

# India: Opportunity for Growth

An introduction to a concrete and aware approach to Business Development in India for Small to Mid Size Enterprises

Summer 2021



# Key Topics:

PART 1: Why India: an overall view

PART 2: Some key sectors to focus on for SMEs (Small to Mid size Enterprises)

PART 3: Advantages of doing business in India

PART 4: Challenges of doing business in India

PART 5: The Italian and Indian cultural synergy

PART 6: Taking care of the crucial 'last mile' factor

Presented by Samit Naik and Riccardo Paterni Co-founders of Synergy Pathways

[www.synergypathways.net](http://www.synergypathways.net)



# India: Opportunity for Growth

An introduction to a concrete and aware approach to Business Development in India for Small to Mid Size Enterprises

PART 1: Why India: an overall view

# Why India: an overall view

## **Favourable Business Environment**

After many years of tensions and stagnancy, political and social environment focused for stability and growth

OECD (Organization for Economic Cooperation and Development) data:  
India economic growth forecast in 2021-2022 expected at 12,6%

# Why India: an overall view

## Increasing Foreign Direct Investment (FDI)

FDI in consistent increase during the last 5-10 years because of the liberal policies of the Indian Government encouraging global investors and Indian ones

United Nations: while capital inflows declined in major economies, they rose by 13% in India

# Why India: an overall view

## Ease of doing business

The Indian Government has been actively deliberating business friendly laws, reducing bureaucratic procedures and liberalising the market

World Bank, 'Ease of doing business Ranking 2020' India raising 79 positions: from 142nd in 2014 to 63rd in 2019

# Why India: an overall view

## Cost effectiveness

The cost of basis productive elements as labor, electricity, food, infrastructure is much lower compared to developed countries

Still, within this framework, it is possible to set up operations to developed countries standards

# Why India: an overall view

## Employability

The cost of labor in many cases has become lower than China and this has stimulated an on-going relocation of foreign investments in manufacturing from China to India

IBEF (Indian Brand Equity Foundation) data: the average minimum wage for contract workers in India is US\$ 148 per month versus US\$ 234 in China



# Why India: an overall view

## Employability

Comparing higher skilled labor among another global emerging country:  
Brasil and India

	<b>Brazil</b>	<b>India</b>
<b>Doctor</b>	US\$3.295,87	US\$2.213,66
<b>Lawyer</b>	US\$1.236,79	US\$794,33
<b>Dentist</b>	US\$1.054,77	US\$407,25
<b>Teacher</b>	US\$892,86	US\$302,75
<b>Administrator</b>	US\$1.158,23	US\$3.254,58
<b>Account Manager</b>	US\$1.911,86	US\$748,50
<b>Airplane Pilot</b>	US\$1.113,52	US\$2.604
<b>Sales Manager</b>	US\$1.523,23	US\$1.502
<b>IT and Software Engineers</b>	US\$1.113,52	US\$1.080
<b>HR Manager</b>	US\$1.743,57	US\$798,16

Source: [EstablishBrasil.com](http://EstablishBrasil.com) 2020

# Why India: an overall view

## Employability

To note that Indian labor actual productivity it is statistically lower than developed countries (it might take 2 or 3 Information Technology engineers to match the productivity of a western one), yet it has been shown that focused training and operation management can improve this

Demographically growing younger generations show a marked entrepreneurial mindset that stimulates productivity and innovation: India has become the world's 3rd start-up ecosystem

# Why India: an overall view

## Increasing market demand

During the last few years there has witnessed a consistent growth in terms of middle class affluence and buying power

Around 28 % of the Indian population belongs to middle class: over 380 million people of which around 190 lower middle class and 41 million upper middle class

# Why India: an overall view

## Increasing market demand

E-commerce trends, even within the pandemic dynamics, witness this sense of affluence

The Indian E-commerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second largest E-commerce market in the world by 2034

India E-commerce sector will reach US\$99 billion by 2024 from US\$30 billion in 2019, expanding at a 27% compounded annual growth rate, with grocery and fashion/apparel likely to be the key drivers of incremental growth

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PART 2: Some key sectors to focus on for SMEs (Small to Mid size Enterprises)

# Some key sectors to focus on for SMEs

## IT & ITeS Information Technology and Information Technology Services

India is one of the global topmost offshoring destinations for IT companies across the world. Proven capabilities to provide on-shore and off-shore services to global clients

Emerging technologies represent marked opportunities for growth for the Indian IT sector in which skilled labor is on the rise in terms of suited competencies and mindset

The industry is expected to grow to US\$ 350 billion by 2025

CIFA has commissioned to Synergy Pathways a full detailed report “Data and information on the start-up of an Information Technology company in India - January 2021” - available to CIFA members



# Some key sectors to focus on for SMEs

## Food, Wines, Coffee

Survey 'The Evolving Indian Palate' IPSO market research: 79% of Indians are cooking Western food in their kitchens

