



India: Opportunities & Challenges

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TATA STRATEGIC MANAGEMENT GROUP



India: A land of contrasts

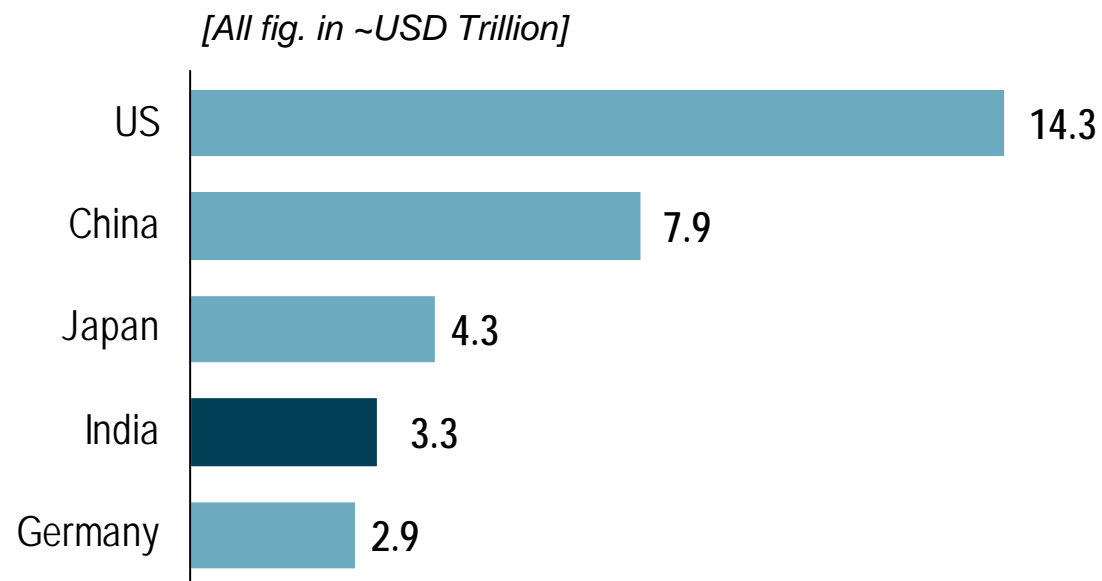
Many achievements – world's largest democracy



~700 m registered voters with a free press and media

India: A land of contrasts

Many achievements – 4th Largest economy (PPP) – 2008



~USD 3.3 Trillion (PPP)

India: A land of contrasts

Many achievements : 2nd highest GDP Growth rate amongst large economies



GDP Growth Rate (2008-09)

India: A land of contrasts

Many achievements : Amongst 3 countries to have built a supercomputer



EKA : No. 18th amongst super computers (132 TF speed)

India: A land of contrasts

Many achievements - Amongst 7 countries to have built a car indigenously



Cars : Indica, Nano. MUVs : Scorpio, Xylo, Safari

India: A land of contrasts

Many achievements : Amongst 6 countries conducting a moon mission



Spacecraft in lunar Orbit - Chandrayaan 1 (2008)

India: A land of contrasts

Many achievements : Global hub for R&D



The miracles of science™



GE imagination at work



Used by One fifth of Fortune 500 companies

India: A land of contrasts

Many achievements : Global source of Software services

HCL



TATA CONSULTANCY SERVICES



Infosys[®]



