

India, A Ready Market For Environmental Technology Companies: Market Entry

IndStrat  International

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- India: An Introduction
- Swiss companies in India
- Phased Approach to Market Entry

Note: source for all information is various websites, company discussions and ibef.org, SICC Directory 2016

India as a Market: Political Profile



- **Political System and Government:** The world's largest democracy, a parliamentary system of Government with a bicameral parliament and three independent branches: the executive, the legislature and the judiciary. The country has a federal structure with elected governments in States.
- **Administrative Divisions:** 29 States and 7 Union Territories, **Constitution:** on January 26, 1950
- **Executive Branch, Legislative Branch, Judicial Branch**
- **Chief of State:** President, Mr Ram Nath Kovind
- **Head of Government:** Prime Minister, Mr Narendra Modi

India as a Market: Demographic Profile



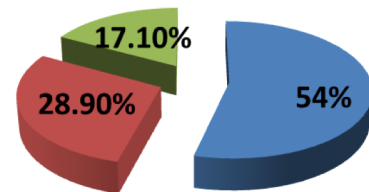
- **Demographic profile**
- **Population:** 1,326,801,000
- **Population Growth Rate:** 1.2 per cent (2015)
- **Religions:** Hinduism, Islam, Christianity, Sikhism, Buddhism, Jainism
- **Languages:** Hindi, English and at least 16 other official languages
- **Literacy:** Total population: 74.04 per cent (provisional data-2011 census)
- **Male:** 82.14 per cent
- **Female:** 65.46 per cent
- **Suffrage:** 18 years of age; universal
- **Life expectancy:** 66.9 years (men), 69.9 years (women) (2015 – WHO 2016 Report)

India as a Market: Economic Profile

GDP Growth 2017-18: 6.6%

GDP Growth 2018-19: 7.5% exp

GDP Sectoral Contribution



■ Services ■ Industry ■ Agriculture

- **Forex Reserves:** US\$ 421.335 billion as of March 16, 2018
- **Export Partners:** US, Germany, UAE, China, Japan, Thailand, Indonesia and European Union. India is also tapping newer markets in Africa and Latin America
- **Exchange Rates:** 1 USD = 65.21 INR (14/04/18)
- **Cumulative FDI Equity Inflows:** US\$ 367.932 billion (April 2000 to December 2017)
- **Share of Top Investing Countries FDI Equity Inflows:** Mauritius 34 %, Singapore 17 %, UK 7%, Japan 7%, Netherlands 6%, USA 6%, Germany 3%, Cyprus 3%, France 2%, UAE 1% (04/2000- 12/2017)
- **Major Sectors Attracting Highest FDI Equity Inflows:** Services Sector 17%, Telecomm 8%, Computer Software and Hardware 8%, Construction Development 7%, Automobile 5%, Trading 4%, Drugs and Pharmaceuticals 4%, Chemicals 4%, Power 4%, Construction Activities 3% among others (04/2000- 12/2017)



India Positive News (As of April 13, 2018)



- Will achieve 100GW solar target ahead of 2022: GoVt
- Passenger vehicle sales hit record 3.28 mn in 2017-18
- Major Ports in India register positive growth of 4.77 per cent during 2017-18
- Indira Gandhi International Airport breaks into world's top 20 busiest
- World's largest solar park to come up in Guj: CM
- 'India can play pivotal role in global fourth Industrial revolution'
- With over 50 per cent of its population under the age of 27 years, India can play a pivotal role in the fourth industrial revolution and skip the traditional phases of development to transition to a developed nation, according to Mr Borge Brende, President, World Economic Forum (WEF).
- India ranks 130 in Index of Economic Freedom; up by 13 spots



