

Case Studies on
India Inc.: Going Global

Edited by

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OVERVIEW

“India Inc. going global” – sounds quite ironic. What has gone global – India or its Inc?

Before the 1980s, India was notorious for its non-aligned socialism. However, of late, it is touted to be a market-driven and affable economy.

Is it solely because of globalisation? If so, did the country get globalised first and then the companies followed, or is it the other way round?

In the 15th and 16th centuries, India flourished through foreign trade. Its immense wealth lured many foreign traders. One among them, the East India Company was founded in 1600, when India was producing 22.5% of the world’s GDP, compared to UK’s 1.8%. However, under the British *Raj*, the Indian trade was clipped so much that India became a poor third-world country by 1870.¹ Until 1947, Indian companies – raring to venture abroad – had to seek British patronage. Such ambitions, after Independence, were not all that feasible either. Indian government and its policies were not all that positive about Indian companies going global. Even existing MNCs like Coca-Cola and IBM, were hounded out of India in 1975.

However, there was a single exit route for Indians: leave India and set up businesses there. “Indians did business in India because they had no choice – they were not rich or knowledgeable enough to venture abroad. But those Indians who were forced or induced to go abroad made their fortunes there; they never gave India a second thought.”²

India may have failed to keep track of its Asian neighbour, Singapore. After it separated from Malaysia in 1965, it ranked well below India. But by the early 1980s, Singapore’s legendary leader – Lee Kuan Yew – transformed it into a first-world economy. Their untried formula: “We had to link up with the developed world...and attract their manufacturers to produce in Singapore and export their products to the developed countries.”³

In the late 1980s, developing economies prevailed. With countries like China, emerging as the ‘factory of the world’ with its inexpensive labour, and India emerging as a software power, the developed economies had to shift their focus towards the developing economies. The developing economies’ “share of world exports has jumped to 43%, from 20% in 1970. They consume over half of the world’s energy and have accounted for four-fifths of the growth in oil demand in the past five years. They also hold 70% of the world’s foreign-exchange reserves.”⁴ (Exhibit I).

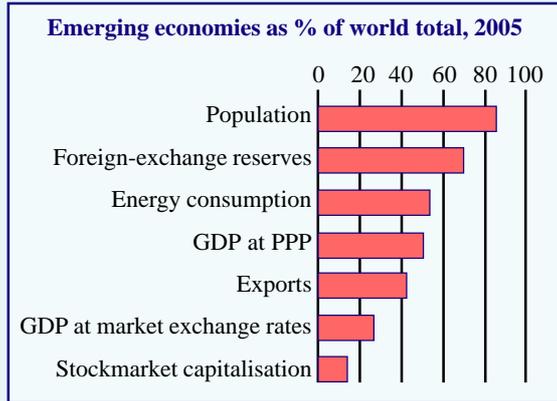
¹ Leonard Andrew, “A neocon primer: Regime change in 18th-century India”, http://www.salon.com/tech/htww/2007/04/13/regime_change/index.html

² Desai. V. Ashok, “How it looks from Raisina Hills”, *Businessworld*, October 29th 2007, page 16

³ Rastin Taymaz, “Model for Development: A Case Study of Singapore’s Economic Growth”, <http://lilt.ilstu.edu/critique/Fall%202003%20docs/TaymazFinal.pdf>

⁴ “The new titans”, http://www.economist.com/displaystory.cfm?story_id=7877959, September 14th 2007

Exhibit I Why They Matter



Source: "The new titans", http://www.economist.com/displaystory.cfm?story_id=7877959, September 14th 2007

Moreover, with developed markets getting matured, the MNCs had to spread their wings to the developing economies with over 80% of the world's population. Countries like India wooed "with its deep pool of technical and engineering talent, as not only a market but also a vital link in their global value chain."⁵ MNCs, who ventured into India, had to cope with its distressing bureaucracy. India was reeling under the quota rule, when most of the world was getting globalised. It couldn't remain anymore like that – the Indian government supplied its 'shock of liberalisation' in 1991. "It portended abandonment of dirigisme, and advent of openness and competition. Some big industrialists opposed the reforms; they have slunk away or died out. Others became lean and thrived in the new environment. And many new entrepreneurs emerged."⁶ This is how India appears to have globalised. Now, how at all did the Indian Inc. get globalised?