For 220 of Fortune 500 companies

India: A land of contrasts

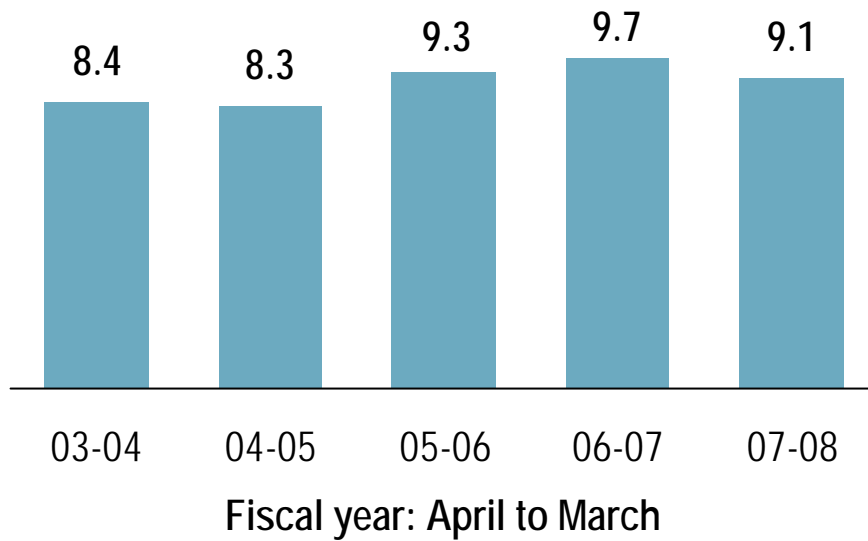
Also, numerous challenges

- > Average Per capita Income \$1,010 p.a. (\$ 3,357 pa PPP)
- > 22% population below poverty line
- > Inadequate infrastructure: Roads, airports, seaports, power, mass transit
- > Multiple local/state taxes and regulations. Entrenched bureaucracy
- > Rank 122 in 'Ease of doing Business' (World Bank)

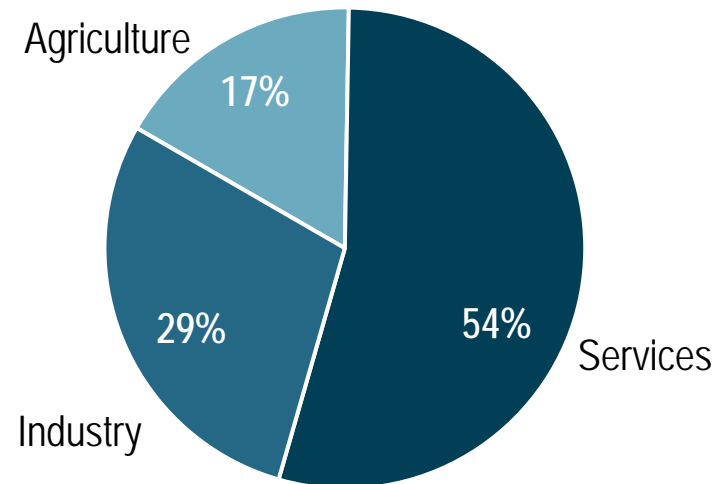
Recent Economic Performance

Real GDP growth [%]

5 year Average 9% p.a.

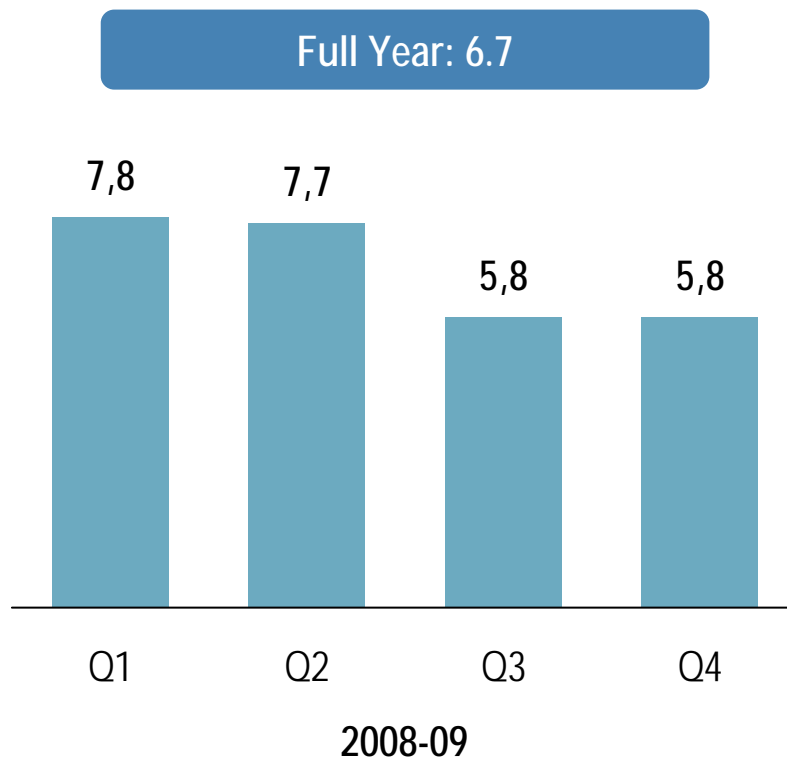


Origin of GDP (2008-09)



2008-09: A slowdown

REAL GDP GROWTH %



Q3 Slowdown caused by:

