ATECHBCN S.L. EXPORT BUSINESS PLAN TO THE REPUBLIC OF INDIA

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1. INTRODUCTION

Atechbcn is a company with a wide experience accumulated thanks to the activity carried out over 35 years by a technical and commercial team leader in the sector of equipment for façade cleaning and maintenance. The core product of the company is the Building Maintenance Unit (from now on BMU). Atechbcn can be found in more than 30 countries all over the world thanks to a distribution network established in each country.

The firm is continuously looking for new potential countries to sell and distribute. Because of the willingness of this company to continue growing I have developed this project focused in the Republic of India.

2. BACKGROUND

The company is established in almost each continent. Atechbcn has distribution relationships in North America, South America, Europe, Africa, Middle East and Asia. We can remark countries like Mexico, USA, United Kingdom, France, Italy, Russia, Turkey, Jordan, Saudi Arabia or United Arab Emirates.

Specifically in Asia we have presence in countries such as Malaysia, Thailand, Vietnam, Indonesia, Hong Kong, South Korea or Singapore. However, as happens with China, India is a specific case that cannot be compared with her neighbours. The potential of the country due to the population growth and the consequent strong Real Estate industry provides to the company a special interest that will be studied further.

This wide presence in many countries of the world extremely distinct between them demonstrates the enormous capability of the company to expand and adapt her activity in each market.
This is not the first attempt that Atechbcn has done in this country. Some commercial ventures have been carried out and some distributors have been interested, but the possibilities have not gone further.

3. OBJECTIVES

Thus, my goal is to make real the will of the company to enter this huge market. First of all the potential of the country must be analyzed: the demographic growth, the Real Estate market. Then we must understand the product to be exported, together with the importation characteristics. It is also important to study which entry mode the company should follow. Finally, we must carry on promotional activities and look for potential distributors and if the case, establishing contact with them in the long run.

4. ANALYSIS

4.1. THE REPUBLIC OF INDIA ANALYSIS

4.1.1 The potential of the country

The Republic of India has more than 1.200 million people. It is the second most populated country in the world and forecasts suggest that by mid-century will surpass China in population. Within this country, nearly 250 million people have average purchase power in Indian terms, and about 90 million have incomes that allow them a capacity similar to European countries consumption. These figures confirm a market with unique dimensions, hardly comparable with other countries (today is the 5th country in purchasing power of the world) and with an annual average growth rate higher than 7% since 1997.
4.1.2 The Real Estate market

The possibilities of the company in a new market are strongly linked to the Real Estate sector. Below we can find an analysis of this market.

As a consequence of the economic growth the Real Estate market has been continuously expanding during past years. This phenomenon has increased the business opportunities in the country and the labour migration has implicated a higher demand for residential and commercial buildings. Actually, the Real Estate and Construction sector are important roles in the global development of the country. Around a 16% of the labour force in the country depends on them. These two sectors employ more than 30 million people. It is expected that the Real Estate market will increase at a 30% rate during the next decade.

It is also important to highlight that the growth in this industry is hardwired to the increase of the purchase power mentioned before and the consequent spread in services offer: the construction of infrastructures for stores, tourism or entertainment (hotels, theatres, leisure resorts...)

The public expense forecasted by the Indian Government in the Real Estate sector is about 167.000 millions of dollars until 2017.
The TARIC (Integrated Tariff of the European Communities) of our product type is 8428, described as *Other machines and appliances for lifting, loading, unloading or handling (such as lifts, escalators, conveyors and cableways)*. The year 2012 this country imported this TARIC for an amount of 2.192.387$, which is positive information: by this way we acknowledge that this country is interested in importing our product. The niche in the Indian market is open.

### 4.1.3 The interest of the company

The company has shown a large interest in this country since some years ago. Firstly, my intention was to focus on the possibilities of the Asian continent, specifically China, Japan and India as the potential of these countries is remarkable (the Asian continent is nowadays the continent of the world that is expanding and growing the most, and the expectations are to continue doing so).

However, after receiving feedback from the Atechbcn China and Japan are not countries to get in deep. In China they already have a distributor since many years ago (the company Shenzen JBT Co), with a good relationship that provides stability.
The case of Japan is the opposite. In Japan the local competition is really strong, there are many local producers that manufacture with a very high quality. It is a commercial circle very close between local companies. They have tried several times to reach the market but it’s complicated. Probably the possibilities of China can be still larger exploited as it is a huge country, but not for Japan from the point of view of the Export Department.

However in India they do not face these barriers, actually some distributors from other countries have offered them to join and try to reach the Indian market, but negotiations have not gone further. For all of this and for the prior country and industry analysis the company highly believe in their possibilities in the Republic of India.

