

with Piolax and Kobelco among the first to invest.

Takeshi Akiyama, director, operations, Kobelco Construction Equipment India, part of the \$2.8-billion Kobe Steel Group, doesn't share Hoshino's love for spicy food but is equally enthusiastic about India. Akiyama first came to India in 2009, when Kobelco decided to set up operations here. It had a sales and service office in Noida but once the yen got stronger thanks to the Lehman crisis, the imports of these machines became uncompetitive, prompting it to set up operations here. After deciding that Mahindra World City was too posh for it, Kobelco zeroed in on Sri City. But what took Akiyama most by surprise was the speed at which things moved. "Ten months from when we made our decision, the plant was up and running. Ten months is the usual lead time in Japan but I was surprised that the same was possible here," says Akiyama. The plant assembles paints, ships 20- and 38-tonne hydraulic excavators and has the annual capacity to produce 1,200 machines every year. It invested ₹20 million (₹11.8 crore) in the project, with the total investment reaching ₹100 crore over a four-year period. The company has plants at six locations in Japan, China, Thailand and the US, and Akiyama is proud that machines coming out of the company's Indian factory match the standards of its overseas plants. "I didn't think we would be able to match our quality standards in Japan but we have Indian workers who are very eager to learn more about the Japanese manufacturing method," he says. "All I have to do is train them right and they are able to match up in terms of quality."

Making larger bets on the domestic market is fellow Japanese company, Isuzu Motors, which is investing around ₹3,000 crore

to manufacture SUVs and pickup trucks in India. "We chose Sri City since it provided us easy access to automotive hub Chennai," says Shigeru Wakabayashi, deputy managing director, Isuzu Motors India. "Our plant in Sri City is expected to be fully operational by 2016 and will have capacity for 50,000 units in the initial stage. After a few years, the capacity will be increased to 100,000-120,000 units." When the plant becomes fully operational, it will provide employment to 2,000 persons.

THE MNC BRIGADE

Europe has fair representation too, with French major Alstom and Italy's Danieli making sizeable investments. For Alstom, investing in Sri City was part of its strategy of being closer to its clients. The company has bagged an order to supply 42 trains to Chennai Metro as part of a €243-million (₹2,053-crore) order. The first nine, of which two have been delivered, will be built in its plant in Brazil and the rest at Sri City. Alstom will invest ₹250 crore in the facility, which is expected to be commissioned in 2014. Danieli, which manufactures stainless steel products for automotive, steel and bearing industries, has also invested ₹750 crore to set up a manufacturing facility.

But some of the largest investments have come from the FMCG sector. Mondelez India Foods is setting up its largest chocolate manufacturing facility in Sri City. "After evaluating several options and based on our own internal business needs, we decided to invest here as it is a unique world-class integrated business city with access to multiple logistics hubs," says Arjun Bhowmik, director, expansion, Mondelez India Foods. "We believe the location will help us strengthen our operations in south India, reduce delivered cost and improve product freshness." The

company will invest ₹1,000 crore as part of phase 1 of the project, spread over 134 acre. The project will be completed in four phases from 2015 to 2020 and will eventually have an annual capacity of 250,000 tonne. "We plan to begin operations by mid-2015 and the facility is expected to create close to 1,600 direct jobs by the year 2020," says Bhowmik.

PepsiCo is setting up its largest manufacturing plant in the township. As part of its plan to invest ₹33,000 crore in India by 2020, the company will spend ₹1,200 crore in setting up this greenfield facility, which will manufacture its fruit-based, carbonated and sports drinks. The plant is set to provide employment to over 8,000 people. FMCG heavyweight Kellogg's is also investing ₹200 crore to set up a manufacturing facility here, while Colgate Palmolive is setting up a toothbrush manufacturing unit investing ₹150 crore.

While companies from Japan, Europe and the US setting up shop

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—SEEMA NEHRA
Director, Pals Plush India



RA CHANDROO

“India is a growing market that everybody is watching closely. You need to move quickly here

—SHIGEO HOSHINO
President, Piolax India

in India may be common, what’s unusual about Sri City is that it has even got some companies that have moved from China. Take the case of Pals Plush, a Chinese toy-maker that is investing in India instead of scaling up operations in China. “Expanding in China was a challenge because there was limited availability of labour and wages were inching higher,” says Seema Nehra, director, Pals Plush.

The toy company zeroed in on India after ruling out Vietnam and Bangladesh. After a futile three-day hunt for locations in Chennai, the Pals Plush team was ready to give up when they were informed about Sri City. “We arrived here to check the location and went back only once we inked the deal. Thanks to their single-window clearance, we didn’t have to run around for approvals,” says Nehra.

Pals Plush, which has overall revenue of \$10 million and counts Disney, Hasbro, Kohl’s and Argo as customers, has set up its facility here at an investment of \$2 million. The facility houses 250 machines and employs 400 workers, compared with 180 employees and 120 machines in China. The company is planning to invest another \$2 million to increase the number of machines to 600 and workers to 800 by the end of 2014. Nehra says that by shifting operations to India, the company can offer a 7-15% discount to customers thanks to lower wage costs.

PUSHING AHEAD

Over the years, the journey hasn’t been hunky dory for Sri City. Post the Lehman crisis towards the end



RA CHANDROO

of 2008, several companies pressed the pause button on their plans here. Things started to slow down, but Sannareddy stuck to his decision to invest in the infrastructure. “We saw the slowdown as an opportunity to develop infrastructure at the lowest cost. We knew that unless we developed world-class infra, we wouldn’t be able to attract world-class companies,” he says. He adds that once the companies saw that the infra was in place, they started to sign up. Since



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Deputy MD, Isuzu Motors India

the export markets were looking lacklustre, the company set up a special domestic trade zone for multinational companies to help them improve their footprint in the domestic market. At full occupancy, Sannareddy expects Sri City to house 300-400 companies and provide employment to 300,000 people. Currently, Sri City and the companies in it provide direct and indirect employment to about 30,000 people. In the next three or four years, Sannareddy expects another 100 companies to sign up as infrastructure further improves.

While there are chinks such as power cuts and traffic en route the ports, companies that have invested in Sri City seem to be a happy lot. Some are looking to expand operations by the year-end. “Hopefully, the next time you come here, we would have expanded our facilities,” says Piolax’s Hoshino, pointing to a vacant plot adjacent to the current facility. “I am very bullish about the Indian market,” he says, one of the few people actually enjoying Chennai’s summer — not for its heat but for its delicious mango season. Sometimes, we all need an outsider to find the silver lining, and with customers like these, Sannareddy may not have too much to worry about. **OB**