



**MINISTRY OF FOREIGN AFFAIRS
OF DENMARK**
The Trade Council

DANISH COMPANIES IN INDIA

A SURVEY ON EXPECTATIONS AND BUSINESS CLIMATE



ROYAL DANISH EMBASSY
The Trade Council

ABOUT THE SURVEY

In December 2024, the Royal Danish Embassy in New Delhi conducted a survey of the 78 members and partners of Indo-Danish Business Association (IDBA), of which 32 responded, resulting in a response rate of 41%. The survey aims to identify key trends and perspectives within the Danish business community in India. It focuses on the general sentiments towards the Indian market including appetite for further investments and identifies key challenges faced by Danish companies. The following data reflects the responses and expectations of managers from Danish companies operating in India. These figures should be interpreted as indicative trends rather than exact measurements, offering valuable insights into the experiences and perspectives of Danish businesses in the country.

This survey will be conducted annually to track the evolving business environment for Danish companies in India. We sincerely appreciate the participation of those who contributed this year and encourage those who did not to take part in future editions.

To improve the completion rate, all survey questions were designed to be voluntary. As a result, not every company answered all questions. Therefore, the number of respondents who answered the respective questions is noted in each graph in the report to ensure transparency, i.e., $N = x$.

KEY TAKEAWAYS

The survey generally confirms the growing role of India as a market for Danish companies, with 70% of the respondents expecting India's importance to increase over the next five years. Key industries in the survey include energy, health, and environment, with major activities in sales, R&D, and manufacturing. Investment expectations indicate that 79% of the companies plan to expand operations, prioritizing R&D, procurement, services and sales followed by manufacturing. However, despite the positive trends, many companies face challenges both on the business side when it comes to competition, rising operational cost and talent attraction, but increasingly also from bureaucratic delays, policy inconsistencies and regulatory unpredictability. Thus, the general market climate is viewed positively, while the regulatory environment remains less favorable.

Chart 1: Companies Size (N=28)

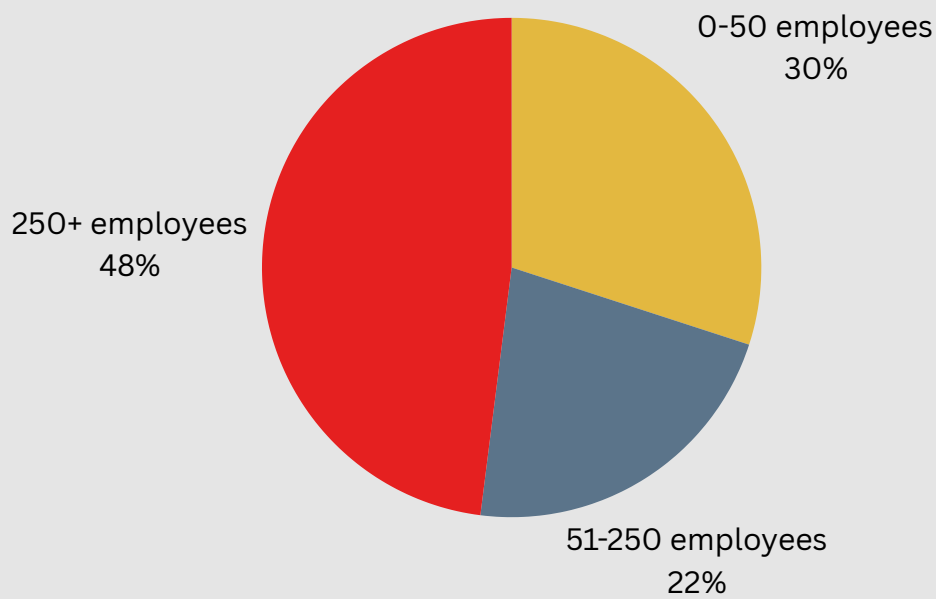


Chart 2: Industry Representation (N=27)

