

## It should not always have to be Mumbai

By Marcus Heide

**India's mega-cities are expensive and infrastructural overwhelmed. But there are alternative locations for German SMEs to invest. For example, Surat, the eighth largest city in the country, of which only a few entrepreneurs in Germany have heard.**

The complaint was made online. Since days, a municipal construction crew has been working across the street to lay cables for automatic water meters. “The construction site is simply not progressing,” says Snehal Shah. That's why he informed the municipality via smartphone app. He received a complaint number in the same way with which he can follow-up, if the matter has been settled soon or work is still in progress.

This is the usual way of communication for many citizens of Surat with their municipality – via app. Recently, Shah has reported a dead dog on the sidewalk in front of his architect's office. It took less than three hours, then the carcass had disappeared – disposed of by the urban street cleaning. Whether birth certificate, application for passport or information from the land registry office, everything runs via the municipality app of the “Surat Municipal Corporation”. Even tax matters can be handled by all inhabitants in this way.

### Time has not stand still in India

In Germany digital communication with the municipality administration to this extent is not yet practised. Nevertheless, many Germans still consider themselves to be advanced than the Indians. Hunger, slums, chaos, filth, not to forget rape – that is the widespread image; in the best case you can add colour, spices and Bollywood. Only a few have noticed that in the largest democracy of the world time has not stand still and accordingly small and medium-sized companies are still hesitant. India exported goods worth almost 8,5 billion euros to Germany in 2016; conversely, Germany exported around 10,7 billion. A relative small amount considering a population strength of 1.3 billion people in India.

Considering the amendments and the economic reforms of the government under Prime Minister Narendra Modi, who holds this office since 2014, India is on the right track. Even though, according to the World Bank, the economic growth remained below expectation at 7.1 percent last year. But despite all the challenges – especially lack of infrastructure and corruption – India has become a high-tech country.

German companies are mostly situated in the well-known business metropolises of Mumbai, New Delhi, Bengaluru and Pune, the latter being the Indian centre of the German automotive industry. “But these cities are literally bursting at the seams and are now far too expensive,” says Amit Kalra. A German of Indian origin is Head of Business Development of the tool manufacturer Hilti based in Surat. Previously, he worked at the headquarters in Liechtenstein, before that at Umicore in Hanau in the German state of Hesse.

## High standard of living

Probably he would have considered to move to one of the above-mentioned Indian megacities. However, he was all for Surat. He adores “the quality of life here is one of the highest in India. Of course, the appearance of the city will not make this impact on international investors. For western eyes, it is as faceless as any other Indian cities. However, just because for this optical impact you do not see the benefits all at once. This does not mean that these are not given. “If German SMEs decide to invest in India, I can only recommend considering Surat to be the right location,” Kalra says.

In spite of being the eighth largest city in India with about 6 million inhabitants Surat is yet least known. It is located in the state of Gujarat, about 300 kilometres north of Mumbai. More than 90 percent of the world’s traded diamonds are grounded and polished in Surat. The other major historical business sector is the textile industry, with 60 percent of total polyester production for the Indian market.

A few more datas, which are unlikely to correspond to the German image of India: Almost 90 percent of Suratis can read and write, the unemployment rate tends to zero. There are practically no slums. Surat is the richest city in the country, ahead of Bengaluru and Chennai with the annual economic output currently expected to be around 42 billion euros (compared to Frankfurt: over 60 billion).

## Investment desired

“Among the Indian cities, Surat and its surroundings are, so to speak, one of the ‘hidden champions’,” Kalra says. “Land prices within a radius of 50 miles of Surat may be a tenth of that in Mumbai or Bengaluru.” Domestic and international companies in the steel and defence industries have settled in Hazira. Ankleshwar and Vapi are centres for the chemical and pharmaceutical industries where, for example, Bayer and the Heubach Group are represented. The transport infrastructure is excellent: the roads wider and more intact than elsewhere, the metro will roll in a few years, a new port is under construction and the domestic airport should soon have international connections.

Good pre-conditions for investments that are quite desired. “After decades of focusing on diamond and textile business, Surat’s economy should continue to diversify,” says Hetal Metha, Vice President of the Southern Gujarat Chamber of Commerce. Space and opportunities exist for many sectors – the manufacturing industry, pharmaceuticals and chemicals, engineering and construction. As an architect, for example, Snehal Shah is well aware of the economic development due to his contacts in the construction business: “Surat is on the way to becoming a ‘hospital hub’. Medical treatment is much cheaper here and is also considered better in comparison to Europe or the US. And we need to provide the right infrastructure in Surat to provide a feel-good environment. “

Business and trade representatives agree on the general advantages that characterize the city: Surat has been named the most clean city in the country and is considered to be one of the safest cities in India. There are well trained staff. Particularly interesting for entrepreneurs: there are no unions. While the picture in many other states shows workers are almost all-day on the streets, employers do not have to be afraid of this. Amit Kalra explains the reason: “Life here is easy going and income of people are above average. People are satisfied with

themselves and their way of life, but at the same time they are open to everything new, including new business contacts.”

### **Business friendly politics**

This is also due to the pro-business politics that Gujarat’s state government maintains. Instead of annoying companies with useless bureaucracy, as it is still a common practice in many states, they welcome them with open arms. “European investors are Gujarat’s key stakeholders in the economy,” says Mamta Verma, the state’s Industry Commissioner. The bi-annual “Vibrant Gujarat” industrial fair in Gandhinagar, the capital, has more than 2,000 exhibitors and one million visitors from all over the world.

While Americans, Japanese, Chinese, Scandinavians and British have started doing business here, the Germans are scarce. The prevailing image of India as a poor developing country holds back great economic opportunities. So, anyone who takes this as a chance and invests in the subcontinent and chooses to be in Surat may avoid the operational headaches faced in other Indian mega-cities.

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