

## TAIWAN REVIEW

### Passage to India

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Increased traffic in major Indian cities like New Delhi is creating opportunities for Taiwan's top tire company Cheng Shin Rubber Industry Co.

*The South Asian nation's burgeoning economy holds enormous potential for Taiwan enterprises.*

For Taiwan firms with plans for expansion like Cheng Shin Rubber Industry Co., known for its Maxxis brand of tires, India is a market that cannot be ignored. The increasing numbers of automobiles and motorcycles traversing the streets of major cities like New Delhi and Mumbai illustrate why the world's ninth biggest tire company has established a large presence in the South Asian nation, which boasted the world's fastest growing major economy in 2015. "If a company wants to stay relevant in this sector, it has to come to India," said Liou Jia-ciao (劉家樵), director of sales and marketing at Maxxis Rubber India, a subsidiary of Cheng Shin.

offers attractive incentives," said Liou, who has been working in the country for four years and was tasked with finding the ideal location in which to build the facility. The production center is scheduled to commence operations in April 2017.

Having operated in the market for years, Cheng Shin decided in 2015 to invest US\$400 million in the construction of its first manufacturing facility in India. The plant is located in the western state of Gujarat. "The area has comparatively good infrastructure and

In 1995, Taiwan and India moved to strengthen ties by establishing representative offices in each other's countries. In 2002, these bonds were reinforced through the launch of direct passenger flights between Taipei and New Delhi by Taiwan-based China Airlines. Local enterprises have helped enhance these links via investment, with Cheng Shin among the more than 80 Taiwan firms conducting extensive business in the country.

According to the Taipei Economic and Cultural Center (TECC) in New Delhi, Taiwan's representative office in India, the nation's companies had invested more than US\$1.4 billion in India by 2015. In addition, the South Asian nation was Taiwan's 16th largest export market last year. These figures could improve significantly as Taiwan diversifies its outward investment and India further opens to foreign companies.

Possessing the world's second-largest population, India had for years failed to realize its economic potential. This began to change when reform-minded Narendra Modi became prime minister in 2014, according to Anil Kumar Sahni, vice president of Yang Ming Line (India), a subsidiary of Taiwan-based Yang Ming Marine Transport Corp.



Employees of Sentec India, a branch of Taiwan-based vehicle pollution control products provider Sentec E&E

"The government's megaprojects in recent years focusing on the creation of industrial corridors as well as port-based and port-proximate manufacturing clusters have helped facilitate trade flows and growth for our company," he said. Additionally, India's strategic position and vibrant maritime logistics

sector, which accounts for 90 percent of its trade by volume, are extremely attractive to global shipping and logistics providers like Yang Ming.

Under the Modi administration, India is working to create a more business-friendly environment. Early August saw the passage of the Goods and Services Tax Bill, which was designed to streamline the country's complicated tax system. Many observers believe the reform will greatly improve India's development prospects, although more steps have to be taken, such as finalizing tax rates, before any substantial changes occur.

"This tax reform scheme will certainly help our operations in the country, and could save time and money for anyone trading in India," said Joe Ko (柯喬然), head of Victor Rackets Industrial Corp.'s India branch. The second-biggest manufacturer of badminton products in the world, Victor relied on an Indian agent to sell its equipment until it set up its own office staffed by Taiwan personnel in New Delhi in 2014. "India is a market filled with possibilities, but until recently we hadn't realized its true potential," he said. "Our newly established office is helping the company with its branding efforts in this potentially lucrative market."

Taipei City-based Body Organ Biomedical Corp., one of Taiwan's many small and medium companies operating in India, is known for collagen-based implants used in glaucoma surgery, the first of their kind in the world. Similar to Victor, it decided to expand its presence in India by opening an office in New Delhi in 2014. "By having Taiwanese boots on the ground, we have more control over our prices and can better target our customers," said Richard Tsai (蔡文欽), who runs the office and promotes his products by speaking with ophthalmologist associations around the country.



Established in 2008, CINDA employs 150 engineers and workers.

### Opportune Environment

India is a nation yearning for growth, improved living conditions and greater participation in global trends. As such, it is attracting firms like Sentec E&E Co. A provider of vehicle pollution control products, the company started to plan for its entry into India in 2012. "We began taking action when the government decided to implement stricter pollution regulations," says John Chiangsieh (江謝盛棋), managing director of Sentec India. He was referring to the adoption of Bharat Stage IV (BS-IV) emissions standards, based on European regulations, for automobiles and motorcycles in 13 cities as well as the National Capital Region made up of Delhi and its surrounding areas.