- > Exports drop
- > Freeze in trade credit
- > Exit of foreign funds

Government action

- > Credit flow restored
- > Fiscal stimulus
- > Monetary easing

2008-09 : Factors behind India's resilience

FUNDAMENTALS OF INDIA'S ECONOMY

- > Exports of goods~ only 16% of GDP
- > Savings ~ 35% of GDP
- > Investment ~ 37% of GDP
- > Private Consumption ~56% of GDP
- > Healthy Banks (No bankruptcies)
- > Forex reserves ~ USD 260 Bn (June 20, 2009)
(Short term foreign deposits & debt ~ USD 80 Bn)

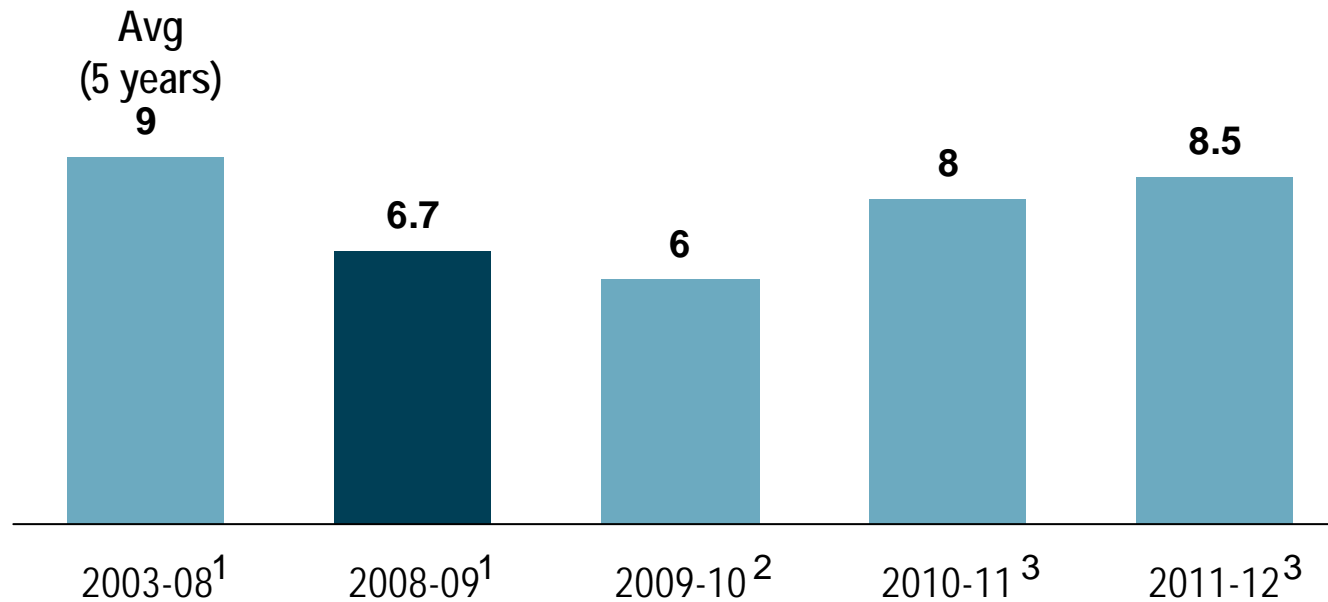
May 2009 : General Elections and a new Government

Political Stability and Reforms

- > Congress Party – emerged stronger
- > Coalition Govt. dominated by Congress. More Stability
- > Growth and Reform oriented policies expected.
 - Disinvestment in State Owned Cos. (No privatization)
 - Uniform VAT across India – Unified Goods & Services Tax (GST)
 - Financial sector reforms : Banking, Bond market, Pension scheme (No full convertibility)
 - FDI – Liberalization in Insurance, Banking, Aviation (Unlikely in Retail)
 - Thrust on infrastructure through public-private partnerships

Future – A recovery to healthy growth by 2010

Real GDP Growth (%)



