GOING GLOBAL
INDIAN MULTINATIONALS
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A report by IMaCS for IBEF
Message

It is with much enthusiasm that I underscore - Indian industry has grown wings. Globalisation has given a new meaning and dimension to corporate India. Many Indian firms have slowly and surely embarked on the global path, leading to the emergence of the Indian multinational companies. Indian industry has crossed domestic frontiers and established a credible presence in markets abroad in a very short time.

The evolution of the Indian multinational spans diverse sectors from pharmaceuticals to automotive to hotels to textiles to engineering goods and entertainment. With each passing day, Indian businesses are acquiring companies abroad, becoming world-popular suppliers and are recruiting talent cutting across national boundaries.

This trend truly typifies the global aspirations of Indian companies, but more importantly, represents the ability of Indian businesses to achieve global standards of competitiveness.

It indeed gives me much pleasure in presenting to you - 'Indian Multinationals' - a bouquet of global corporate India.

Kamal Nath
 Minister of Commerce & Industry
 Government of India
Economic integration across countries has created a global market for different types of products and services. It has given companies an access to the world’s best resources — cheap but talented labour, largest markets in terms of size, vast capital market, most advanced technologies and lowest-cost suppliers of inputs. Global companies find their origin not only in developed countries, but also in emerging markets. Emerging markets in particular provide an invaluable springboard to companies to achieve global standards of competitiveness in their core activities at home, which are then leveraged internationally.

This trend has been observed in India as well, which necessitated a study to review the operations and growth plans of large Indian companies, with a view to analyse their success in establishing a global footprint. IBEF commissioned a study, which was undertaken by ICRA Management Consulting Services (IMaCS) to showcase these success stories. This study is the first in the series of profiles that are being prepared to highlight the arrival of Indian corporates on the global platform. It will serve as a useful guideline for other domestic as well as overseas companies and multinationals who are keen to do business in India as well as those who plan to embark on a similar path.

This study on Indian companies that are significant investors overseas shows that globalisation has meant greater specialisation, higher scale and an ability to integrate over a wider geographic arena. The study covered companies from diverse businesses — software, telecom, hotels, consumer goods, automotive, metals, textiles, pharmaceuticals, petrochemicals, paints, engineering goods, media and entertainment and others. The companies chosen for the study by IMaCS are mostly market leaders in their respective sectors and range from those that were set up many decades back to those that were set up in the post-liberalisation phase of the Indian economy. They have established a global presence either in terms of substantial exports or foreign investments, greenfield investments as well as acquisitions, or have a significant portion of their value chain in foreign destinations. These profiles prepared by IMaCS have been validated by the respective companies and in case of omission of any significant players in this study has been due to lack of response from the company in validating the profile.

Globalisation has become an imperative for Indian companies

When the Indian economy liberalised in the early 1990s, with the licensing system for setting up industries getting dismantled and foreign direct investment being encouraged, it was greatly feared that Indian companies would not be able to match up to the marketing and financial prowess of MNCs. More than a decade later, Corporate India has shown that it not only has the capabilities to face up to the might of the MNCs who have entered India, but also challenge their position in international markets.

Indian companies have been spurred to cross domestic boundaries and consider entry into new
products for maintaining their market position. This is most evident in the case of Aurobindo Pharma, which started its transition from a single product, domestic player in mid-1990s to become a multi-product global player today. Severe margin pressures on its primary product semi-synthetic penicillin forced it to look out for higher margin products and penetrate into new geographies. The company added newer products like cephalosporins, life style drugs and anti-HIV drugs to its portfolio and got its manufacturing facilities approved by several regulatory authorities to give a thrust to exports. Today high growth markets (like Brazil and China) and regulated markets (like USA, Canada and Europe) contribute more than 50 per cent to total revenues of the company.

It is not only the private sector, but also the public sector, which has been aggressively looking at globalisation opportunities. An interesting example is that of Indian Oil, which was protected historically by regulations preventing entry of private players to become a dominant player in the downstream refining and marketing sector in India. Post liberalisation, competition from private players in the domestic market has forced the company to look for revenues from international markets. To this effect, the company has begun to pursue global diversification by targeting exploration opportunities and providing technical services to companies in the Middle East as well as marketing its products across Asia.