Swiss companies in India



Good Food, Good Life



Compressors for a Lifetime™

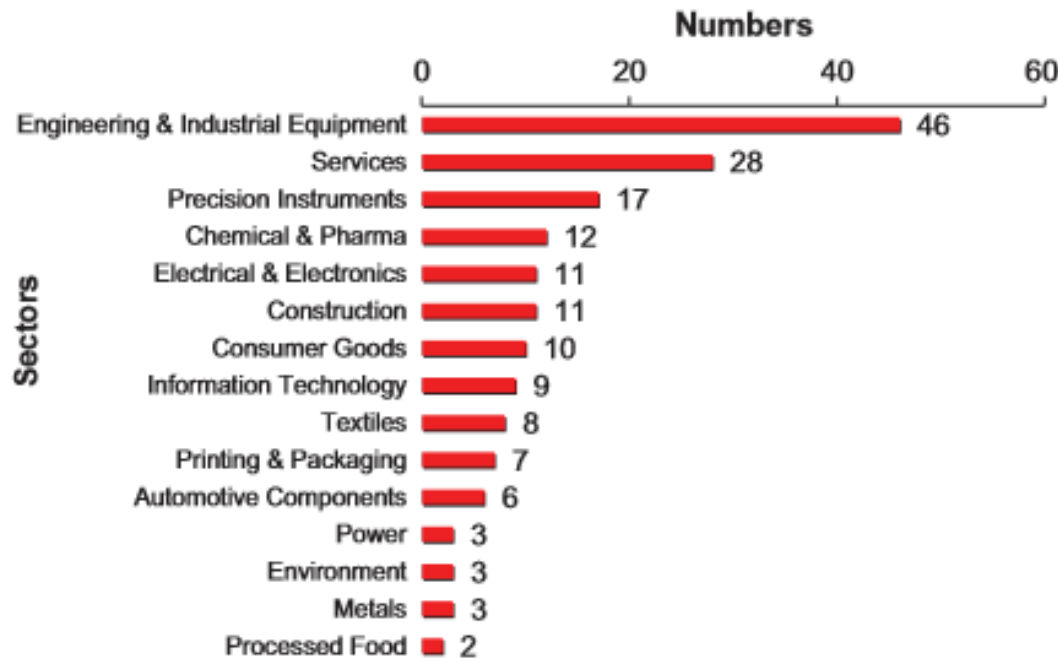


Schindler



Swiss companies in India

Sector-wise distribution of Swiss-Indian collaborations



Note: Services include consultancy, finance, tourism, logistics; Instruments include medical devices; Chemical and Pharma include biotech; Construction includes cement, infrastructure; Consumer Goods include watches; Information Technology includes software and BPO; Textiles include machinery, intermediates and final products.

Swiss companies in Western Region

Region- and state-wise location of Swiss investments in India

Region & States	Number of investments	
Western Region	90	
Maharashtra (mainly Mumbai & Pune)		86
Gujarat		4
Northern Region	47	
Delhi		21
Haryana (mainly Gurgaon)		19
Uttar Pradesh (mainly Noida)		5
Chandigarh (Union Territory)		1
Rajasthan		1
Southern Region	38	
Karnataka		26
Tamil Nadu		10
Andhra Pradesh		1
Kerala		1
Eastern Region	1	
West Bengal		1
Total	176	

Examples of Setups in India



- ABB in India
- Public Limited company, engineering services founded in 1949 in India, parent organization is ABB Schweiz AG



- Baumer India– Started as a wholly owned sales & service subsidiary of Baumer AG in India since 2007
- Baumer Technologies – Manufacturing since 1989

Examples of Setups in India

SULZER

- Sulzer, India
- Private Limited company, founded in 1988
- Sulzer India Private Limited is a subsidiary of Sulzer AG

swatch[®] 

- Swatch Group (India) Private Limited
- Wholesale Distribution
- Established in 2002

