

# Rödl & Partner

# SHAPING STRATEGIES

Rödl & Partner strategy advisory in India



*“Many international companies find the Indian market huge and attractive but at the same time its unfamiliar complexities hold these companies back from entering or expanding in the Indian market.*

*A structured approach, strategic patience, knowledge of the local market and regulations will help you to effectively navigate through one of the most prominent markets like India.”*

*Rödl & Partner in India*

# Section 1: India – A Global Manufacturing and Offshore Service Delivery Hub

India was originally known as “Bharat”. The Sanskrit word “Bharat” means ‘one who is in pursuit of light or knowledge’. India has been the land of abundance and virtues. It was not only well-known for silk and spices, but it was also epicenter of knowledge especially in the fields of mathematics, astronomy, science, medicine, literature, and philosophy.

In present times, India is one of the most sought-after destinations for manufacturing as well as services for the corporate world.

India’s Ascent As A Global Manufacturing & Service Hub Is Fueled By Its Inherent Strengths:

INDIA HAS:



MARKET

The large and growing domestic market, Huge rural economy unfolding its potential, Middle-class boom, Vast base of diverse customers in terms of income, region, tastes and preference



MATERIAL

Amongst top 10 global producers for many critical materials including iron ore, crude steel, other metals, cement, food crops, fruits and vegetables as well as industrial products such as textiles, plastic, heavy machinery, automotive, and electronics, amongst others.



MANPOWER

Strong demographic dividend with a median age of population at 29, English-speaking Tech-savvy workforce, the annual supply of more than 2.5 million STEM graduates



MONEY

Automatic foreign inward investment route for most of the sectors, Leader in digital payments, availability of debt finance.



GROWTH ENABLERT

India’s geo-political stability, stable government with a focus on FDI, and cost competitiveness compared to the western countries.

India offers unique two-pronged benefit for setting up manufacturing facility locally. Foreign companies can avail the benefit of low-cost manufacturing compared to Europe. Further, it can serve the domestic market as well as capitalize the export opportunities. This opportunity is not new for India. International companies have also been procuring finished goods, as well as components & raw materials for its group requirements from India. Thanks to India's pool of technical workforce, international companies have also been setting up global capability centers / research & development centers / offshore service delivery centers ("GCC") in India. These GCCs have evolved in the value chain, starting with support functions and tech enablement and now many of them setting up research & development or designing centers in order to cater to the global demand from India.

However, this massive opportunity comes with its unique complexity and mammoth scale to handle. Some of the challenges faced by foreign companies in India include:

- Diverse consumer behaviors and mindsets across different regions, income strata and age group,
- Cultural difference,
- Acquisition and management of suitable talent,
- Logistics complexities, and
- Complex regulatory environment, amongst others.

However, despite its complexities and challenges, one cannot ignore the large market like India!




With forethought planning, analysis of market dynamics and a consultant with local expertise, many foreign companies have successfully made inroads in the Indian market.

# Section 2: Strategy Advisory Service Line at Rödl & Partner

We offer tailor-made solutions to the most unique requirements of our clients from diverse sectors, including but not limited to automotive, heavy engineering, research & development, machine tools, industrial machinery, defense, food and beverages, pharmaceuticals, and IT amongst others.

We facilitate and support hassle free setup of an international company in India, right from the evaluation & planning stage, going up to on-ground identification and negotiations with different industry stakeholders such as suppliers, distributors, partners, and contract manufacturers.

For a company already established in India, we support the CEO's Project Office by advising and assisting in further expansion in India. We help with customized presentations for the Boards, evaluation of make in India opportunity, business plan to check project viability, development of suppliers' network, contract manufacturer search or identification of acquisition targets or any other company specific request for an existing company. We believe in listening to our client's ideas, current status, plans and the requirements then accordingly develop a customized offering.






OUR GAMUT OF SERVICES		
		
<b>ANALYSE</b>	<b>STRATEGIZE</b>	<b>BUILD &amp; GROW</b>
Market Dynamics	Formulation of entry strategy	Development of distribution network
User Industries	Location Study	Development of supplier / vendor base
Sales Channels	Business Plan	Identification of contract MFRS
Competitors	Customised Services	Partner search
Regulations		Target search for aquisition

SECTION 2.1: MARKET ANALYSIS

Understanding the market dynamics is the stepping stone in the massive but complex market like India. It is imperative to analyze the market dynamics such as market size and expected growth, the competitors' position and strategy, challenges faced by them, sales channels, user industries, regulatory environment, and any other sector specific information.