**Indian companies have followed a mix of strategies to establish a global footprint**

The attitudinal change to turn global has lead to the emergence of many Indian MNCs who have overcome geographic boundaries by adopting a mix of business strategies. Most commonly, companies have used the route of greenfield investments or acquisitions overseas or a combination of both. Others have made their exports more cost competitive vis-à-vis global peers. A few have entered into technical tie-ups with global partners to build capabilities and then leverage them in the international markets. Several companies have ramped up their scale of operations to a level essential for a global foray.

**Making investments in greenfield venture or acquisitions**

For those companies concentrating on making investments outside India, a mix of organic and inorganic growth has been the most common route towards globalisation. The industry leading on this front is the IT industry, which has put India on the global map. TCS, with 169 offices in 35 countries world-wide, is not only dominant in English speaking countries, but also has a strong presence in the Spanish and Portuguese speaking regions of the world. Its strategic acquisitions of a banking and BPO business in Chile, and a banking solutions company in Australia, have helped it to gain complementary skills and geographic presence. Wipro, which commenced operations in the vegetable oils business, today has a presence across the largest number of verticals in the IT industry. What has set Wipro apart from its peers is its aggressive acquisition strategy to grow its technology and industry capabilities. The company, which sees inorganic growth as a key to expanding its business, has made several acquisitions since 2002 and is looking for more opportunities to build scale.

Old economy industries like auto-ancillaries, paints, pharmaceuticals, agro-chemicals etc are also part of this trend. Sundram Fasteners, the first Indian engineering company to set up a greenfield venture in China to manufacture high tensile fasteners, has made acquisitions in Europe to establish a strong position in developed markets and gain access to blue-chip customers. Another company in the automotive space, Amtek Auto has followed a
similar strategy for global growth. Driven by its vision to attain proximity to customers and reduce lead times for delivery, it has set up a ring gear unit in Detroit, the global hub of automotive manufacturing, and has made strategic acquisitions in the US, UK and Germany.

Asian Paints, one of the top ten decorative paint companies in the world, has pursued a globalisation strategy of entering fast growing markets with robust demand and low per capita consumption of paints. In the initial years it focused on forming joint ventures with existing players in growth markets. Later its focus shifted to acquisitions, the most important being that of Berger International, which gave it access to the growing markets in Asia, Africa and the Caribbean countries. Driven by its global vision, the company today services customers across 65 countries and has manufacturing facilities across 22 countries. United Phosphorus has successfully transformed itself from a domestic insecticide player to a global generic agrochemicals player, through a string of acquisitions of companies and products. Crucial acquisitions of European companies have helped it to establish a strong foothold in the highly competitive developed markets that are dominated by giants like Dow Chemicals, Dupont, BASF etc.

VSNL, one of India’s largest telecom companies, has acquired Teleglobe International Holdings and Tyco Global Network in its drive to offer global connectivity and confirm its position as a leading global telecom service provider.

In the pharma space, Nicholas Piramal, which has positioned itself as a high-end contract manufacturer for bulk drugs and formulations for renowned global companies, has made a strategic acquisition of Avecia Pharmaceuticals (UK), which has given it access to new clients as well as critical technologies. Prior to this, its acquisition of Rhodia’s inhalations anaesthetics business, giving it access to technologies and state-of-the-art manufacturing facilities, has helped to make its contract manufacturing business stronger.

Wockhardt, a large biotech products company, has established marketing subsidiaries in the large market of the US and the growing market of Brazil. Acquisition of three companies in Europe has helped it to establish a strong position in the region, especially UK.

The hotel industry is not far behind in this trend. Indian Hotels, which operates the largest hotel chain in India, has nearly 16 per cent of its revenues coming from international operations. While management contracts have been the preferred route for the company to establish a global presence, it has not shied from making strategic acquisitions of hotel properties in growth markets like Australia and Zambia whenever the opportunity arose.