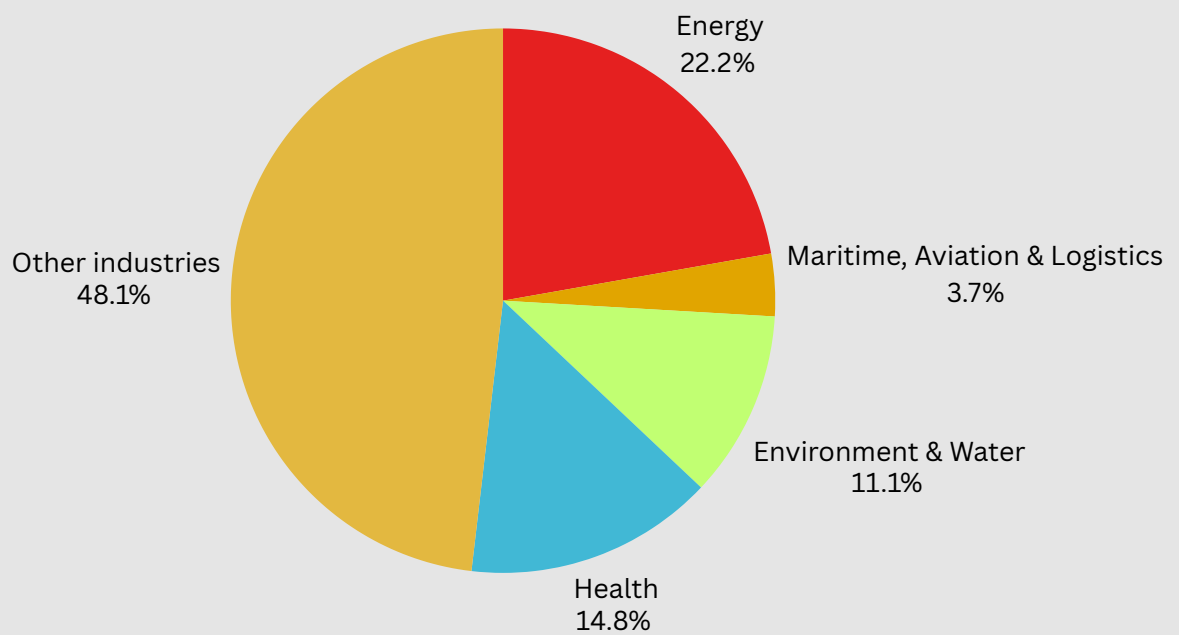
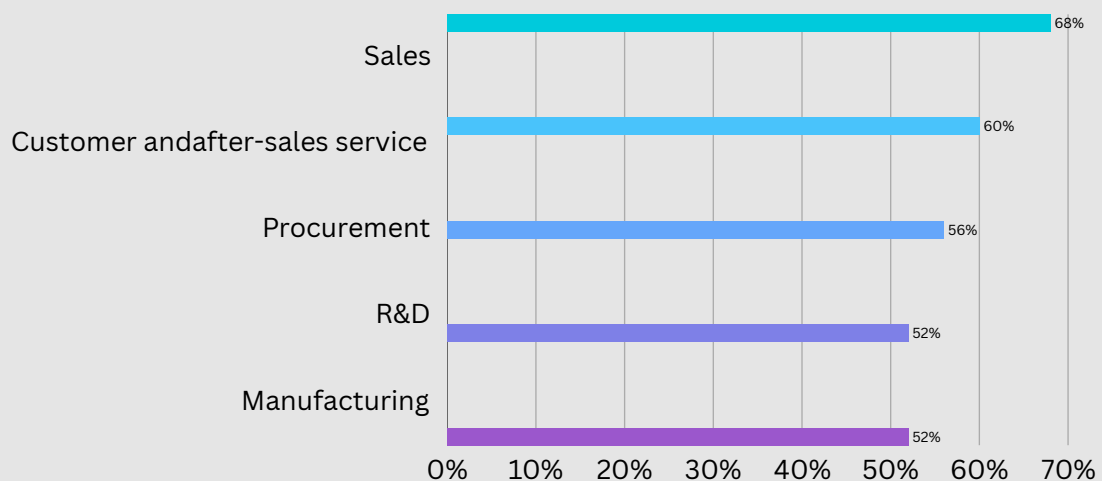


Chart 3: Business Activities (N=25)



PROFILE OF RESPONDENTS

a) Geographical Presence*

- The companies that responded are primarily headquartered in Tamil Nadu (47%) and Karnataka (27%).
- The highest levels of activity are reported in Maharashtra (46%), Tamil Nadu (43) %, Karnataka (36%), Gujarat (32%), Delhi (21%), Haryana (18%), and Telangana (11%), with operations extending across 26 states and union territories.

