

RUPEE ON ASCENT



**Ms. Shivani Takalkar
Shri. Gaurang Deshmukh**

MMS 2005-07 Dr. V N BRIMS

Exchange Rate

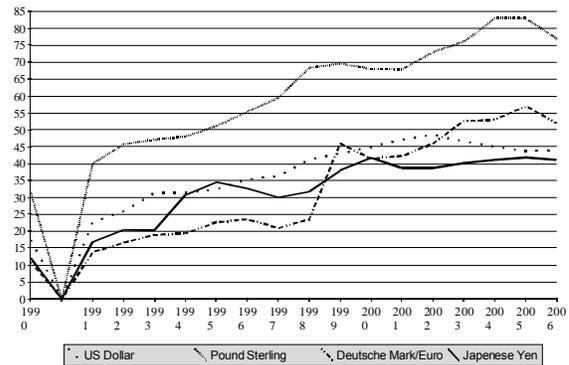
- It is the market rate of a currency for instance the Rupee vis-a-vis any foreign currency

Thus,

- If 1 US \$ = Rs.45

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EXCHANGE RATE OF THE INDIAN RUPEE



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Contd ...

Three kinds of inflows have dominated the capital account:

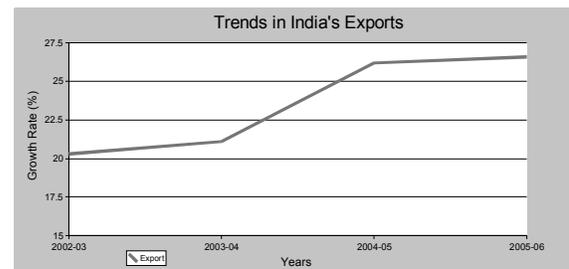
1. NRI deposits : LIBOR rate on Oct.'03 was 2.15% (avg), while during the same period MIBOR was 4.92%.
2. Portfolio capital flows, reflecting investments by foreign bodies in India's stock and debt markets`.
3. External Commercial Borrowings (ECBs) : ECBs rose from a negative \$ 1.43 billion in 2000-01 to \$ 2.56 billion during April – Dec 2003.

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Impact on Indian Economy

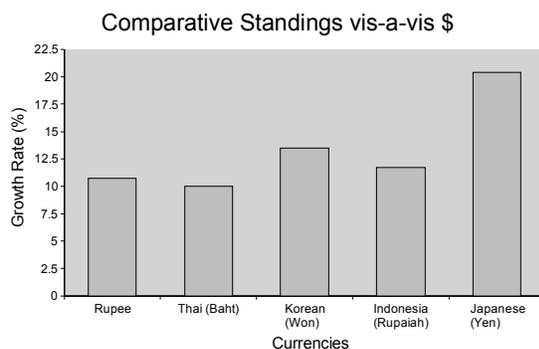
Exports:

– *Why fear an Appreciating Rupee?*



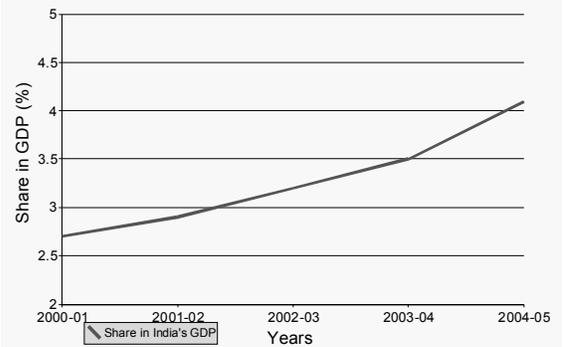
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Comparative Standings of various Currencies vis-a-vis Dollar

