



Enhancing the Competitiveness of the Japanese Industrial Zone, Neemrana

Rajasthan’s **Japanese Industrial Zone (JIZ) in Neemrana**, established as one of India’s first dedicated hubs for Japanese manufacturing has significantly contributed to high-tech industrial growth. However, its long-term competitiveness is threatened by systemic challenges, including infrastructural deficiencies, resource constraints, regulatory burdens, and employee welfare concerns.

The Indian Embassy in Tokyo celebrated **Neemrana Day** on September 11, 2024, reinforcing the zone’s importance in India-Japan economic relations and highlighting investment potential. This policy brief compiles insights from the comprehensive survey by CUTS International, underscoring key policy interventions required to enhance Neemrana’s industrial performance.

Industrial Significance

Key Economic Indicators

- **Surrounding Industrial Ecosystem:** Located along NH-48 near Delhi, JIZ benefits from Neemrana Industrial Area Phases I & II, Export Promotion Industrial Park, and Kolila Joga. The 113.34-hectare Multimodal Logistics Park at Kathuwas enhances connectivity.
- **Land Allotment & Investments:** Land is allotted on a 99-year leasehold basis with major investments from Japanese firms like Daikin, Nissin Brake, Mytex Polymer, and Nippon. The Rajasthan government has earmarked ₹150 crore for development projects in Neemrana and Ghiloth.
- **Policy Incentives:** The 2006 MoU between Japan’s External Trade Organisation (JETRO) and RIICO facilitated Japanese investments with tax reductions. Initially, interest was limited, but gradually gained traction with India’s focus on infrastructure, like the launch of DMIC.

Indicator	Neemrana JIZ
Total Area	1,166 acres
No. of Companies	55
Employment Generated	27,000+ (Neemrana-Ghiloth Industrial Area)
Major Industries	Automotive, Electronics
Inward Investment	₹6000+ Crores

Key Challenges Hindering Neemrana’s Growth

➤ Infrastructural and Operational Gaps

Despite its connectivity, poor street lighting, frequent thefts, and inadequate drainage systems disrupt industrial activities. Water scarcity remains a critical concern due to groundwater depletion and inconsistent supply from RIICO.

"RIICO verbally commits to supplying 1 kilolitre per square metre of industrial land, but this is not met," a local worker noted.

Policy Insights:

- Rajasthan could scale the PHED’s partnership with civic body officials of **Denmark’s Aarhus** for water management strategies, integrating rainwater harvesting and wastewater recycling for industrial zones.
- The **Eastern Rajasthan Canal Project (ERCP)** can serve as a long-term solution.

➤ **Rising Power Costs**

Power supply in Neemrana is stable but expensive, pushing firms to rely on diesel generators, further increasing costs.

Policy Insights: Grid modernisation; Subsidised solar power adoption for industrial clusters.

➤ **Supply Chain and Local Procurement Challenges**

Most Japanese firms in Neemrana rely on **imported raw materials**, particularly from Japan, raising costs and limiting local supplier development.

Policy Insights:

- Create **supplier development programs** to enhance **local manufacturing capabilities** and reduce dependence on imports.
- Encourage **joint ventures between Japanese firms and local MSMEs** to promote backward integration.

➤ **Labour Constraints and Workforce Retention**

While wages remain competitive, high commuting costs, lack of housing, and inadequate healthcare facilities cause high attrition rates.

"High commuting expenses erode wages by 10-15 per cent." a factory supervisor reported.

Policy Insights: Establishment of Employee State Insurance hospital in Neemrana, **Affordable worker housing** using the PPP model; **Subsidised public transport** to reduce commuting expenses.

➤ **Regulatory Hurdles for Japanese Firms**

Japanese firms cite **complex compliance requirements, double taxation issues, and strict exit regulations** as major concerns. Exiting operations under Indian laws remains difficult for companies with over 100 employees, discouraging expansion.

Policy Insights: Actualising the single-window clearance system; Re-evaluate industrial exit norms to make them more flexible for large firms.

Policy Roadmap for Enhancing Neemrana’s Competitiveness

Issues	Key Policy Solutions	Expected Impact
Water Shortage	Scaling Aarhus water model, Implementing ERCP	Long-term industrial viability
High Power Costs	Grid modernisation, Subsidise solar power adoption	Lower operational expenses
Import Dependence	Supplier development programmes	Local industry boost
Labour Shortages	ESI hospital, worker housing	Improved retention
Regulatory Delays	Actualising Single-window clearance	Faster business approvals

Strategic Positioning: Neemrana as Japan’s Alternative to China?

Japan’s **Supply Chain Diversification Initiative** seeks to reduce dependence on China by shifting manufacturing hubs. Neemrana offers lower labour costs and a more flexible regulatory environment than China, which can be effectively marketed to gain more investments.

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