

Indian Companies Report 10-15 Per Cent Loss of Business Due to European Economic Crisis; Looking at Prospects Beyond Europe: FICCI Survey

NEW DELHI, August 9, 2011. Indian companies doing business in Europe or those who have invested there are in for hard times. **A FICCI Survey on “Current Economic Scenario in Europe and its Impact on Indian Industry’** reveals that over 75 per cent of the respondent companies have suffered loss of business from the European region ranging between 10-15 per cent.

As many as 53 per cent of the 30 surveyed companies, drawn from sectors such as textiles, consumer goods, construction, chemicals, IT/ITES, machinery, agri and food and finance, have reported that the ongoing crisis has already adversely affected their businesses prospects in the region. In order to keep their balance sheets stable, over 30 per cent of the respondents have begun to look beyond Europe at Africa, the Middle East, South Asia and even in North America.

A worrisome feature revealed by the FICCI Survey is that over 25 per cent of the respondents feel that during the current economic turmoil, rather than facilitating foreign investments and businesses, the respective European Governments have made their processes more stringent in obtaining and renewing long-term visas, work permits, family and dependent visas and overall ease of doing business in the region.

The survey indicates that despite the number of policy and regulatory impediments, India’s outbound investments in the EU may see smaller deals but the activity will continue. Moreover, a number of Indian companies are viewing the current economic crisis as an opportunity to enhance their investments.

To maximize their benefits and to alleviate their business losses in terms of reduced demands in European markets, Indian manufacturers are aggressively pursuing new business plans. This includes increased imports of high-end machinery and technology from Europe due to highly competitive prices being offered by European exporters. This could have long-term spin-offs for Indian industry in terms of added capacities and reduced capital expenditures.

Indo-European bilateral trade today stands at over USD 67 billion, making Europe, India’s largest and most important trading partner globally. The European Union of 27 countries clearly represents a large consumer base (close to 500 million potential consumers). It’s economic, trade and investment policies and foreign investment-friendly regimes are seen as a means to promote employment and capital formation. Some of the other attractions of the EU are well developed capital markets, political and social stability, and established and transparent legal systems.

Over 60 per cent of the companies surveyed have indicated that though as of now they have not encountered any barriers related to tariff/non-tariff, subsidies to domestic European companies, if the situation does not improve in the coming six months to one year, the situation might take a turn for the worse.

Over 63 per cent of the respondents felt that prolonged over-spending by the governments, inertia in reaching out to new and emerging markets, stagnant manufacturing sector, declining populations, especially of productive category, are some of the reasons for current situation in these countries and beyond in Europe.

While a number of surveyed Indian companies have begun to chalk out their international business plans with focus on looking beyond Europe, many companies which are trying to turn the situating to their advantage as the overall slowdown in EU has made valuations of companies there attractive. This will certainly be a positive factor as and when they consider further enhance their investments in Europe.

The survey notes that the consistent performance of the Indian economy, clocking impressive growth rates in excess of 8 per cent in recent years at the back of good performance by its private sector, has fuelled the entrepreneurial zeal of India's enterprises. This has resulted in ever-increasing interactions and joint ventures with the European companies. SMEs in India have also played a pivotal role in forging new business alliances with European companies. This is being done to acquire the required technologies and operational expertise to become globally competitive. The skill upgrades and development has added a new momentum to the growing synergies between Indian and European enterprises.

In this backdrop, the current economic crisis has far deeper ramifications on the business interests of Indian companies. This includes, holding on to their current level of businesses, furthering their footprint across the region, seeking a more pliant policy framework from respective European economies, easing the process of doing business and seeking easy movement of human resources to complete the existing projects and/or undertaking the new ones.

Media Division

Taresh Arora

Media Relations Officer

FICCI

Federation House, Tansen Marg, New Delhi 110 001

T: +91-11- 23357392, 23753117

M: +91-9899115719

F: +91-11-23753119

W: www.ficci.com