Indians, as has been said, had to get out of India if they wanted to trade abroad. Profiteers of that era, who founded their empires in a foreign land for lack of the same in India, are today's centamillionaires and billionaires. Popular among them are the steel magnate Lakshmi Mittal, business tycoons Hinduja brothers and industrialist Lord Swraj Paul. They had to trudge on a landmine and yet survive – quite unfamiliar to Information Technology-driven Indians of today.

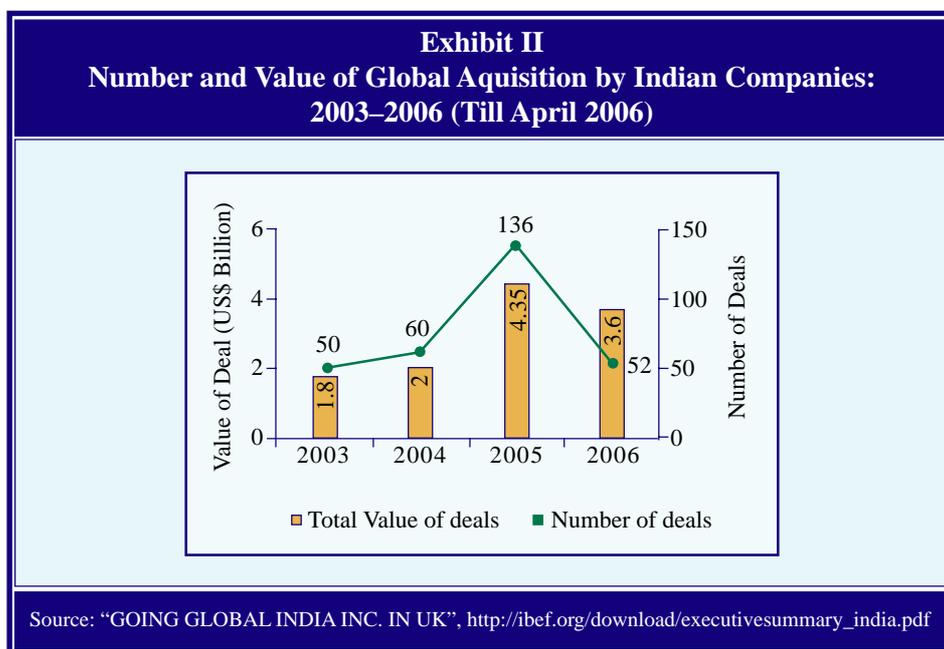
There are also Indian companies that honed themselves in their homeland before embarking into the globalised world. An unheard company, Essel Propack, is the world's largest

⁵ Chandler Clay, "India's firms build global empires", http://money.cnn.com/magazines/fortune/fortune_archive/2007/10/29/100795475/, October 22nd 2007

⁶ "How it looks from Raisina Hills", op. cit.

