COMPANIES

Japan's Daikin to take its Indian business model to Africa

Farm machinery maker Kubota plans to export to Africa from India

From left, Kubota President Yuichi Kitao and Kanwal Jeet Jawa, a Daikin Industries regional general manager, discuss their expansion plans for India and Africa in Tokyo on Feb. 26. (Photo by Nikkei)

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TOKYO -- Japanese air conditioner maker Daikin Industries aims to become the "No. 1 player in Africa" by replicating its success in India, a senior executive told an event in Tokyo on Wednesday, while the president of farm equipment maker Kubota said the company intends to utilize India as an export hub for shipments to Africa.

The two spoke at the Japan-India-Africa Business Forum, organized by Nikkei and Japan's Ministry of Economy, Trade and Industry.

Kanwal Jeet Jawa, a regional general manager for Daikin Industries, said that "the products developed in India are compatible to African markets as Africa has similar climate conditions and market environments [to India]." Both markets also pose similar business challenges such as scarce electricity, poor infrastructure and workforce issues, he said.

Africa has "What we have experienced in India about 20 years back -- where consumers are also price conscious and there is an intense competition and variety of brands," Jawa said. "We want to transfer business practices."

He specifically mentioned Nigeria, Ghana and South Africa as expansion destinations. He added that Daikin will undertake the expansion by leaning on its "learnings and the success" in East Africa.

Kanwal Jeet Jawa, a Daikin Industries regional general manager, speaks during the Japan-India-Africa Business Forum in Tokyo on Feb. 26. (Photo by Nikkei)

Daikin started selling air conditioners in India in 2000. According to Jawa, Daikin has strategically invested in multiple factories and research and development centers, and has made strategic acquisitions in India. In the past decade, its India business has grown by a factor of 10.

Daikin operates an assembly facility for air conditioners in Nigeria and a sales office in Egypt. It also trains skilled workers in Kenya and Tanzania.

Meanwhile, Kubota President Yuichi Kitao said, "We will foster [our tractor business] in Europe, Africa and Asia by using India as an export hub." The Japanese agricultural machinery maker acquired local tractor maker Escorts in 2022 to further expand its business. It had set up a sales office in India in 2008.

"We aim to double our market share and production volume [in India] by 2030," Kitao said.

Kubota plans to combine its strengths -- high-quality and durable products -- with Escorts' prowess in design, development and low-cost manufacturing. The Japanese company plans to spend 500 billion yen ($3.23 billion) over five years on research and development for new farm and construction equipment to be launched in India and North America.

Kubota President Yuichi Kitao speaks during the Japan-India-Africa Business Forum in Tokyo on Feb. 26. (Photo by Nikkei)

Kitao said demand for food is expected to surge in Asia and Africa due to population increases. The company projects demand will double in Asia by 2050 compared to 2010. "The mechanization is essential in agriculture," he said, adding that his company is shooting for more tractor and combine harvester sales in Africa.

Indian human resources are also key for many Japanese companies that face a labor shortage at home. Hideyuki Aoki, the Japan country head at Infosys, India's second largest IT company, emphasized the importance of acquiring talent in India. "It's urgent [for Japanese companies] to secure Indian IT personnel," he said. As the Japanese government aims to conduct personnel exchanges involving over 50,000 people, including those in the IT industry, with the South Asian country, Aoki expects that the personnel exchanges would be more active.

He added that Indian companies have long operated in Africa and Indians have high language skills. "Japanese companies should consider opportunities to expand into Africa together with talented Indians."

Kazuya Nakajo, executive vice president at the Japan External Trade Organization, noted some challenges Japanese companies have to overcome when expanding in Africa. "Labor costs in Africa are higher than in India, especially in countries that have manufacturing potential, such as South Africa," Nakajo said. "Therefore, it is more reasonable to manufacture in India and then take the products to Africa."