



**M**ost logisticians today are familiar with India's growing reputation as a source of global manufacturing, sourcing, and logistics prowess. Some experts even feel India may rival China in the coming years as the top region for foreign sourcing and exporting.

*Inbound Logistics* gets an update on the region from an India insider, Alok Handa, regional manager for SEKO India, New Delhi. SEKO, a global freight forwarder, has had a presence in India since July 2005, and is currently in the midst of an expansion in the region. In addition to its existing offices in New Delhi, Mumbai, Ludhina, Jaipur, and Combitore, SEKO India is planning facilities in Mundra, Ahemdabad, Jodhpur, Amritsar, and other major cities.

**IL: What makes India an attractive place for manufacturers, retailers, and other businesses to produce or source goods?**

**AH:** India's economy is growing at a rate of 8 percent per year, plus it offers a skilled, highly educated, English-speaking workforce at cheap prices. Government policies to support the business community – giving companies rebates in taxes and duties, and allowing foreign direct investments, for instance – are also a welcome development. These investments are a big reason why manufacturers, retailers, and other companies are making or sourcing goods here, and/or exporting products from India around the world. In addition, India's international trade is growing 35 percent per annum, and its logistics industry is producing good volumes and revenue.

**IL: What changes within India have led to this growth?**

**AH:** The country's vastly improved IT and telecom infrastructure, along with the addition of numerous multinational businesses locating in India, has created a growing demand for international business. In addition, an increasing level of disposable income and a dynamic retail sector provide

healthy and growing demand for goods within India.

**IL: What types of foreign companies are locating facilities in India?**

**AH:** Shippers are now in locations spread out across India, and they are taking advantage of low-cost sourcing and manufacturing, mainly for export business. SEKO India, for example, is targeting small and mid-size businesses in textiles, handicraft, auto parts, stones, agricultural products, sanitary wares, and leather items.

**IL: What do foreign companies need to know to be successful conducting business in India?**

**AH:** As far as sourcing, India is divided according to commodities; therefore companies should study the areas properly before sourcing goods. Textile and garments, for example, are inexpensive in the south around Delhi, while brass handicraft sourcing is mostly done in Moradabad, in northern India.

Because labor is quite cheap here, companies must negotiate labor prices properly. It is also smart to be aware of delivery time and penalty clauses in contracts. Many Indian companies are family-owned businesses – they are afraid of losing business, so they are often very particular about

their commitments.

Also, although more than 90 percent of business in India is open to foreign investors, some large companies are still restricted to Indian nationals. Working with businesses that do not require a local partner gives foreign companies much more control.

**IL: At a recent conference in Mumbai, a senior APL executive reported a lack of world-class infrastructure, and high port and inland costs as a continuing limitation to India's economic progress. Do you agree that these challenges may hinder India's growth?**

**AH:** I agree with the APL executive's statement to some extent. Indian ports are not world-class, and we have some infrastructure issues related to road transportation. The Indian government, however, is investing large amounts of money in infrastructure to overcome these issues. Also, the port situation is improving, with new ports such as Mundra, Pipavav, and Vizag being introduced recently.

**IL: India and China are viewed as the two biggest growth countries for the logistics industry. Does India have any advantages over China?**

**AH:** China continues to have a few problems with intellectual property (IP) protection. Because of that, some companies, including Hewlett-Packard and Acer, have withdrawn research and development from China. Intellectual property laws do exist, but China has various conflicts between its governmental hierarchy levels (province, city and nation) and Chinese companies. Some individuals exploit them, compromising intellectual property for western and even Chinese companies.

India is stronger on IP protection and has a more developed legal system with more predictable outcomes. As a result, India is often a better choice for projects with a large IP component. It is important to note, however, that the economic success of India and China are often dependent upon each other. ■