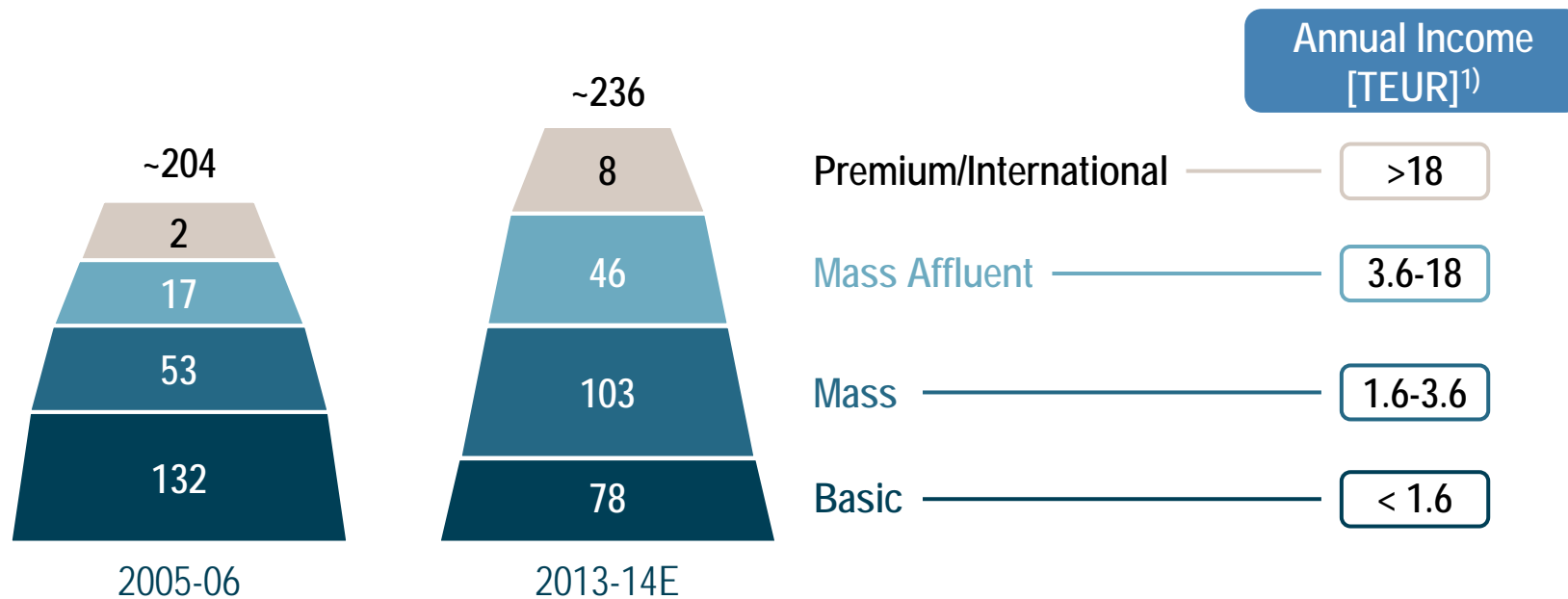
Note :

