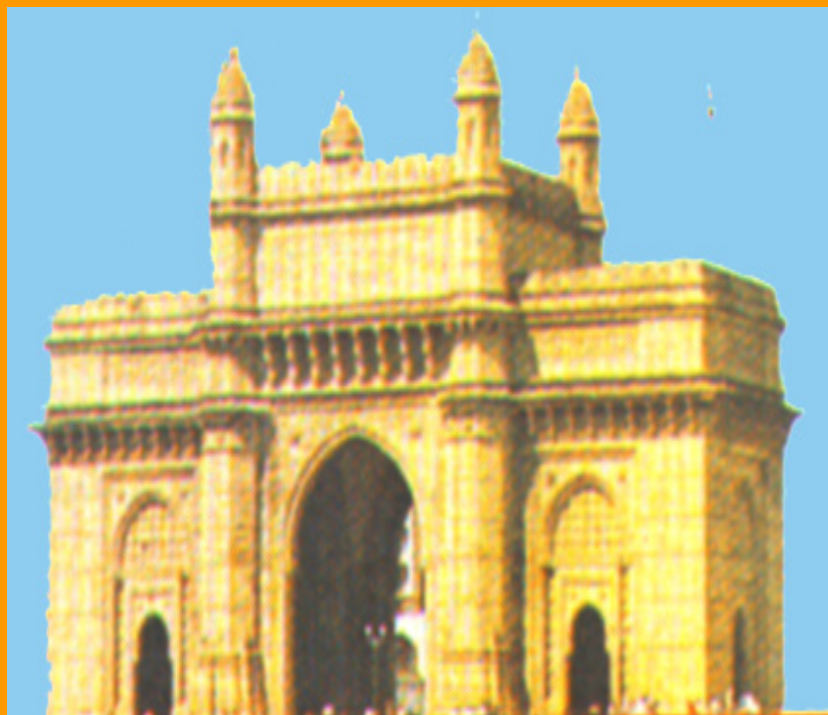


# The right Gateway to India

Succeeding in India : performance of foreign firms in India ... Facts and recent perspectives

