

India is developing into a leading economic powerhouse



The Emerging Elephant

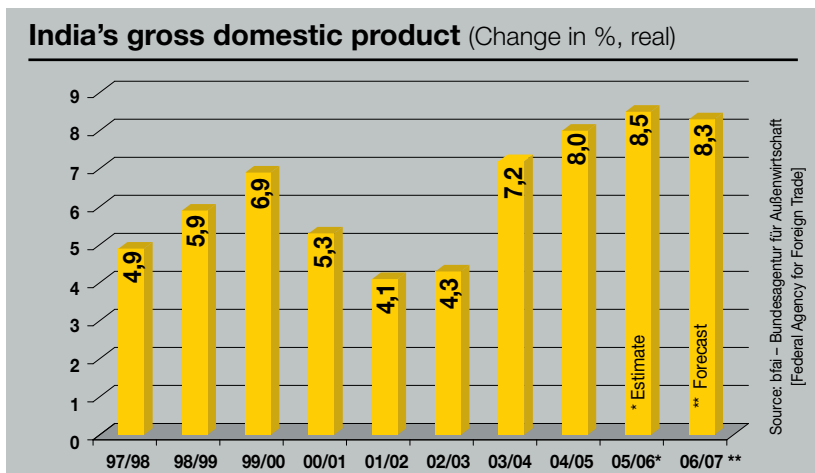
For a long time, India has been more than just an interesting travel destination for alternative vacationers and escapists. The Subcontinent is opening a multitude of opportunities for manufacturers and their suppliers.

It is hard to understand India as a whole. In the land of the holy cow – which, by the way, is being banned from more and more cities – 1.5 million students graduate each year. Yet, one in three Indians is still unable to read. Since the 70's, the caste system has been virtually abolished. In the cities, in particular, the traditional separation between the individual social groups no longer exists for the most part. In rural regions, on the other hand, the old social structures are still strongly entrenched.

About 40 percent of the population earns less than 35,000 rupees per year (that's about equal to 600 Euros), 60 million children are suffering from malnutrition. At the same time, India is the largest buyer of gold jewelry worldwide.

The economy is booming

The chances that poverty in India will soon be a thing of the past are increasing, though. The Indian economy is booming, and the extent to which it is doing so is happening in only a few other countries. After economic growth reached 8 percent in 2003, the Indian economy expanded again a considerable 7 percent in 2004, according to Deutsche Bank research. Market researchers are even assuming that the country, with its 1.1 billion inhabitants will develop into the world's third largest economy – after the U.S. and China and ahead of Japan. At the same time, a middle class with purchasing power is growing and according to national estimates, it makes up about 20 per-



Rapid upswing: increase rates of 8 percent

goods, but also of skilled workers. Software products and software programmers come from India, and the country has a large number of skilled and well-educated workers. Germany is one of its most important trade partners: "German companies recognize our strengths," says K. Ramaswamy, chairman of the automobile supplier Roots Group. "We produce on an international standard in this country, but at competitive prices."

This means that the country is also edging on the German market. Rajeev Tandon, associate vice president of the Delhi-based Hero Group, the world's largest bicycle parts producer, underscores, "Germany is a major market that is worth entering. The Germans do value good quality and reasonable prices."

Quality requires automation

In turn, it is automation that is creating excellent opportunities for German companies to find an interesting sales market in India. Because being able to produce at this high a quality requires not only highly skilled workers, but also the most modern production machines and equipment. To this end, machine tools and automation technology from Germany are in high demand because they can be used to achieve the necessary output and produce precision products. Thus, the market for automation is growing annually by 10 to 12 percent and is exceeding the country's economic growth rates. And still, India is a net importer in most manufacturing industries, according to the German Federal Agency for Foreign Trade [Bundesagentur für Außenwirtschaft]. The quality of the Indian manufacturers is constantly increasing, machine export rose by almost 30 percent between 2003-2004 and 2004-2005.

The sales opportunities for machine tool manufacturers from overseas, according to the opinion of the "Indian Machine Tool Manufacturers Association" (IMTMA) will slip over the long term due to the increasing technological advancement of local producers. That's why it's even more important for German component manufacturers to be present with their own local facilities in order to cover the

demand of Indian manufacturers for advanced technological components that are required for modern production plants.