1. Govt. of India
2. Analyst Forecast
3. World Bank

Year Starting April 1

Mid income households are expected to grow rapidly

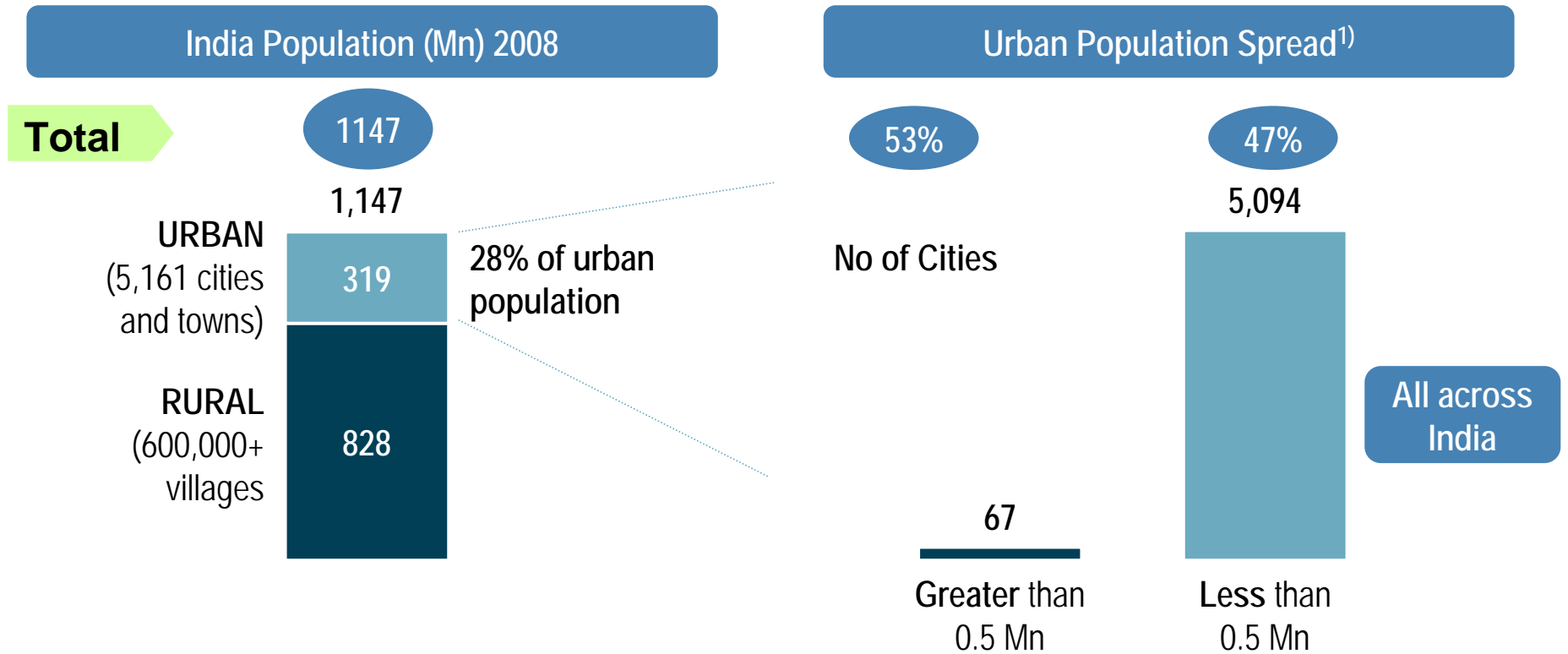
Income pyramid: India



No of Households in Million (at 2005-06 Prices)

72% population is rural. Urban comprises ~ 5000 cities

Population Distribution : Urban-Rural Dispersion



1) Urban split based on 2001 census data

Source: Census India, Marketing Whitebook, Analysis by Tata Strategic

Opportunities in India : Investment Commission Report

Knowledge Partner: Tata Strategic Management Group

Infrastructure



Over US\$380 bn of investment needed in 5 years

- > Power
- > Telecommunication
- > Roads
- > Civil Aviation & Airports
- > Petroleum & Natural Gas
- > Urban Infrastructure

Service



Over 100% growth in demand for key services in the next 5 years

- > Banking & Finance
- > Insurance
- > Real Estate & Construction
- > Retail
- > Tourism

Manufacturing



Over US\$180 bn of investment opportunity in 5 years

- > Metals: Steel, Aluminum
- > Textiles & Garments
- > Electronics Hardware
- > Chemicals
- > Automobiles
- > Auto Components
- > Gems & Jewellery
- > Food & Agro Products

Resources



Large reserves with over US\$40 bn of investment opportunity

- > Coal
- > Metal Ores
- > Oil & Gas Exploration

Knowledge Economy



Over 300% growth in knowledge sectors in the next 5 years

- > Pharmaceuticals & Biotechnology
- > Healthcare
- > IT & IT Enabled Services

Visit: www.investmentcommission.in (overview of 26 sectors)

Opportunities in India

Areas of Interest for European Firms

Infrastructure

- > Power
 - Nuclear
 - Distribution
- > BOT Projects
 - Toll Roads
 - Airports/
Seaports
 - Mass Transit

Service

- > Insurance
- > Banking
- > Retail
- > Tourism
- > Real Estate
- > Telecom

Manufacturing

- > Cars and Trucks
- > Processed Food
- > Equipment
- > Speciality Chem
- > Consumer Prods.
- > Components
- > Defense/Aerospace

Knowledge Economy

- > Pharmaceuticals
- > Bio technology
- > Healthcare
- > Education
- > Infotech & BPO

Entering India – Legal Requirements

Liberal Foreign Direct Investment (Equity) Rules:

100% in all manufacturing

> except Defense (26%), Aerospace, Explosives, Liquor, Tobacco

100% in mining

> except Atomic Minerals, Coal (74%)

100% in infrastructure

> except Telecom (74%), Airlines (49%)