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MEDEF INDE  
June 24th 2005



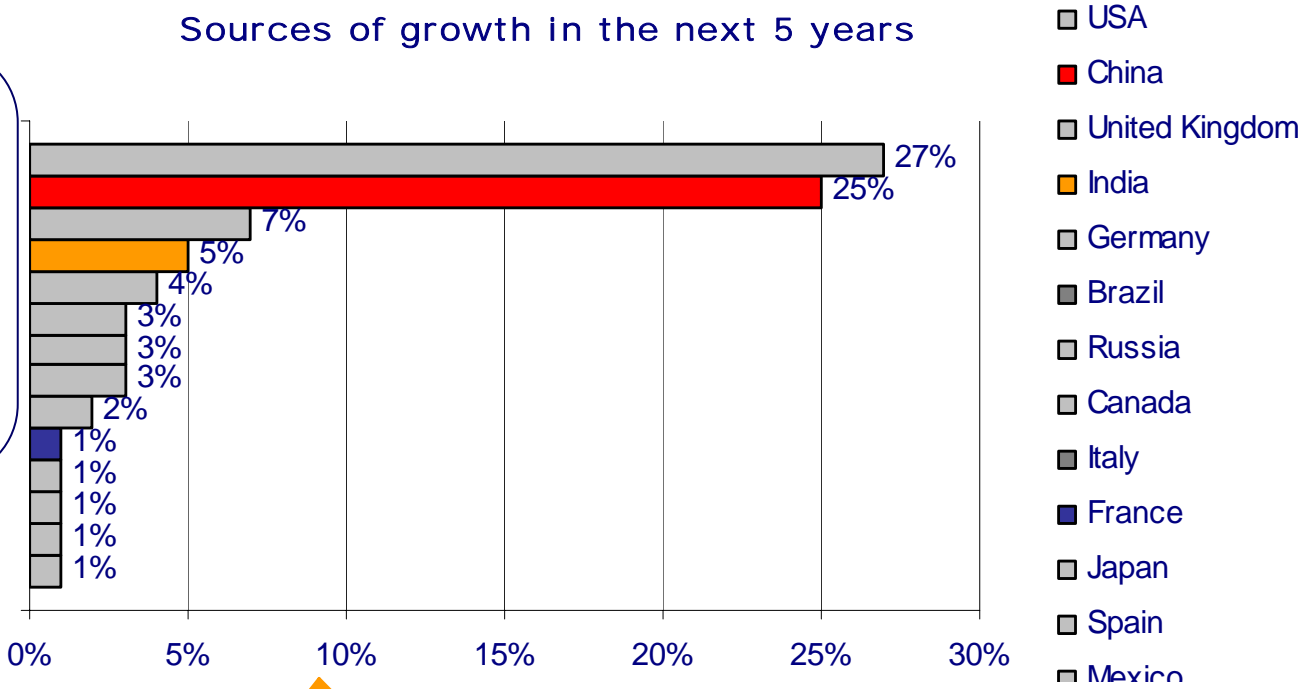
# Agenda



1. Performance of MNCs in India?  
a mixed bag
2. Tips from market leaders
3. French firms paving the way

# India is on the mind of global executives ...

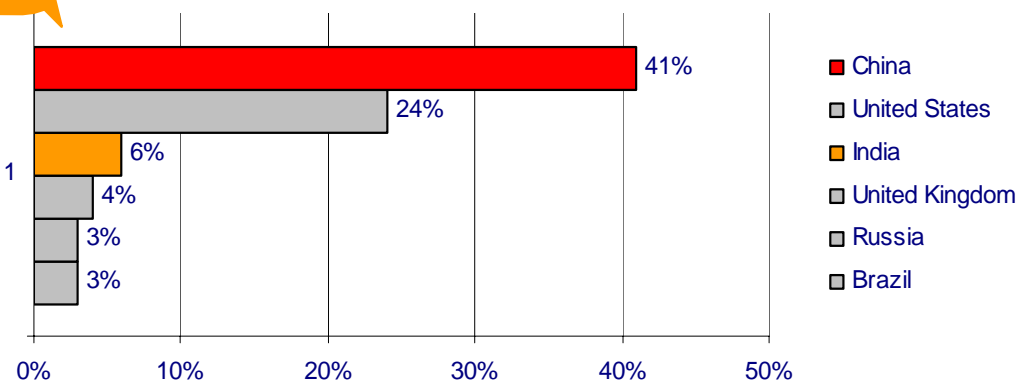
Sources of growth in the next 5 years



Which country do you expect to account for the most growth in your company's sales during the next five years ?