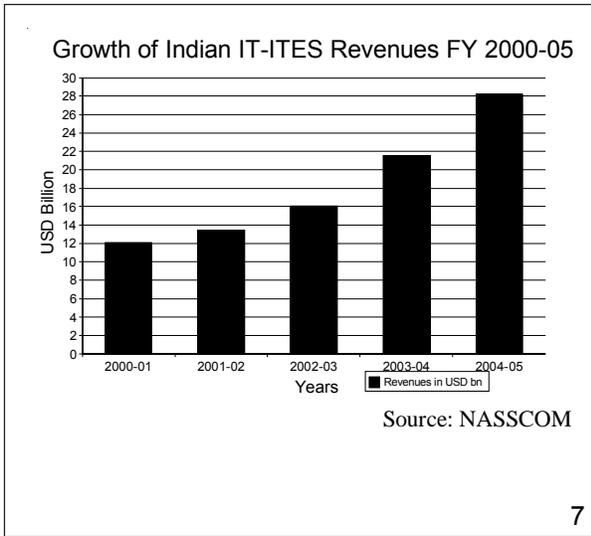


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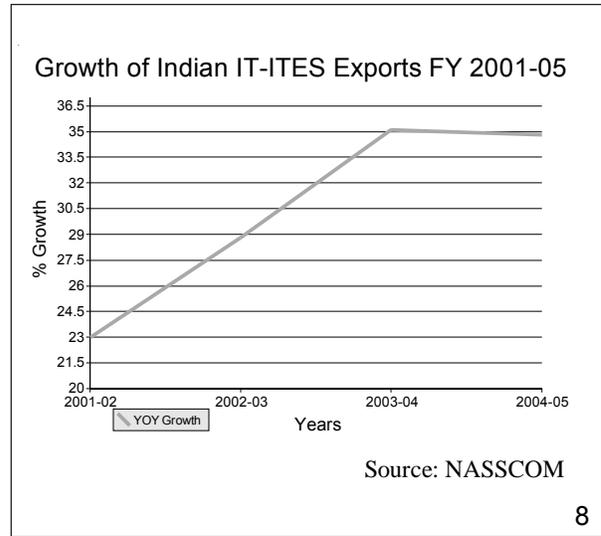
Indian IT-ITES Share in GDP - FY 2000-05



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Positive Outcomes

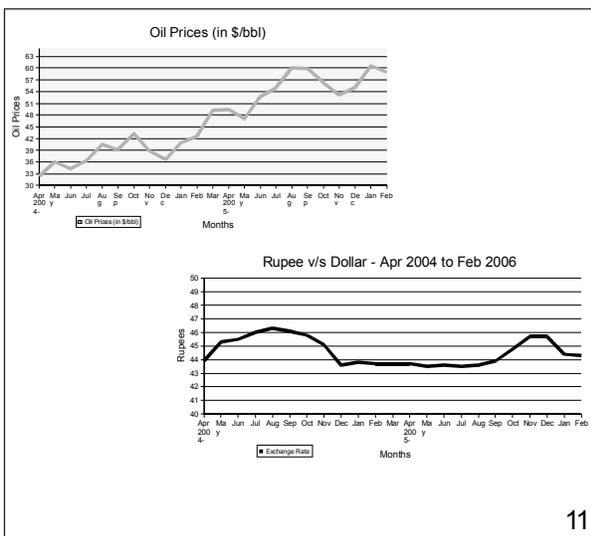
- Need for effective cost management
- Need to tap the untapped markets
- Insist on payment in other strong currencies in the untapped markets

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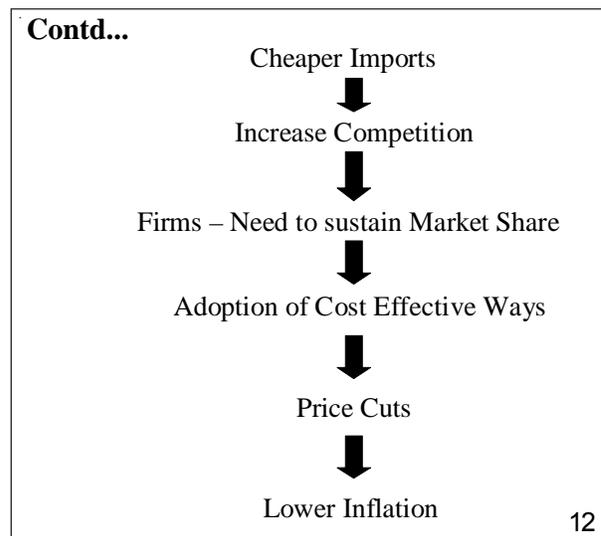
Imports

