

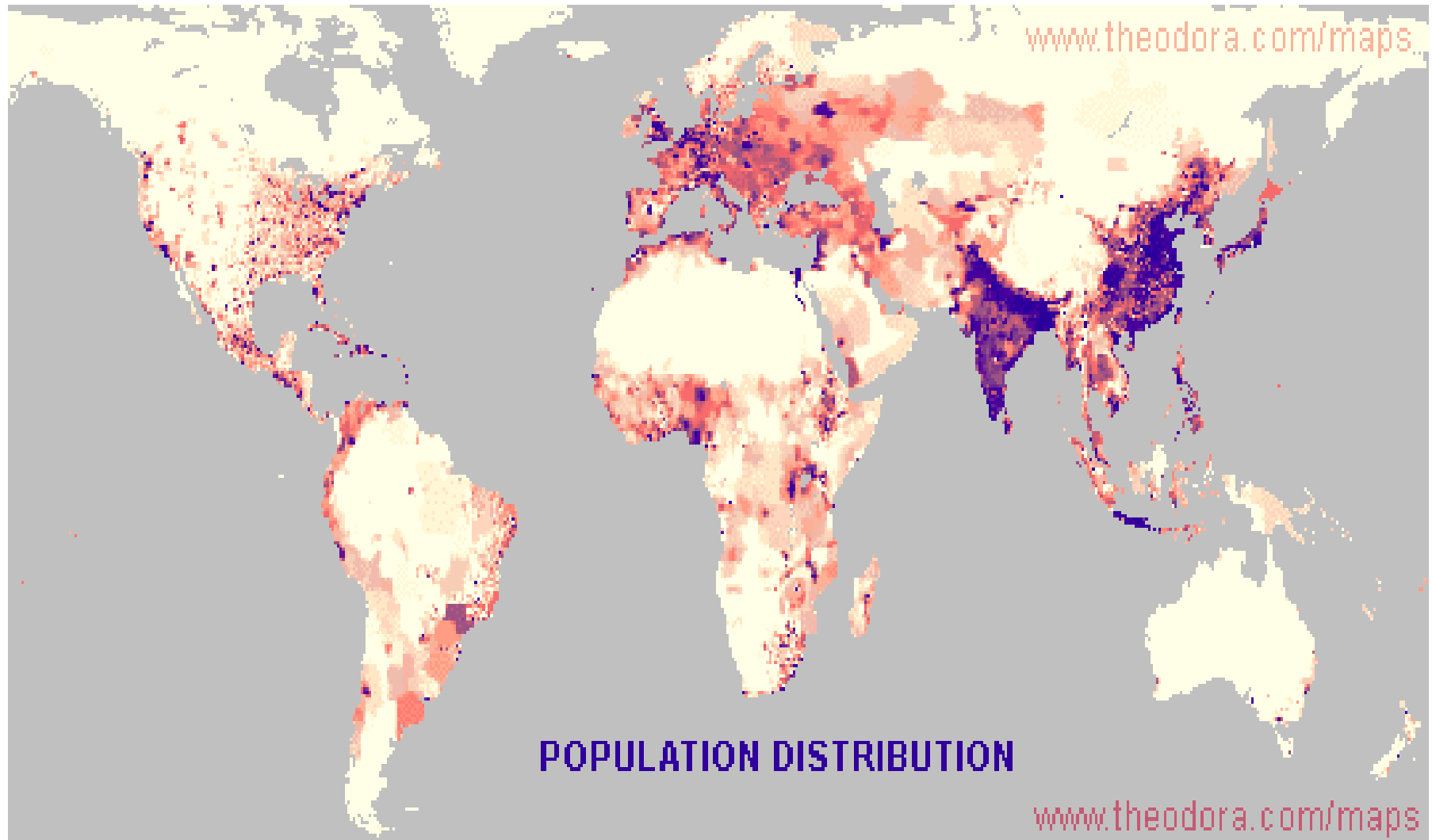
A close-up photograph of a tiger's face, showing its distinctive orange and black stripes and a greenish-yellow eye. A semi-transparent white rectangular box is overlaid on the right side of the image, containing the title and author information.