* Respondents could choose up to 3 different states with activity

b) Company Size*

- 48% of respondents represent companies with more than 250 employees.
- 22% have between 51-250 employees.
- 30% operate with 0-50 employees.

* Include employees of all subsidiaries or sister companies located in India

c) Industry Representation

The largest main industries among the respondents are:

- Energy (22%)
- Health (15%)
- Environment & Water (11%)
- Maritime, Aviation & Logistics (4%)
- Other industries (48%) include IT consulting, construction, science, tourism, infrastructure, transport infrastructure, technology development, retail, mining and cement, manufacturing, integrated logistics, and building materials.

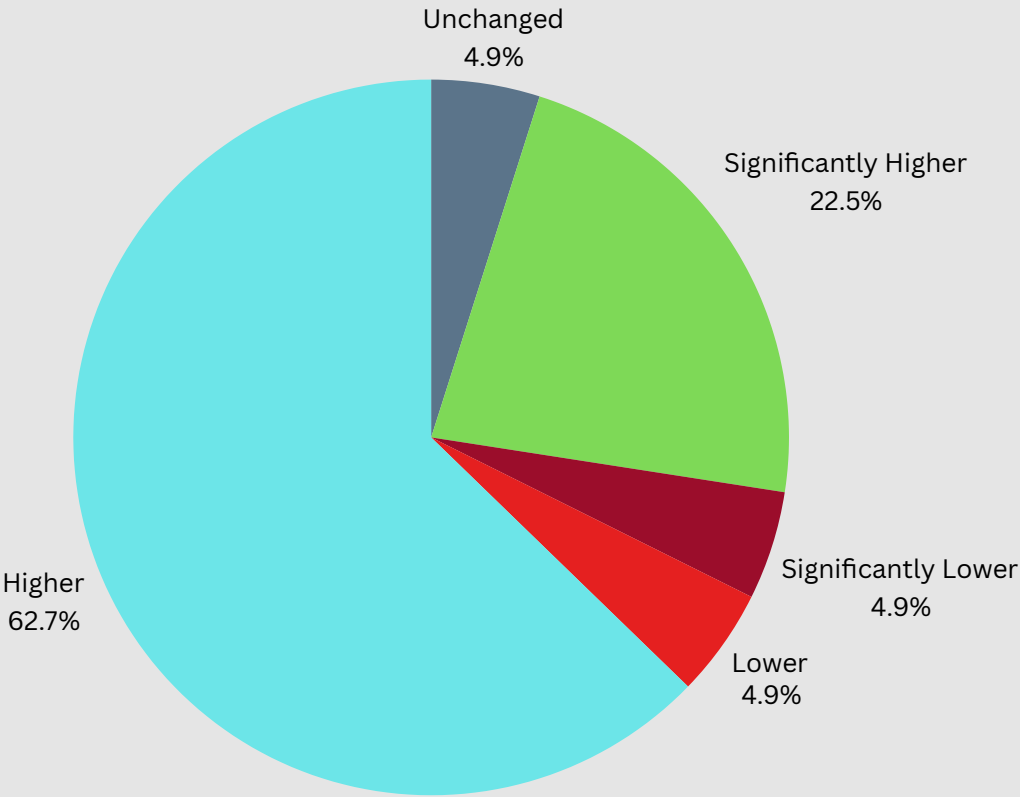
d) Business Activities*

- Among the respondents, the most common business activities in India are:
 - Sales (68%)
 - Customer and after-sales service (60%)
 - Procurement (56%)
 - R&D (52%)
 - Manufacturing (52%)

Of the companies engaging in manufacturing, 23% has production serving the Indian market exclusively, 15% serving other international markets exclusively, and 62% has a combination of both.

