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Indian Investment in China

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I. Overview

Indian outward FDI is predominantly a private sector activity.

India has 166 companies (partly or wholly owned) in China, all of them located at the most developed cities along the coastlines like Guangzhou, Shanghai and Beijing. Majority of the companies lies in high-tech industries, especially in IT/software and pharmaceuticals.

Most of the Indian companies that enter China are wholly foreign-owned enterprise (WFOE), Equity joint venture (EJV), Contractual or Co-operative joint venture (CJV), foreign investment Joint Stock Company (JSC), and Partnership.

The past decade has seen a rapid spread of operational networks of Indian MNEs encompassing China. Indian companies choose China not only because of China's open economy and the bonus its policy brings such as tax incentives but also because of its domestic restraints implemented by Indian government. Most investment takes the form of Foreign Investment Enterprises (FIEs) to cooperate with local partners.

Indian companies are featured with a mixture of technological adoptive capacity built through several decades and inexpensive brainpower, a seasoned managerial

class, and a historically rooted entrepreneurial tradition, through which they gained their competitive advantages.

II. Characteristics:

Sources of competitive advantages

The availability of a pool of Indian managers and technicians was found to be by far the main source of their competitive edge. The knowledge and experiences of Indian managerial and technical personnel placed these firms at a healthy competitive position in developing country conditions such as in China.

Sources of competitive advantages vary greatly from case to case because, even within the limits set by prevailing technology, firms have the ability to undertake minor innovations to the production process or the method of marketing a particular product.

Indian firms' competitive edge mainly emanates from their labor cost advantages. These include call center business; back-office support services, such as accounting, legal assistance, or document preparation; medical transcription; clinical trial and pharmaceutical contract research; and financial research and management consultancy research.

To sum, it is an oversimplification to say that the internationalization of Indian firms is underpinned by a common set of competitive advantages. However, it is clear that most, if not all, of them have yet to develop firm-specific advantages. Their competitive advantages are fundamentally country-specific: a mixture of technological adoptive capacity built through several decades and inexpensive brainpower, a seasoned managerial class, and a historically rooted entrepreneurial tradition.

Strategies

Software services companies such as Infosys and Wipro are the best known examples of companies following the low-cost expansion strategy. The competitive advantage of these firms was initially based on India's low-cost programming talents, but over time evolved to encompass significant firm-specific scale and scope economies and late mover advantages.

Scale economies came from spreading fixed costs across a large number of employees through the expansion of their global operation network. Scope economies came from serving firms in many industries and countries; serving a large number of industries helped smooth periodic contractions in activities in some of the industries, thus making

it affordable to nurture and retain highly specialized skills within the firm.

Infosys and Wipro also enjoyed late mover advantage relative to their Western competitors; from the beginning they could build their staff at low cost in India, whereas firms like IBM and Accenture entered offshore operations with a large share of high-cost manpower in their labor force in developed countries.

III. Motives:

India Domestic environment

What then are the factors that propel firms investing in China? The early literature provides a long list of factors: risk diversification due to uncertainty about future supplies of raw materials; buyer uncertainty resulting from lack of information to the potential buyers about firms' products and technologies; protection of export markets; circumventing protection in developed country markets or gaining preferential access to these markets; and limits to growth at home as a result of the domestic market size or government policy (a need to circumvent the constraining effects of government policy).

Big industrial houses in India felt constrained not by the lack of profitable market opportunities at

home, but by government legislation that created market imperfections and distortions affecting their ability to expand, diversify, and export. In particular, the firms specifically mentioned the MRTTP Act as the main impetus behind their decision to invest abroad. To the extent that

government policies raised costs and adversely affected export performance, they also indirectly provided an incentive for Indian firms to invest abroad. Thus, direct investment appeared as a logical means of escape.

