

## The State of Madhya Pradesh

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### I . Introduction

India is huge and diverse, consisting of 29 states and 7 areas of direct federal competence. Any one of them is ready to welcome foreign direct investment, but eagerness for accepting Japanese investment varies state by state. In extending business to India, Japanese companies should find out the different environment for investment in each state and choose states which are best suited for their business plan. We now will explain Madhya Pradesh, which we strongly recommend.

### II. The State of Madhya Pradesh

The State of Madhya Pradesh (“the central state” in Hindi) is one of the states located in the center of India with its capital Bhopal and its largest city Indore. The population is over 75 million, which is the fifth largest in India. The acreage is 308,252m<sup>2</sup>, the second biggest in the country.

The State of Madhya Pradesh has the geopolitical advantage of being located in the center of India and is expected to greatly develop as its GDP almost tripled in the last ten years.

According to the research reports evaluating business environment improvement, released by Indian Ministry of Commerce and Industry, the World Bank, etc., the progress level of reform of the state of Madhya Pradesh is ranked as the fifth among all the 29 states.

Moreover, Shivraj Singh Chouhan, the important figure in the Indian People’s Party (BJP) besides Prime Minister Modi, has been in the position of the state’s Prime Minister for three terms in a row, stabilizing the politics in the state and keeping strong tie with the central government. Also, more and

more Japanese companies are considering extension of their businesses to this state because it has been aggressively launching policies to promote manufacturing industry in response to “Make in India,” the special project led by the Prime Minister of the Indian central government, Modi.

In the meantime, Madhya Pradesh is one of the main states involved in Delhi-Mumbai Industrial Corridor (DMIC) and concentrating on industrial development under the leadership of the state’s Prime Minister Chouhan.

In this situation, the industrial area Pithampur, located in the suburb near Indore (the biggest city in the state), has been trying to attract Japanese companies by securing lands for Japanese companies, by offering very attractive special tax measures, etc.

Ministry of Economy, Trade and Industry (METI) highly valued these efforts and stated to accept the Pithampur industrial area as a candidate for Japanese industrial area in response to request. Furthermore, on October 1, 2015, the state’s Prime Minister Chouhan and the Minister of Economy, Trade and Industry Miyazawa agreed that Madhya Pradesh would, through consultation with METI, consider introducing further incentives and launching policy dialogue for improving business environment between Japanese government, relevant authorities and the state of Madhya Pradesh, etc.

As a result of this agreement, it is greatly expected that Japanese companies accelerate extending their businesses to Madhya Pradesh.

### III. Delhi-Mumbai Industrial Corridor (DMIC)

DMIC is a cooperative initiative by India and Japan for regional development to set railroads for freight (450 billion yen of yen loan) and, along them, to construct infrastructure such as industrial area, logistics bases, power plants, roads, ports, residence, commercial buildings, etc. mainly by private investment.

The goal is to double employment potential, triple industrial production, and quadruple importation.

The state of Madhya Pradesh is one of the main states involved in DMIC and three areas (Pithampur, Dar and Mo) are designated as investment areas and Neemuch & Nayagaon as industrial districts.

## VI. Pithampur Industrial Area

The Prime Minister of the state of Madhya Pradesh Chouhan, who visited Japan from September 28 to October 3, 2015, gave a speech in Tokyo and Osaka. Reiterating that “Historically, the relationship between India and Japan is very deep. I myself have the perception of Japan as ‘highly reliable country,’” he said, “I know our state is not well known to Japanese companies. In fact, it is just in the last ten years when we have gain momentum. Now, the state of Madhya Pradesh is in the role of leading economic growth of the whole India and especially marks two digits growth rate in agriculture, which is highest in the country. Now, we are consolidating investment environment in order for Japanese companies to come in full swing. As one of the main features, we have decided to construct an industrial area for Japanese companies in Pithampur.”

Pithampur is located just 30 minutes away by car from Indore, the commercial center of the state of Madhya Pradesh. In Pithampur are factories of 900 companies including Bridgestone (tire for vehicle), Panasonic (dry-cell battery), Volvo Aisha (truck & engine), and Man (truck), besides such local companies as Force Motors, Mahindra & Mahindra (commercial car), Lupin and Piramal (both pharmaceutical). In the vicinity are vehicle testing site which is largest in Asia, testing course established by Ministry of Heavy Industries and research & development institute, all of which are in full use.

Japan Industrial Township (JITs) set by Madhya Pradesh government is 500 acres in size (1 acre = 4,047m<sup>2</sup>), which consists of roads, commercial area and residence, and 300 acres, which is planned to be sold in lots as industrial area. The land price is 400 Rupees (approx. 720 yen; 1 Rupee = approx. 1.8 yen) per 1 m<sup>2</sup>, which is far more inexpensive than industrial areas in other

states. On top of this, Madhya Pradesh government is ready to offer special incentive exclusively for the industrial area, such as (1) 100% refund of Value Added Tax (VAT) and of Central Sales Tax (CST) for 10 years, (2) exemption of border tax (Octroi) for 7 years and (3) subsidy worthy of 50% of land development cost.

## VI. Our Actions regarding the State of Madhya Pradesh

We have agreed to commence strategic alliance with Banthia & Co Advocates (hereinafter referred to as Banthia) on January 1st this year. Banthia is one of the oldest and largest law firms in India with its flagship office in Madhya Pradesh. Our experience in international cases, together with Banthia's profound legal knowledge and extensive human connection with the state's government authorities gained over a long period of time, will surely be the best legal service to be offered to Japanese companies planning to extend businesses to the state of Madhya Pradesh.

## VI. Conclusion

India is vast in size and diverse in quality, with each state varying in eagerness to welcome Japanese companies coming to it. Among all the states, we have chosen Madhya Pradesh: the state that established the industrial area for Japanese companies and launched preferential measures for them. Singling out Madhya Pradesh as our target and forming strategic partnership with Banthia, the law firm based in the state, we have consolidated the system in which to support Japanese companies' business extension, which is seen to increase rapidly, to the state.

We would be happy to have opportunity to help companies do business in the state.

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