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India

The Neglected Need for Strategic Renewal in Emerging Markets: Lessons from Vietnam in Transition
India as an Emerging Market Caseism.com

- Rising trend in the Global Competitiveness Index (GCI), rose 16 places to 39th from 55th ranking (Klaus Schwab, 2017)

- Third biggest market size in the World. (Klaus Schwab, 2017)

- Fastest growing economy, growth target of 7.6% in FY16 compared to China’s 6.3% (HDFC, 2016)

- Foreign Direct Investment in India increased by ~37% YoY for 17 month period ended Feb.’16 (HDFC, 2016)

- Indian automotive Industry accounts for 7.1 percent of the country’s GDP (IBEF, 2010-2016)
10 Years of Competitiveness

Contribution to year-on-year GCI change, point change in score

Source: Authors' calculations. Each column corresponds to the change with respect to the previous GCI edition.

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Macro-Economic Factors

• The Economic Liberalization Plan 1991 set the base for India's reform, easing itself out of the traditionally publicly controlled sectors.

• USD 2 trillion third largest Economy in PPP terms (KPMG, 2016)

• In terms of global rankings in manufacturing output, it is presently second largest in two-wheelers, eighth largest in commercial vehicles, sixth largest in passenger cars and the largest in tractors. (SiamIndia.com, 2016)

• Inflation Rate in India averaged 7.59% from 2012 until 2016, reaching an all time high of 11.16% in November of 2013 and a record low of 3.69% in July 2015. (Tradingeconomics.com, 2016)

• Compared with the developed nations, the Indian logistics network is below par on all aspects-infrastructure, customs and quality of services. Hence, India has high logistics costs for the manufacturing sector, including automotive. (EY and Confederation of Indian Industry, 2016)
Macro-Economic Benefits to International Business Operations

• India’s most lucrative feature for foreign investors is the abundance of labor. Additionally, labor costs remain far below those of advanced and other developing economies. *(EY and Confederation of Indian Industry, 2016)*

  ![Global wage comparison chart](chart.png)

  Sources: EY-SIAM report: Make in India – Leveraging human capital, National Skill Development Corporation – Auto Sector Report and EY analysis

• Geographical proximity to automotive markets in Japan, Korea, Europe and members of Association of Southeast Asian Nations (ASEAN) *(Department of Industrial Policy & Promotion(DIPP), 2016)*

• Integration of R&D and innovation initiatives of multiple stakeholders including Government, R&D labs, universities, sectors & corporates.

• India is a complex market due to regional diversity, large rural-urban divide, dominant unorganized markets and multiple legal & administrative systems. Furthermore, a complex bureaucracy complicates policy clarity.

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Political Factors

- As one of the largest democracies in the world, India runs on a federal form of government. *(PESTLE analysis Contributor, 2015)*

- Major effects on a country and business organizations include impact on economy, changes in regulations, political stability and mitigation of risk.

- Corruption is a major barrier to economic development for India.

- Focus of Government is towards increasing the ease of doing business in India through various initiatives.

- The government needs to increase dialogue with manufacturers and oil marketing companies to establish a better infrastructure for greener vehicles.

- It needs to consider finalizing a blueprint for development of this infrastructure, encompassing elements such as battery recharge stations or CNG pumps through public-private partnerships.

- India has no duty benefits for even hybrid cars, which are imported due to low volumes. *(Parekh, 2015)*

- The political environment can impact business organizations in many ways, like *Make in India.*
Political Factors affecting International Business Operations

• Enabling regulatory environment is critical to drive growth. (Department of Industrial Policy & Promotion (DIPP), 2016)

• Roll out of GST regime to simplify taxation. (Ernst & Young and Confederation of Indian Industry, 2016)

• Upcoming introduction of Road Transport and Safety bill in 2017. Mandatory crash tests from October 2017 for new modes and October 2019 for existing model. (EY and Confederation of Indian Industry, 2016)

• Recent government policies reflect the beginning of a gradual shift in focus towards cleaner transport. e.g. ban on high powered diesel engines.

• Automotive companies will need to assess the competition from mobility aggregators depending on government policy for such mobility initiatives. (Goitom, 2016) (Arora, 2016)

• Focus on improvement in Infrastructure for easy movement of people and goods- construction of 1000 kms of expressway and investment of ~ 107bn Rupees in India rail network. (DIPP, 2016)

• Approval of National Intellectual Property Right policy leading to greater protection of Intellectual property.
Technology Factors

The Government is currently addressing the following:

- Safety & overdependence on fossil fuels
- Pollution resulting in the real time monitoring using Air Quality Index
- Stricter emission standards as government plans to implement Bharat stage VI

(KPMG, 2015)

Light-weighting:

- Light-weighting technologies used in India to improve fuel consumption and vehicle dynamics.
- Knowledge sharing through integration with aviation and aerospace industries.

(Automotive Resource Association of India and KPMG in India analysis – KPMG, 2015)