* Respondents could pick multiple categories

Chart 4: Expected turnover in India for the next two fiscal years (N=22)



THE IMPORTANCE OF INDIA (EXPECTATIONS)

Based on the responses, there is a clear trend indicating that India is becoming an increasingly attractive market for Danish companies. A significant majority of companies expressed a positive outlook regarding their expected turnover in India for the next two fiscal years. Specifically, 23% anticipate a significantly higher turnover, while 64% expect a higher turnover in FY25 and FY26 compared to FY24.

Moreover, positive trends are evident across key areas such as investment location, supplier market, sales market, manufacturing, and R&D.

a) Investment Location

- 45% of the companies reported an increase in India's attractiveness as an investment location over the past two years, while 50% noted no change, and 5% observed a decline.
- Looking ahead, 70% anticipate India's importance as an investment destination to grow over the next five years. This indicates a rising confidence in India as a stable and profitable investment destination.

b) Supplier Market

- 42% of the companies experienced an increase in the attractiveness of India's supplier market over the past two years, 53% reported no change, and 5% observed a decline.
- Over the next five years, 58% expect further improvement, 26% anticipate it will remain unchanged, and 11% anticipate a decline.
- India's supply chain ecosystem is strengthening, likely due to improvements in infrastructure, localization strategies, and efforts to reduce dependence on Chinese suppliers.

c) Sales Market

- Over the past two years, 50% of the companies saw growth in the sales market, 25% reported no change, and 15% experienced a decline.
- Looking forward, 60% expect the sales market to expand, while 30% anticipate it will remain unchanged.

- India's expanding middle-class population, urbanization, and digitalization provide new business opportunities. Based on the responses, Danish firms particularly in energy, healthcare, and environment-related sectors, see strong demand growth.

d) Manufacturing

- 39% of respondents noted an increase in the attractiveness of India for manufacturing over the past two years, while 17% reported no change and 11% observed a decline.
- Over the next five years, 39% expect manufacturing to gain importance, while 28% foresee stability in this area.
- India's Make in India initiative, tariffs and rising trade barriers are driving interest in setting up local manufacturing.

e) Research & Development (R&D)

- 53% of companies reported an increase in India's attractiveness for R&D activities over the past two years, while 32% noted no change.
- Looking ahead, 65% anticipate greater importance of R&D in their business operations, while 15% expect it to remain unchanged.
- India's growing tech talent pool and cost-effective innovation hubs make it an attractive destination for R&D. The respondents are increasingly looking at India for product development, engineering solutions, and software innovation.

Overall, these findings suggest that Danish companies increasingly recognize India as a key market with strong potential for investment, growth, and innovation. The strongest trends are seen in investment, sales, and R&D, highlighting India's role as an emerging global business hub. However, to fully capitalize on these trends, Danish firms need to navigate regulatory complexities and strengthen local partnerships.

f) Investment expectations*

The survey reveals that 79% of the companies plan to expand their operations in India over the next two years. The key drivers behind these expansion plans include the need to remain competitive (33%), increased localization demands from Indian partners (47%), and high expectations for market expansion and economic growth (60%). Additionally, supply chain diversification due to geopolitical factors (33%), innovation opportunities with Indian firms (27%), PLI schemes (7%), and planned investments from previous years (7%) have further motivated these investments.