IV. FDI Statistics

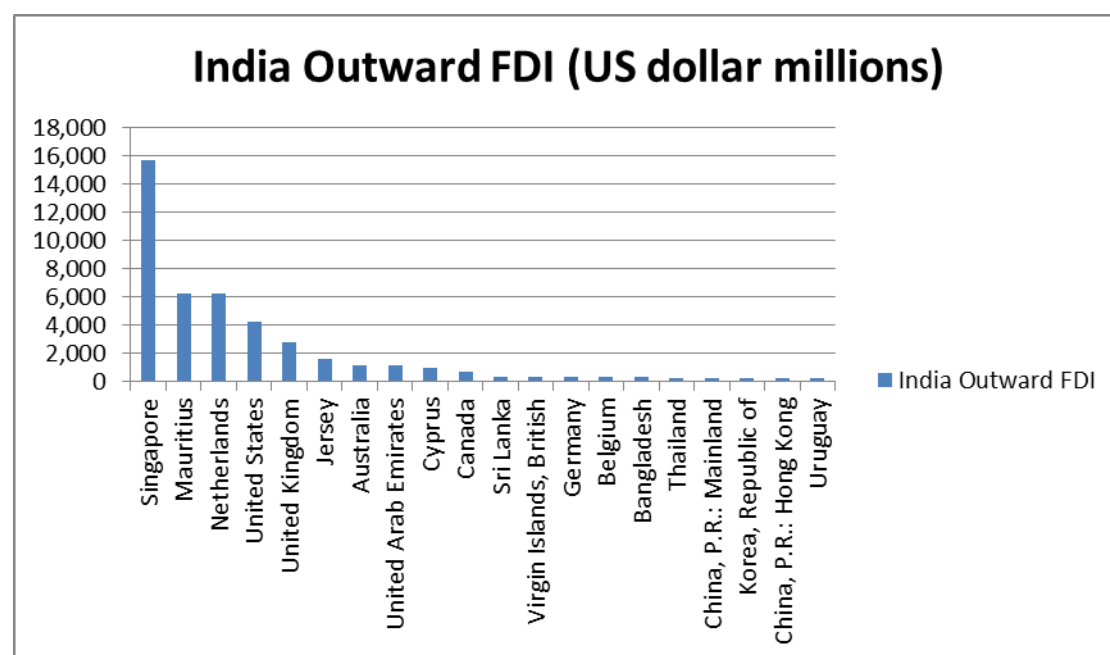


Figure 1 Source: IMF CDIS 2010

China was among the top 20 of India Outward Foreign Direct Investment (FDI), with the ranking of 17th. As reported by India in year 2010, total outward FDI from India was 49030.73 US million dollars and the mainland China's share was 240.84 US million dollars, accounting for 0.4912% of India's total investment.

Apart from China mainland, Hong Kong was another target of India's investing targets. Hong Kong held the same percentage level as Mainland China in year 2010, with total 181.75 US million dollars from India.

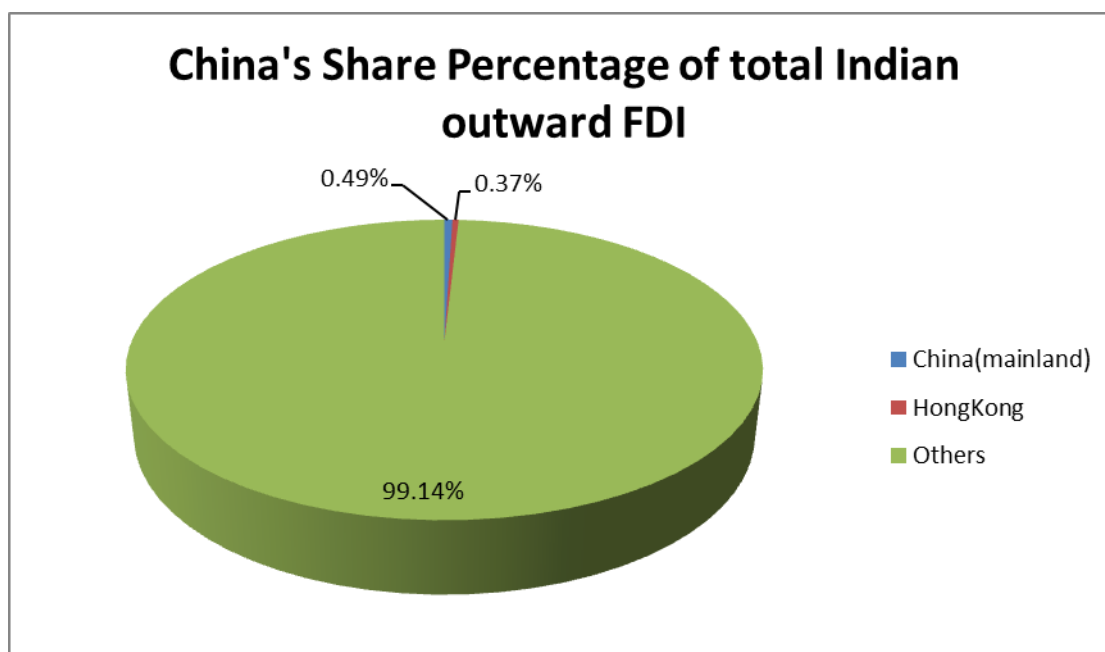


Figure 2 Source: IMF CDIS 2010

V. Indian companies in China by regions and industries

1. Indian companies in Beijing

Table 1: Indian companies in Beijing

	Company Name	Products
Beijing	Adani Global	infrastructure, Power, Global Trading, Logistics, Energy, Port & SEZ, Mining, Oil & Gas, Agri Business, FMCG products, Real Estate Development, Bunkering, et al
	Aptech Worldwide Inc.	IT training
	Ashapura Minechem Limited	Beijing Representative Office
	Bank of India	banking
	Beijing Indian Kitchen	Restaurant Services
	Claris Life sciences Limited	sterile injectable pharmaceutical

	Claydong Gescher Associates	NA
	DCM Shriram Consolidated Ltd	Agri business, energy intensive business, value added business, textiles
	Electrosteel Integrated Limited	Ductile iron pipes, ductile iron fittings,
	Essar Representative	Steel, representing office
	FICCI	Representative Office
	GATI, India-centric distribution solutions	express distribution and supply chain management solutions
	Global Supplies	Supply chain management
	Infosys Technologies Ltd	Software IT
	Ispat Industries Ltd	iron, steel, mining, energy and infrastructure
	Jindal Steel & Power Limited	Steel
	JSW Steel Limited	Steel
	Mishra Ispat P. Limited	Steel
	NIIT	IT training
	ORIND Refractories Limited	MgO-C (MCB) bricks
	Remfry and Sagar	Property Laws and Corporate Law Services
	Sarda Energy & Minerals Hong Kong Limited	steel (sponge iron, billets, ingots, TMT bars) & ferro alloys

	Steel Authority of India Limited	Steel
	Tata Information Technology Co Ltd.	Consultancy Services
	TATA Sons Limited	Quality Management Services and Financial Services

Beijing is both the political and cultural center of China. What's more important is that Beijing has the best universities including Peking University and Tsinghua University

which provide brainpower for potential Multinational enterprises. As indicated in the table above, most companies, except those who produce infrastructure materials such as bricks and steel, are knowledge-intensive enterprises.