Making exports cost competitive in relation to global peers
For some players having global plans, lowering cost of production vis-à-vis key competitors has been a strategy for establishing a global footprint through exports. For instance, Tata Steel, representing India’s largest, integrated steel plant in the private sector, is firmly entrenched as a low cost producer among global steel majors. It has leveraged on captive raw material resources in the form of in-house mines and collieries. This has been augmented with rightsizing of its employees, rise in employee productivity through training and modernisation and a strategy of split-location manufacturing of producing semi-finished products in proximity to raw materials and by finishing them at locations which are near to markets.

Tata Motors, India’s largest manufacturer of commercial vehicles and second largest manufacturer of passenger cars, began exports from India by leveraging its low-cost manufacturing base, a result of its rationalised vendor base,
its supply chain and developing low-cost product development capabilities. Gokaldas Exports, the largest apparel exporter from India, has leveraged the advantage of low labour costs in India to export to large retailers and brands across the world and has nearly its entire turnover coming from international markets. Its supply chain is also global, with nearly three-fourth of its raw material requirements being imported.

**Crucial acquisitions made by Indian companies**

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<th>Company</th>
<th>Acquisitions</th>
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<td>Amtek Auto</td>
<td>Zelter GmbH, Germany, GWK Group, UK, Lloyds (Brierly Hill), UK, Midwest Mfg. Co., USA</td>
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<td>Asian Paints</td>
<td>Delmege Forsyth (Sri Lanka), Pacific Paints (Australia), Berger International, SCIIB Chemical (Egypt), Taubmans Paints (Fiji)</td>
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<td>Aurobindo Pharma</td>
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<td>Bharat Forge</td>
<td>CDP Aluminiumtechnik, Germany, Federal Forge, USA, Imatra Forging Group, Sweden and Scotland</td>
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<td>Dr Reddy’s</td>
<td>Roche’s API business in Mexico, Betapharm Group, Germany</td>
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<td>Glenmark Pharma</td>
<td>Laboratorios Klinger, Brazil, Servycal S.A., Argentina and Bouwer Bartlett, South Africa</td>
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<td>Indian Hotels</td>
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<td>M&amp;M</td>
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<td>Marico</td>
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<td>Motherson Sumi</td>
<td>Reiner Präzision GmbH and G+S Kunststofftechnik GmbH in Germany</td>
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<td>Nicholas Piramal</td>
<td>Rhodia’s IA in UK and India, Avecia, UK</td>
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<td>Satyam Computer</td>
<td>Citisoft, UK</td>
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<td>Sterlite Industries</td>
<td>Monte Cello Corporation, Netherlands, the holding company of copper mines in Australia</td>
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<td>Sundram Fasteners</td>
<td>Dana Spicer, UK, Peiner Umformtechnik GmbH, Germany</td>
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<td>Tata Motors</td>
<td>Daewoo Commercial Vehicles, Korea, Hispano Carrocera, Spain</td>
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<td>Tata Steel</td>
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<td>TCS</td>
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<td>United Phosphorus</td>
<td>MTM Agrochem, UK, Agrodan, Denmark, Midland Fumigants, Europe, Cequisa, Spain, Shaw Wallace Agrochem, India, Advanta (seed business), Netherlands</td>
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<tr>
<td>VSNL</td>
<td>Teleglobe International Holdings, Tyco Global Network</td>
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<tr>
<td>Wipro</td>
<td>Spectramind, GE’s healthcare software arm, global Energy practice of American Management Systems, Nervewire, US, Ericsson’s Indian R&amp;D arm</td>
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**Forming alliances with international companies**

A few companies, whether in the manufacturing
sector or the services sector, have formed alliances with global companies for acquiring technology and accessing customers in global markets. Satyam Computer, which has grown from a mere domestic IT services company to becoming a global player, has nurtured strategic alliances with over 50 technology leaders, wherein Satyam uses the technology, goes to market with these technology leaders, or provides services based on their technologies. Thermax, which has grown from a small boiler company to a large, multi-divisional energy and environment solutions provider, has formed alliances with global players of the likes of Babcock & Wilcox, Honeywell and Kawasaki to access key markets and technology. Larsen & Toubro, the largest engineering and construction company in India, has collaborated with several international engineering companies to be able to give impetus to the solutions provided to its clients globally. Some of its prominent global partners include Chiyoda Corporation of Japan, Sargent & Lundy LLC, USA, Ramboll A/S of Denmark and Voith Paper, Germany.