Chart 5: How India's attractiveness has developed in the following areas during the last 2 years. (in%) (N=20)

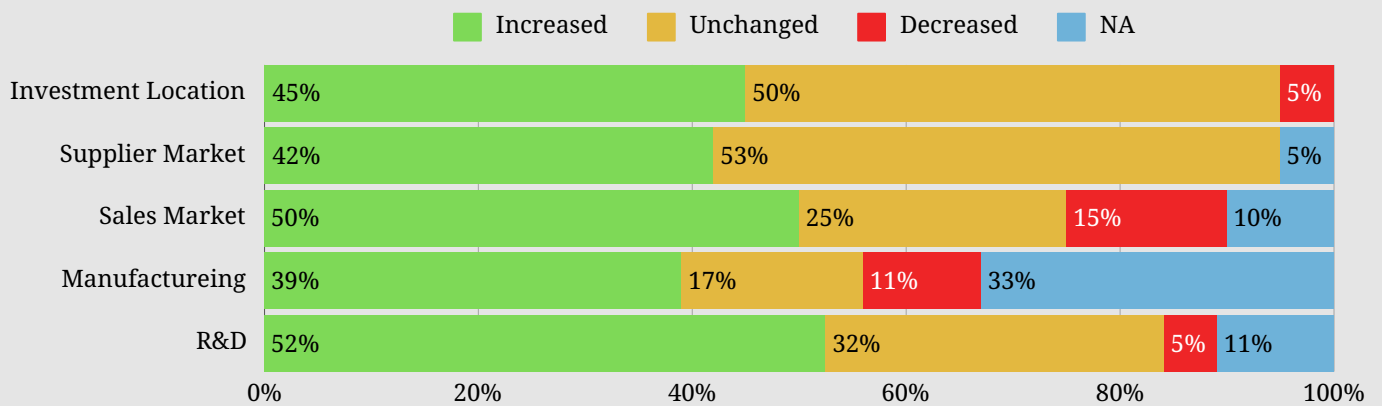


Chart 6: The expectations of India's importance to the Danish companies over the next 5 years in the following areas. (in%) (N=20)

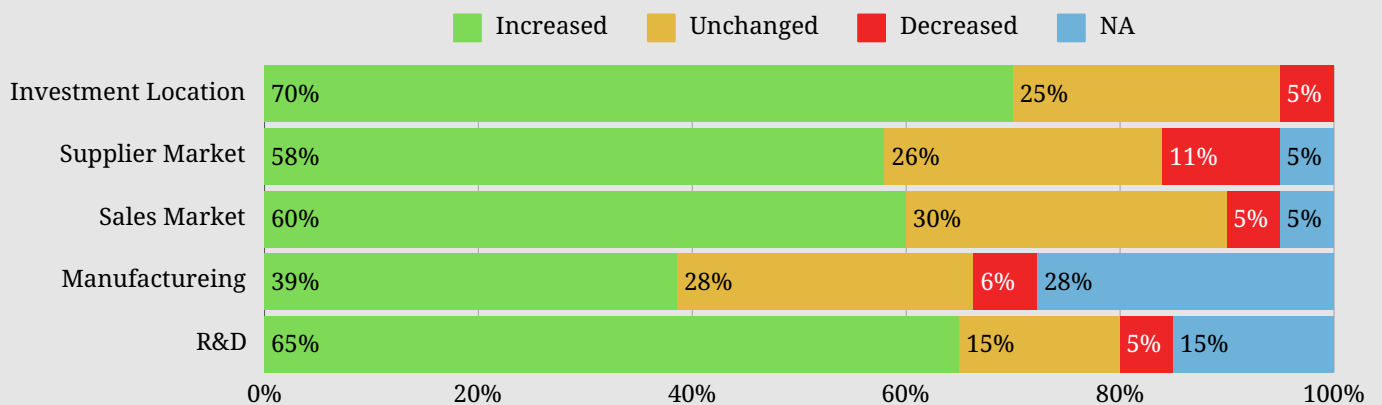
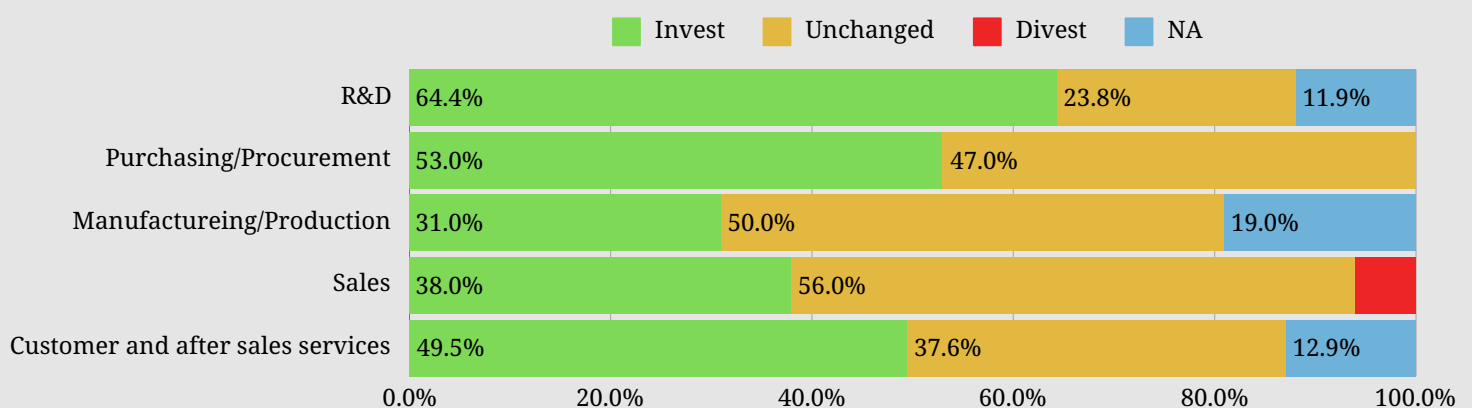