The Indian food processing industry, valued at Euro 170 Billions, is growing at a compounded rate of 11%

The average Indian consumer spends 31% of their earnings on processed food

# Some key sectors to focus on for SMEs

## Food, Wines, Coffee

The Indian wine market is estimated to US\$ 150 million and growing at a compounded annual rate of 20 - 25%

The Indian wine market is classified into domestic and imported that accounts for 70% and 30% of the overall market

Recently it has become easier to obtain wine import licenses



# Some key sectors to focus on for SMEs

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# Some key sectors to focus on for SMEs

## Food, Wines, Coffee

Indian has grown in the consumption of coffee sold at national and international coffee or tea chain stores

India consumes approximately 120.000 tons of coffee per year

Domestic and office consumption of coffee is markedly increasing since the pandemic

# Some key sectors to focus on for SMEs

## **Advanced Technologies Defence related (aviation, aerospace)**

Indian defence manufacturing sector has had a compounded growth rate of 3,9% from 2016 to 2020

The Indian government has set a production target of US\$ 25 billion by 2025

The Indian government is focussing on innovative solutions to empower the country's defence and security via 'Innovations for Defence Excellence (iDEX)', which has provided a platform for start-ups to connect to the defence establishments and develop new technologies/products in the next five years (2021–2026)

FDI investments on the increase to over US\$ 450 million for Defence and aerospace (IBEF data)

# Some key sectors to focus on for SMEs

## Fashion

India's apparel market will be worth \$59.3 billion in 2022, making it the sixth largest in the world, comparable to the United Kingdom's (\$65 billion) and Germany's (\$63.1 billion) - McKinsey & Co. research

More than 300 international fashion brands are expected to open stores in India in the next two years

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PART 3: Advantages of doing business in India

# Advantages of doing business in India

## Large population and relevant consumer demographics

Macro economically a large populations and a big market without borders with generally established logistics to do business is one of the major advantages of starting a business in India

The rise of India's middle class: According to the latest World Data Lab estimates, some 600 million Indians are currently poised to become “middle class” over the next decade, resulting in an income segment growth of approximately 144% and an almost tripling in spending power to USD 10.46 trillion

# Advantages of doing business in India

## Comprehensive Tax System

Federal India has a comprehensive network of tax treaties. Moreover, recently Indian tax system has been modified by the Direct Taxes Code as well as the Goods and Service Tax (GST) to provide ease of doing business

All this generates a concrete practical simplification regarding the overall administrative system

# Advantages of doing business in India

## Business friendly laws

In recent years, several important bills that are beneficial for most industrial sectors have been passed in the Indian Parliament. The Goods and Services Tax Bill have increased efficiency in the movement of products across India

GST implementation, recent FDI policies and several bilateral trade policies implemented or in course of implementation; this generates a concrete practical simplification regarding the overall administrative system



# Advantages of doing business in India

## Low operational cost

There is a noticeable low cost of operation possible from infrastructures to phones to internet to labour to salaries to anything required to set up a business

Tax strategies of India compared to other countries is very moderate and hence could cut the cost of operation of the business; Foreign Direct Investments are stimulated in certain sectors through income tax brakes

# Advantages of doing business in India

## Indian financial system

India has a well-regulated financial system which has direct access to developed markets all over the world and can be financed through multiple sources governed by rules and regulations of the Reserve Bank of India

# Advantages of doing business in India

## Vast trade network

India boasts a vast network of technical and management institutions that are of the highest international standards backed by regional and bilateral free trade agreements implemented or in implementation progress

Italy exports to India was US\$4.47 Billion during 2019, according to the United Nations COMTRADE

# Advantages of doing business in India

## **Strong base of English speaking population**

India has a strong base of an English-speaking population for business purposes. The historical relationship between the UK and India means that Indians have a high level of English. Although the accent and vocabulary of Indian English is slightly different from that of British or American English, international organisations benefit from graduates' ability to speak English fluently, as well as their command of the many local Indian languages

The relatively few language barriers make doing business in India quite attractive for international organisations that can synergise with Indian workers and teams in a more direct and effective manner

# Advantages of doing business in India

## Indian work ethics and working class

Indians are known for their work ethics all over the world. The blend of hardworking nature with the willingness to learn and never say no attitude

The younger generations are looking for opportunities of learning and growth in international context often with an entrepreneurial flexible mindset

# Advantages of doing business in India

## Indian Government initiatives

Schemes and policies are consistently implemented to attract Foreign Direct Investments easing also rules and regulations in several sectors

The Make in India program is structured to stimulate and support growth and employment coming from foreign initiatives

# Advantages of doing business in India

## Startup India Movement

Under this formal program the Indian Government is introducing several reforms to stimulate foreign investment and foster business partnerships

These reforms are totally aligned with the World Bank's Ease of Doing Business parameters