Market Entry

- A phased approach to entering India

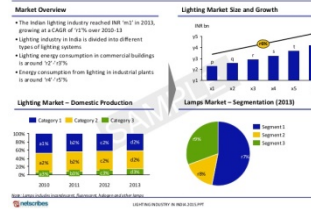
Exploration

Evaluation

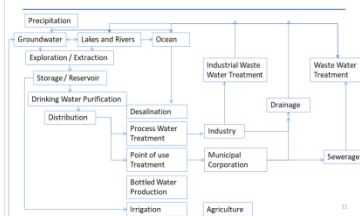
Implementation

India: a ready market

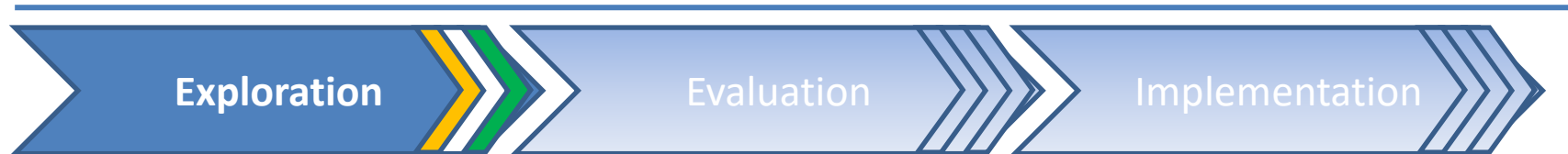
Lighting market in India is showing an upward trend with a rise in consumer base



Water Market in India



Phased Approach of Market Entry: Exploration



- Market analysis – market potential, existing players / competition, economic development
- Target customers – identify segments, profile of a target customer
- Prevalent sales & distribution systems – changes according to product, region, which are continuously evolving
- Existing modes of entry: export, alliance, franchise, distributors, JV, wholly owned subsidiary
- Regulatory framework – import & export procedures, mandatory licenses, statutory compliance among others
- Understanding of work-culture in India, way of doing business

India: a diverse, multi-faceted market

Country can be divided broadly into 4 regions

North India –

- Haryana, Himachal Pradesh, Jammu & Kashmir, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand, the Union Territory (UT) of Chandigarh (which is the capital of both Punjab and Haryana states), as well as Delhi/National Capital Region (NCR).
- Per capita income of NCR, Punjab & Haryana is well above average of India, Jammu Kashmir & UP are well below the average
- In general, not as economically and commercially developed as Southern or Western India
- Dominant sectors: agribusiness, renewable energy (especially solar), machine tools, automotive and medical/consumer goods

South India –

- Tamil Nadu, Karnataka, Kerala, Telangana, Andhra Pradesh, and Odisha; and the Union Territories of Puducherry (Pondicherry), Lakshadweep Islands, and Andaman & Nicobar Islands.
- Ease of doing business by IMF: 2 states as #1
- automotive, healthcare, information technology (IT) and financial services sectors, educational hub
- Hi-tech hub of India – Bangalore