Chart 6: The expectations in terms of investments in India (in%) (N=20)

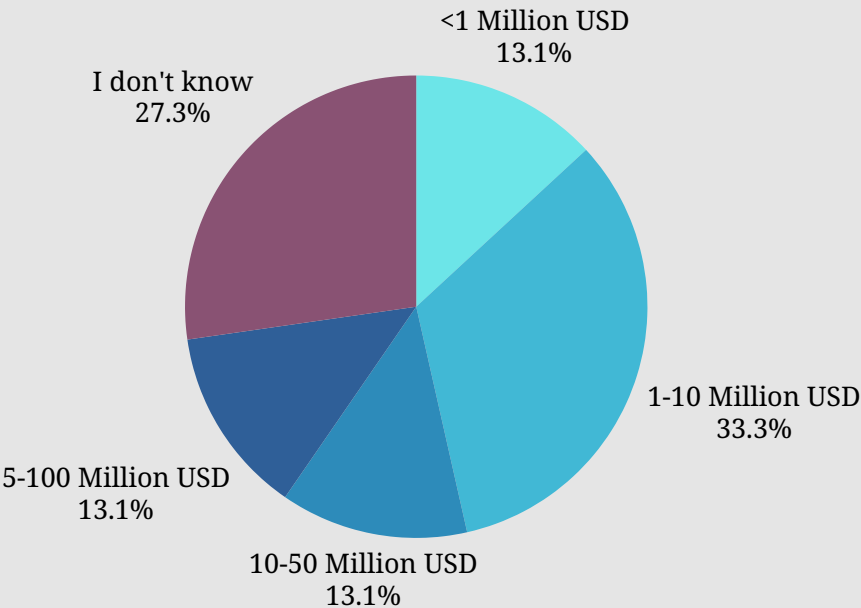


R&D remains a major focus, with 65% of companies planning to invest in research and development, reflecting the importance of India's skilled workforce and cost-effective innovation capabilities. Procurement (53%) and customer and after-sales services (50%) are also investment priorities, demonstrating a commitment to strengthening operational efficiency and customer engagement. Meanwhile, 38% of firms aim to expand their sales operations, while 31% plan to enhance their manufacturing footprint in India. The slightly lower expectations in terms of manufacturing despite the global push for diversification of supply chains and the fact that 50 % of respondents already have production activities in India, may indicate that India continues to be less competitive as a production hub compared to other countries in the region.

Only 5 % of the companies are planning to decrease capacity in India with reference to regulatory challenges, supply chain disruptions, bureaucratic delays, inconsistent government policies, large investments made in the past, infrastructure bottlenecks, and rising protectionism (e.g., import tariffs).