Regarding the rest of Asia, they have established a relationship with distributors in Malaysia, Indonesia and Thailand, which are markets that behave similar and demonstrates that the company has already experience in this continent.

4.2. PRODUCT ANALYSIS

The company sells and distributes one product, the Building Maintenance Unit (BMU). With the BMU they can provide installation and the commissioning of the machine as well. Later they also provide periodic maintenance of the BMU if it is requested by the client (the company has an After Sales department).

The main competitive advantage of the company in front of local and global competitors is that Atechbcn is able to produce a tailor made machine for the building. The Engineering department is an important intangible asset of the company because it works in order to design unique devices: below we can find an example of their work. This condition is the added value of the company that differentiate us in the market.
This advantage is a tendency that has become more pronounced over time. The company has noticed an increase in demand on complex and long-term projects requiring an study of the building and characteristics. The company observes requests from distributors about projects of a large magnitude: Atechbcn can give an optimal solution versus other companies that produce mostly standardized. Atechbcn has the ability to study and analyze these inquires that other companies cannot. In this sense a deep relationship with the distributor is also very important as we need feedback.

Even though we sell one product with one single function, each product the company manufacturers has different features in order to adapt to the customer's needs, so inside the company we distinguish different ranges depending on BMU final characteristics. Hence we can differentiate Atech10, Atech01, Atech25 or Atech15.

In conclusion, the company is moving forward to specialization in machines for complex and unique projects. The capacity to produce tailored made machines to reach customer's need is the competitive advantage of the company.
4.3. IMPORT ANALYSIS

4.3.1 Tariffs

As explained early, the TARIC (Integrated Tariff of the European Communities) of our product type is 8428, described as *Other machines and appliances for lifting, loading, unloading or handling (such as lifts, escalators, conveyors and cableways)*. It is very important to highlight that the year 2012 this country imported this TARIC for an amount of 2.192.387$, which is positive indicator to acknowledge that this country is directly attracted to import our product. The top countries that imported this TARIC to India in 2012 are China, Germany and Japan.

Through the Indian Customs website we can found the tariff corresponding to our product: the tariff to pay when importing the product into the country is 7,5%. In India the average duty when exporting is 11,9%.

4.3.2 Technical Barriers

Regarding technical barriers Atechbcn owns the ISO 9001 Certificate from 2008 and the purpose is to obtain the next ISO 9001 in 2015. This ISO 9001 meets the requirements for a Quality Management System (QMS) that can be used for internal application by organizations, and allows the possibility to obtain the CE Certificate. The CE marking is the manufacturer's declaration that the product meets the requirements of the applicable EC (European Community) directives. In front of Indian clients an European Certificate can validate the company as a high quality manufacturer.

From the time being there is no mandatory specific certificate or inspection required to sell in India. If the country requires a special inspection or certificate to enter the country the company can go through it.
4.3.3 Transport

Regarding transportation options and costs SparberGroup has informed me about it. In this quotation the destination is Nhava Sheva port, the most important in the country (entry port of Mumbai). The second most important is Chennai.

The FOB option, Free on Board, occurs when the seller is responsible to carry the goods from the factory (in Santpedor) and leave them in the Barcelona port. The buyer will take charge on it from that point. In this case the transportation costs vary between 210,00$ to 225,00$ per container and the customs expenses are 35,00$.

The CFR option includes the Cost and Freight. Atechbcn in this case is responsible to transport the goods until the final port (Nhava Sheva). Below in the chart we can find the quotation options.

<table>
<thead>
<tr>
<th></th>
<th>DRY CONTAINER</th>
<th>OPEN TOP (OT) CONTAINER</th>
</tr>
</thead>
<tbody>
<tr>
<td>20'</td>
<td>300,00$</td>
<td>1,050,00$</td>
</tr>
<tr>
<td>40'</td>
<td>500,00$</td>
<td>2,000,00$</td>
</tr>
</tbody>
</table>

Usually it is used an OT as it is the container more easily chargeable for the BMU. The dimensions (20' or 40') depends on the final machine size. If requested, an insurance can be ordered; the Incoterm option would become CIF (Cost, Insurance and Freight) and the insurance cost should be added to the final price.

The frequency of departure to India from a vessel in Barcelona is weekly and it takes approximately 34 to 37 days to reach Nahva Sheva, doing a transshipment in Singapore.
4.4. COMPETITION

Any company that sells BMU in India is our direct competitor. Our main and worldwide competitors are Tractel, Manntech, Cox Gomyl, Gind and XS Platform. Tractel and Manntech are already in this country, with sales subsidiaries (in Mumbai). CoxGomyl and XS Platform have presence in the market without sales offices.