Western India –

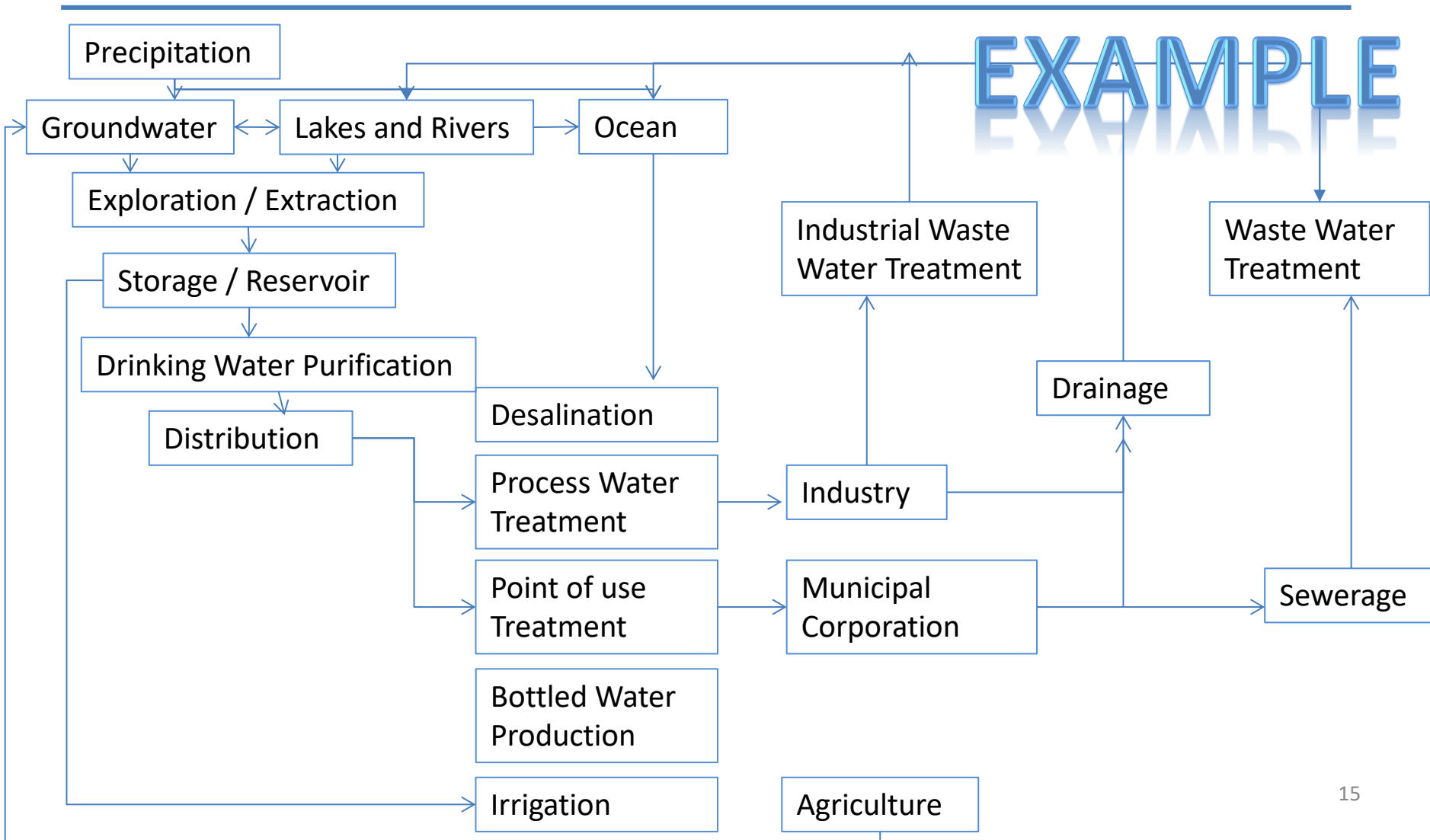
- The Western India Region comprises five states: Maharashtra, Gujarat, Madhya Pradesh, Chhattisgarh, and Goa
- Highly industrialized & economic powerhouse with sectors: conventional and renewable energy, chemical and allied products, electrical and non-electrical machinery, textiles, petroleum and allied products, wine, jewelry, pharmaceuticals, engineering goods, machine tools, steel and iron castings, and plastic wares, automotive
- Growing services sector: global banks, financial institutions, insurance giants
- Educational hub

Eastern India –

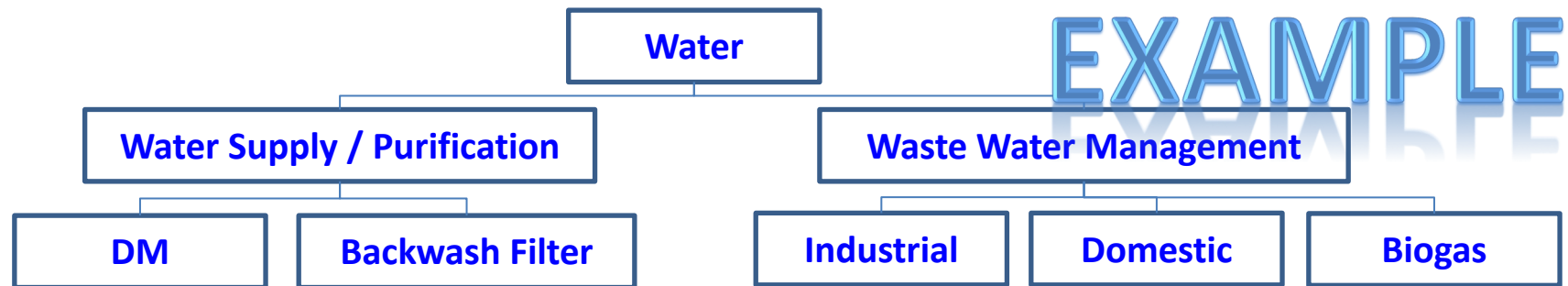
- West Bengal, Bihar, Jharkhand, Sikkim, Assam, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Tripura, and Manipur.
- Mining, metals and minerals, agriculture and agro based industries, service sector, oil & gas, petrochemical, paper, power generation are the major sectors in this region.
- West Bengal & Jharkhand most industrialized