2. Indian companies in Jiangsu, Zhejiang and Shanghai

Table 2: Indian companies in Jiangsu, Zhejiang and Shanghai

Jiangsu, Zhejiang, Shanghai	Company Name	Products
	Air India	Flight Service
	Asia Global Exports	fabrics and garments
	Asiatic Colorchem (India) Ltd.	Chemicals & Pharmaceuticals
	Berger Paints (China) Co. Ltd.	Wall paints, metal paints, wood finishes, primers, decorative, industrial coating, and others.
	Bhaiya Fibres Ltd	Safety Apparel Garments Like Boiler Suits, Bib, Longoats.
	Bralco Steel Processing (Shanghai) Co. Ltd	Steel
	Canara Bank	Banking
	Cognizant Technology	Consulting, application,

	Solutions	IT infrastructure and BPO services
	Confederation of Indian Industry	industry managed organization
	Covanys Software Technology(Shanghai)Co Ltd	IT/Software
	Daga Global Chemicals Ltd	Bulk and Fine Chemicals, Solvents, Intermediates, Agro and Pharmaceutical Raw Materials, Polymers, Lubricants etc.
	Darbar Auto Spare Parts	Industrial V-Belts Vehicle and Spare Parts Trading Auto Spare Parts and Components Trading Ball Bearings
	Dr. Reddy's Laboratories	pharmaceutical
	Eastman Industries Ltd	A diversified range of bicycles, components and accessories, suitable to both conventional & contemporary bicycles.
	Evalueserve-Export Knowledge Services	Knowledge Process Outsourcing
	Gold Hearts Textile Consultants	Arts, Crafts, and Gifts - Clothing, Textiles, and Accessories Clothing and Apparel Clothing, Textiles, and Accessories Household Textiles Home and Office

		Decorative and Household Items Home and Office Kitchen Appliances and Kitchenware
	ICICI Bank	Banking
	iGate Global Solutions Limited	High-Impact business outcomes and strategic outsourcing solution
	India Grasim Industries Ltd	viscose staple fiber (VSF), cement, chemicals and textiles
	J.J. Shrikhande	Representative Office
	Jesons Adhesives(Suzhou) Co. Ltd	industrial adhesives and emulsions
	Jubilant Organosis Ltd	pharmaceutical
	KagariPte Ltd	Outsourcing
	KPL International Ltd	chemicals, polymers, paper and paper chemicals
	Larsen & Toubro Limited	technology, engineering, construction and manufacturing
	Lucas TVS	Automotive Electrical Systems
	Lupin Limited	pharmaceutical
	M/s Bry-Air	Industrial dehumidifiers, air-to-air energy recovery equipment and general trading

	Mega Visa Solutions Pvt Ltd	NA
	Micro Inks limited	ink
	Mobile 2 win.com.cn	Mobile Social Networking
	Monash Software Systems & Engineering (Jiangsu) Ltd.	IT/Software
	MphasiS (IT Services)	IT services
	NIIT China Ltd	IT training
	Pan Products Impex Pvt. Ltd	NA
	PTC Global Pvt. Ltd.	Non Specified Metals and Alloys
	Punjab National Bank	Banking
	Raman Boards (Shanghai) Trading Company Ltd	Trading
	Raymond Ltd	Textiles and trading
	Reliance Industries Limited	energy and materials value chain
	San Aurora Pacific Ltd.	<p>All kinds of solid / printed cotton and blended Twills</p> <p>All kinds of solid and printed Corduroys</p> <p>Yarn-dyed Flannel, Poplin and other woven fabrics</p> <p>Printed woven fabrics</p> <p>Other woven fabrics</p>

		Polar fleece
	Sasken Communications Technologies Limited	combination of research and development consultancy, wireless software products and software services, and works with Network OEMs, Semiconductor Vendors, Terminal Device OEMs and Operators across the world
	Satyam Computer Services Ltd	IT services outsourcing services
	Shipping Corporation of India	Shipping
	Shiva Chemicals and Pharmaceuticals Services Ltd.	Chemicals & Pharmaceuticals Services
	SKD Pacific Ltd	Product Development & Design; Sourcing; Manufacturing; Shipping
	State Bank of India	Banking
	Sterlite Optical Technologies Limited	Conductors, optical fibers, telecommunication cable
	Sundram Fasteners Ltd	high-tensile fasteners, powder metal components, cold extruded parts, hot forged components, radiator caps, automotive pumps, gear shifters, gears and couplings, hubs and shafts, tappets and iron

		powder
	Taizhou Feilong Furniture Co. Ltd	Furniture
	TATA Autocomp Systems Limited (TACO)	products and services in the automotive industry
	TATA South-East Asia Limited	Various
	Texuna International Ltd.	Clothing Accessories &Footwear; Footwear - PVC &Plastic; Sport Shoes; Sports Goods
	Thermax Hong Kong Ltd	Cooling & Heating Engineering
	Tube Investments of India Ltd	Abrasives, Auto Components, Cycles, Sugar, Farm Inputs, Fertilizers, Plantations, Construction, Bio-products and Nutraceuticals
	TVS Motors Co. Ltd	Bikes
	United Phosphorus (Shanghai) Co. Ltd	crop protection products, intermediates, specialty chemicals and other industrial chemicals
	UTI Bank	Banking
	Vam Organic Chemicals Ltd.	bulk organic chemicals, specialty chemicals and specialty polymer adhesives
	Voltas Consulting (Shanghai) Co. Ltd.	Consulting
	Wipro (Shanghai) Limited	IT services

Shanghai is the most developed area all over China and is the financial center. Foreign banking services tend to have a branch in Shanghai to communicate conveniently with business partners. Shanghai is located near Zhejiang and Jiangsu Province, both of which are known for its manufacturing capacities. Suppliers prefer to export via Shanghai port. From the table above, one would notice that besides knowledge-intensive and technology-intensive enterprises,

there are quite a number of trading companies which are labor-intensive located in this area, thanks to both the government support and Changjiang Delta Region's attracting talents and labors from nationwide. Shanghai Pudong is a district which provides preferential conditions for FIEs, thus nurturing the booming of investment and the development of Jiangsu, Zhejiang and Shanghai through offering more jobs and upgrading infrastructure equipment.