In anticipation of soaring demand for its products after the nationwide adoption of BS-IV in April 2017, Sentec is preparing to ramp up operations at its plant in the city of Gurgaon, south of New Delhi, in October this year. The company will boost the number of Indian employees at the factory from the current 125 to 250 by year's end. By 2018, Chiangsieh said, India will produce around 20 million motorcycles each year, compared with Taiwan's roughly 1 million or less, and all of them will need to comply with environmental regulations.

Another Taiwan firm seeking to capitalize on India's drive toward a greener future is Epistar Corp., the country's largest manufacturer of light-emitting diode, or LED, chips. Given that power shortages are a common occurrence in India, the company believes demand for its products will rise significantly over the next decade. In view of this, it teamed up with mainland China-based LED packaging services provider MLS Co. to form MLS India in September 2015.

"At present, the Indian LED market is almost completely supported by the government through various energy-saving initiatives," said Ita Lin (林依達), chief executive officer of MLS India. "Though profit margins remain low at present, we're very confident about the prospects for our New Delhi-based joint venture, which is delivering top-quality LED products to the local market by combining Epistar's strengths in the upstream segment of the industry with MLS's expertise in the downstream."

A wholly owned subsidiary of Taipei-based CTCI, CINDA Engineering and Construction in Noida, southeast of New Delhi, also has high hopes for its operations in India. According to Tim Lin (林天生), managing director of CINDA, the Indian government is raising its standards for emissions in the petrochemical industry, so there is a growing demand for the construction of liquefied natural gas (LNG) receiving terminals, one of CTCI's specialties.

CINDA has completed one such facility in the southwestern state of Kerala. Currently, the firm is working on a design that will expand the capacity of an LNG receiving terminal in Gujarat, where it has already made its mark with the construction of a cold rolling mill for Taiwan-based China Steel Corp.

CINDA is also exploring opportunities in the planning and construction of fertilizer plants, manufacturing facilities and petrochemical refineries, as well as waste-to-energy incinerators. “Only a couple of incinerators are operating in the country, which mainly relies on landfills to dispose of its waste,” Lin said. “Most of the incinerators in Taiwan, which emit little pollution, were designed and built by CTCI.”



CINDA constructed a liquefied natural gas receiving terminal in the southwestern state of Kerala.

### Forging a Lasting Presence

Firms are often optimistic when entering fast-developing economies. But success does not come easily in India, where foreign companies face challenges such as inadequate infrastructure and cultural differences. “India is a virgin market worth exploring. And I’m a chemistry major who loves to experiment,” said Cannie Min (閔幼林), who first came to India in 2005 to assess the possibility of starting a business in the country. Two of her ventures failed, including a short-lived attempt to sell bubble tea, and though many people would have quit and flown home, Min chose to stay.

In 2008, she began to teach Mandarin in New Delhi, tutoring locals including businesspeople wishing to connect with the Chinese-speaking world. Today, she not only operates the Han You Chinese Language Institute, which offers courses at different levels and generates stable revenue, but also provides advice to Taiwanese coming to India for business. “I see past failures as an asset. They’re something I can learn from as I move forward,” she said.

Min’s role is an important one, especially given the small size of the Taiwanese population in India. “Unlike Southeast Asia, India is a more challenging market for Taiwan enterprises, partly because overseas Taiwanese, who could be extraordinary assets, simply aren’t here,” said Tien Chung-kwang (田中光), Taiwan’s representative to India and the head of the TECC in New Delhi.

The TECC is tasked with easing access to the South Asian nation. “We’re doing research and evaluating Indian states based on their strengths and characteristics as investment destinations,” Tien said. “This way, investors only have to look at a handful of areas when considering their next step.”

Meanwhile, the state-supported Taiwan External Trade Development Council, commonly known as TAITRA, officially opened three marketing centers in its existing trade offices in Chennai, Kolkata and Mumbai on Aug. 1. The centers display a variety of Taiwan-made products and have hired locals to promote these goods to Indian companies. The staff, before going out in the field, first traveled to Taiwan for training sessions in order to enhance their knowledge of the products.

Atul Shunglu, assistant secretary-general of the Federation of Indian Chambers of Commerce and Industry, a nongovernmental organization headquartered in New Delhi, noted that companies must learn to adapt if they wish to succeed in India. “If you can prosper here, you can repeat your success story anywhere in the world,” he said.

It takes patience, resilience and ingenuity to forge a lasting presence in India, but the results can be rewarding. “India is a big market for us. We’re not there yet, but I expect us to see explosive growth within three to five years if we continue to expand our presence,” said Michael Lai (賴弘基), founder and president of Body Organ Biomedical. CINDA’s Lin is equally optimistic. “India is undergoing reforms at a slower pace than expected,” he said, “but it’s definitely moving in the right direction.”

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