EXAMPLE

Water Market in India



Water Market in India



- A new report from Frost & Sullivan, Analysis of Indian Water and Wastewater Treatment Equipment Market, finds that the total market earned revenues of over INR 63.07 billion in 2011 and estimates this to reach INR 102.34 billion in 2016.
- The waste water market highly fragmented and unorganized, and is about USD 11 bn; with an expected growth rate of 10-12%, expected to reflect high growth rates for next five years
- While the government sector contributes about 50% of this, the private industrial sector provides the remaining business

Water Market – Key Drivers

Key drivers for growth are:

EXAMPLE

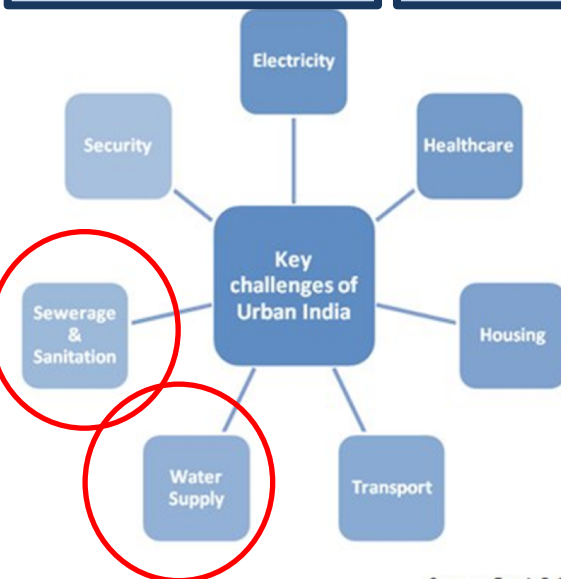
GDP growth leading to rapid growth in urbanization & industrialization

Reduced availability of water forcing reuse and recycling

Increased awareness about clean drinking water & current quality of it

Environmental pressures on waste-water discharge from pollution control boards

Enhanced focus on environmental regulation & its implementation supported by Govt funding



- Rapid pace of urbanization: urban centers spearheading the nation's economic growth; from 29 percent of GDP in 1950-51 expected to reach 75 percent by 2020-21.
- Urban population is expected to reach 590 million by 2030, from 340 million in 2008 - appr 60% growth from natural increase in population
- Existing urban centers expanding their limits geographically to accommodate the increasing population, rather than forming well-planned new cities.

Structure of WM / WWM Market

- The market is highly fragmented and unorganized in nature
- Broad market segments:

EXAMPLE

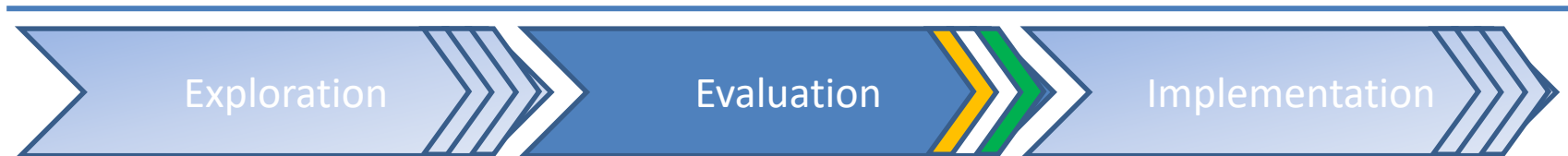
**Large Players like VA Tech
Wabag, Degremont,
Hindustan Dorr-Oliver,
Paramount, Ion Exchange,
Thermax etc**