3. Indian Companies in Guangzhou

Table 3: Indian Companies in Guangzhou

Guangzhou	Company Name	Products
	Akashi Export Ltd	Household Appliances
	Araco Manufacturers Ltd	Household Electrical Appliances / Fan / Heater / Cooler / Massage products / Digital Camera / Kitchenware / Knives set / Cutlery set / Cookware sets / AS seen on TV products / Lighters / Clocks / Auto accessories / Sport Lights / Toys / Umbrellas / Garden tools / Hand tools / Power tools and etc.
	Argain Trading Co.	Chemicals
	Aspinet Limited	Construction & Decoration, Laminate

		Flooring, Mosaic Tile, Countertop & Vanity Top
	Badar Co Ltd	Garments, textile, shoes, EVA molds. Toys and sundries items
	Ballon marketing (China)	GARMENT
	Bank of Baroda	Banking
	Bank of India	Banking
	Brilliant Standard Ltd	Batteries, Flashlights, Stand fan, calculators, clocks, flower stands, hair clippers, slippers, rechargeable lanterns,
	China Export Ltd	Sourcing
	Components and Equipments Ltd	Footwear components and Accessories.
	Concord Asia (Mfg& Exporters)	sanitary and hardware products, textile and garment and accessories, furniture hardware, lamps
	Day's Impex Limited	Glasses
	Efficientask Limited	Sundry items, PVC sheeting, PVC flooring, household, full range of table and wall clock
	Essel Packaging (Guangzhou) Ltd	Packaging
	Expert International Trade Ltd	DVD, VCD, Portable DVD Player, Portable VCD player, TFT LCD Monitor & TV, MP4

		Player, MP3 Player, etc.
	Fone International Co Ltd	Mobile Phone
	Daya International Co Ltd	Lamps Lighting, Clothing, Utensils, Kitchenware and Tableware, Commodity, Sports and Tourism Leisure Products, Toy, Luggage, Watch Glasses, Adornment etc.
	Hallimax(Far east) Limited	Construction Industry
	Indo Manu Trading Co Ltd	Consumer Electronics
	J&M International (HK) Ltd	Food and drinks
	J.B. International	information technology
	Jackie's Guangzhou	NA
	Jindal Stainless Limited	Steel
	K.B. China Ltd	Home, Toys etc.
	KB Group Ltd	robust, proven information technology solutions Services
	KGK Diamond	Diamonds
	Lamos International (China) Ltd	Textiles, baby items, house Ware items.
	Lucky World Trading (LLC)	Shoe, Textile, Clothing etc.
	M/S Sealord Exports	Harvesters, processors, exporters and marketers of all types of seafood

		products from NZ and overseas sources. Especially deep water fish and shellfish. Australasian retailer of canned seafood and frozen seafood meals.
	Nagrani (HK) Ltd	Bicycles Building Materials Cases & Bags Clothing & Shoes Food & Beverages Furniture Hardware Machinery Tools Toys
	Oriental Overseas Limited	container transport and logistics services
	Picasso Company Limited	bag exporting business
	PNS International	Pigment dispersions, colorants, aluminum hydroxide, sodium sulfite, plastic master batch
	Po Wai Industrial co.	Clothing, Chemical and Mineral, Machinery and Equipment, Commodity, Hardware, Carved Jade Jewelry and Bone etc.
	Prime International	logistical services including warehousing, inland transportation, rail services, and ocean transportation
	Promise Asia H.K.	Home Appliances
	Prosperos Channels	

	Ranbaxy (Guangzhou China) Limited	pharmaceutical products
	Rasbova International (F.E.) Co	Audio Equipment; Audio-Visual Products; Calculators; Clock - Analogue , B/O; Clocks; Radio AM / FM; Timepiece
	Real Oriental Diamond Product (Panyu) Co. Ltd	Diamond
	Remix Elect Ltd	Food / Beverage
	Sanwin Watches and Electronics Ltd	Promotion gifts, plastic toys
	Seven Ocean Impex (H.K.) Ltd	Bicycle & Tricycle; Broadcasting Equipment; Handheld Video Game; Paper Stationery; Soft Toys; Toys , Others; Video Game Accessories; Writing Equipment
	Shakti International Ltd	Wool, Wool Tops, Cashmere /Angora, Yarns, Silk Top, Synthetic Fiber
	Sparkle Way limited	Consumer Electronics
	Success Electronics Limited	surveillance systems and security products, including day/night digital CCD cameras, zoom color complete cameras, IP cameras, network video servers and stand-alone DVRs.
	Super Merry industries Ltd	NA

	Tectfield Investment Ltd	Electrical Appliances; Footwear - PVC & Plastic; Kitchen Appliances - Electrical; Mixer/Beater - B/O; Sport Shoes; Stationery & Office Equipment
	Tim industries Ltd	manufacturing, trading and financing company specializing in various aspects including manufacturer representation, OEM project development, consolidation of cargo and financing
	Trang Overseas	Trading
	Triveni Exports Co Ltd	Textile Raw Materials and Fabrics, Clothing, Home Textiles etc.
	Victex International	PC Speaker and Hi-Fi home theatre system
	Vin Mart Canada Inc.	trading

Indian companies in Guangdong mostly participate in the fields of manufacturing. For the following reasons; Guangdong became a hot spot for Indian investment.