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PART 4: Challenges of doing business in India



# Challenges of doing business in India

## Starting a business

World bank statistics show that starting a business in India is not ranked among the most favourable activities for entrepreneurs because of bureaucracy (ranked at the 136 global place)

At the same time, because of the pandemic, a whole new digital processing of procedures has been implemented and this is contributing to simplify matters also for foreign entrepreneurs

# Challenges of doing business in India

## Dealing with construction permits

World bank statistics show that this is also a sensible topic that at the same time has been improving its global ranking of least complexity (ranked at the 27 global place)

Improved bureaucratic processes along with a local trust presence to work on that allow for an effective management of the issue

# Challenges of doing business in India

## Getting the proper electricity supply

Different operational businesses require a different approach to this critical supply that often depends upon local and modern power lines setup

It might be time consuming to process the relevant bureaucracy to obtain the electricity supply needed, at the same time during the last few years, once the relevant infrastructure permits are obtained, the process is much smoother and faster

# Challenges of doing business in India

## Real estate market

To foreigners is complex to scout, purchase and register property (stable at 154 place in World bank ranking) for various reasons relevant to market comparable high prices, international bureaucracy and federal bank compliances as well as the need to analyse the context with local knowledge for all of the necessary factors at play relevant to access to: skilled labor, logistics, utilities

This issue can be managed by focusing on renting based upon suitable budgets that take into consideration all of the infrastructure factors above mentioned

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# Challenges of doing business in India

## Getting credit

Getting credit for foreigners is complex because of the federal bank compliances and the same time the credit interest rates are higher than the global rates

For this reason it is advisable to consider India as a place from where to create revenues rather than obtain capital. Capital can be procured from institutional banking from international banks

# Challenges of doing business in India

## Paying taxes

This can become a complex issue if a proactive approach is not taken into consideration for topics as **Transfer Pricing** (In taxation and accounting, transfer pricing refers to the rules and methods for pricing transactions within and between enterprises under common ownership or control)

Indian tax laws require skilled attention, yet they have been consistently simplified and proactive accounting and financial decisions allow for an effective management of the topic for foreign companies

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PART 5: The Italian and Indian cultural synergy



# The Italian and Indian cultural synergy

## **Socio cultural similarities rooted in tradition**

- The core relevance of family values
- Nurturing long term friendships
- The relevance of social relationships
- Food and as a social well being channel

# The Italian and Indian cultural synergy

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# The Italian and Indian cultural synergy

## A focus on innovation and craftsmanship

- Innovation driven by frugal engineering (“Jugaad”) rooted in the culture to find viable efficient solutions to every problem
- Value is understood and given to quality craftsmanship
- Value is understood and given to art expressions

# The Italian and Indian cultural synergy

## A focus on flexibility

- Adapting to change as a way of life
- Seeking and embracing challenges to generate and utilise opportunities
- The focus on mid to long term solutions mitigates short term hurdles

# The Italian and Indian cultural synergy

## The relevance of family businesses

- Family entrepreneurship part of the Indian and Italian tradition (and on the rise in India)
- The extensive power of family dynasties (Tata, Godrej, Reliance etc.)
- Family members involved in actively managing important organizational roles

# The Italian and Indian cultural synergy

**It is all about establishing and maintaining long term relationships**

- Focus on the Trust factor generated by the small daily as well large strategic decisions and behaviours
- Nurture a reciprocal acceptance of advice, show to trust local knowlege
- The power of actual empathy

# The Italian and Indian cultural synergy

## Key winning factors for long term effective business in India

- Trust is supported by legal contracts
- Managing proactively the negotiation dynamics over price
- Appreciation of reciprocal focus on brand value and quality
- Fostering reciprocal respect from a personal and professional point of view
- Mutual understanding that failure is part of the path: it is the seed to solutions in order to grow
- Consistent focus on incremental growth: one solid step at the time

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PART 6: Taking care of the crucial 'last mile' factor



# Taking care of the crucial 'last mile' factor

## A concrete 'on the field' approach

- Leverage on trusted native presence on the local market
- Gain the latest market insight in the local network formally or informally
- Leverage openly to acquire active support from diplomatic and political long term 'on the field' relationships

# Taking care of the crucial 'last mile' factor

## Think global, act local through long term relationships

- Bridging business perspectives and focuses among people and organisational cultures
- Monitoring ongoing dynamics through clarified common goals and channels
- Preventing intercultural and personal conflicts and, if they surface, managing them effectively in order to grow

# Taking care of the crucial 'last mile' factor

## Consistent focus on sustainability and growth

- Consistently looking for business development within changing market dynamics
- Challenges taken as opportunities for growth: focus on generating and sharing a mutual growth mindset
- Consistent focus on strategy and organisational alignment to it in order to foster and maintain a high level of operational motivation for the overall international teamwork

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**Thank you for your attention!**

**Ready for your comments and queries!**

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