India in Global Economy

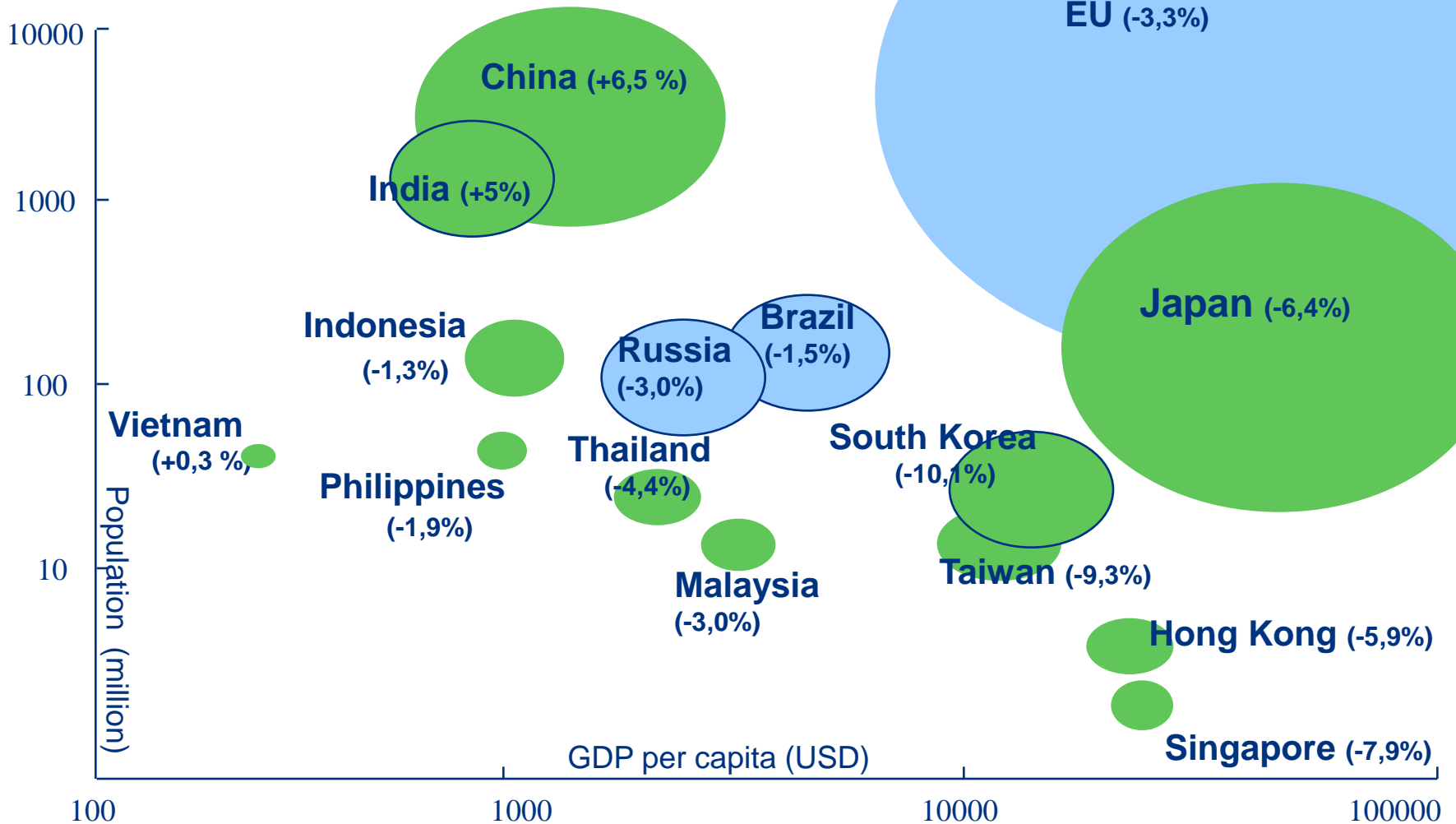
Megamarket and Micro-Consumers

Eeva Nuutinen
Turku 7.10.2009

Population distribution



Economic size of Asia in 2009*

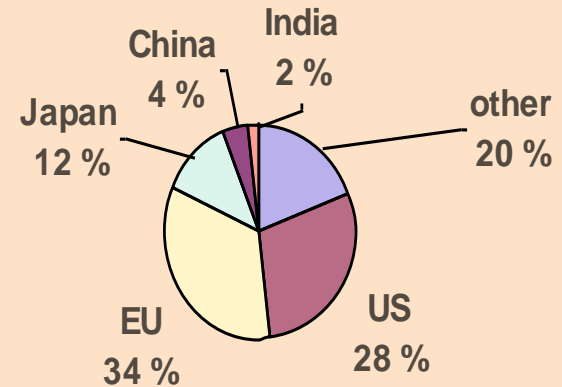


*=forecast

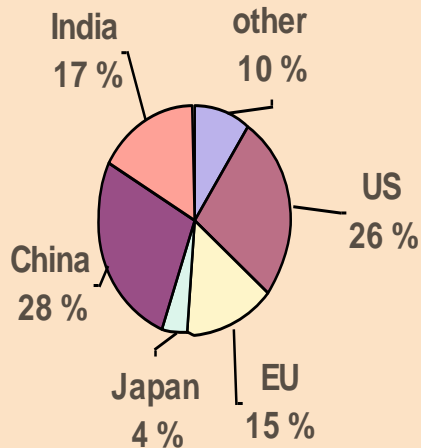
Reshaping the Global Economy

Percentage of world gross domestic product

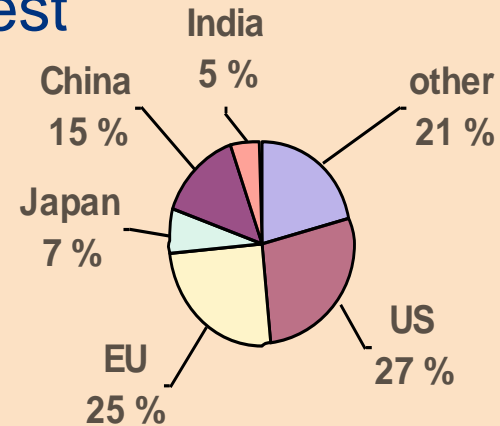
2004



2050 est



2025 est



Diversity and interstate variation

- India is approximately 82% the size of the EU
- Its population is more than double that of the EU
- Almost the same number of languages (India has several dialects as well)
- India and the EU have large variations in demographics vis-à-vis paying capacity

European Union

GDP: USD 16 850 bn
(market prices)

Area: 3,976,372

Population: 495.1 mill

Languages: 20

Per Capita Income:
USD 29 353

India

GDP: USD 1 265 bn
(market prices)

Area: 3,287,590 sq km

Population: 1.01 mill.

Languages: 22

Per Capita Income:
USD 1120



A photograph of a busy indoor market. In the foreground, a woman in a patterned sari is filling a white plastic bag with green beans from a wooden crate. To her right, another woman in a pink sari is walking. The background shows other shoppers and market stalls under bright lights.