Guangdong is the first province to enjoy the success of China's reforming and it's located near Hong Kong, thus attracting many investors

from Hong Kong and catering to a big consumption demand in Hong Kong. Guangdong is ample in labor resources since it's the more developed areas in South China. Besides for full marketing in South China, Guangdong is the first choice either for representative offices or trading for Indian companies.

4. Other locations

Table 4: Other locations

Locations	Company Name	Products
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Hebei	Orchid Chemicals & Pharmaceuticals Ltd	Chemicals & Pharmaceuticals
Jiangxi	Mahindra (China) Tractor Co. Ltd	Tractor
Liaoning	Liaoning Birla Carbon Co. Ltd.	Carbon Black
Jilin	FAW Bharat Forge (Changchun) Co. Ltd	manufacturing of various forging parts for both automotive and non-automotive industry
Shandong	Al-Khaleej International	comprehensive and professional recruitment service
	Apollo Tyres	Tyres
	Gateway Exim Pvt. Ltd.	Textiles
	Gulf Oil [Yantai] Co. Ltd.	Trading
	Paprika Oleos (India) Ltd	Spices
Shanxi	Aurobindo (Datong) Bio-Pharma Co. Ltd.	Pharmaceutical
Sichuan	Zigong Safam Cast Iron Co. Ltd. (Safam)	Production of cast iron
Tianjin	Beyond Frontiers Trading (Tianjin) Limited	Trading
	Harpreet Singh Puri	NA
	Mitra S.K. Private Limited	minerals , ores and product
	PODAR Enterprises	Government Trade Houses, Advisory & Consulting, International Divisions, Sports Education, Technical Education, Health Care, Information,

		Communication & Entertainment, Animation and Mining & Manufacturing
	Suzlon Energy (Tianjin) Limited	Green Energy (wind)

Indian companies in regions excluding Beijing, Shanghai and Guangdong are mostly resources-oriented. Locations near to mines or oil prove to cut cost, thus increasing profits though at the same time

some difficulties reveals when marketing. Tianjin is another SEZ of China, with its location near to Beijing. Plus, Tianjin is a port which can provide import and export services. It's drawing more and more attention, which is clear from Indian companies setting foot in Tianjin.

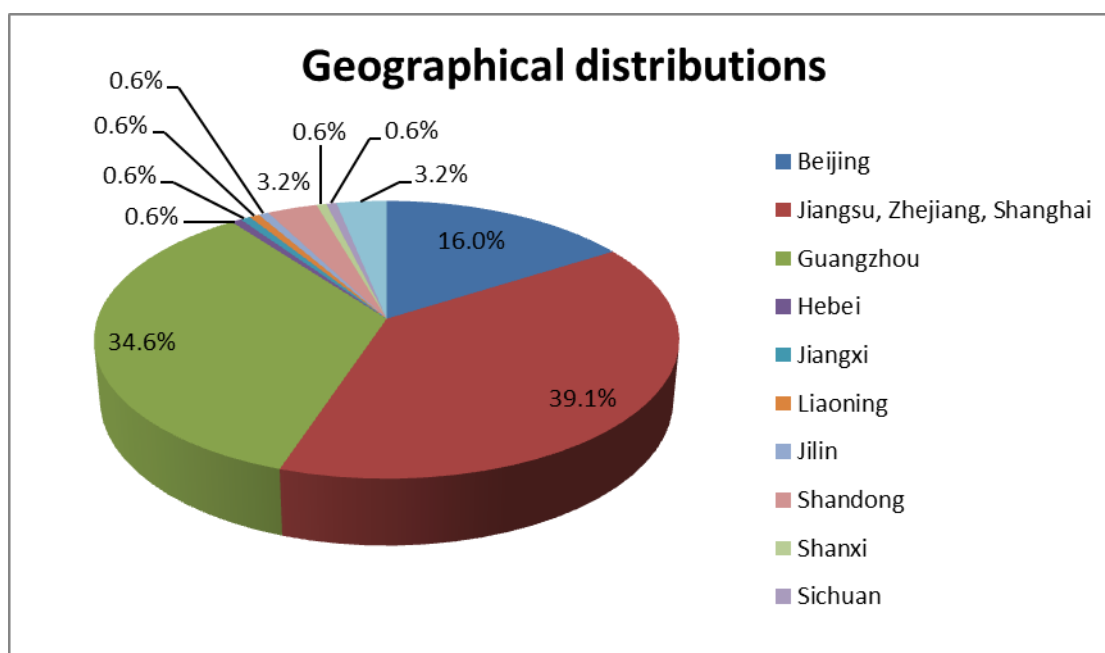


Figure 3: Indian Outward FDI

VI. Trends:

Over the last few years, there has been an increase in the number of companies from India exploring opportunities in China and vice-versa. But the scenario are different where the two countries treat their foreign invested enterprises. ZTE and Huawei have been running into India government's impediment for involving national securities. However in China, Indian companies have been booming with China's economy.