Our competitors are companies with a wider portfolio of products (lifts, security systems...) and with a stronger financial support than Atechbcn, thus are bigger firms. They are also in many countries worldwide. All of this allows them to enter the Indian market easily and with reputation in the sector, becoming a challenge that Atechbcn will have to face. Again, the capability of the company to produce tailored made machines for unique projects can be the solution.

4.5. THE ENTRY MODE

4.5.1 Different modes

When entering a new market a company can consider some options, basically: through a distributor (or agent), through a partnership (a joint venture) or establishing a wholly new owned subsidiary.

The first option is the way that Atechbcn is established in each country. A distributor has many advantages. It is an independent intermediary that buys us the machine and then he marks up the price, so we only have to handle the risk and take decisions with one entity. It is a low risk mode and also at a low price (we don't have to pay him a fixed salary or set up a subsidiary). Also, the distributor is settled in the country of destination so he knows the market, the local language, the culture and the competition. A distributor normally is advisable for small orders (it is possible that a distributor buys to us only two or three products in one year). After providing the BMU to the distributor and get paid, the firm can “forget” about the rest of the process. In order to avoid risks and costs and as a logical procedure, first of all we will look for a distributor.

Regarding the joint venture, this is an option that the company has faced. Few years ago, when the company found an interested distributor in India, they asked them to join and manufacture
locally to avoid paying tariffs. The company has never been totally sure about this option because implies risks.

However from my point of view if the distributor that the company will find demonstrates a steady demand in the long run and together with the country expected growth, a partnership could be studied. The logical procedure would be that first the company must obtain a set of official profitable orders in India from a distributor, be present in the market for a long period and later on this option can be discussed.

The wholly owned subsidiary is a very risky option that implies a high expenditure. It is the least option to be considered and only if the market demonstrates a strong sustainable growth it could be considered.

4.5.2 The flawless distributor

The distribution company we are looking for is an elevator and escalator company. The product portfolio of these companies is very similar to our product and normally they are big companies with strong financial resources. In other countries where Atechbcn exports we deal with elevator and escalator companies, so our company knows how they operate. An example of this company is Schindler, that actually it has presence in India.

Other companies with a similar portfolio that can be interested in our product can be temporary access companies, crane companies or trading companies from the market sector. Trading companies should be the worst option because they will resell our product to the distributor that we are looking for. Is only one stage more and trading companies have more bargaining power than a distributor so our margins would be lower.
4.5.3 Potential distributors

Below we can find a list of the main elevator and escalator companies in India, that if interested, could become possible distributors for Atechbcn:

1. Kone India
2. Fujitec India
3. Otis Elevator Company
4. Mitsubishi Electric
5. Schindler Elevators
6. ThyssenKrupp Elevator India
7. Kinetic Hyundai

Our main objective is to look for elevator and escalator companies, crane companies or temporary access companies that can include our product to its portfolio.

There are other reasons why we should look for elevator and escalator companies in this country. These kind of companies are strong in India. It is the second largest market of this product (lifts) in the world after China. The Elevator market in India is increasing at a rate of 12% annual since 2008. This also linked as explained before to the construction demand due to the increase in the GDP of the country and the purchase bargaining of the population, that increases the Real Estate market. It is expected that the Elevator market in India will continue increasing and therefore these kind of companies will be able to expand their portfolio and willingness to grow.
4.6. PROMOTION ANALYSIS

The company can carry on promotional activities to unlock the market. Atechbcn can visit fairs related to the sector, assist as an exhibitor, other prospect trips or arranging schedules activities with potential distributors. The Export Managers should understand how negotiations are carried out in India.

4.6.1 The IEE Expo

There is an important fair, the “International Elevator and Escalator Expo” that joint many local and international companies from the sector and can be useful to participate. This fair represents one of the most important international events for the elevator machinery industry, specifically for lifts, escalators and components. The IEE Expo is the most remarkable event for architects, Real Estate developers, engineers, shopping malls, airports, hotels, hospitals and building owners that want to offer security for their lift systems in their buildings.
4.6.2 Commercial Offices support

I have contacted the Commercial Offices of Mumbai and New Delhi in order to obtain promotional information about our sector. After explaining the company background and the company willingness to enter the country, they offered a customized service, including the following services:

- Potential partnership companies search
- Agenda of business meetings
- Customized information for the company
- Missions
- Logistic support

The service cost is from 250€ to 500€ depending on the detail degree requested. The service of the Commercial Offices in India can be very useful and can be an option that Atechbcn must study later on, as we can obtain real and interested distributors for our product.