Economy in Transition

The transformation

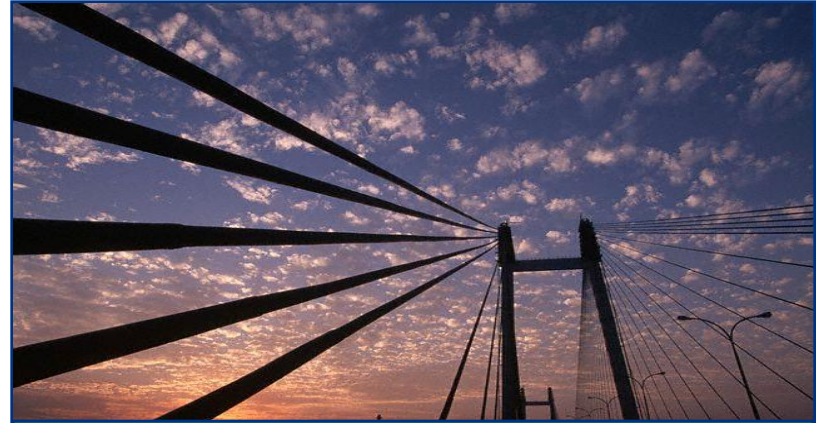
Yesterday

- **Slow rate of growth**
- **Bureaucratic**
- **Protected and slow**
- **Small consumer markets**
- **Weak infrastructure**



Today

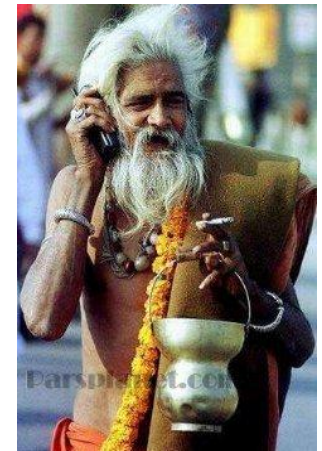
- **One of the world's fastest growing economies**
- **Opening up of sectors for investment**
- **Promising consumer markets**
- **Infrastructure needs improvement**



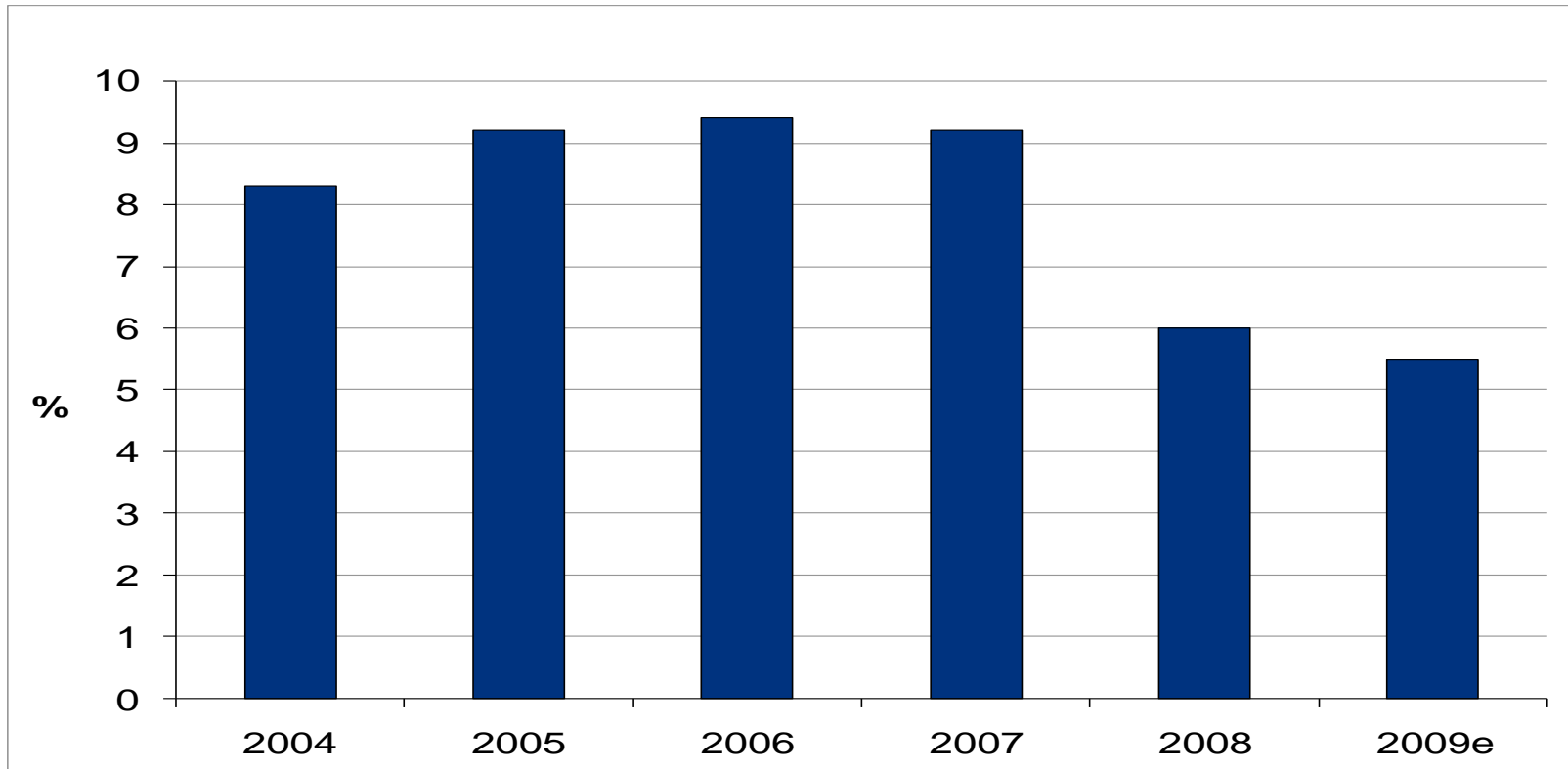
India is the world's largest democracy

India today





- Has world-class recognition in IT, bio-technology and space
- Is the largest English speaking nation in the world
- Has the world's largest single-location forging facility
- Has the second largest petrochemical facility in the world
- Is the lowest cost steel producer in the world
- Is the largest 2 wheeler manufacturer in the world
- Is the second largest tractor manufacturer in the world
- Is the fifth largest commercial vehicle manufacturer in the world
- Is among six countries that launch satellites and does so even for Germany, Belgium, South Korea, Singapore and EU countries
- Is one of the few countries that has built its own Supercomputer