For example, Indian IT giants like Tata, Wipro and Infosys are expanding in China markets to occupy markets in North China, not just merely South China. At the same time, all of them are acting simultaneously.

Not only North China, but also West of China and Northeastern China are also coming into Indian companies' attentions.

Also, Indian companies in China is expanding by recruiting to cater to the future customers.

VII. Features by Industries

Banking and Pharmaceutical sector

Many Indian companies have set up operations either in the form of joint

ventures or wholly owned subsidiaries in China. Axis Bank, Union Bank of India, ICICI Bank and Punjab National Bank have representative offices in China while banks like Canara Bank, Bank of Baroda, State Bank of India operate branch offices there. Similarly, companies like Bharat Heavy Electricals Limited (BHEL) and Adani have overseas operations in China; Larsen & Toubro has manufacturing facilities while Engineers India Limited (EIL) operates through a representative office. Pharmaceutical companies like Lupin, Piramal Healthcare and Sun Pharmaceuticals and chemicals companies like Reliance Industries and Jubilant Organosys have also forayed into China.

Automobiles and auto components sector

This industry in the recent past has seen some significant collaboration between India and China. For example, Mahindra and Mahindra Limited entered into a joint venture with Jiangling Motor Co Group in 2005 to manufacture tractors in China. This is perhaps the first venture between the auto OEM manufacturers of the two countries. Subsequently, SAIC acquired 50% stake in General Motors in India. Bharat Forge Limited is another Indian company which signed a Joint

Venture (JV) contract with FAW Corporation, China for its forging business. FAW is the largest automotive group in China, with a leading position in both passenger car and commercial vehicle sectors.

Sundram Fasteners also set up a wholly owned subsidiary in China in 2004 with an initial investment of US\$ 5 million in Zhejiang province of China. The unit is located in Haiyan Economic Development Zone, about 100 km away from Shanghai. The unit manufactures and sells high tensile fasteners to the Chinese automobile industry. The 6000 metric tonne factory was built in 14 months to open on schedule.

Above stated examples are not one-off transactions. Increasingly companies in the automotive industry, both OEMs and component manufacturers from both countries are looking at the other market for expansion and collaboration.

Traditionally, Indian component manufacturers have been masters of the high-quality precision components and the Chinese players had mastered the art of mass production. Thus, this sector would demonstrate significant growth if the two countries could achieve extensive collaboration. A company could look at utilizing the component design expertise of Indian engineers and low cost mass

production expertise of China to cater to the global OEMs.

Information Technology and IT enabled Services sector:

Infosys Technologies, HCL Technologies, Zansar Technologies, BirlaSoft, and KPIT Cummins have made additional investments in China as recently as between January 2011 and May 2011. Other Indian IT companies like Tata Consultancy Services (TCS), Tech Mahindra, Satyam Computers (now Mahindra Satyam), NIIT, 3i Infotech, Nucleus Software, Wipro, MindTree Consulting and Genpact already have their operations in China.

Traditionally Indian IT companies set up in China as near shore centers to serve their Japanese clients and global multinationals which have subsidiaries in China. The South Korean and Taiwanese clients were serviced from these centers as the operations of Indian IT companies grew.

Increasingly, Indian companies are looking at Chinese centers as an integral part of their global delivery model to not only serve American and European markets which were traditionally served by India but also to serve local IT needs in China and in one-off cases to serve India. The domestic Chinese IT services market is estimated to be US\$ 20 billion,

which is growing at 50-60 per cent year on year. Chinese software companies that are relatively smaller in size when compared to Indian counterparts are quite dominant in the local market.

TCS set up their China operations in 2002 thereby becoming the first Indian IT company to set up operations in China. TCS currently employs 1,200 employees (January 2011) in 5 delivery centers and plans to ramp up these numbers to 5,000 in the next three years. TCS offers core banking system to four major Chinese banks including Bank of China and Hua Xia Bank. Genpact celebrated their ten years of operations in China in 2010. Genpact reduced their cost of operations by locating their centers in sub-urban areas like they did in India, when they started their operations. The Chinese operations cater to their clients based in Japan and Asia Pacific region. Currently, Genpact employs 3,000 employees in its China centers.

To conclude, more and more Indian companies are starting to seek opportunities in China as shown in the increasing numbers of Indian companies in China. Also, many Indian companies are interested on expanding from mere software, IT and medicine to various areas.

Cooperation is common in the near future.

VIII. Case study: Infosys Technologies Ltd.

1. Introduction

Infosys China (Shanghai) was founded with 5 million US dollars' investment in 2003. Infosys took the entry mode of WFOE (wholly foreign owned enterprise) to enter China. Services provided by Infosys China includes business consulting, information technology and outsourcing services. Infosys is located in Shanghai Pudong Software Park and Hangzhou Zhangjiang High-tech Park, which all take the mode of global delivery.

Infosys China has been expanding enormously since its launching in China. Upon establishing, Infosys planned to recruit 6,000 employees and build development center both in Shanghai and Hangzhou, which would be the first hub outside of India for Infosys. Infosys was to integrate local Chinese talents with Indian ones to make a low-risk, high-efficiency team who would be able to provide products and services based on global standards.

Infosys China has the distinction of being the first company in China to achieve assessment in the industry-

standard CMMI Level 5 (v1.2) process quality benchmark. In 2007, Infosys China achieved certification

in ISO 27001, the global standard for data security operations.



Figure 4: Infosys Globally Business Regions

2. Features and Background Information

Innovation

Infosys demonstrates how tomorrow's global enterprise needs to innovate its business model to remain relevant and achieve sustainable growth.