Information obtained through such market analysis is often used as an input for the business plan being prepared for new markets or new product launch or localization of your products in India.

- This exercise will help to:
- set the expectations right at the initial phase itself
  - plan the scale up in phased manner and
  - ensure that the resources are allocated efficiently.

FACTORS THAT WE USUALLY COVER IN THE MARKET ANALYSIS:	
	<b>Market Dynamics</b> Assess the market size, growth rate, growth drivers, challenges and key characteristics.
	<b>User Industries</b> Gain an understanding of key user industries, procurement process and projected growth.
	<b>Sales Channels</b> Evaluate the sales channels developed by the existing market players.
	<b>Competitor Benchmarking</b> Analyze nature of their presence, financials, their set up and offerings in the Indian market.
	<b>Regulations</b> Study the industry specific as well as the import regulations.

The factors to be covered in the market analysis are chosen based on the detailed discussion with the Client. Key considerations include the Client's understanding of the Indian market, its products, status of business in India amongst others. The Client can also opt for a comprehensive market analysis or choose certain segment for a deep dive.

## SECTION 2.2: MARKET ENTRY STRATEGY

Once detailed understanding of the market is gained, we conduct discussions with the Client and advise on the most suitable mode of entry in India. It comprises of evaluation based on correlation between the pros and cons of each mode of entry, market opportunities and resources available with the Client (viz. management bandwidth and capital). Some of the evaluation criteria include:

How competitors are structured & their offerings	Financial & Management bandwidth of the client	Cost of Production
Expected Market volumes	GOVT Regulations- Sector specific, Imports	Ability to serve neighbouring Export markets

We enable you to derive a tailor-made entry strategy formula for the Indian market.

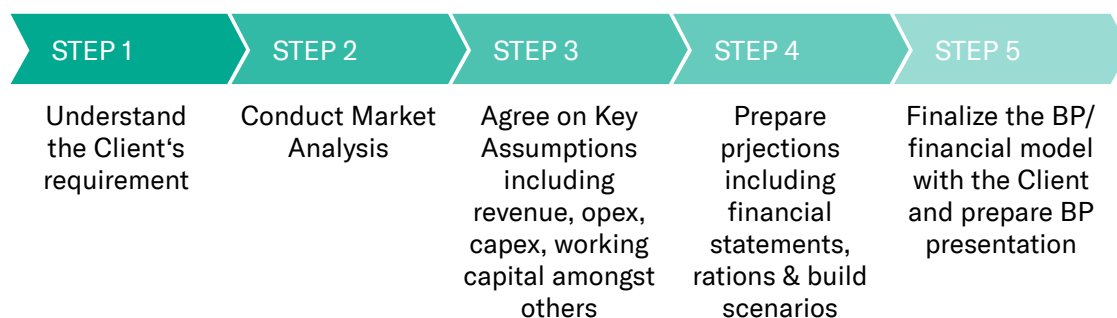
*For instance, the strategy for the Indian market can evolve in a phased manner, starting with a distribution / sales network in India. Expected results and milestones can be set based on the foreseen potential for the further scale up. Depending on the milestones achieved, the setup can then be expanded in own manufacturing or a strategic partnership in India.*

We also help our clients to implement their market entry strategy by providing end to end support in various activities such as partner identification and appointment, company setup amongst others.

## SECTION 2.3: PREPARATION OF BUSINESS PLAN

Preparing a business plan helps you to translate your vision and plans into projected financials, enabling you to envisage the viability of the project in terms breakeven point, profitability, internal rate of return, payback period for the investment amongst others. A business plan can be prepared for different objectives including entry in the new market / region, new product addition, new production facility, capacity additions, project finance, a joint venture or it can also be simply prepared for arriving at initial capital requirement for a new company.

To start with, we understand our client's requirements and set the objectives for drafting the business plan. Our financial projections are based on the volumes and growth derived from a thorough market analysis activity and key assumptions agreed with the Client. In addition, to the financial model, we deliver different scenarios and key performance indicators in a form of concise and engaging presentation. Our standard scope of work is presented below. It can be customized further based on the Client's requirements.