View from larger companies  
Revenue > 5 B\$



## Larger Firm's executives



McKQ survey of 9300 executives from 130 countries

# Yet how do MNCs perform in India ?

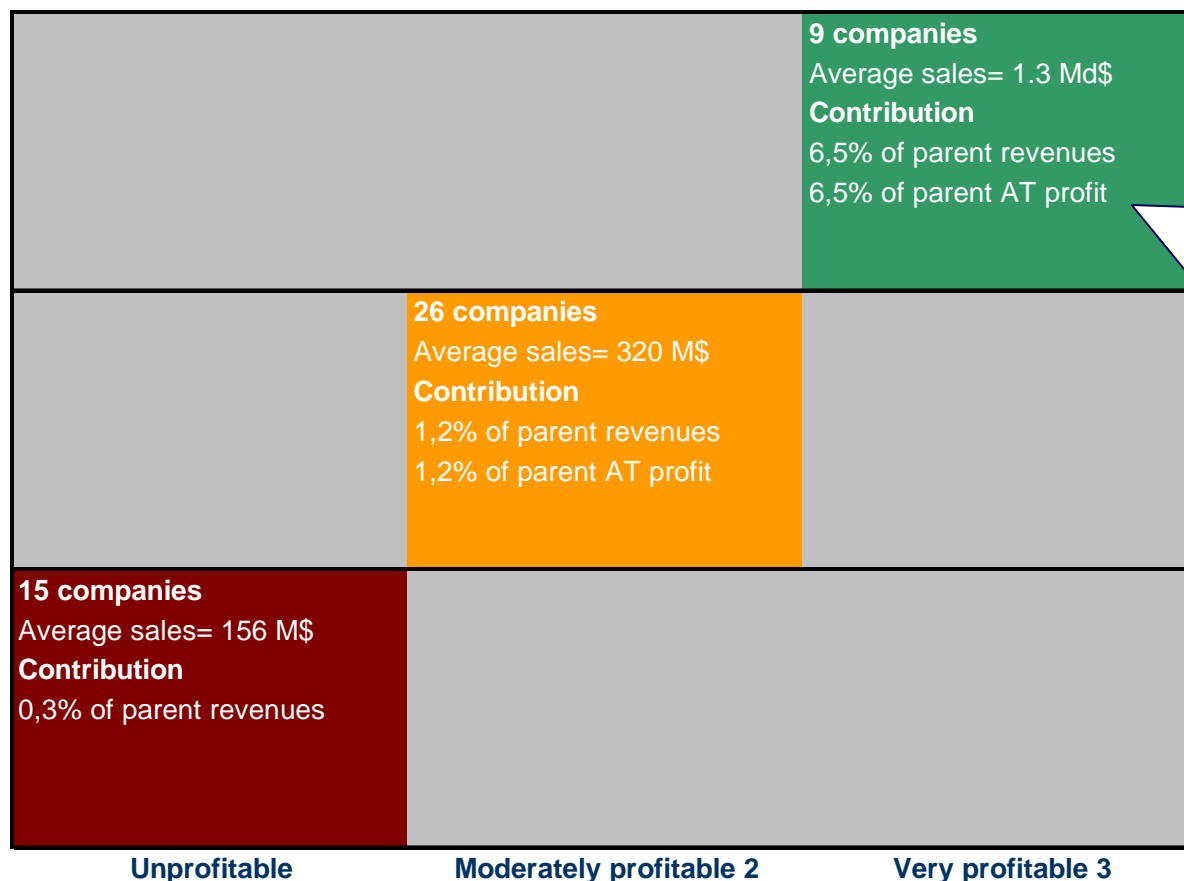
## ... Results are mixed

### Market Share in India 1

Top three

Next three

Others



Outstanding results



### Profitability

1 firms with revenues over 100 M\$, in sectors where foreign MNCs are actively or moderately playing

2 below the sector average

3 higher than the sector average

Source Mc Kinsey Feb 05 - period 1993 to 2003

# Tips from the best in class

*« Successful companies have taken a long term view ... to understand Indian consumers and local business conditions.. And tailor their offering and business model to these conditions »...*

## Tips from market leaders

### *Business model*

1. Position your offering carefully for the lower/middle market
2. Innovate or localise your products for the indian market
3. Indianise as much as you can (local content)
4. Develop third party distribution channels

### *Governance*

5. Control your JVs, or go direct
6. Tap into local management and talent
7. Participate in the deregulation debate

# Examples from the best in class



## Localise



SANTRO

- In India usage has to be cheaper, everything is recycled , hence :
  - Low cost of repair
  - Fuel efficiency is paramount
- Hyundai Spent months customizing the small car Santro.
- Built Global scale manufacturing in India
- Local sourcing up to 90%



## Innovate locally

- Lowered active detergent content, decreased oil to water ratio...
- Launched product at a 30% discount to more traditional detergents ...
- Wheel is number one in M/S with 45% of HLL detergent sales and 8% of total sales.



## Position well



- Developed a whole range from lower end to top range TVs :
  - Conventional 14 inch at 5.500 Rs to 6.500 Rs
  - Flat 21 inch from 20.000 Rs to 36.000 Rs
- Expanded the market at the lower end and gradually took consumers up.



## Stick through deregulation

- When most foreign telcos left during the mobile deregulation process ...
- Hutchinson Whampoa continued to invest
  - Now in top three telcos in India
  - Quoted as highly profitable

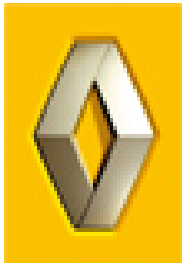


# Recent French examples

## Logan with Mahindra- Renault



Anand Mahindra,  
vice-chairman of M&M



*« The customer research conducted in India on Logan has indicated an excellent response. The market is excited about the world's best value C-segment car being launched in India »*

### Business Model

- Investment of 125 million €
- Production of 50.000 vehicles a year starting in 2007
- Targeted at the bottom end of the C segment, now dominated by the Tata indigo and the Maruti Esteem
- Design to be tailored to the expectations of the Indian consumer
- Production on the modern Mahindra site Nasik
- Local sourcing at 50% from the outset
- Distribution the M&M dealership network