GDP growth in fiscal years 2004-2009



Mega-Market and Micro-Consumers

Household income classes	Real annual household income (average size of household = 5.4)	Segment size Millions of households	Common occupations	Assets owned
Global India	>USD 10 000	 1	<ul style="list-style-type: none"> • Businesspeople in SMEs • Corporate / government employees • Rich farmers 	<ul style="list-style-type: none"> • 1-2 bedroom house • Color TV, mobile phone, refrigerator, washing machine • Car worth \$5000-10 000
Aspiring India	USD 4000 – 10 000	 40	<ul style="list-style-type: none"> • Salaried employees • New-services employees (eg. IT, media) • Shopkeepers 	<ul style="list-style-type: none"> • Color TV, refrigerator, telephone • Scooter, motorcycle, or small car worth ~\$4 000
Struggling India	USD 1 500 – 4 000	 110	<ul style="list-style-type: none"> • Shopkeepers • Service workers (eg. waiters, drivers, maids) • Farmers 	<ul style="list-style-type: none"> • Bicycle • Radio, black-and-white TV
Destitute India	<USD 1500	 40	<ul style="list-style-type: none"> • Subsistence farmers • Farm workers 	<ul style="list-style-type: none"> • Watch

Four sectors underline the Indian growth story

- Major hub for outsourcing IT-based business processes
- Driven by cost effectiveness
- India's wealth of man power

Information Technology

- Rapid integration with global industry
- Foreign manufacturers seek to cut costs
- India has high engineering levels and established productions plants

Auto-components

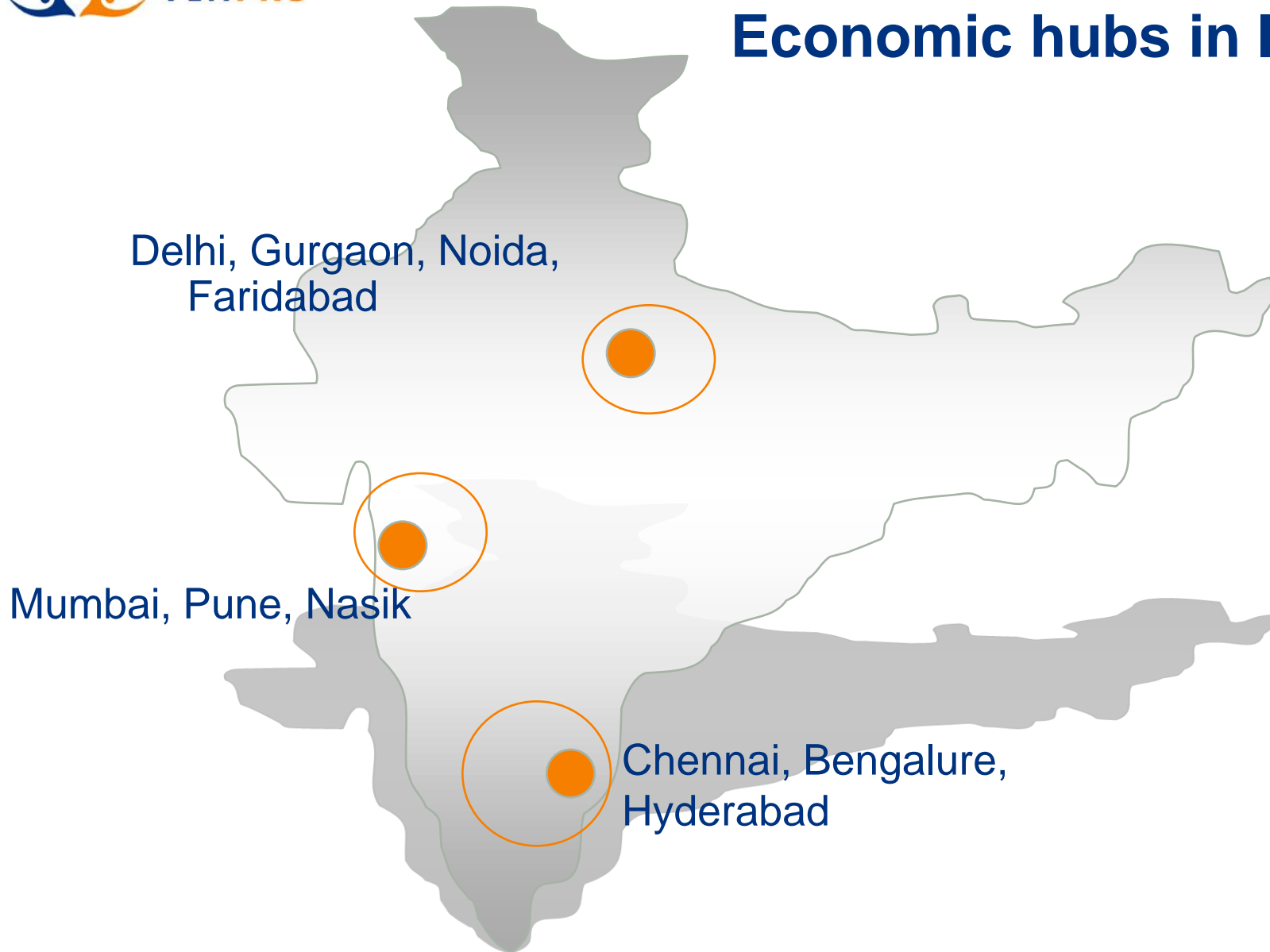
- Entering a paradigm shift with new product patent regime
- Availability of highly skilled scientists