**SECTION 2.4: LOCATION STUDY**

Considering the mammoth scale and breadth of the Indian market, location of your setup plays a significant role in overall efficiency and efficacy of your operations. Irrespective of nature of the setup- trading entity or manufacturing unit or a service delivery center, a due attention needs to be paid to various factors that are intrinsic to the business.

*For instance, in case of a factory, a right location plays an important role in keeping the costs low without sacrificing quality. At the same time, the company can cater to its customers in a timely manner. On the other hand, in case of global capability centers, employee cost is the largest cost component. Hence, the shortlisted locations need to be assessed based on the cost trends, expansion plans of competitors and attrition rate.*

Overall, a systematic approach towards selecting a suitable location for your planned setup is vital for your long-term success and sustained competitiveness in the Indian market.

In light of the same, we offer two versions of the location study:

- a. Light version of the Location Study (Desk research)
- b. Comprehensive Location Study (including visits to the suppliers)

a. Light version of the Location Study (Desk research)

This version of the location study is an equation of different factors that play a vital role in

- balancing the costs and the benefits
- ensuring system efficiency including sourcing and logistics

This version is primarily based on our expertise and secondary / desk research. We conduct discussion with our client, decide the factors to be evaluated, and their respective weightage in the overall evaluation. Some of the most evaluated factors are given below:

Availability of raw material	Proximity to markets	Availability of required infrastructure
Availability of manpower	Benefits / incentive offered by government	Competitors' Locations and Expansion Plans

b. Comprehensive Location Study (including visits to the suppliers)

In a comprehensive location study, we assess the market dynamics of the client's sector, competitive landscape, quality and scalability of the potential suppliers, government incentives, amongst others. The study comprises of secondary research powered by the discussion with industry constituents such as competitors, visit to the stores (in case of B2C) and visits to the identified suppliers. Our standard approach and methodology is presented below:



## OUR STANDARD APPROACH AND METHODOLOGY

PHASE I	PHASE II	PHASE III
<ul style="list-style-type: none"> <li>- Setup objective and key factors to be evaluated: We conduct detailed discussions with the client to set objectives and factors to be evaluated in the order of priority.</li> <li>- Assess the market and Competitors: Market dynamics we typically cover in such studies: Market size, regional distribution; Competitive Benchmarking: Size, portfolio, scale and location of the competitors</li> <li>- Identify the clusters of suppliers and location of raw material: Map location of the raw material / supplier clusters in India and cover brief information on nature of the industry including production level, growth, organized v/s unorganized amongst others.</li> </ul>	<ul style="list-style-type: none"> <li>- Shortlist a few locations / regions for further evaluation: Based on the information gathered in phase I, shortlist a few locations for the phase of deep dive.</li> <li>- Identification of suppliers: Identify and approach suitable suppliers in and around each shortlisted locations in order to check their size, scalability and quality.</li> <li>- Visit to the market and suppliers: Visit the suppliers' facilities to verify the information shared by them so far; Visit the market in case of B2C products</li> </ul>	<ul style="list-style-type: none"> <li>- Shortlist of suitable suppliers: Based on the visits, conduct discussions and assist the client to shortlist suitable suppliers</li> <li>- Preparation of the scorecard and presentation of findings: Prepare a score card with rating for each factor for each shortlisted location; Present the summary information as a backup to the ratings given in the score card.</li> </ul>

A comprehensive location study will enable you to make informed decisions in alignment with your strategic goals, optimize the operational efficiency, mitigate the risks; and capitalize on growth opportunities in the Indian market.

### SECTION 2.5: IDENTIFICATION OF CONTRACT MANUFACTURERS OR THIRD-PARTY MANUFACTURERS

Contract manufacturing is a low investment model which enables a foreign company to start manufacturing or assembling its products or components in India with the help of a third-party manufacturer. In this kind of arrangement, typically, the foreign company shares the technical details of the required product or component with the third-party manufacturer and gets it manufactured as per its quality standards at pre-agreed price under its own brand name.

The contract manufacturing model varies from company to company depending on different factors such as level of control exerted and the technical details shared by the principal brand, the manufacturing process being outsourced, criticality of the component in the final product, quality checks to be carried out, level of supervision of the premises amongst others.