100% in services

> except Banking, Insurance, Media, Retail, Legal, Education

Doing Business in India

Options for Entry

- > **Incorporate a domestic Co. (Equity within FDI limits)**
 - Joint Venture
 - Subsidiary - wholly owned
- > **Acquire a domestic Co. (subject to FDI limits)**
- > **Enter as a foreign Co. through**
 - Liaison Office/Representative Office
 - Project Office
 - Branch Office

India : A glimpse at the future

A compelling proposition

> By 2012-13

- Car Sales : ~2 Mn yearly. Global hub for small cars
- Mobile subscribers ~650 Mn
- Foreign tourists incoming : ~10 Mn
- Steel Production : 60 Mn T
- Power Generation capacity : ~200,000 MW
- Centre for low cost innovation and business models

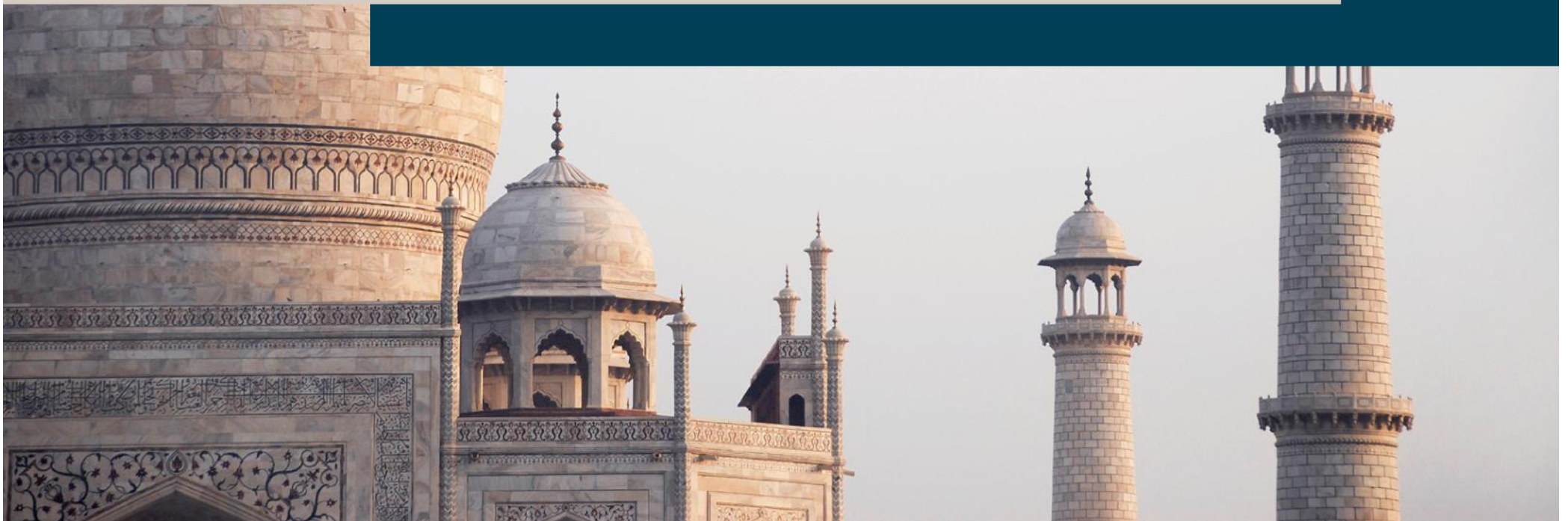
> By 2015

- Over 60 Mn households with annual income over USD 6000 (USD 18,000 PPP)

> By 2030

- Third largest economy in the World (Market rates)

Select case studies to show success stories



McDonalds has adapted to suit Indian tastes

CASE STUDY: McDONALD'S INDIA

- > Focused on catering to Indian preferences
 - Created localized products
 - No hamburger served
 - Segregated vegetarian cooking

- > "Indian" price to expand consumer base
- > Know-how transfer to develop long term suppliers

- > Home delivery model – pioneered in India

Store expansion – Current 157 to ~350 by 2015



**Vegetarian
burger at
Euro 30 cents**



Nokia has become the dominant mobile handset player in India

CASE STUDY: NOKIA

> Wide product range straddling all consumer segments:
Prices from Euro 20 to 800

> Product innovations to suit Indian market e.g. Nokia 1100
– Features like torch, better grip, dustproof
– Priced at ~ Euro 20

> Alliance with local company for nationwide distribution¹
> Local manufacture of low cost high volume handsets
– Largest Nokia factory ~ 100 Mn phones pa