* Respondents could pick multiple categories

Chart 6: Amount that companies are planning to invest in India in the next 2 years
(N=15)



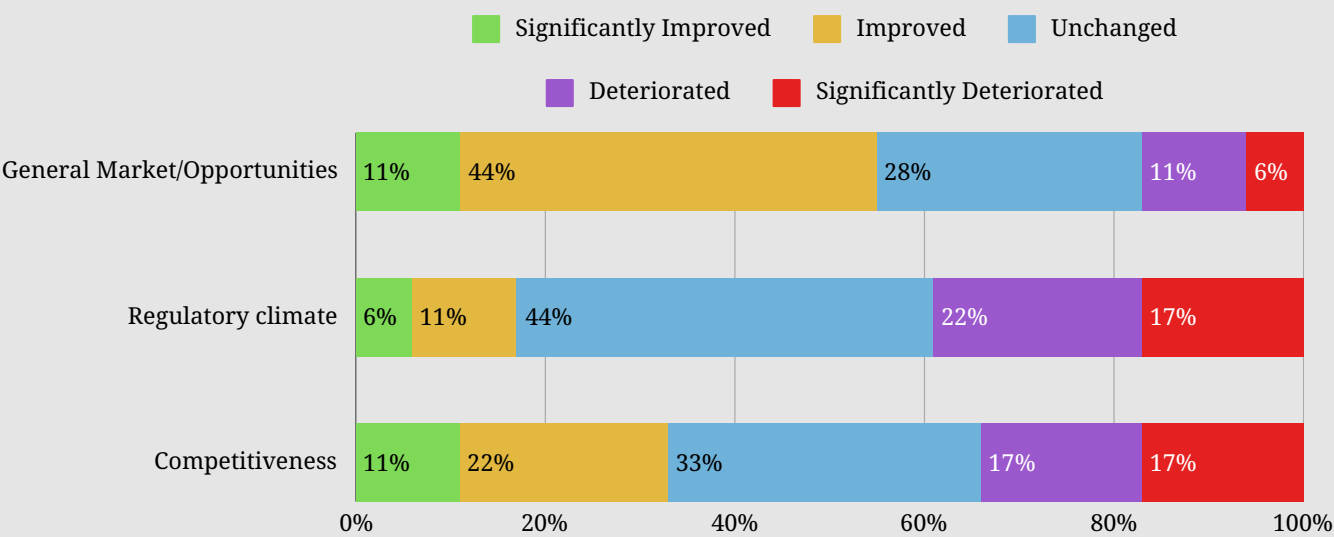
CHALLENGES FACED BY DANISH COMPANIES IN INDIA

A majority of the respondents have seen a positive development in the general business climate in India over the last 2 years. Specifically, 11% of respondents perceive a significant improvement, 44% report an improvement, 11% indicate deterioration, and 6% observe a significant deterioration while 22% said there was no change.

In contrast, sentiments towards the regulatory climate are less favorable. Only 6% of respondents report a significant improvement, 11% note an improvement, 44% indicate no change, 22% observe a deterioration and 17% reported significant deterioration.

Regarding local competition within respondents' sectors in India, 11% report a significant improvement, 22% see an improvement, 33% indicate no change, 17% observe a decline and another 17% stated significant deterioration.

Chart 7: Local competition within respondents' sectors in India



KEY CHALLENGES IDENTIFIED

In the survey companies were asked to rank the top 3 challenges and were provided with the opportunity to elaborate. According to the survey, the most pronounced challenges faced by the companies are:

1. Finding and retaining qualified staff (44%)
2. Bureaucratic delays (44%)
3. Competition (39%)
4. Rising operational costs (28%)
5. Regulatory issues (28%)
6. Cultural misalignments (22%)

Other challenges include:

- Import tariffs (17%)
- Geopolitical uncertainty (17%)
- Supply chain issues (17%)
- Local content requirements (11%)
- Corruption (11%)
- Intellectual Property Rights (IPR) (6%)
- The Quality Control Order (QCO) system (6%)
- Land acquisition (6%)
- Subsidies for domestic producers (6%)

Despite India's increasing attractiveness, Danish companies operating in the country clearly face numerous challenges that impact their growth and operational efficiency. One of the most significant concerns is finding and retaining qualified staff with approximately 44% of respondents identifying this issue. Based on the qualitative input respondents cited high employee turnover and competition for skilled professionals as key obstacles. Many companies invest in training employees, only to see them leave for better opportunities. Furthermore, there is a shortage of specialized skills in fields such as Power System Engineering and Agile Project Management, leading to increased hiring costs.

