

# Growth Opportunities for Indian and Foreign Companies Post Covid-19

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Covid-19 can prove as a major push to the Indian manufacturing sector as a large chunk of international companies are turning to India for a reliable and stable manufacturing base, post breakdown of pandemic in China. International giants such as Google, Facebook and Foxconn have recently announced billion-dollar investments in the Indian market.

Throughout the *Mahabharata*, there are boons and curses. But you do not know whether a curse proves to be a **boon** or a boon turns out to be a **curse** because life has its own way mixing things up!

Moreover, the Government of India has banned certain imports from China and has been encouraging procurement from domestic suppliers. Several large as well as mid-sized Indian companies have shown support to “Boycott China” campaign and have turned to the Indian SMEs for the supply of goods and services.

Government has launched “*Atmanirbhar Bharat*” initiative under which it has been announcing several incentives for various sectors during last 1-2 months. This is expected to give further impetus to the Indian manufacturing sector.

## Opportunities for the Indian Companies

The world is looking at India as an alternative to mighty China. So, to grab the opportunity, Indian small and medium businesses need to revisit their offerings, upgrade the technology, quality and after sales service, in order to not only match the international standards but also prove to be a tough competition.

There can be different ways in which Indian companies can collaborate with foreign companies to add new products, upgrade technology and add new markets. Some of the approaches can be:



- **Marketing and distribution collaboration:** Indian companies can tie-up with foreign companies to launch their products through Indian company’s existing distribution network or relationship with direct customers/clients in India.
- **Contract Manufacturing:** Indian companies can also utilize their existing manufacturing capacity to produce or assemble products for the foreign companies as per given technical specifications.
- **License Manufacturing:** Indian entrepreneurs can also get the technology or a particular product on license basis from a foreign company wherein Indian entrepreneur can manufacture the products under its own brand name and pay royalties to the foreign company.
- **Joint Venture (JV):** Indian companies can go for a joint venture with foreign companies wherein each party will make investments (in cash or kind, for instance, remittance, land, machinery) and manufacture products under JV’s name.

Depending on several factors such financial and management bandwidth, manufacturing capacity; the Indian entrepreneurs can choose a suitable approach. Comparison of different approaches based on certain factors is depicted in the following chart:

Factors	Mktg/Distribution Collaboration	Contract Manufacturing	License Manufacturing	Joint Venture
Investment required	NA	NA	Medium	High
Management bandwidth	Low	Low	High	High
Availability of capacity for addition production	NA	High	High	High
Use of distribution network/sales channels	High	NA	High	High
Development of own brand	NA	NA	High	Medium
Probability of tapping export markets	NA	NA	High	High

\* NA: Not Applicable

## Opportunities for Foreign Companies in the Indian Market

India offers an immense opportunity both in terms of demand for your products as well as possibility of manufacturing your products at lower costs.

### Advantages of Manufacturing or Assembling in India

- Low cost of production as compared to western countries
  - Product customization
    - Customization of machines or industrial products as per Indian shopfloor conditions (different climate, rough usage)
    - Customization of consumer products as per Indian tastes and preferences
  - Quick after sales service at low cost of clients in the company due to full-fledged set up in India
- The base in India can be used for domestic sales as well as exports.

Decision about mode of entry in the Indian market will be based on certain factors such as the expected volumes in the Indian market, your financial and management bandwidth and so on. Some of the modes of entry are described below:

- **Appointment of Importer and Development of Distribution Network:** Foreign companies can identify an importer for the Indian market and appoint multiple distributors for different regions or products, depending on the market reach of the distributors.
- **Contract Manufacturing:** In order to take advantage of low production/assembly costs, foreign companies can get its products manufactured/assembled from a contract manufacturer in India.
- **Technology Licensing:** It can also give its technology or know-how to Indian companies on license basis. With the licensed technology, Indian companies will manufacture and sell products under their brand name and pay royalties to the foreign company.
- **Joint Venture:** Foreign companies generally go for a joint venture when they need a readymade setup, clientele, local partner's expertise and involvement in the business.

- **Wholly owned Subsidiary (WOS):** Foreign companies opt for WOS when they are confident that they can build the business from ground zero and intend to have full control over the Indian operations.

Comparison of different modes of entry based on key factors is depicted in the below chart:

Factors	Distribution Network	Contract Manufacturing	Technology Licensing	Joint Venture	WOS
Investment required	Low	NA	NA	Medium	High
Management bandwidth	Low	Low	Low	Medium	High
Advantage of low cost of production in India	NA	High	NA	High	High
Opportunity to use readymade distribution network/sales channels	High	NA	NA	High	Low
Development of own brand	Medium	Medium	NA	Medium	High
Ability to serve india and neighboring markets with quality products at competitive prices	Low	High	NA	High	High
Control over operations	Low	Low	Low	Medium	High

\* NA: Not Applicable

## Importance of Independent Advice and Support for Your International Venture in the COVID Times

During COVID times, in case of internationalization or execution of growth strategies, businessmen are facing varied challenges including the restrictions on travel, urgency to revive/tap new markets, and opportunity costs involved with delaying the new possibilities.

Taking into consideration these factors, it is imperative for any businessman to seek advice and assistance from a consultant who has sector-agnostic experience, qualified team and deep reach in the international markets. In this way, the expansion process of a company can be expediated and the market opportunities can be tapped more effectively.

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