~68% volume market share in 2008 (~Euro 2.5 bn)



Note: 1, HCL infosystems is a local company has a nationwide network for computer & laptop distribution

Source: Industry sources, Company websites, Analysis by Tata Strategic

Marketing mix innovations drove Pepsico India's success

CASE STUDY: PEPSICO INDIA (FRITO LAYS)

- > Salty extruded snacks (Kurkure) developed to suit spicy Indian palate - nearly 40% of total revenues (2008)
- > Attractive price points maintained in snack food – Rs 5,10,20 (Euro cents 8,15,30)

- > High retail penetration led by innovative POS solutions

Overall market share of ~45% in branded snacks (2008)

Kurkure to be taken global (Walkers brand)

"It is the most talked about brand and has generated great interest in the US, UK, South Africa, Australia and West Asia"



Kellogg's' relaunch succeeded with an India - specific strategy

CASE STUDY: KELLOGG'S INDIA

- > Reformulated products to meet Indian dietary habits
i.e. preference for hot milk
- > Developed India specific fortified range – Iron Shakti

- > Affordable packs for Rs 10 (Euro 15 cents)
- > High visibility in modern retail outlets

Currently 70% value share in ready-to-eat cereals market



Monsanto redefined the Indian cotton seeds market

CASE STUDY: MONSANTO – GM HYBRID SEEDS

Market acceptance

- > Bt Gene incorporated in local cotton hybrid seeds
- > High initial price but lower lifecycle cost: improved yield and lower pesticide usage
- > Open dialogue with scientists, Govt. and farmers. Extensive field tests for regulatory approval
- > Bt Cotton marketed through all India network of local JV partner
- > Huge demand pull from cotton farmers

Bt Cotton: 50 k hectares in 2002 to > 6 Mn hectares today, approximately 80% of Indian cotton



Castrol developed products for India & built a new channel

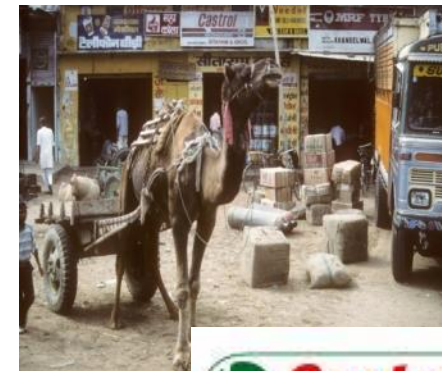
CASE STUDY: CASTROL – LUBRICANTS

- > Pre 1992, Public Sector companies – 90% of lubes market/ controlled petrol pumps

Castrol India strategy

- > Developed high performance products for local conditions
- > Lower lifecycle costs but higher initial price: longer life, improved engine performance
- > New channels created: mechanics, service centers, Bike-zone
- > Positioned lubricants as high involvement consumer good