Pharmaceuticals

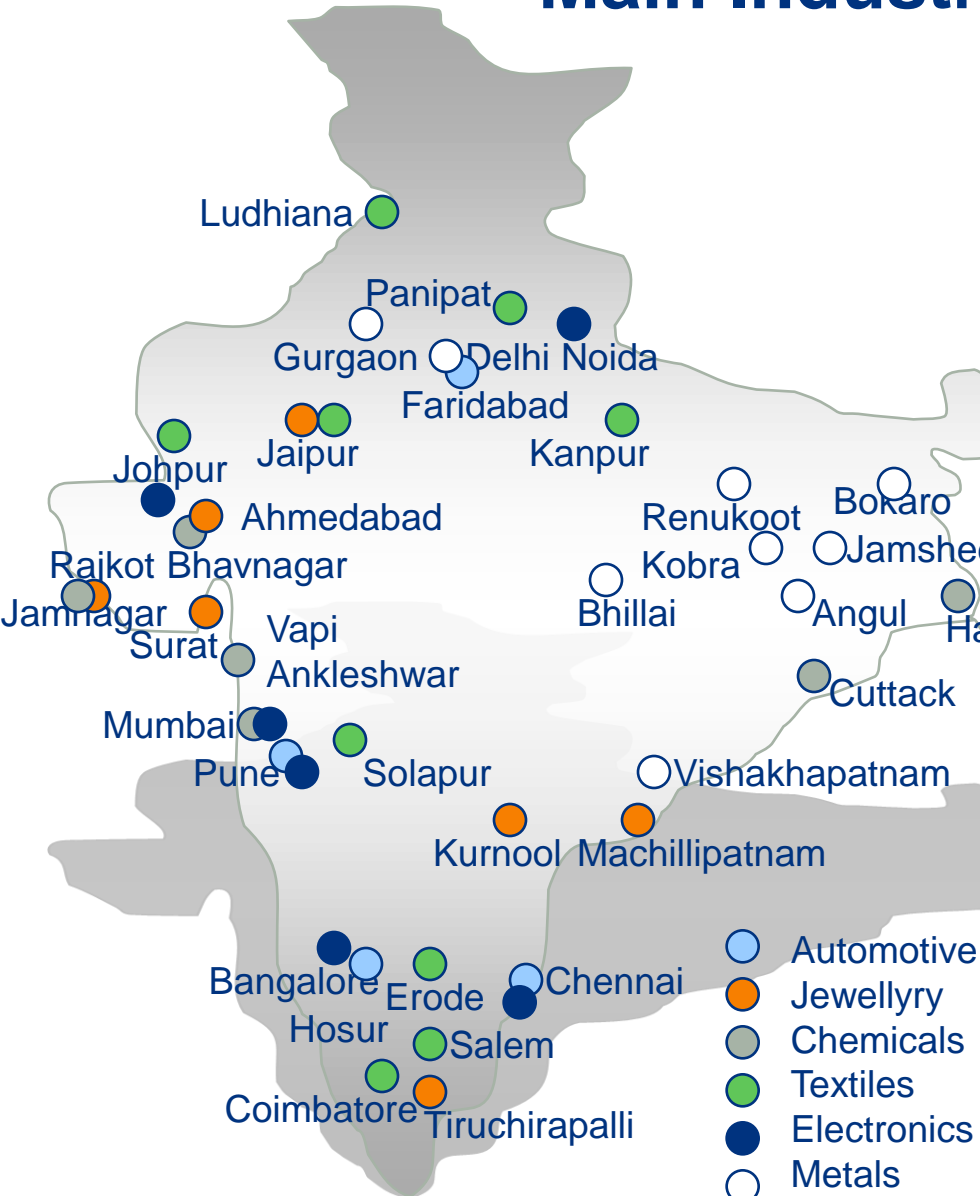
- Removal of quotas will unleash significant potential
- Advantages include availability of raw materials and low-cost production

Textiles

Economic hubs in India



Main Industrial Clusters



- **States:**

- Delhi (14.0 milj.)
- Andra Pradesh (Hyderabad 5.5 milj.)
- Gujarat (Ahmedabad 4.5 milj.)
- Harayana
- Himachal
- Karnataka (Bangalore 5.7 milj.)
- Kerala
- Maharashtra (Mumbai 17.4 milj.)
- Punjab
- Tamil Nadu (Chennai 6.4 milj.)
- Uttar Pradesh
- West Bengal (Kolkata 13.2 milj.)

- **36 cities**

- **Over 1 bn. people!**

Challenges companies face in India



Infrastructure and environment

- Complex business environment
- Poor physical infrastructure (roads, ports, airports)
- Weak rural infrastructure
- Bureaucracy
- High cost of and unreliable power
- Low urban penetration levels
- High cost of entry / exit

Market-related

- Under-developed consumer markets
- Low penetration levels due to low urbanization
- Widely varying consumer tastes across regions
- High price / value sensitivity

Regulatory / Governance

- Regulatory changes impacted by coalition politics
- Restrictive labor laws, e.g. exit options
- Laborious and time-consuming process to start a business
- Slow legal process
- Politicization of investment decisions

Operating environment and to cultural aspects



Foreign Investors should

- **Develop an ‘India’ strategy;**
 - **Have a long term view**
 - **Choose the right Joint Venture partner**
 - **Choose the right regional model**
 - **Use global best practices**
 - **Conceptualise India-specific products**
- **Optimally blend expatriate management with local talent**



Finland and India



Economy Comparison

Finland

- GDP per capita 51702 USD
- GDP Growth -6,0%
- Agriculture 2,9 %
- Industry 30,7 %
- Services 64,4 %
- Total exports 96,7 billion USD
- Total imports 87,6 billion USD

India

- GDP per capita 1010 USD
- GDP Growth 5,5%
- Agriculture 17,3 %
- Industry 28,9 %
- Services 53,9 %
- Total exports 183 billion USD
- Total imports 304 billion USD