Stabile surroundings

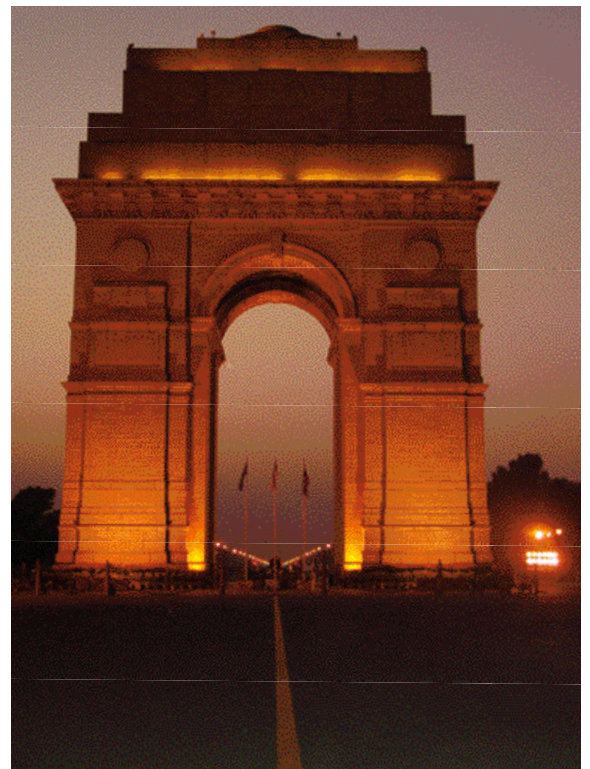
India offers positive location factors for establishing subsidiaries. The country's biggest advantage is its enormous pool of skilled workers. Each year about 300,000 students graduate with engineering degrees. The country also offers a high level of stability for a newly industrialized country, both in economic and political terms. In contrast to China, the Indian government is democratically elected and the strategic direction of the country meets a broad political consensus. So even a change in the governing parties – the BJP government was replaced by the Congress party – barely impacted policy.

Moreover, the Reserve Bank of India managed to maintain the value of the rupee against the US dollar even in times of regional or international turbulence. Despite a deficit of 8 percent of the gross domestic product (GDP) in 2004-2005, India has one of the world's largest transport networks. The road system (in km), in total, is double that of China. However, the conditions of the roads, from a European perspective, is catastrophic and is a frequent barrier to the country's growth. According to Prime Minister Manmohan Singh, in the coming years, India will require a total of 150 billion dollars for expanding the rail network, for building airports and seaports. The country's leading politicians are addressing the problem and have called upon domestic and foreign investors to contribute to closing the financial gaps in the country's transport infrastructure.

Author



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Traces of the Empire: India Gate in New Delhi

“Major Opportunity for Automation Specialists”

The marketing specialist Dr. Michael Paetsch is a known expert on the Indian Subcontinent: His wife is from India, he has an Indian passport and founded a corporate consulting firm that advises international companies – Turck among them – on how to build their business in India.

Are we experiencing a new economic miracle in India?

The mood in India is, in fact, similar to that of Germany during its economic boom period. People are “hungry” and want economic success. You can feel the adrenaline in the air. During the last 15 years, the country has experienced immense development. Nowadays, it has long been a part of the world economy, as was shown by the purchase of Arcelor by Mittal.

Should we be afraid of India as an economic powerhouse?

Naturally, this country has a great deal of economic force, after all, a powerful market is emerging here. Currently, a good 300 million people rank among the affluent middle class. And these people are placing more and more value on high quality products and a broad range of offerings. This quality cannot be produced in India using manual labor, here, too, production must be automated. This is a major opportunity for German manufacturers and automation technology specialists.

Should companies who export to India or set up operations in this subcontinent expect similar problems as in China?

There is a vast difference between the culture of China and that of India – the Indians are very conscious of values and ethics, “borrowing” ideas doesn’t fit in to their mentality at all. They prefer to develop brand new products. Overall, the Indians are much more similar to us culturally than the Chinese, this makes working together considerably easier.

How do you assess Turck’s entry into the Indian market?