- A higher rupee has lowered the cost of imported energy (oil) to a very significant extent
- 70% of India's oil requirement is met by imports
- Oil Bill constitutes more than 1/4th of total country's imports
- Top 8 importers in FY 04-05 were oil & gas companies

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Cost of Borrowing

- Due to Appreciation :
 - the rupee value of foreign loans has fallen down
 - repayment and servicing has been eased

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Contd...

This will...

- Benefit the economy's balance on the capital account
- Increase the demand for external financial resources
- These can be ploughed back for further growth of the economy

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Also.....

- India is hot for its pool of entrepreneurial talent
 - Foreign Companies are coming to India not only for cost saving, any more but for it's pool of talent
- High **Marginal Efficiency** of capital in the Indian Market is the single most important attraction of the huge dollar inflows into local business

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For instance,

- When **BIOCON** went public -
 - QIB's over-subscribed by 39 times
 - FII demand of Rs.4800 crores generated
- India's no.1 cellphone company **BHARTI** in 10 flat years fought all the MNC's and emerged strong in a very competitive environment
- **GE** called on **Spectramind's** team to create a new business in the same industry

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Rising Rupee has got Silver Linings..

- Exporters forced :
 - To become competitive
 - To look for untapped markets
- Importers benefited by low cost inputs
- ECB's at cheaper rates

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ETERNAL VIGIL in the era of LPG

- Maintain the current trend of high Foreign Currency Reserves
- Maintain Current account deficit within manageable limits as a smaller percentage of GDP
- India Inc needs to have all round improvement

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To Conclude...

We have

- The RESOURCES
- The DEMOGRAPHICS, and
- The HUNGER
- However, we have the comparative advantage and not the competitive advantage
- So, the need of the hour is to increase the productivity on all fronts

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*So, CAPTAINS OF
BUSINESS,*

*Are you ready to take on
the Competition and
Change of the Nature
that is unprecedented in the
business history ???*

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VPM'S DR.V N BRIMS, THANE
SEMINAR

DR. V.N.BEDEKAR MEMORIAL DAY LECTURE
(2ND ANNIVERSARY)

14TH APRIL, 2006

DR. V. N. BEDEKAR MEMORIAL LECTURE

BY

PROF. Y. K. BHUSHAN

FORMER DIRECTOR GENERAL NMIMS
PRESENTLY SPECIAL ADVISOR ICFAI

**'LEADERSHIP FOR ASIA'S WINNING EDGE IN THE GLOBALIZED ECONOMY
ROLE OF MANAGEMENT EDUCATION'**

RELEASE OF DR.V.N.BEDEKAR RESEARCH VOLUME
AN OCCASIONAL PUBLICATION OF DR. V N BRIMS

-: VENUE :-

Thorale Bajirao Peshawe Sabagruha
Thane College Campus, Thane -400 601

Timing : 9.00 A.M. TO 1.00 P.M.