**Medium Sized Players like
Doshion, Aquatech,
Fontus Water, Driplex,
TEAM, Ions Hydro**

**Small Players over 500 in
number**

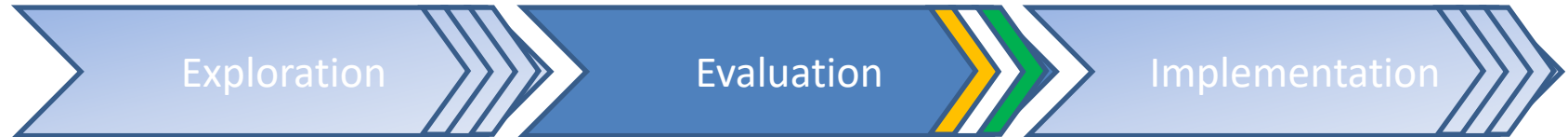
- The water treatment industry is largely concentrated in certain geographical pockets like Mumbai, Pune, Nagpur, Chennai, Hyderabad, New Delhi, Kolkata and Ahmedabad
- Cost, high expertise, prior experience and brand equity are critical competitive factors in the Indian market. For huge municipal and industrial projects there is a pre-bidding process and hence high expertise and prior experiences are critical factors.

Phased Approach of Market Entry: Evaluation



- Mode of entry – degree of control on activities? Export, distributor, JV or wholly owned subsidiary? A Pvt Ltd / Limited Liability Partnership / Distributorship
- Location strategy – proximity to ports/ airport or proximity to customers, land & benefits offered by local government, local infrastructure
- Marketing & distribution – own marketing or agents / distributors
- Right adaptation of own product portfolio for the Indian market
- Engaging local knowledge partners and professional service providers - reliability

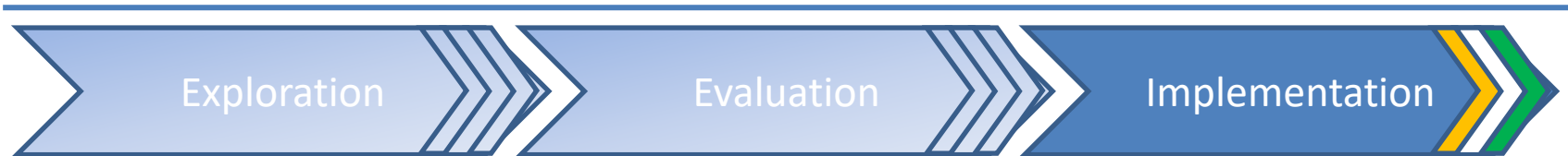
Phased Approach of Market Entry: Evaluation



Foreign Investors can commence business in India as:

- **1. An Indian Company:**
 - Joint Venture as (i) Private Limited or (ii) Public Limited Company
 - Wholly owned subsidiary permissible in sectors where 100% FDI is permitted
- **2. A Foreign Company:**
 - Liaison Office to represent the parent company in India
 - Branch Office activities such as Export-Import of goods; research, consultancy etc.
 - Project Office activities as per contract to execute project
- **3. Limited Liability Partnership:**
 - Subject to provisions of LLP Act, 2008
 - FDI permitted under the automatic route in LLPs operating in sectors/activities where 100% FDI is allowed and there are no FDI-linked performance conditions

Phased Approach of Market Entry: Implementation



- Engagement of local service providers for set up: international companies as well as local companies
- Local setup: physical setup, an office / plant and registration with the RoC (Indian authority for companies), modalities - statutory requirements, tax registrations
- Engagement of service providers post organization setup: Taxes & accountancy, company secretaries for compliances, HR partners
- Designing a workable & sustainable business process (Swiss & Indian work culture, way of doing business)
- Global integration of workforce (International work culture)