Infosys creatively set up its own training center in China to cater to its own demand for employees and also it created the mode of global delivery and deployed the CMM standard to keep high quality.

Employee training and benefits

Infosys China's training system consists of two parts. The first one is Soft Skills, aiming at training employee's teamwork spirits, communicating skills and ethics to establish inter-personal relationship. The second part is Technical Training which is based on the first part. Infosys calls this learning process: Stream Courses. It's a step-by-step process, different from routines carried out by local competitors.

Infosys normally grant employees equity or stock options to cultivate a sense of ownership of the company

to build a long-term future, noted N. R. Narayana Murthy, Chairman and Chief Mentor of Infosys.

Values of Infosys

Infosys holds the value of achieving goals with customers, employees, investments and society being impartial, honest and respecting each other. Infosys China envisioned being the global top business solution company with extant technologies and talented staff.

Resources available to Infosys China

Infosys China seeks promising future in China. Real assets include the largest software development center and offices rented. Infosys has long-term investment plans in China, so sufficient funds would flow in. Programs of software outsourcing are featured with short terms to be able to retrieve what has been invested in and with profits. What's more important is the intangible assets like reputation Infosys has gained worldwide and customer relationship they have established.

3. Strategies and Business Pattern

China-specific strategies

Infosys chose China because of its markets and that of southeastern

Asia, since market capacity is the premise of profits. Infosys also did survey and research about resources, quality-control and cost in the whole supply chain in several countries including China and concluded that China was most potential and advantageous.

Infosys intended to be localized to cater to local Chinese companies in the long term. Infosys struggled to enter Chinese market and meanwhile would help Chinese partners to go internationalized.

Infosys was to take advantage of Chinese talents like incorporating undergraduate into internship to prepare them for future career.

a). to cultivate customers' loyalty via quality services based on faster innovation;

b). to focus on how to make profits from information rather than merely managing investment information;

c). to overcome opportunism of offshore price to benefit from global competition in economic structures;

d). in international business, to win from transition.

Global Delivery Model

Infosys pioneered the Global Delivery Model (GDM) to ensure the distribution of application and business process lifecycle activities and resources, while ensuring their integration. Infosys China also implemented this strategy to offer services to global customers.

The GDM is based on the principle of taking work to the location where the best talent is available, where it makes the best economic sense, with the least amount of acceptable risk.

The key drivers of Global Delivery Model are: processes, quality, tools, knowledge management, program management and risk mitigation.

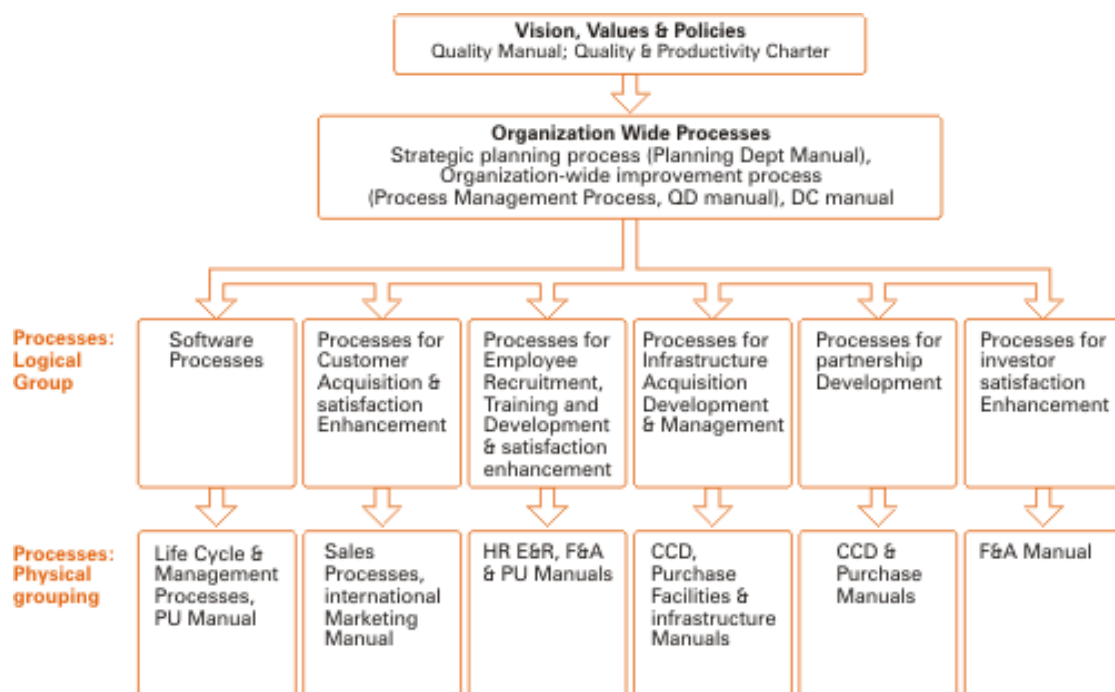


Figure 5 Source: Infosys website

Infosys relies on processes to consistently deliver high quality solutions while executing engagements from multiple locations. Values, vision and policies form the first level of the three-tiered process architecture. They are implemented through process execution at the next level. These

processes are defined by clear ownership using the 'Entry, Task, Verification, Exit' (ETVX) paradigm along with clearly defined roles and responsibilities (see the chart above).

Speaking of quality control, Infosys has taken world-class standards and

models such as ISO 9001-TickIT, SEI-CMM / CMMI, ISO 20000, ISO 27000, AS 9100, TL 9000 and ISO 14001. These world class standards would be appealing to potential customers.