For instance, the principal brand may take full control and exclusivity for the premises where its products are being manufactured. The brand typically also has a say in the sourcing of the raw materials.

Or it can merely agree on the raw material + processing charge for the procured products (subject to quality checks) without exclusivity or control on sourcing.

**Benefits of Contract Manufacturing in India:**

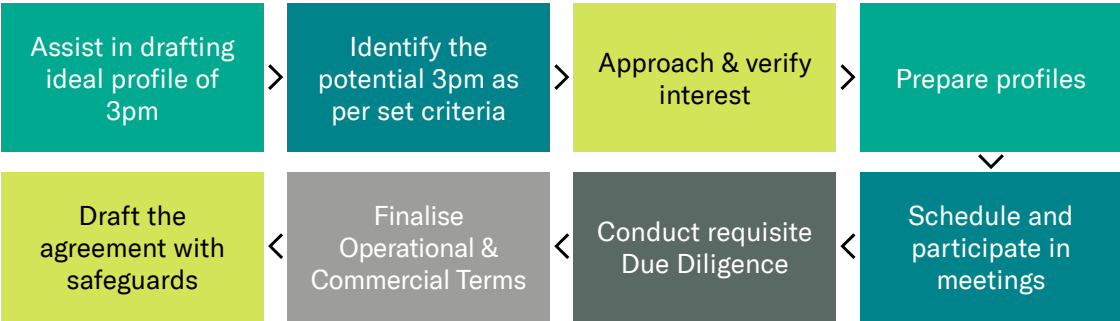
1. **Ease of Market Entry:** Contract manufacturing allows the foreign companies to offer locally manufactured products without setting up their production facility. This saves time and investment required in setting up own plant from scratch, allowing businesses to reach its customers more quickly.
2. **Low Capital Investment:** By utilizing existing infrastructure, companies can avoid significant initial capital investments required for the factory in India.
3. **Flexibility and Scalability:** Contract manufacturing provides the flexibility to scale up or scale down in the medium term.
4. **Cost Efficiency:** Most importantly, the contract manufacturing arrangement allows the foreign company to take advantage of its cost competitive manufacturing leading to enhanced profitability and improved competitiveness in the market.

The contract manufacturing model comes with its risks such as risk of technology, loss of customers, counterfeit products in the market amongst others.

If planned and managed wisely, this arrangement can help the foreign company to test the cost competitiveness as well as quality offerings at lower investment. With the help of a local expert, one can efficiently navigate through the complexities and capitalize this opportunity. For instance, we can draft a watertight contract manufacturing agreement comprising safeguards including but not limited to IP protection, non-compete, non-circumvention and so on. We can also run a structured scan of the market to understand profile of available manufacturers in order to find a suitable manufacturing partner.

In nutshell, we can help you with the entire lifecycle of the contract manufacturing arrangement, right from identification, approach, visit, profiling, negotiations, drafting of contracts till regular checks. Or you can choose a particular segment of the entire process, depending on your needs.

Broader scope of work is presented below:



3PM: Third Party Manufacturer

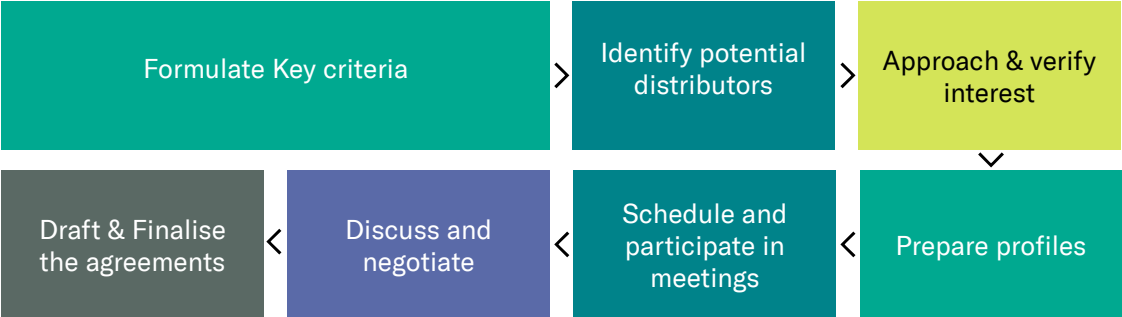
SECTION 2.6: DEVELOPMENT OF DISTRIBUTION NETWORK

Appointment of commercial partners such as distributors, sales representatives or agents is the most adapted strategy to test any new market with minimal investment. With their local experience and expertise, these partners start the business development activities and introduce the products to the potential customers. This arrangement works with minimal risk and investment compared to other market entry strategies.

