate of 22% (effective rate of approximately 25.17% inclusive of surcharge and cess), subject to foregoing specified deductions and exemptions. Under the old regime, the corporate tax rate could go upto 30% (effective rate up to approximately 34.94% inclusive of surcharge and cess), with eligibility to claim various deductions and incentives.

About SAM

Shardul Amarchand Mangaldas & Co., founded on a century of legal achievements, is one of India's leading full-service law firms. The Firm's mission is to enable business by providing solutions as trusted advisers through excellence, responsiveness, innovation and collaboration.

SAM is known globally for its exceptional practices in mergers & acquisitions, private equity, competition law, insolvency & restructuring, dispute resolution, international commercial arbitration, capital markets, banking & finance, tax, intellectual property, data protection and data privacy, technology law and infrastructure, energy and project finance.

The Firm has a pan-India presence and has been at the helm of major headline transactions and litigations in all sectors, besides advising major multinational corporates on the legal aspects of their entry into the Indian market and their business strategy. Currently, the Firm has over 950 lawyers including 185 Partners, offering legal services through its offices at New Delhi, Mumbai, Gurugram, Ahmedabad, Kolkata, Bengaluru, and Chennai.

About FICCI

Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialization, and its emergence as one of the most rapidly growing global economies.

FICCI works with its key stakeholders to foster active engagement and dialogue with decision makers, to support steps that are good for commerce and industry.

As a member-led and member-driven organisation, FICCI represents over 2,50,000 companies across all segments of economy including public, private and multinationals. The diverse membership base of FICCI across all Indian states includes both direct and indirect members through its 300 affiliated regional and state level industry associations. FICCI has a large international presence via partner agreements with 250 national business associations in over 100 countries.

FICCI INITIATIVES WITH JAPAN

- Economic Engagements- India-Japan Business Cooperation Committee (IJBCC)
- People to people connect: "India-Japan Friendship Forum" (IJFF)
- Engaging parliamentarians: "India - Japan Forum of Parliamentarians"
- Connecting Indian States: "Dialogue with States"
- Promoting Government of India's flagship initiatives including Make in India, Skill India with Japan
- Engagements with JCCI, JETRO and JCCII, FICCI partners in Japan
- FICCI Representative office in Japan

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About MiraIndia Inc.

MiraIndia Inc. is a professional consulting firm providing end-to-end practical support for market entry and strategic business alliances between Japanese and Indian companies. Founded by experts well-versed in the business customs and regulatory landscapes of both nations, the firm offers multifaceted solutions tailored to each stage of business development—from strategy formulation and market environment analysis to partner identification, selection, and hands-on execution support on the ground.

The firm provides collaboration support for a broad range of clients, from large corporations to medium-sized enterprises and small and medium-sized enterprises (SMEs) in both Japan and India, for which demand has been rising significantly in recent years. MiraIndia's core strengths lie in its deep local networs and "hands-on" support model, guiding clients through complex processes where differences in culture, communication, and values often pose challenges, such as post-selection consensus building, organizational structuring, and operational alignment.

With a presence in major cities across Japan (Tokyo, Aichi, Kobe) and India (New Delhi, Mumbai, Bengaluru), MiraIndia leverages a robust network of government agencies, industry associations, and legal/technical experts. Through these resources, the firm contributes to value creation, innovation and supply chain resilience across a wide range of industries, including manufacturing, fostering sustainable growth for businesses in both countries.

Know more about us: www.miraindia.com, https://www.linkedin.com/company/miraindia

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