Ecosystem

- Ease of Doing Business & Various Government initiatives like Make in India, Swachh Bharat Abhiyan among others
- Professional service providers: taxation, accounting & company secretaries who have a good knowledge of local procedures
- Suppliers & distributors: processes maintaining global standards, supplying to global players in India & abroad
- Trade associations, regional / local chambers, foreign chambers of commerce
- Technology parks, special economic zones & investment benefits



Dr. Christoph Sievers, Business Consulting:

- Strategy-, Management-, Process- and Implementation Services. Know-How in Business and Society. Counselling in respect of location, synergies and organisation. Enterprise Positioning in global and local business environment under adverse conditions. Product- and Market Development, Finance and currency risk management. ‚Executive Leadership‘ – Counselling in respect of general and succession issues.

Core competence:

- Insurance, Banks and Industry. Network in/ local knowledge of Asia (India, Japan, China, Australia and Africa).
- More than 25 years active in Zürich for Swiss Re and Axa – Winterthur including marketing, finance, claims/ risk management and actuarial. Responsible for establishment of a public private enterprise
- Since 2010: self-employed, sievers development ltd., Board Member and NPO – Mandates.



Sanjyot Joshi, Business Consulting :


- Strategy development for market entry, business growth, business process improvement. Support to SME organizations aspiring to expand business globally. Good knowledge of business operations, models, entry strategies in automotive, engineering and industrial markets in India.

Core competence:




- Strategy & Planning, Strategic Analysis, Leading feasibility / market potential studies, investment proposals for new business projects in automotive and engineering industry. International exposure and experience of working with cross-border/ cross-functional teams. More than 17 years of experience in all, experience also in MNCs like Volkswagen of America, Daimler Chrysler, Cummins in diverse industries. Good knowledge of German language.
- Since 2010: self-employed: Principal, IndStrat ; since May 2012 partner, IndStrat International Consultants, LLP

Local Project Partners for Global Projects

- Enterprise Positioning in global and local business environment under adverse conditions. Product- and Market Development, Finance and currency risk management. Executive Leadership' – Counselling in respect of general and succession issues.
- Strategy & Business Excellence, facilitating strategy projects, facilitating market potential and market assessment studies, strategic analysis, cost-benefit analysis, business planning, investment proposals, sourcing Analysis & strategy

	Company	Sector	Role of IndStrat International
1	<p>SID, SA – Manufacturer of shredders & solid pumps</p> 	Manufacturing / Environment	<ul style="list-style-type: none">■ IndStrat International as local project partner to oversee and execute the project of establishment of legal entity in India for SID & completion of FEMA compliance (statutory formalities)■ Successfully set up team for SID operations, support from appointment of Board of Directors for the Indian company■ Providing accounting & administrative service through network experts

Our Clients

	Company	Sector	Role of IndStrat International
2	Aerzen Machines India Pvt Ltd 	Manufacturing / Engineering	<ul style="list-style-type: none"> IndStrat International validated strategy for the key markets of compressors and blowers & the business operations in India. Worked with the client to evaluate sourcing options for optimization of product cost. Created a MIS structure, which was non-existent & supported the client to implement balanced scorecard on a monthly basis
3	Ruckstuhl 	Textile / Carpet Manufacturing	<ul style="list-style-type: none"> IndStrat International set up a team & sourcing operations for Ruckstuhl in North India. Vendor database was developed, quality assurance process established. Now team operates independently for the client
4	Technotrade / Unimac Group 	Engineering / Components	<ul style="list-style-type: none"> Supporting client on evaluating future plan for domestic operations and develop a market strategy

Our Clients

	Company	Sector	Role of IndStrat International
5	Intrelec	Electrical Equipment Manufacturing / Engineering	<ul style="list-style-type: none">■ Scoping of operations, mapping business & investment capability to potential opportunities in the market■ Identifying potential JV partner in the Swiss market■ Advising on partnering strategy