4.6.3 Negotiating in India

It can be very helpful to know how Indian people negotiate, as this can become a challenge for every Export Manager. In India can be tough to bargain. It is essential to be patient, because the maturity period for a business is usually longer than in Spain. Times are handled differently and perseverance and price management are essential to work in India. We must also avoid verbal contracts and be prepared for continuous changes during negotiations. In general, everything is analyzed many times and personal and close relationships must be developed to create trust.

Finally, Atechbcn is also renewing and upgrading the company’s webpage [www.atechbcn.com](http://www.atechbcn.com) with a "news" window side to have updated the latest projects involved and other complementary services.
5. CONCLUSIONS

5.1 S.W.O.T chart

We can summarize the main information of this report with an S.W.O.T. chart.

**STRENGTHS**
- Highly specialized product, know how
- Experience
- Potential expansion the company
- India as a huge opportunity
- Real Estate market growth

**WEAKNESSES**
- Engineering department bottleneck
- Image of small business
- Strong position and resources of competitors
- Cultural challenges

**OPPORTUNITIES**
- India as a huge opportunity
- Real Estate market growth

**THREATS**
- Strong position and resources of competitors
- Cultural challenges

**Strengths**

Atechbcn must take advantage of his technical knowledge and European reputation; the company is going through a process where the BMU they distribute is complex and unique, tailored made. This is what distinguish it for their competitors and the added value to the customer. In order words, this is the competitive advantage.
They have a large export and technical experience in any kind of market, and even the company is present in more than 30 countries the willing of the company is to continue expanding.

**Weaknesses**

Against other competitors like Manntech or Tractel our company can present an image of being a small firm and in front of some possible customers this can lead to distrust or insecurity.

Even though the Engineering department is a strong intangible asset in the company, due to the large load of work they have sometimes it is converted as a bottleneck of the performance of the company.

**Opportunities**

After all the figures provided in the report the potential of this Asian country is very clear. The Real Estate sector will continue growing the following years: it is expected that this sector will increase at a 30% rate during the next decade.

**Threats**

Our main threats are the competitors that we will find in the country. Also we can face cultural challenges like the negotiation forms.

**5.2 General conclusions**

In conclusion, I hope that this report becomes the first thrust for the company to push the Indian Market. The possibilities of Atechbcn in India are real, the Real Estate market is expanding. The company must focus primary on establishing a relationship with a distributor; if successful, a later partnership can be discussed. The distributor must be a powerful company related to the lifting, elevator or construction sector with a remarkable financial and commercial support with a long term view that will allow Atechbcn to venturing into this great opportunity that represents India.
5.3 Actions

After this, we must start working to make real this opportunity. We must prepare a Presentation Letter of the company to send via email to the potential distributors first of all; we can obtain distributors contact through the Commercial Offices of India with their customized services as explained before or through other support organisations like AMEC. If not, we have already a list of the main potential distributors in India (see 4.5.3 Potential Distributors).

The next step would be establishing phone calls, sending to them catalogues (we have them in English) and references, go slightly beyond. After this we will probably get a two or three companies that can be specially interested. We can agree in meeting by next month, and the Export Manager can arrange a commercial visit to India. We must carry on following this process until we found the distributor we are looking for.

During the process we can organise prospection trips in order to get in touch with the country and we can attend the International Elevator and Escalator Company in New Delhi by next year (March 2015). With all of this, the company will be able to enter this country. We expect that in one year (by May 2015) we will get our first projects in India. Below we can find an organisational chart of the different actions to proceed.

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### 2014

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>MAY</th>
<th>JUNE</th>
<th>JULY</th>
<th>AUGUST</th>
<th>SEPTEMBER</th>
<th>OCTOBER</th>
<th>NOVEMBER</th>
<th>DECEMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>EX</td>
<td>CS</td>
<td>MP</td>
<td>CM</td>
<td>CM</td>
<td>CM</td>
<td>CM</td>
<td></td>
</tr>
</tbody>
</table>

- **Export Business Plan development** (EX)
- **Customized services** (CS)
- **Mailing an phone contact** (MP)
- **Commercial Mission** (CM)
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Sparber Group Soluciones Logísticas
[Last checked 23rd April]

UN Comtrade
7. ANNEX

7.1 Exhibit 1: References - Atechbcn in the world

Tour EDF
Paris, France
Turning Torso
Malmo, Sweden

Trump Tower
Istanbul, Turkey
575 Lexington Avenue
New York, United States of America
Costanera Center
*Santiago de Chile, Chile*
Torre Liu
Monterrey, Mexico
Tianjin City Jinta
Tianjin, China
Lucas Film

Singapore, Singapore
Ciputra World
Jakarta, Indonesia