In the manufacturing sector, Motherson Sumi Systems Limited (MSSL), India’s largest producer of integrated wiring harnesses, has built its strong engineering skills and machining capabilities through joint ventures with several international tier-1 auto component companies. MSSL acquires technology from these companies for manufacturing, as a result of which it is in a position to provide end-to-end solutions to its global customers, including its technology partners. Rico Auto, one of the largest full service supplier of auto components and assembly in India, has grown mainly through alliances and joint ventures with global companies. Its partners include FCC Co. Japan (for clutch assemblies for two-wheelers and automobiles and flywheels for automobiles), Pierburg, Germany (for water pumps and oil pumps) and Teksid Aluminium, Italy (for aluminium engine blocks and heads).

Mahindra & Mahindra (M&M), market leader in India in multi-utility vehicles and tractors, has a strategic technical partnership with International Truck and Engine Corporation to manufacture and market vehicles in India as well as exports, besides providing components and engineering services to International’s North American's operations. Its joint venture with Jiaoling Motor Company Group for tractors has given it access to the Chinese market and other export markets, besides giving it an opportunity to source components from China. Ashok Leyland, whose exports of commercial vehicles account for nearly 50 per cent of commercial vehicles exports from India, has a global presence across 30 countries in Asia, Africa and the Middle East. It has fostered a tradition of technological leadership achieved through a combination of robust in-house R&D and technology tie-ups with international leaders - Hino Motors (Japan) for engines, ZF (Germany) for gearboxes and Dana Corporation (USA) for axles.

Ramp-up in scale of operations
Another way in which companies have effectively competed in global markets has been by achieving scale by investing in global size capacities. This is most evident in the case of Moser Baer, the second largest optical media manufacturer in the world, which has scaled capacity over the last few years to cater to large global orders. Today it is a supplier-of-choice to all the top twelve global optical media brands and exports constitute nearly three-fourths of its total revenues. Bharat Forge, the largest exporter of auto components from India and the second largest forging company in the world, has continuously relied on creating capacities in India and abroad, with a view to cater to the quality as well as quantity requirements of its global customers.

Reliance Industries, the largest private sector business house in India having activities spanning exploration and production of oil and gas, refining
for a similar growth. This path is not an easy one and organisations need to translate their home-grown capabilities and the talent of their people to cross geographic boundaries. One key learning from the experience of Indian MNCs is that companies need to build a core competency and possibly avenues to generate internal accruals or external finances for funding globalisation plans. There are examples of several companies that have first built a robust and sustainable domestic business model by honing it through continuous experimentation in the home market and thus creating a core competency. This has been ably supported by the willingness of their promoters and management to stay invested in their new businesses for a longer duration of time. For instance, Titan, India’s largest watch manufacturer, first developed a formidable distribution network and superior designing capabilities in India, which were used to compete with the designing capabilities of players in the European market. The domestic business also helped in staying invested in the global operations for a longer time. Voltas, today enjoys the distinction of being the country’s premier exporter of electro-mechanical projects, with a footprint in over thirty countries. This is mainly a result of its experience in India built across varied applications, which is being leveraged for several prestigious mandates as an EPC contractor across Asia.

Similarly, ITC, India’s largest cigarette producer and a diversified FMCG company, has anchored on its core competencies of strong distribution reach, superior brand building capabilities and effective supply chain management. Its global initiatives, ranging from exports of cigarettes to agri-products to paper and packaging, have been built on the foundation of its backward integration linkages with Indian farmers for procurement of inputs. Marico, another well-known FMCG company, has

Leveraging international capital markets
Several companies growing on the globalisation platform have leveraged international capital markets to fund their globalisation activities, a case in point being Sterlite Industries, the flagship company of the Vedanta Resources Plc.. Sterlite has gained from the money raised by Vedanta through its IPO on the LSE, this being the first primary listing by an Indian company on the LSE. Its success in the later years in tapping the global financial markets has paved the way for it to position itself as a major player in the global non-ferrous metals market through acquisitions and capacity expansions targeted at exports.