Turck currently has a great set-up in India. After thorough preparation prior to market entry, management pushed for rapid restructuring so that the requirements for Turck and its customers – both Indian and German – are now optimal. With a plant in Pune and offices in other important locations, the company is regionally positioned just as well as with its experienced team.

How stable is the country?

When considering India, many make the mistake of viewing the country as a whole. But you have to remember that this is a subcontinent that has many regions. India is more comparable to Europe as a whole, not to a single country like Germany. And that means the existing problems vary from region to region. So the decision of setting up shop in one region or another in India is similar to deciding whether to go to Portugal or Germany.

You were just talking about the growing affluent middle class in India. But the majority of Indians are still living in relative poverty. Does this not create a potential for conflict?

No, because even with the lower classes affluence is increasing accordingly. For example, nowadays, a simple farmer can afford to buy a TV, which, ten years ago, was still absolutely unthinkable. And as long as the growing wealth spreads to all levels of the population in the country, then there are no socially explosive issues. The Indian government understands that and has taken it into account in its policies.



Dr. Michael Paetsch is a professor of international marketing at Pforzheim College. The 44-year-old attended the universities of Mannheim, Newcastle (GB), Stanford (USA) and San Francisco (USA). He has the following degrees: Dipl.-Kfm., M.B.A. and Ph. D. Prior to his current teaching position, Paetsch worked for various telecommunications companies, more recently as President of Marketing for Vodafone D2.

Turck in India

After intense market research, Turck founded its own subsidiary in India. In doing so, the company remains true to its strategy of showing its colors in the “emerging markets“ of this world.



So many years, managers at Turck's Mülheim-based corporate headquarters have been monitoring the Indian automation market. After in-depth studies, management sounded off the starting signal last year for a sustained commitment to the Indian market and established its own subsidiary there.

The headquarters for Turck India Automation Pvt. Ltd. is Pune. The city has almost 3 million inhabitants and lies on the northwest coast of India in the Maharashtra region. “Pune is an ideal location for industrial automation” says Anuj Nijhawan, managing director of the Indian subsidiary. The automation professional has worked as a sales and marketing expert in the Indian market for over 20 years. With his comprehensive experiences in the field of process automation and his knowledge of the Indian market, Nijhawan plans to quickly turn the Indian Turck subsidiary into a major player on the Indian market.

“In the last few months, we have created a stable foundation for Turck's growth by establishing and continuing to establish branch offices and regional networks – soon we will have the entire country covered,” says Anuj Nijhawan. A growing organization such as Turck will have no trouble finding qualified workers, believes the managing director, who was responsible for the western region of India for MTL India from 1994 to 2006. “We will hire a team of motivated employees, who will help us advertise Turck products in the industry. Our goal is to receive our first major project orders as early as this 2007 fiscal year. The biggest challenge will be to ensure



Numerous customers and other interested parties take advantage of the opportunity to become more familiar with the Turck subsidiary during its grand opening celebration

a consistently growing market share for Turck products and to achieve strong earnings, which will be essential for Turck's further growth in India,” explains Nijhawan.

The Pune location is, in Nijhawan's opinion, ideal for achieving these goals. “Many important companies from the automobile industry are represented here: Tata Motors, Bajaj Auto and GM Motors. In addition, many smaller companies and suppliers have also set up shop in Pune. Aside from Chennai (previously Madras) on the east coast, Pune is the hub of the Indian automobile industry.” Even the headquarters of Honeywell Automation India Pvt Ltd. is located in Pune, as is Krohne Marschall and Virgo Engineering – all companies that play an important role for Turck with regard to process automation.



“Turck has established branch offices and regional networks in India and will continue to do so – soon we will have the entire country covered.”

**Anuj Nijhawan,
Managing Director,
Turck India Automation
Pvt. Ltd.**

In August 2006 Turck was able to celebrate the opening of its subsidiary in India (from left):

Consultant Dr. Michael Paetsch, Anuj Nijhawan, Managing Director, Varikkath Rajan, Commercial & Administration Manager, K. Rajesha, Branch Manager for Bangalore, Sudip Sen, Business Development Manager, Kiran Shendge, FA Specialist, Christian Wolf, Executive Vice President Marketing Turck Group, Nagesh Nayak, PA Specialist, Christian Pauli, Executive Vice President Finances Turck Group, Ms. Nijhawan