Dr. V. N. Bedekar memorial lecture held on 14th April, 2006

Dr. V. N. Bedekar was a great human resource development visionary

Speaker : Prof. Y. K. Bhushan

Topic: Leadership for Asia's Winning Edge in the globalised economy

SALIENT POINTS

- ◆ a great institution is one which gives service to students
- ◆ HRD is just not about corporate training it has a wide significance
- ◆ globalisation : We are still in our move towards globalisation
- ◆ move has started because of the wheels provided by I.T.
- ◆ first millennium belonged to Asia as all kinds of knowledge emanated from Asia.
- ◆ second millennium belongs to West because West dominated Asia and Asia was pushed into the background.
- ◆ Now Asia, is becoming globally developed
- ◆ Asia is moving from imitation to innovation
- ◆ India and China has been recognised by the Western Leaders.
- ◆ According to Brick Report , India will emerge as third World's largest economy.
- ◆ India has a booming capital market
- ◆ India has a vibrant economy
- ◆ can India be a leader ? This is a full fledged hope. Education is about hope.
- ◆ India has the challenge and opportunity to become the leader, of course there are constraints of democracy.
- ◆ population of India is going to become a great asset.
- ◆ India has advantage in English language, Leadership capacity- India cannot shine if we do not have the right kind of leadership.
- ◆ a leader has to serve the society, community contributions should be high rather than gains.
- ◆ leader has to be a model and not a critic. He has to be a role model.
- ◆ the role of national leadership is passionate, pursuit of progressive people.
- ◆ leadership at various levels- VIP – Validation, Involvement and Participation
- ◆ education has a certain role to play in leadership
- ◆ leadership has to start at school level
- ◆ as far as India is concerned MBA is just not for creating managers but creating leaders. leadership has to be professional, academic.
- ◆ intelligence pertains to body, mind heart and spirit (physical, mental, emotional and spiritual intelligence)

Thus rise, awake and stop not by till we lead —— message by Swami Vivekanand

**DR V N BEDEKAR
MEMORIAL LECTURE**

APRIL 14, 2006

***'LEADERSHIP FOR ASIA'S WINNING EDGE IN
THE GLOBALISED ECONOMY' -
ROLE OF MANAGEMENT EDUCATION***

Prof Y. K. Bhushan

*Senior Advisor
Icfai Business School – Mumbai, India*

GLOBALIZATION - THE CONCEPT

- Integration of national economics into the international economy through free flow of goods, services, capital, labour and technology
- Information technology & Communication revolution instrumental in globalization
 - Satellite dishes, Globe-spanning television network, Internet.
- Facilitated by governments' unprecedented support for global integration in recent decision

1

ASIAN RESURGENCE

- First millennium - Asia's – Storehouse of Innovation
- Second millennium - Western domination and Relegation of Asia.
- Third millennium - resurgence of Asia – a Force in Global Economy
 - Towards Asian Unity – Regional Pacts
 - Engine of growth for the world economy
 - Asia's Forex reserves - \$2.5 trillion, two-thirds of world total
 - From imitation to **innovation – Japan, China, India**
 - Asia's **emerging giants** – **India** and China- Our time has come

2

INDIA - THE EMERGING STAR OF ASIA

- India will emerge as the world's third largest economy by 2040 – BRIC report, Goldman Sachs
- Booming capital market, Burgeoning forex reserves, Buoyant exports
- World's 'Back office'
- 'Demographic dividend':
 - Median age: India – China 24.5 years
- R&D and Design Capabilities
 - John Welch Technology Centre of GE, US, in India employs 2400 scientists and engineers to design aircraft engines to default predicting systems for GE capital.

3

INDIA SHINING

- Vibrant Economy
- Fastest Growing Economy
- Booming capital market
- Burgeoning forex reserves
- Buoyant exports

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CAN INDIA BE THE LEADER ?

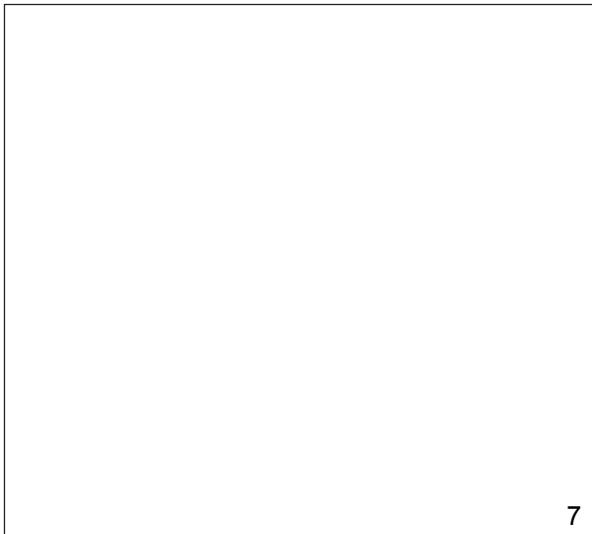
- It has the Challenge and the Opportunity
- Brakes of Democracy - slow down in infrastructure- education
- Welcome Sign : 'Shift from Borders to Business'