Globalisation history of Indian companies has lessons to offer those who are planning to embark on a similar path
The experiences from the growth path of companies from an emerging economy to global ones has several lessons to offer to those looking
successfully created brands in the largely commodity-oriented business of hair oils and edible oils. These brands have been leveraged to develop a significant franchise across countries, including the US, Middle East, Asia and Australia by targeting the Indian diaspora.

In the pharma space, Dr Reddy’s Laboratories, one of India’s largest pharmaceutical company, has built a core competency in R&D by investing heavily in research and drug discovery. It has moved from being a seller of bulk actives in India to an exporter of difficult-to-manufacture bulk actives to highly regulated developed markets. Another pharma company, Glenmark, has leveraged its well-integrated business model in India covering activities ranging from drug discovery to development of API to marketing of formulations to an increasing number of markets, both regulated as well as unregulated.

Last, but not the least, to support its globalisation activities, it is also imperative for a company to manage a team of talented executives with international experience, who are the repository of its core skills and organisational culture and are given the independence to take decisions in diverse markets. For instance, Dabur, whose international operations are handled by its subsidiary Dabur International in Dubai, has its own independent team to oversee all global activities and monitor its manufacturing subsidiaries in other countries. Tata Tea, which became the second largest branded tea company in the world, after the acquisition of Tetley, successfully created a structure that facilitated joint working of its employees in India and abroad. A well-thought through process was adopted for the integration of the two companies by identifying the common beliefs between them. A steering committee was created with several task forces reporting to it and comprising managers of both companies. Some teams were given time-bound tasks while others worked on unification of some processes. This structure was converted into a Supervisory Board, reporting to the Board of Tata Tea, and taking decisions on matters concerning both companies. It was supported by four integration teams, with people from both companies and having an agenda to drive geographical and product category growth, improve operational performance and drive common business processes.

For Infosys, the second largest foreign exchange earner in the software services business in India, the most important factor responsible for its success has been its ability to attract, develop and retain outstanding human capital. Given the nature of its business, the company competes on the strength of its people and has invested heavily in recruitment and training. Some of its pioneering initiatives include a residential Global Education Centre for training, which is the largest corporate training centre in the world capable of training 4500 people at a time, and its initiative Campus Connect, a nation-wide programme focuses on aligning the needs of colleges, faculty and students with industry needs. Its Employee Stock Offer Plan has been an important factor to attract and retain high quality staff in India as well as in the talent competitive markets of Europe and US. To build a strong senior management, the company’s Infosys Leadership Institute facilitates the development of a cadre of global leaders with the competencies required to steer the company into the future.

The trend towards globalisation of Indian companies is expected to strengthen further

As India makes rapid strides in its economic growth, it is increasingly becoming an attractive destination for international companies, thus heating up the competition in the domestic market. Indian companies cannot ignore the fact that in order to face this competition, they not only have
to emerge stronger in the domestic market, but also challenge these companies in their international turf. There are several instances of Indian companies who have become MNCs in their own right through sizeable investments made abroad or becoming suppliers of choice for global companies by leveraging lower costs in India.

This trend will increasingly extend to the next rung of companies who are looking at aggressive growth, with overseas acquisitions being the most preferred route for this. These companies realise that it is essential for them to achieve global size and competitiveness to establish a broader market position and to sustain a strong position in the global markets. To achieve global size they need to look at growth opportunities outside the domestic borders. Whether it is manufacturing companies that are adding relationships and customers by transferring work into India, or software firms that are strengthening their domain capabilities and filling in gaps in their business portfolios, the message is very clear for all companies. They need to expand their global reach by developing vision, capability and management bandwidth in order to succeed.
The India Brand Equity Foundation is a public-private partnership between the Ministry of Commerce & Industry, Government of India and the Confederation of Indian Industry. The Foundation’s primary objective is to build positive economic perceptions of India globally.

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