However, foreign companies often make a mistake of depending on merely international exhibitions to find distributors or agents for new markets. Exhibition is a good platform for networking and understanding current market trends. But the distributor search for a new market should not be based on merely a meeting during an exhibition. The company must carry out a structured scan of the market to understand the scale of distributors present, their proximity to the customers amongst others. The company should also visit the potential distributor’s or agent’s setup in order to verify the claims made by them.

Further, defining the expectations and responsibilities at an initial stage as well as having a well drafted distribution agreement are necessary for hassle-free future transactions.

*We advise and assist international companies throughout the process of development of the distributors /agent network. Our range of support includes:*



With our range of services under one umbrella, we can support a foreign company in this process with wholesome approach from strategic, legal and tax perspective.

SECTION 2.7: IDENTIFICATION OF SUPPLIERS /VENDORS

In today’s highly competitive global market, securing the right suppliers is not just a necessity but a strategic advantage, not only for the domestic market but at international level. This opportunity is not new for the Indian market. Many multinational companies have been procuring finished goods and raw materials from India to the tune of hundred millions of dollars each.

Either for domestic market or for global requirements, the companies often start with procurement of components, scaling the sourcing to the finished goods as well as services over the years. Many companies have also scaled up their presence by setting up a procurement office for their global needs in India.

### Why India?

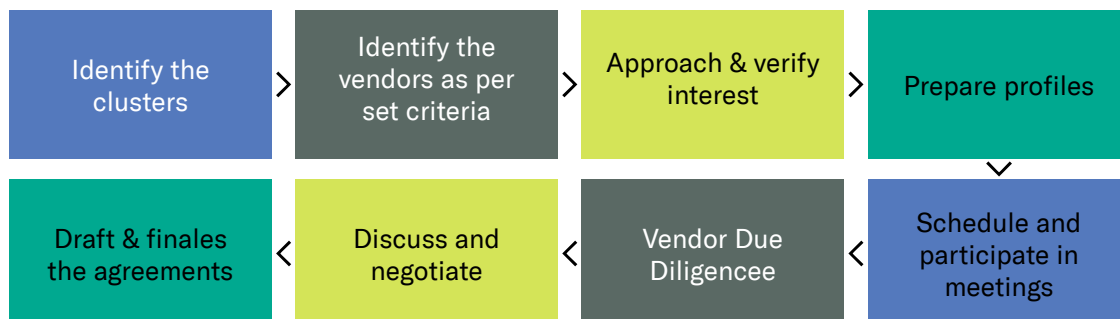
1. Resource rich country: India has a rich agricultural land as well as large reserves of natural resources. The country is amongst top 5 global producers of aluminum, crude steel, cement, jute, cotton amongst others. It has a developed supplier eco-system for the progressive sectors such as automotive, electronics, industrial goods to name a few.
2. Cost competent: Procurement from the suppliers in India can be done to serve the Indian market as well as global requirements, leading to higher overall profitability for the parent company.
3. Reduced Supply Chain Risks: Procuring from India helps the foreign companies to mitigate the supply chain risks associated with dependence on one country and geopolitical uncertainties.

Some of the common mistakes that foreign companies do while appointing suppliers in India are:

- relying merely on close contacts for appointing the suppliers
- lack of purchase agreements
- not checking tax implications
- no regular checks/visits, amongst others.

To ensure hassle-free and uninterrupted supply, one should seek advice or assistance from a local expert or third-party consultant. We assist international companies in developing a reliable vendor or supplier base in India. We provide end to end support right from identification, approach and verification of interest, profiling, meeting, negotiations, drafting of agreements and regular checks.

Our standard scope of work includes:



We can customize the scope as per our client's requirements. We can provide end-to-end solution or can assist with certain module in the above process.

### SECTION 2.8: TARGET SEARCH FOR ACQUISITION

Company acquisition serves as one of the speedy modes of establishing or expanding the business in a new market. Companies opt for this mode of entry / growth primarily to increase market share, expand the production capacities, acquire new clients, add new product or service line, eliminate the competition or upgrade the technology.