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CHALLENGES & OPPORTUNITIES

Challenges	Opportunities
Poverty	Democracy
Character Crisis	Language
Brakes of Democracy	Unutilized Labour
Politicisation	Leadership Capacity
Regulatory Mindset	Killer Instinct (Up Front)
Inadequate investment In Education	Growth Over 8 %

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INDIA Vs CHINA – LEVELING UP

Thornton Survey of Business Owners (30 Countries)

- ▶ Barriers to expansion – LANGUAGE – 28%
China , 24% India
- ▶ POLITICAL INSTABILITY : 36% China , 31%
India
- ▶ EXPORTS - China 45% SMEs – 25 % Turnover
India 31% SMEs
- ▶ China – India Threat and Opportunity
UP BEAT - 93% Indians ; 79% Chinese

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ROLE OF NATIONAL LEADERSHIP

◆ Leadership is the passionate pursuit of progressive purpose with (im)passioned people

◆ Do we have it ?

- Passion ?

GUESS WHAT ? THE PUZZLE !



Progressive Vision - purpose – shifting

Goals

- (im)Passioned People

It is a word on everyone's lips. The young attack it and the old grow wistful for it. Parents have lost it and police seek it. Experts claim it and artists spurn it, while scholars want it. Philosophers reconcile it (as authority) with liberty and theologians

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ROLE OF LEADERSHIP

Leadership as an exercise of Influence for – SERVICE, CONTRIBUTION, STEWARDSHIP, DEVELOPMENT BUSINESS

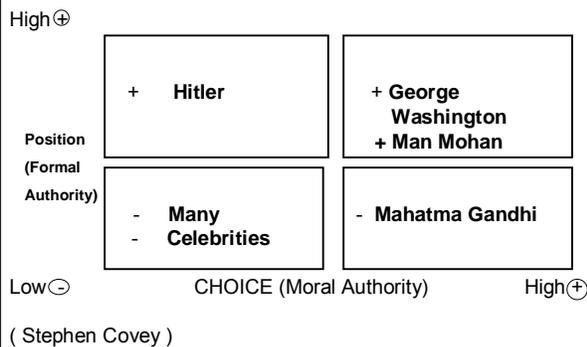
LEADERSHIP AS A

- Choice (Moral Authority)
- Right makes might
- Integrity is loyalty
- Stubborn refusal
- The 'wrong' is in doing wrong
- Be a model not a critic
- 'To be rather than to do'

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demonstrate its compatibility with conscience. If bureaucrats pretend they have **MODELS OF LEADERSHIP- CHANGING PERSPECTIVES** they did. Everybody agrees that there are **LEADERSHIP TO BUSINESS** more than there used to be

LEADERS – FORMAL Vs MORAL AUTHORITY MATRIX



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MODELS OF LEADERSHIP (NATIONAL & CORPORATE)

'Man Mohan – Murthy' Vs 'Bush – Blair'	
Gentle, Firm, Relentless Humble, Ethical, Moral authority, Discipline Progressive, Professional Sensitive, Principled Courage, Maneuvouring	Bluff, Boldness, Brashness, Vendetta, Arrogance, Insensitivity, Resourcefulness

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LEADERSHIP FOR INDIA'S LEADERSHIP

- India cannot advance only on economic growth
- Need for leaders with 'voice' who can conscientise to get people find their voice



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FROM

TO

Bottom-Line Driven	Values-Based
Flabby	Lean
Crisis Driven	Vision Driven
Fragmentation	Bonding
(Communication Strategic)	
Exploitive	Rewarding (Fair Play)
Politics Driven	Goal Driven