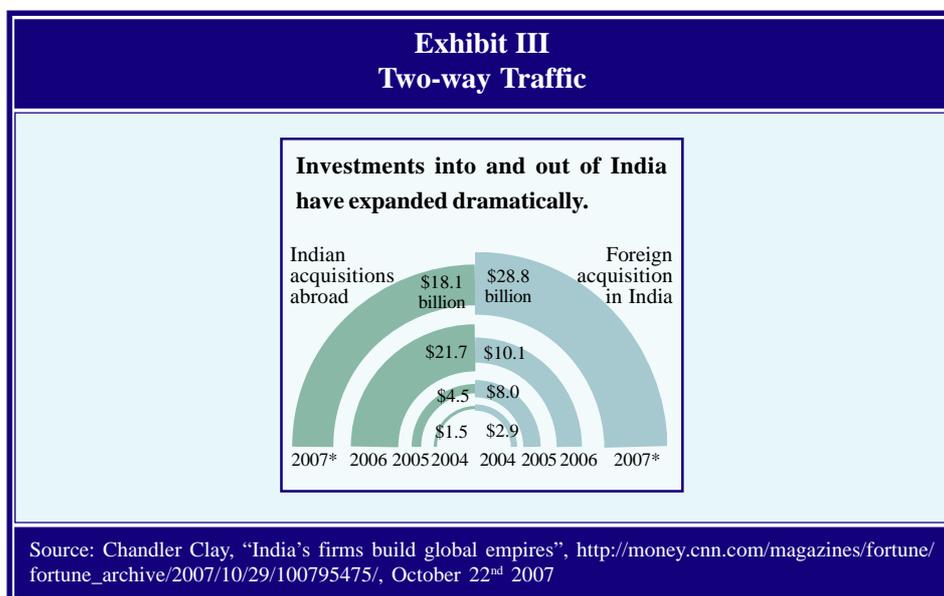
manufacturer of laminated tubes, with its global supply coming from 20 factories located in 13 countries. “Bharat Forge is the world’s second largest forging company, Ranbaxy is among the world’s top 10 generic pharmaceutical players and Jain Irrigation, which hardly figures in headlines, will soon be the world’s number one irrigation equipment company.”⁷ They all slogged to become what they are, with little help from the government. Infosys, an Indian IT company founded in 1981, sketched a name for Indian companies on the global map. Yet it had to wait for a year to get a telephone connection and three to get its first computer. Most growing companies have cashed in on globalisation, which has not only opened new markets for the developed-world companies, but also empowered few fast-moving and vision-lead multinationals from the developing countries.

Liberalisation of Indian economy not only invited external competition, but also helped Indian companies etch on the global canvass. With a booming local economy, Indian companies prudently used their profits to invest and acquire many global companies. A cursory glance at the global investment barometer would reveal that many Indian companies have created an investment buzz in the global scenario. Leaving alone Information Technology (IT), Indian companies have proved their prowess in least-expected fields like pharmaceuticals, automobiles, engineering, etc. Leveraging on the comparable knowledge advantage, Indian companies have upgraded into large-scale global players through acquisitions (Exhibit II).



⁷ “Going Global The Indian Multinational”, http://www.ibef.org/download/ibef_essay.pdf

According to a report by India Brand Equity Foundation (IBEF), “Indian outbound deals, or global mergers and acquisitions, valued at \$4.5bn in 2005, crossed the \$15bn mark in 2006. And in 2007, it could cross the \$35bn mark.”⁸ (Exhibit III). This trend was earlier captured in the rankings of UN Conference on Trade and Development (UNCTAD), where India’s ranking in outward FDI performance index improved from 80 in 1990 to 54 in 2004. The Boston Consulting Group (BCG) sounded optimistic: “The next wave of international corporate success will come from a host of Indian companies with low-cost, high-quality products and services.”⁹ Despite, the hardship and non-conducive environment, the Indian companies are successfully competing with the MNCs, on the domestic, as well as global turf.



Indian growth is often paralleled with China’s. Like Singapore, China went global before its Incorporates. “China’s economy grows because of its government, while India’s economy grows in spite of it.”¹⁰ Outside India “Indians are looked upon not only as technical wizards but, beyond that, as people who can make things happen.”¹¹ However, within India, the atmosphere has not changed much. Laxmi Mittal rues, ““We only see the environment, rules and regulations while taking investment decisions. But in India things are different as the businessman had to first know the politicians before setting up the industry.”¹² Concisely put, “the License Raj may have gone but it has been replaced by Inspector Raj.”¹³

⁸ “Going Global The Indian Multinational”, http://www.ibef.org/download/ibef_essay.pdf

⁹ Ibid.

¹⁰ “India’s firms build global empires”, op.cit.

¹¹ Robinson Simon, “India takes on the World”, <http://www.time.com/time/magazine/article/0,9171,1561214-2,00.html>, November 20th 2006

¹² “License to Grill”, <http://www.expressindia.com/news/ie/daily/20001001/cover1.htm>

¹³ Ibid.