In nutshell, by way of acquisition, the company can get access to the ready sales setup, operational facilities, new technology, new product line, experienced staff, established client relationships, ready order book, amongst others.

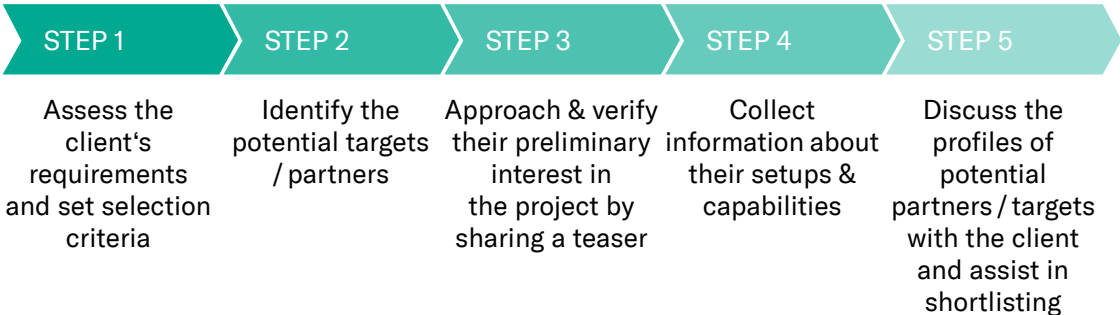
But if not managed well, acquisition paves way for complexities and risks such as lack of synergies affecting the future business, false declarations, liabilities, cultural mismatch to name a few. With proper planning and professional help by your side, these risks can be mitigated.

We have a full-fledged advisory team comprising of senior professionals from different domains for providing end to end M&A advisory services. Moreover, we also offer support in carrying out a thorough scan of the market to identify a suitable target for acquisition based on the set selection criteria.

The market scan will give you an idea about the size, scale, nature and location of the companies as per your selection criteria. This will further enable you to revisit your acquisition plan and make adjustments, if necessary, in order to have optimum results.

Finding a suitable target, is springboard for your acquisition strategy, which no one can afford to go wrong and hence requires due attention as well as investment in terms of time and money.

Our standard scope for target search includes:



**SECTION 2.9: CUSTOMIZED SERVICE OFFERINGS**

Being at different stage of the lifecycle and technology advancement, each business has its unique requirements. Our strategy advisory service line is powered by the dedicated strategy team of senior professionals as well as experts in other areas such as legal, tax, incentives amongst others; allowing us to provide wholesome strategic insights which are thought through from all perspectives.

Some of the projects carried out in this space are as follows:

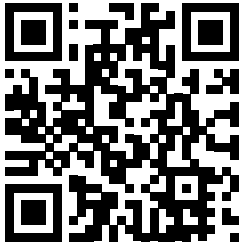
1. Indicative Salary Range for Employees:
  - By leveraging extensive connects in the industry and analytical skills, we have carried out collection of data with regard to indicative salary range for various roles and experience levels defined by the client.
  - It enables the client to make provision for the employee cost in its business plan as well as to take informed decisions while agreeing on the salaries for the employees.
2. Presentation / Comprehensive Document for the Company's Parent Company or Board of Directors: We have created concise and engaging presentations to be presented to the headquarters by the Indian subsidiary for different objectives including but not limited to:
  - Effectively communicate the strategic advantages of setting up manufacturing in India as well as highlighting all factors to justify the investment
  - Explain different business models based on the regulations for local content in the pharmaceuticals and medical devices sector, with pros and cons as well as the potential risks associated with each model
  - We have also prepared a pitch deck for an international company to approach and onboard international suppliers for its new project in India.

Our presentations or strategy documents are backed by market statistics, graphical representation of our analysis and strategic insights. Our customized services provide you the insights and tools required to meet your strategic goals.

# About us

Rödl & Partner – The agile caring partner for Mittelstand shaped world market leaders

[www.roedl.com/about-us](http://www.roedl.com/about-us)



# Your specialists in India



**RAHUL OZA**

Partner  
Director  
Head of Practice (West and South India)

T +91 2066 2571 00  
rahul.oza@roedl.com



**DIPALI JOSHI**

Principal Associate  
Team Lead-Strategy Advisory

T +91 2066 2571 00  
dipali.joshi@roedl.com