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LEADERSHIP AT ALL LEVELS

VIP MODEL

- ◆ Validation
- ◆ Involvement
- ◆ Participation

- ◆ Empowering
- ◆ Enabling
- ◆ Encouraging

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EDUCATION - NURSERY OF LEADERSHIP

- 'Even old dogs will have to learn new tricks'
Teaching / Learning Paradigms
- Education for being and not just doing
- Meritum Ethicus
- Community Orientation

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ROLE OF MANAGEMENT EDUCATION FOR ALL STREAMS

- ⇒ Large numbers of Schools – Small number of Quality Schools
- ⇒ Break the Numbers Barrier – (Kalam)
- ⇒ De-regulate – Let the unworthy exit
- ⇒ Banish Cult of 'Minimum'
- ⇒ Allow for Organic Growth
- ⇒ Open 'Doors and Windows' – International Inputs
Doors for People / Windows for Ideas

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WHAT SHOULD ME AIM AT ?

- ? Mintzberg – Managers not just MBA
- ? India – Leaders not just Managers
- ? Leadership
 - Academic
 - Professional
 - Development Oportunity
 - Innovation

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ME HARDWARE & SOFTWARE

- ⇨ Hardware : Knowledge and Functional Skills
- ⇨ Software : Personal Growth – Leadership Development
- ⇨ Multiple Intelligences – Gardner – ‘Seven Intelligences’

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ROLE OF SOFT SKILLS IN DEVELOPING MULTIPLE INTELLIGENCES

	4 Intelligences	4 Attributes	4 Roles	
Body (To Live)	Physical Intelligence	Vision	Modeling	} Focus
Mind (To Learn)	Mental Intelligence	Discipline	Pathfinding	
Heart (To Love)	Emotional Intelligence	Passion	Aligning	} Execution
Spirit (To leave a legacy) (Covey)	Spiritual Intelligence	Conscience	Empowering	

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INDIA IN THE RUNNING

- Asia as the World Leader in Knowledge
- India’s opportunity
- We see it ! Can we seize it ?
- Let’s arise , awake and ‘Stop not’ till we lead!

WE SHALL MAKE IT !

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**VPM'S DR. V N BRIMS, THANE
WORKSHOP**

ON

CHALLENGES FOR INDIAN MULTINATIONALS

ON

18TH MARCH, 2006

SPEAKERS

**DR. P. S. DEODHAR
SHRI. NAVROZE MAHUDAWALLA
SHRI. SUNIL BEDEKAR
DR. S. SIDDHAN
DR. P. M. KELKAR
SHRI. NAVEEN SAMBTANI**

VENUE

Thorale Bajirao Peshawe Sabhagruha
Thane College Campus, Thane - 400 601.

Timimg : 9.30 A.M. TO 1.30 P.M.



**Challenges, Performance
& Strategic Imperatives
MNCs in India**

Shri. Navroz Mahudawalla

**Challenges for Indian Multinationals
Workshop**

MNCs in India have a long history and tradition ...



Let's evaluate....

- Defining Success for MNCs in India
- Performance of MNCs – Financial
- Key Success Factors for MNCs operating in India
- Key Advantages of existence of MNCs in India
- Issues which have hindered MNCs growth in India
- Key challenges that Indian MNCs would face

Many MNCs have managed to achieve success along both lines.....