Opportunities for Finnish in India

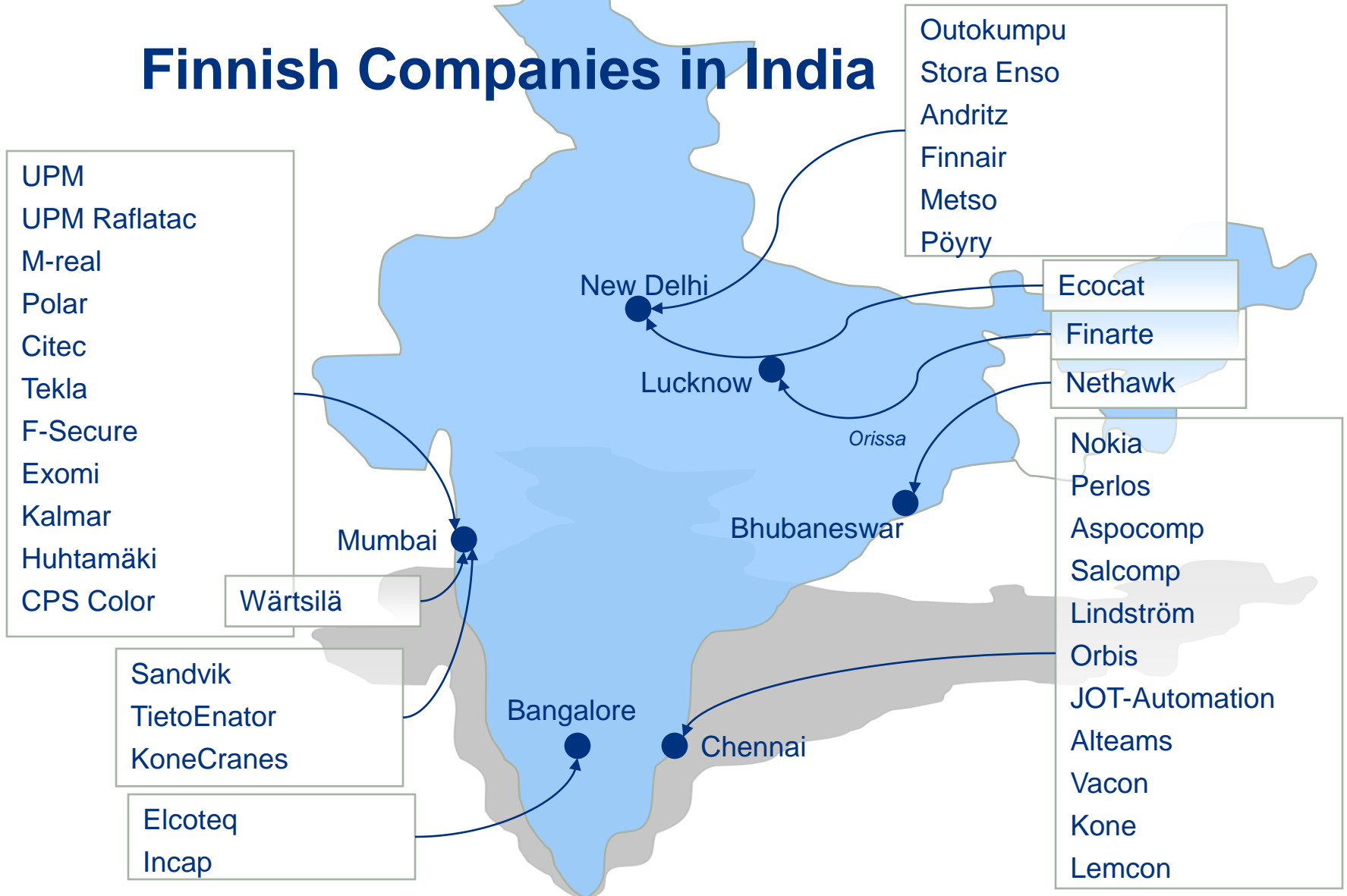
- Based on market needs in India and Finnish offering, **four sectors** are significant:
 - Energy and environment, infrastructure building
 - Life sciences extensively
 - ICT → rural mobile communication
 - Agriculture
- Ultimate goal is to jointly create cross-sectoral products and services for global markets.

