

# The National

## India opening up doors to investment

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Narendra Modi has been on a charm offensive to win over foreign investors in the past few months. India's prime minister has travelled to the US, Japan and Australia to promise to overhaul a notoriously difficult environment for overseas companies.

Foreign firms have shied away in the past, despite the growing economy, rich natural resources and increasing wealth of its more than 1.2 billion population, amid challenges including excessive and unpredictable bureaucracy and a lack of infrastructure.

Steps in the right direction have been taken by the new government, after the Bharatiya Janata Party (BJP) came to power in May, and an increasing number of overseas companies are now looking again at India. But much more needs to be done before the subcontinent shakes off its image of having a difficult climate for foreign companies, analysts say.

"I think there are very positive signs, and I would say [Modi] has managed to create the necessary hype," says Ashwajit Singh, the chairman and managing director of IPE Global, a development sector consultancy headquartered in New Delhi. "The interest of foreign investors to again start looking at India as a potential place to do business has definitely been aroused. I think the next step is to really be taken seriously in the sense that foreign investors really start actually planning to invest in India.

"Capital markets are still the easier way to get investment but I think the one that is more challenging, and of course better for the economy in the long term, is foreign direct investment. I think that would take anything up to about 18 months for that confidence to really come in and before we see some really big ticket investment coming in."

Foreign companies are waiting for the implementation of promised economic reforms, including changes to land acquisition regulation and the introduction of a uniform goods and service tax, he says.

"Intention seems to be right," says Mr Singh. "But implementation has frankly always been India's biggest problem. We have over the last few years definitely developed a very bad image as far as foreign investors are concerned. I think the next 18 months are perhaps as important for India, if not more, than the 1991 reforms. Again, India is currently with its back towards the wall. But we have a prime minister who has the knack to market the economy in the right way."

It is widely agreed that India needs to achieve economic growth levels of about 8 per cent to support and create enough jobs for its burgeoning population. This cannot be achieved through domestic

income alone, and foreign capital is vital to propel the country's economy to such heights. The latest economic growth data for India showed that a slowdown to 5.3 per cent for the quarter to the end of September.

"The environment has already started changing," says Pranav Ansal, the vice chairman of Ansal Properties and Infrastructure. "Our prime minister, in the last six months has visited major countries, met every big leader of the world, and created such a good investment climate. I think from next year you'll see a lot more foreign companies coming and setting up businesses and opening offices and investing more in India. That's going to happen."

The recent news that India is unlikely to appeal against tax cases won by Vodafone and Royal Dutch Shell marks a major turning point in the country's business environment, Mr Ansal believes.

Confusing and sometimes unpredictable tax regulations in India have proved a major hindrance to foreign investment.