SEVERAL MNCs SUCCESSFUL ALONG BOTH DIMENSIONS...			
Company example	Industry standing and industry altering innovations...	...strong performance indicators...	...and leveraging India for global business
	<ul style="list-style-type: none"> • Providing the full range of banking products in India; Created special online offerings for Indian clients 	<ul style="list-style-type: none"> • Achieving 45% sales growth and 70% growth in consumer banking • See India as 4th major 'home' market for the group 	<ul style="list-style-type: none"> • Reached significant cost savings through BPO • Expanding to serve the BPO needs of other financial institutions
	<ul style="list-style-type: none"> • Cutting edge products and solutions available in India • 8 local manufacturing units and countrywide marketing and service presence 	<ul style="list-style-type: none"> • 1,200 Cr. in sales in 2002 • Over 20% revenue growth and over 30% profitability enhancement in 2003 • Top performing share price 	<ul style="list-style-type: none"> • First IT centre outside EU & US in India • Significant export of products, solutions and services from India
	<ul style="list-style-type: none"> • The industry leader in the chocolates and confectionary market • Multiple innovations across products, price and packaging 	<ul style="list-style-type: none"> • ~650 Cr. in sales • Holds a 70% value share of the chocolate market • Achieved growth of ~30% in both revenues and profitability during the 90's 	<ul style="list-style-type: none"> • Exporting both finished goods and innovative concepts to Cadbury around the world
	<ul style="list-style-type: none"> • Introducing the latest telecom technologies to India • Transferred their full product range enabling end to end communication solutions 	<ul style="list-style-type: none"> • Market share of 40% of connected subscribers on its systems • Supplied 50% of mobile network systems in India 	<ul style="list-style-type: none"> • Project 'Next Billion': Collaborating with Wipro to develop infrastructure and services in India for mobile networks in emerging markets across the globe
	<ul style="list-style-type: none"> • Ranked as #1 pharma company in India • Built a superior sales force and distribution network – currently used in joint marketing agreements 	<ul style="list-style-type: none"> • Over 1,100Cr. sales and 128Cr. profits in 2002 • Gearing up for significant growth post 2005 	<ul style="list-style-type: none"> • Plans in place to develop India as R&D center, statistical & data management, sourcing for raw materials, and clinical trials
	<ul style="list-style-type: none"> • Introducing superior engine technology, new 3 and 4 wheeler models, and innovative customized solutions to India 	<ul style="list-style-type: none"> • Turned operation around to become profitable 1.5 years after initiating independent operations in India 	<ul style="list-style-type: none"> • Plans to make India global hub for 3 wheeler mfg, and the launching pad for global expansion • Planning components exports to the EU
	<ul style="list-style-type: none"> • New technology and design expertise introduced to India • Developed special products tailored to Indian market requirements 	<ul style="list-style-type: none"> • Turnover of ~500Cr. • Investing over 300Cr. in expanding capacity to satisfy expected global demand 	<ul style="list-style-type: none"> • Have built an export business for both tractors and components • Plan to increase exports 6 fold to 6000 units in 3 yrs
	<ul style="list-style-type: none"> • Created and grew segments in the confectionary market from the ground up (especially deposited candy) 	<ul style="list-style-type: none"> • Turnover of 350Cr.; growing 30-40% annually • India is one of the top performing units for organization 	<ul style="list-style-type: none"> • Exporting creative talent, innovation and ideas • Local advertising is being used in other markets

Source : CII BCG Report

Defining success for MNCs in India

- Success for MNCs in India can be defined along 2 dimensions :
- Capturing the Domestic Market Opportunity
- Leveraging India's resource base to derive additional value for the corporation
 - R&D / Manufacturing / Sourcing / BPO

3

Performance of MNCs – An Analysis

- Over the last few decades, most MNCs have shown typical characteristics in their growth plans in India
 - Prefers operations to be less assets intensive
 - Lean operations as far as employees are concerned
 - Preference of profitability over growth
 - Most businesses generate high ROCEs
 - Extremely cagey to enter “non-Parent” growth areas

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Performance of MNCs – Growth Vs Profitability

Growth - 5 year sales CAGR			
Pharmaceuticals			
Unichem	17%	Wyeth	2%
FDC	20%	Merck	6%
Glenmark	30%		
Paints			
Asian Paints	12%	Goodlass Nerolac	11%
Berger	13%		
FMCG			
Marico	8%	GSK Consumer	7%
		Nestle	9%
Agrochemicals			
United Phosphorus	25%	Monsanto	29%
		Syngenta	10%