Finnish Companies in India

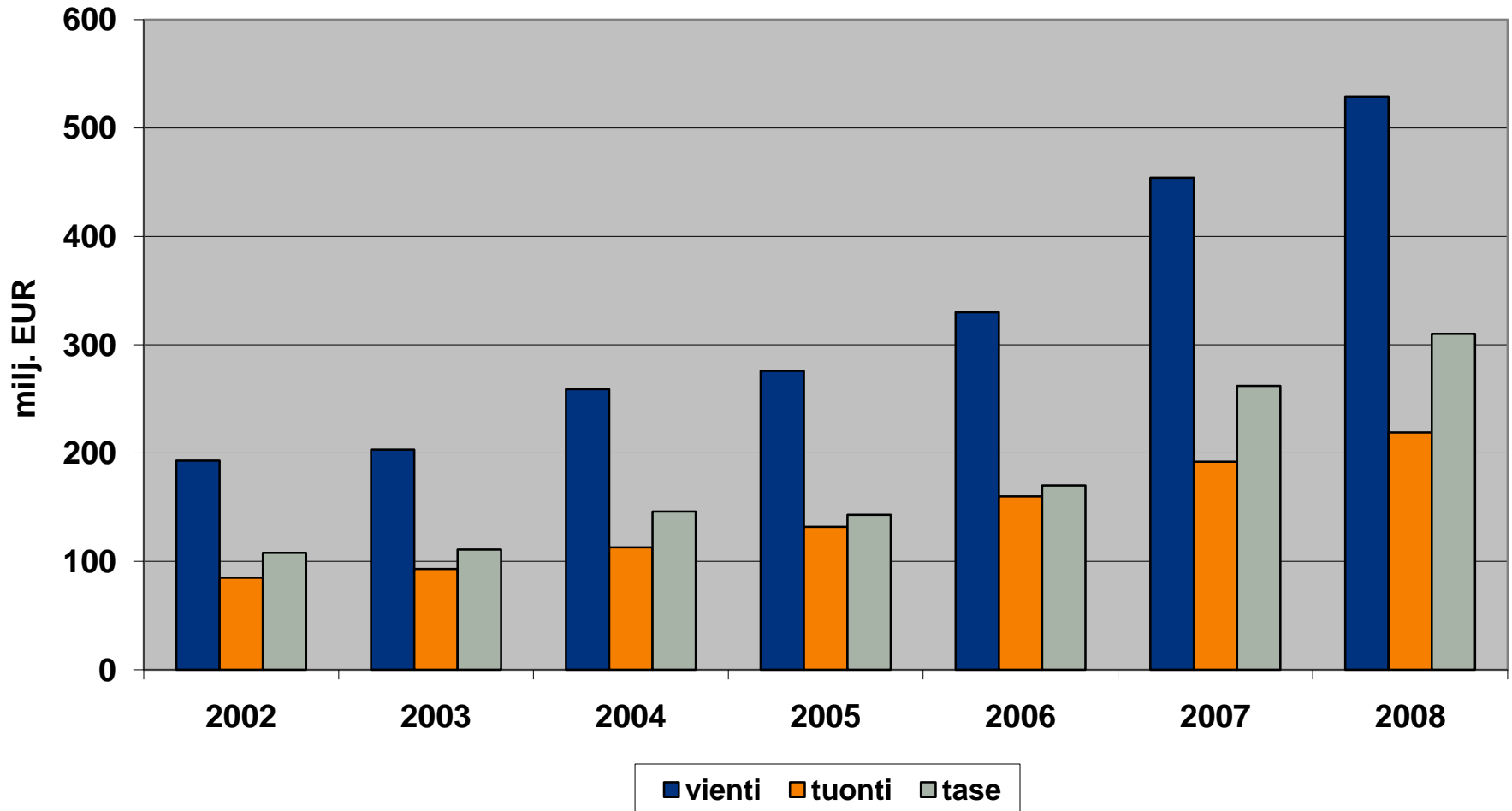
- Around 80 Finnish companies are present in Indian market.
- Many more are exporting or operating via agents.
- The most well known Finnish company in India is today Nokia.
 - Handset production unit was opened in March 2006 in Chennai.
 - With >70 % market share in mobile handsets Nokia is in revenue terms the largest foreign company in India.
- Elcoteq, a Finnish telecom manufacturer, opened its plant in Bangalore in spring 2005.
- Some other Finnish ICT and telecom manufacturers have currently established their operations in Chennai, like Salcomp , Perlos , Aspocomp
- Wartsila, Kone, Huhtamäki and Metso have been in India for more than one decade and are very successful in their businesses.
- More and more Finnish SMEs are discovering India.