### Governance

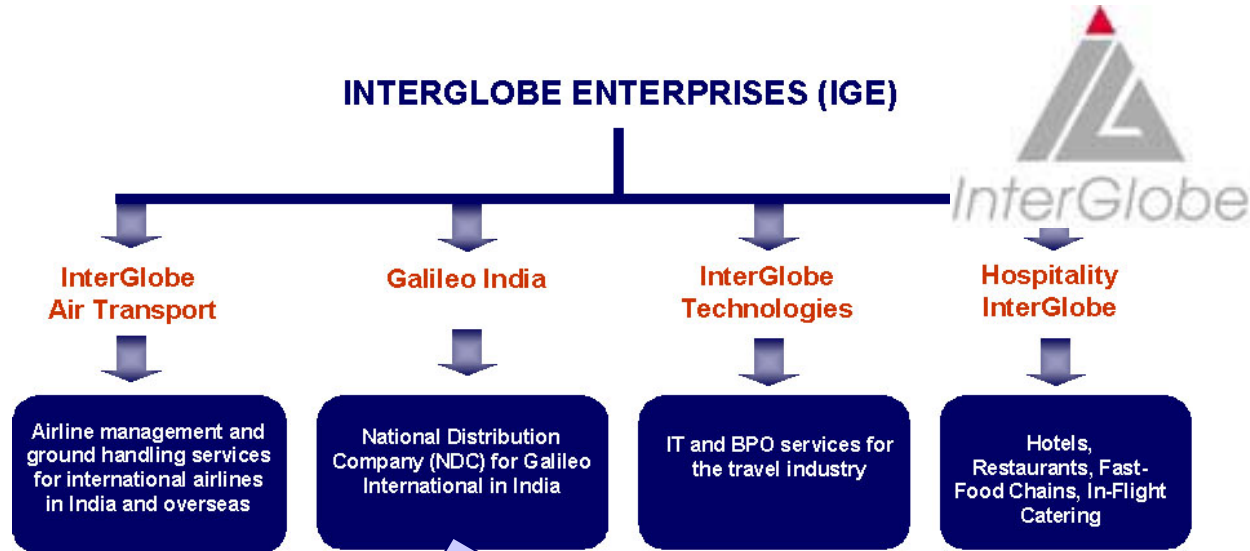
- JV Mahindra 51% - Renault 41%...
- JV M-R will be led by a board of 7 members ( 3 Renault)
- A small group of expatriates.



# Accor reentry in India with InterGlobe ...



- World Leading Hotel and service group
- 7123 M\$ in 2004
- Around 4000 hotels in the world







**Business model**

- Target economy hotel sector, with room rates ranging from Rs 1,800 to Rs 2,200.
- initially plan 25 hotels for Rs 850 crore (145 M euros).
- Accor will introduce its mid-market hotel brands — Ibis and Mercure

**Governance**

JV 40% - ACCOR 60% InterGlobe

# ... Last week's deal between IndiGo and Airbus

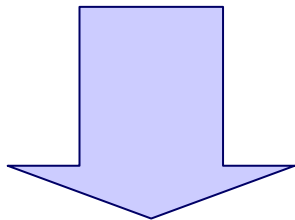


Rakesh  
Gangwal



Rahul  
Bhatia

## IndiGo



100 A 320



New Delhi, India, June 16, 2005

- Interglobe announced its plans to launch **IndiGo** , its nation-wide low-cost airline venture.
- IndiGo has committed for 100 firm A320 family of aircraft with Airbus.
- The venture is being jointly promoted by InterGlobe Enterprises Limited and Mr. **Rakesh Gangwal, globally recognized for his management skills and expertise in the airline industry.**
- **Mr. Rakesh Gangwal** , who has spent over 20 years in senior management positions at United Airlines, Air France and US Airways said,
- **Mr. Noel Forgeard, Airbus President and CEO** said “**IndiGo** is the result of extensive analysis and planning by very experienced airline executives and we are convinced it will be a successful new player in a market that is both large, and fast growing.”

# Conclusion

1. It has not always been easy to do business in India... but business environment is definitely shifting for the better
2. To succeed in India, one needs to:
  - Take a long term commitment
  - Spend a lot of time and efforts to adapt to the Indian consumers and to local business conditions.
3. Any new foreign company of size reassessing India has three strategic questions to resolve:
  - What is the real market potential for us ?
  - How can we source locally ( products and services) ?
  - How can we leverage Indian talent ( management, research and development)