Profitability - 3 year Average EBITDA margins			
Pharmaceuticals			
Unichem	17%	Wyeth	21%
FDC	23%	Merck	24%
Glenmark	20%		
Paints			
Asian Paints	14%	Goodlass Nerolac	12%
Berger	10%		
FMCG			
Marico	10%	GSK	18%
		Nestle	19%
Agrochemicals			
United Phosphorus	25%	Monsanto	24%
		Syngenta	18%

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Performance of MNCs – Shareholders' returns

Shareholder returns - 5 year timeframe			
Pharmaceuticals			
Unichem	239%	Wyeth	72%
FDC	168%	Merck	30%
Glenmark	1182%		
Paints			
Asian Paints	120%	Goodlass Nerolac	511%
Berger	214%		
FMCG			
Marico	289%	GSK Consumer	-25%
		Nestle	36%
Agrochemicals			
United Phosphorus	6570%	Monsanto	466%
		Syngenta	532%

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Performance of MNCs – Capex Creation

Capex Creation - 5 year (Rs Million)			
Pharmaceuticals			
Unichem	1,000	Wyeth	404
FDC	803	Merck	111
Glenmark	2,313		
Paints			
Asian Paints	2,445	Goodlass Nerolac	1,743
Berger	1,009		
Agrochemicals			
United Phosphorus	6,889	Monsanto	810
		Syngenta	475

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Various studies have shown that there are 3 key success factors for MNCs operating in India ...

- Commitment at global level
 - Raise the profile of India
 - Formulation of bold long term targets
- Empowered local Management
- More cost effective, enhances continuity, leverages understanding of local environment
- Localized product / market business models ; create customized products and services in response to unique environment in India
 - Deliver the right product at the right price with right positioning for India

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**Key Advantages of existence of MNCs in India
....i.e what has India really gained?**

- Work culture for employees
- Systems
- Training and Learning
- Technology – especially concept of working with better technologies
- Safety Health and Environmental Learnings
- Culture and Ethos
- Excellent training grounds for many entrepreneurs

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Key gains NOW.....

- Outsourcing Centres for key processes setup by various MNCs
- R&D Outsourcing – Pharmaceuticals, Engineering, IT, Telecom
- Product development centres (Telecom, IT)



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Key gains NOW.....

R&D	Software dev/ Engineering	Shared services/ BPO	Sourcing/ Manufacturing
AstraZeneca conducting cutting edge R&D as well as discovery work in India	Ellieus planning to expand software, product dev & research from 1000 to 2500 seats by 2007	ABN Amro BPO center services entire global operation and other banks	Grundfos earmarking 70% of production from Chennai facility for export
Glaxo Smithkline setting up both clinical trial and research in India	SiMicroelectronics planning to expand 1000 seat Noida software dev facility to 1500	Allianz Bala does IT servicing for some Asian countries, looking to expand	Siemens proposing to make India a manufacturing hub for medical systems
SKF Bearings has set up an R&D unit for 2 advisers in Bangalore	Wartsila is leveraging cost advantage and project competency to service group	Bayer setting up India shared services structure to drive efficiencies	ABB supplying worldwide demand for certain power products exclusively from India

12

What are the key issues in the Indian context which have hindered MNCs growth?

- “Global parent strategy” dictates India plans
- Limitations of growth due to regulatory / legislation / IPR issues
- Limited Autonomy for top MNC Managers
- Sometimes bureaucratic setups have delayed decision making – sharp contrast to most Indian entrepreneur companies
- Insistence of some companies on having expats

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What are the key issues in the Indian context which have hindered MNCs growth? (Contd...)

- Rigidity and insistence on evaluating India like any other market
- Not being able to recognize early enough that India is a price and quality conscious market
- Limitations of following aggressive M&A options (detail next slide)
- Many MNCs have got consistently caught in rounds of “parent consolidation”
- 100% subsidiary conundrum

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M&A strategies – MNCs Vs Indian companies

- Except for India entry M&A plays, MNCs in India have been quite dormant on this front
- “Not to go beyond parent portfolio”
- Protocols – difficult to meet deal / transaction timelines
- **M&A is an important tool for growth in today’s context – a tool which could be too crucial to miss out on**

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