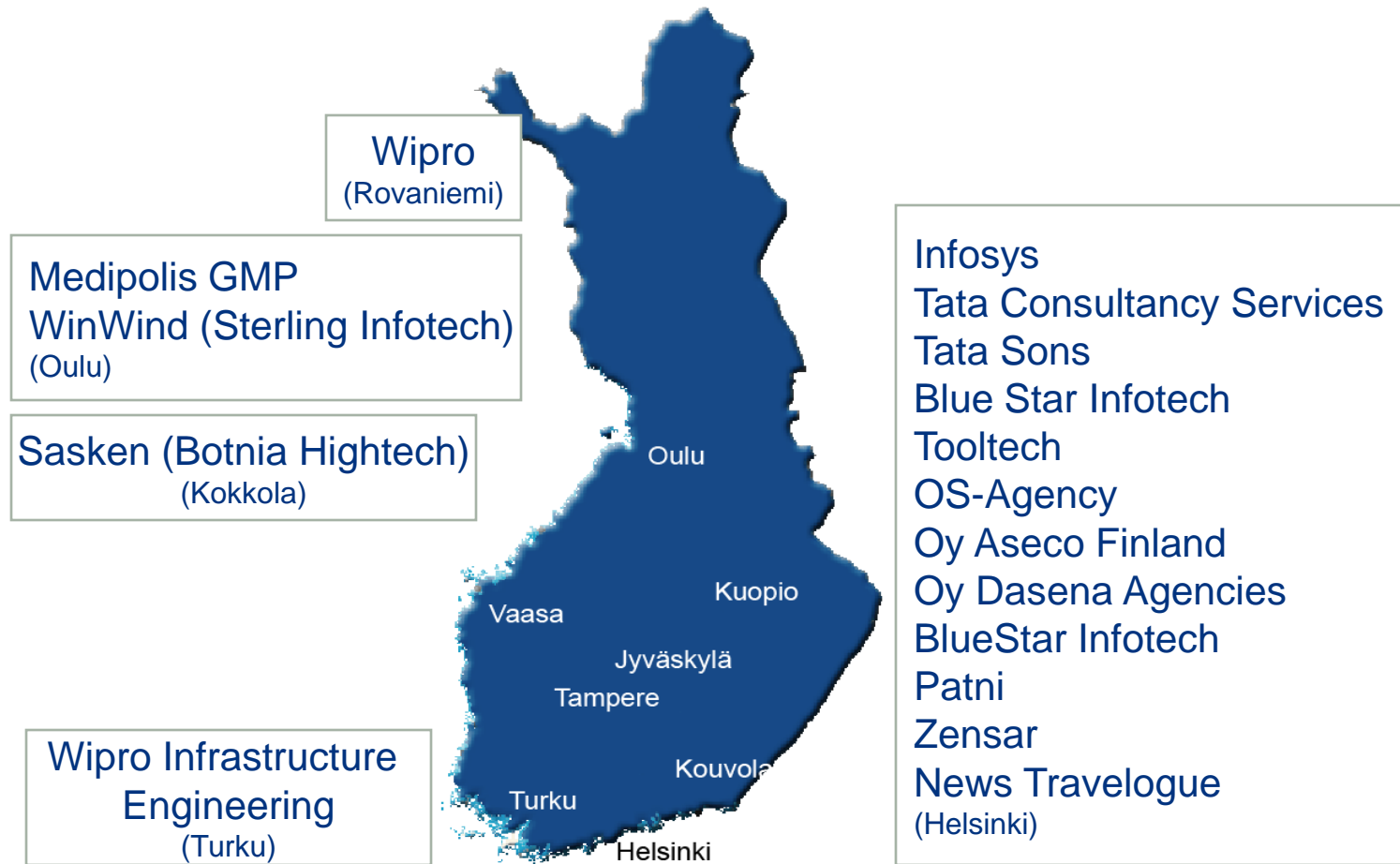
Finnish Companies in India



Suomen ja Intian välisen kaupan kehitys 2002-2008



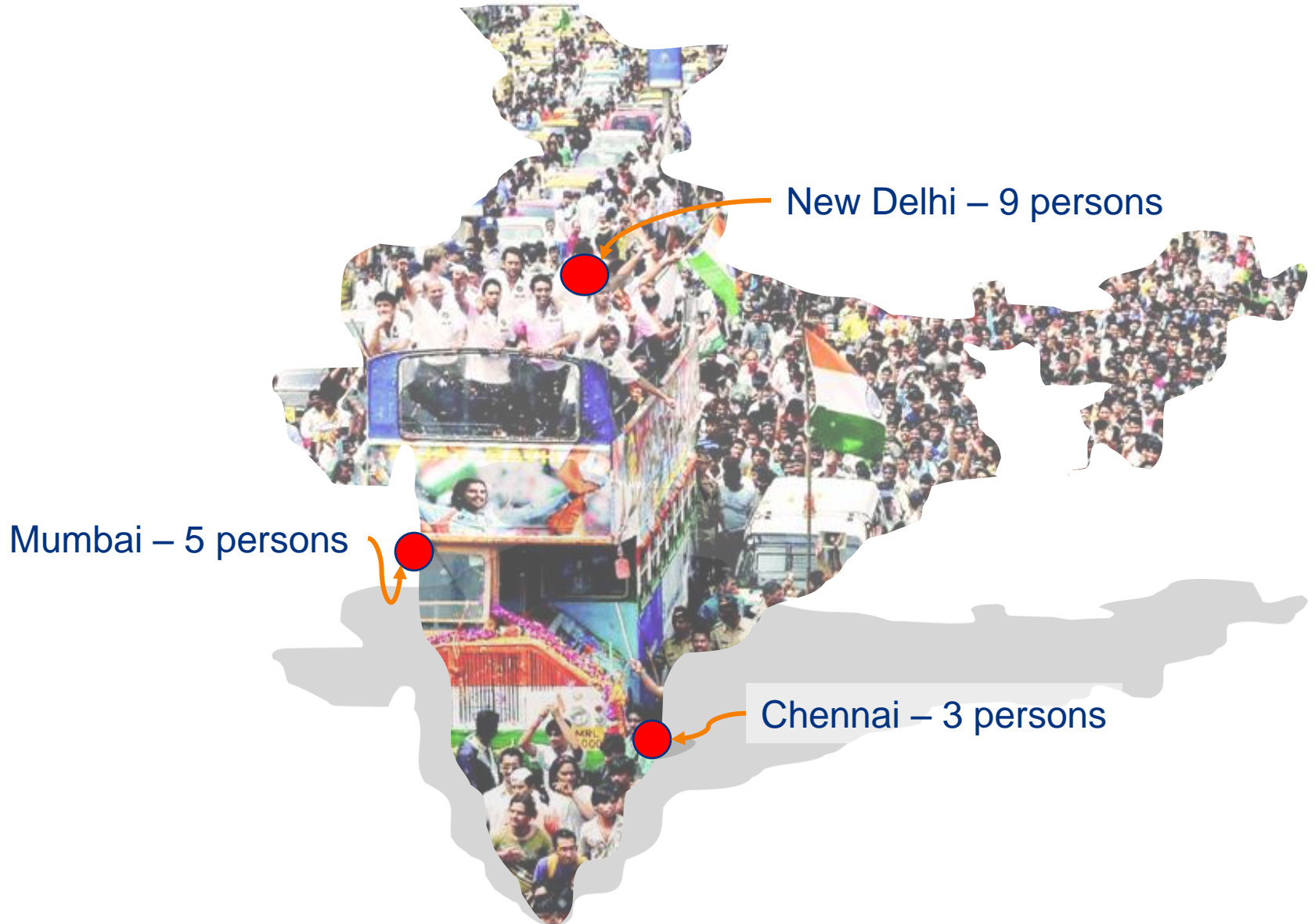
Investments of Indian Companies to Finland



A close-up photograph of two hands shaking in a firm grip. The hands are positioned in the center of the frame, with the fingers interlocked. The skin tone is a warm, golden-brown. The background is a soft, out-of-focus brown. A semi-transparent white rectangular box is overlaid on the hands, containing the text "Finpro in India" in a dark blue, sans-serif font.

Finpro in India

Three offices in economic hubs



Idea of Profitable International Growth

© Finpro ry

Idea Phase	Start-up Phase	Early Growth Phase	International Growth Phase	Strategic Change Phase
<p>Business concept feasibility</p> <hr/> <p>Weak signals & market opportunities</p> <hr/> <p>Input to Business Plan</p> <hr/> <p>Support in financing with key partners</p>	<p>Value proposition & offering</p> <hr/> <p>Market studies & Test Drive</p> <hr/> <p>Strategic options & priorities</p> <hr/> <p>SBA's & market selections</p>	<p>Customer identification & pre-marketing</p> <hr/> <p>Partner searches</p> <hr/> <p>Sales channel development</p> <hr/> <p>Establishing local office</p>	<p>Value chain & competitor analysis</p> <hr/> <p>Customer monitoring</p> <hr/> <p>Channel management</p> <hr/> <p>Outsourcing & local subcontracting</p>	<p>New business opportunities</p> <hr/> <p>New production facilities</p> <hr/> <p>Acquisition candidates</p> <hr/> <p>Investor search</p>

Thank you!



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