Enterprise Risk Management

Enterprise Risk Management (ERM) program seeks to sustain and enhance long-term competitive advantage of the company and thereby enhance value to the stakeholders. The company's values and ethics provide the platform for our risk management practices

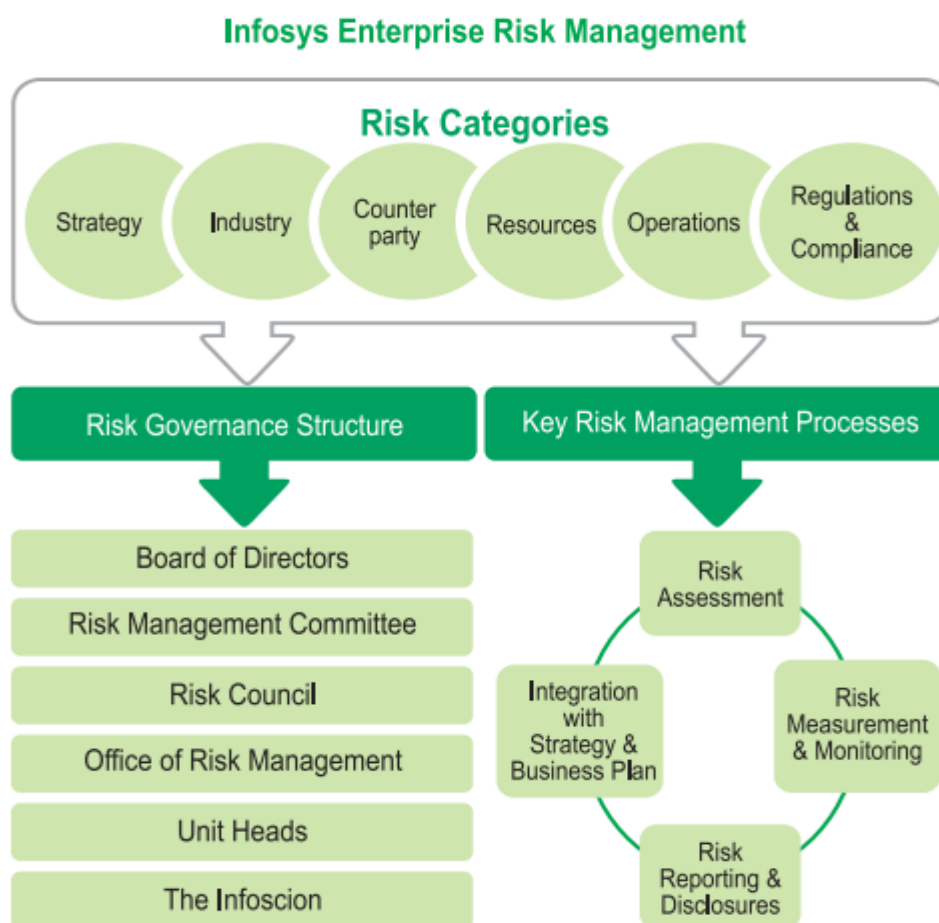


Figure 6 Source: Infosys Report

Disadvantages

It is argued that Infosys is weaker when it comes to high-end management consultancy, since it tends to work at the level of operational value creation. Competitors such as IBM and Accenture tend to dominate this space.

4. Infosys next moves

Infosys is expanding in China. Infosys Technologies' China subsidiary now drives one-third of its revenue from the local Chinese market. Infosys China plans to triple its current staff to 10,000 over the next 3 years. In its largest-ever investment outside India, Infosys Technologies has stated that it would invest \$125-150 million in setting up its own campus in Shanghai, China.

This is for the first time that Infosys has bought land to build its own campus outside India. Most other global centers of the company operate out of rented or leased properties. The Shanghai campus will be spread over 15 acres and developed over a period of three years. Located at Zizhu Science and Technology Park in Shanghai, the campus will have a sitting capacity of 8,000 employees with facilities for software development, labs, data

centers, training facilities and food courts.

Besides, the campus will have a 1,500-seater auditorium, a gym and recreational centers. Infosys currently employs over 3,300 people in China. It has already invested US\$ 23 million in capital. The current infrastructure can accommodate 4,200 people in China. Infosys China had revenues of over US\$ 78 million in fiscal year 2011.

Infosys China will continue to expand organically and seek acquisition opportunities in the country, despite lingering economic uncertainties in the European Union and the U.S. Infosys China is also looking at opening centers in Guangdong, as well as in cities further inland, although there are no concrete plans yet. Infosys China is definitely not going to ignore the chance of a presence in the south of China, which contributes a third of the country's economy with its large manufacturing sector and many banks.

Infosys established R&D centers in China for a number of reasons. First, they do so in order to meet their business needs. As noted earlier, China has become an increasingly important market and production

base so products need to be redesigned to meet local demand. Second, Infosys can readily take advantages of China's wealth of scientific research and technological talent. Infosys established R&D centers in regions where colleges and universities exist so they can recruit talent at lower cost than in other countries. In fact, R&D centers work cooperatively with many Chinese scientific research organizations. Last, setting up R&D center in China is a policy criterion that improves relations between governments. For seeking a long-

term presence in China, establishing R&D centers in the country not only wins favor from the Chinese government but also helps the business by helping them tailor products to the local market. It's a win-win situation for everyone involved.

However, Infosys' expanding in China was hampered by clients' concerns about China's poor intellectual property protection. Many clients, particularly European and American ones, are reluctant to have their work done in China due to poor IPR.

IX. References:

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