Consumer Superbrand in 2007 with a 30% market share



Nano delivered on an unfulfilled need

CASE STUDY : NANO



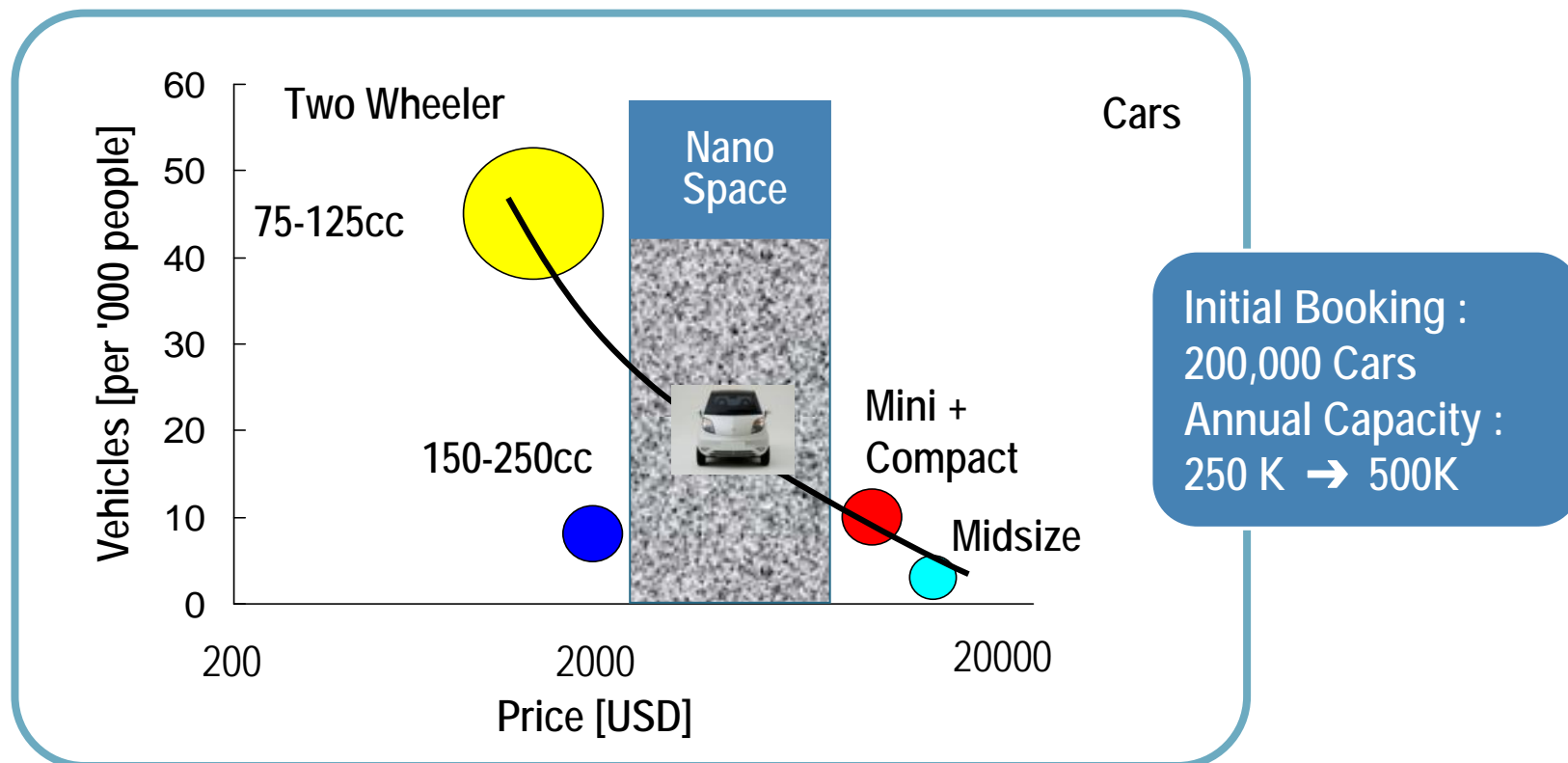
Safe, Affordable, All Weather,
Low cost alternative ??



- > Comfortable Seating for 4 persons
- > Euro IV Compliant
- > Meets all safety regulations
- > Base Price at USD 2500

A gap existed and the rest is history

CASE STUDY : NANO POSITIONING



Suzuki won the bid to partner GOI and established market dominance

CASE STUDY : SUZUKI: EARLY SUCCESS (1983-91)

- > Selected over VW & others
- > Started with 26:74 JV with Government of India
- > Protected industry-high import duties

- > Contemporary car at ~USD 5000
- > Developed supplier base
- > Rapid localization (65% by 1991)
- > Created a network of dealerships

- > Homologated to suit India

Industry grew by 42 % in 1985 within 1 year of launch
Gained dominant market share



Morris Oxford

Fiat 1100



Triumph Herald



M800 (1983)

Post 91: retained >50% market share in a liberalized market

CASE STUDY : SUZUKI: POST 1991

- > 6 models in compact segment* including latest launches
- > Price band USD 5 K ~ USD 11 K

- > Over 50% of market share ~800K units sold in 2008
- > J.D. Power Awards: CSI for 9 consecutive years, IQS Award in 2008

- > Dealership network (> 2 times the nearest competitor)
- > A service station every 25 km

- > New competition: Hyundai, Tata Motors, Toyota, Honda, Fiat, GM, Ford, Skoda, Renault and now VW

- > Global export hub for Alto, Splash...

Suzuki India now bigger than Suzuki Japan (0.71 Mn Vs. 0.67 Mn) cars in Japan (2008)



SWIFT



ALTO



SPLASH

Market Leaders have created a India specific business model for the mass market

Key Success Factors

- > Conforming with Regulations – Central, State, City
- > Specifications, features for local market
- > Price for target customers
- > Distribution /Reach

ACCEPTABILITY

AFFORDABILITY

AVAILABILITY



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THANK YOU

