

[ CIRCA 2007 65,000 JOBS ]

# SMALL INDIA CREATES BIG JOBS FOR US



## SMEs, Midcaps High On M&As

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MUMBAI/NEW DELHI

THIS piece of information involving India's small entrepreneurs could embarrass Senator Barack Obama on the most crucial day of his political career. For all his criticism about Indian firms sucking up US jobs, one of America's top consulting firms has said on the contrary, Indian companies are creating more jobs in his country.

"Our estimate is that in 2007 alone, Indian firms that set up shop in the US through greenfield units or via acquisitions created no less than 65,000 jobs," said Federation of Indian Chambers of Commerce and Industry (Ficci) secretary-general Amit Mitra. Ernst & Young has conducted a study called 'Report on Direct Investments in USA by Indian Enterprises' for the industry association. More interesting is the fact that nearly three-quarters of the companies that were shopping in the US were small and medium enterprises (SMEs) or midcap firms.

The E&Y report found that of the 46 companies that went to the US in 2007, 33 (or 72%) were categorised as SMEs and midcaps. That's not all. Of another 14 firms that invested in the US until March this year, over 50% belonged to the SME and midcap category. Says Mr Mitra: "SMEs alone have created over 35,000 jobs in the US in the past year. It is

also important to note that Indian firms are acquiring and reviving companies that were either closed or facing closure, giving hope of new job opportunities."

India has invested in the US thrice as much as the latter has in India in the indirect investment segment as well. And the investments are only going to increase in the years to come. Setco Automotive executive director Udit Seth said, "We needed people who could understand the demographics and psychographics of any market to the best. And who could understand it better than people staying in that area; so we have over 60 Americans working for Haldex Brake Products, which we acquired a year ago."

Of the 86 M&As in 2007, 33 were by SMEs. The M&As were valued at \$4.3 billion in 2005, crossed the \$15-million mark in 2006 and breached the \$35-billion level in 2007, according to the E&Y study.



### SMALL IS BEAUTIFUL

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## Around 80 Indian SMEs and midcaps in US

► From Page 1

ACCORDING to Ficci officials, there are around 80 Indian SMEs and midcaps with a presence in the US, and all of them are generating employment in the country. Though the investments made by these companies are minuscule compared with larger groups such as the Tatas and Essar, cumulatively these firms create substantial employment opportunities in the US.

'Invest in USA: The Indian story', published in the Chicago Chronicle, was an initiative Indian SMEs participated in along with biggies such as Tata, Essar and Reliance a few months ago. Of this 40-company delegation that travelled to the US, 15 were in the SME category. In 2007-08, investment including big companies in America was \$10.25 million. "Around 60% of the companies generating employment and investing in the US are SMEs," adds Mr Mitra.

According to the promoters of companies that have invested in the US, senior positions are also held by US citizens now, which wasn't the case before. "About 70% of our management consists of Americans in the US and British in the UK. In the past couple of years, we have invested around \$60 million in these countries and have carried out five deals in the US," says Core Projects and Technologies CMD Sanjeev Mansotra. The IT company acquired and increased stakes in five US companies. Of the total 46 investments made in the US in 2007, over 22 were by IT companies while pharmaceutical firms ranked second with four deals in their kitty.