Another major issue is bureaucratic delays, which 44% of companies reported as a barrier to business operations. Respondents highlighted the lengthy approval processes for permits, tax registrations, and policy adaptations cause significant inefficiencies. The slow response times from government ministries and regulatory agencies often delay investments and expansions. Additionally, the lack of coordination between state and central governments exacerbates the complexity of compliance, making it difficult for businesses to navigate the system.

Competition from other firms presents another challenge, with 39% of respondents expressing concern about maintaining their competitive edge. Respondents cited that Indian businesses, particularly those with strong government connections, often secure contracts more easily, placing foreign firms at a disadvantage. The pricing pressures from Chinese competitors in the renewable energy and wind energy sectors further compound these challenges, making it difficult for Danish firms to maintain profitability without sacrificing quality. The prevalent Least Cost Selection (LCS) criteria in tendering processes was also highlighted as a challenge that makes it harder for Danish firms that prioritize high-quality products and services over cost-cutting.

Rising operational costs have also emerged as a significant challenge, with 28% of respondents highlighting increased expenditures related to rent, energy, and logistics. While India remains more cost-effective compared to many Western countries, respondents stress that growing inflation, supply chain inefficiencies, and infrastructure limitations drive up operational expenses. Import tariffs add another layer of financial burden, with 17% of respondents indicating that inconsistent and high duties increase costs unpredictably. For example, while hearing aids are exempt from tariffs, accessories face a 34% import duty, causing regulatory disputes and affecting market competitiveness.

Regulatory issues remain a persistent concern, with 28% of companies struggling with sudden policy changes that affect their long-term planning. Companies in the renewable energy sector, in particular, stress that the sector has been affected by fluctuating policies and unpredictable government decisions. The health sector is also experiencing challenging and constant changing regulatory environment. Further, the tax regime and lack of regulatory enforcement also lead to market distortions and creates an unpredictable business environment.

Cultural and structural differences between Danish and Indian businesses also play a role in operational challenges. Cultural misalignments, cited by 22% of companies, stem from differences in business ethics, decision-making speeds, and employee expectations. While Danish firms operate with a structured and long-term strategic approach, many Indian counterparts are accustomed to a faster-paced, hierarchical system which is important to understand in order to ensure success. Additionally, language barriers in customer service and R&D interactions create further difficulties in business operations.

Geopolitical risks add another layer of complexity. Around 17% of respondents expressed concerns regarding India's geopolitical positioning, particularly in relation to the Russia-Ukraine war and NATO sanctions. Ongoing border tensions with China also contribute to supply chain instability and trade restrictions, affecting Danish companies reliant on cross-border collaborations.

Supply chain disruption is another key obstacle for 17% of respondents. While India's infrastructure is improving, respondents highlight that challenges such as port congestion, customs delays, and inconsistent quality standards among suppliers still hinder smooth operations. Danish firms that require highly specialized components must often provide extensive training and quality control measures to bring Indian suppliers up to global standards.

Additional challenges include local content requirements (11%), where companies must comply with India's "Make in India" policy despite difficulties in setting up manufacturing facilities. Corruption (11%) remains a concern, with some firms encountering issues in obtaining approvals and clearances efficiently. Intellectual property rights (IPR) protection, Quality Control Order (QCO) regulations, and land acquisition complexities (each affecting about 6% of companies) further complicate the business environment.

Despite these obstacles, Danish companies continue to invest in India, recognizing its vast market potential. Many firms are developing strong local partnerships, engaging in regulatory advocacy, and leveraging automation and digital transformation to navigate the challenges.



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