

The India Paradigm

by TAK Mathews

For the best part of the last three decades, the world's largest democracy (and second most populous country) had failed to impress the elevator and escalator (E&E) industry (many other businesses too) with its very low market growth. E&E suppliers and component manufacturers keep postponing their India plans. Key decision makers would walk away shaking their heads, quoting growth statistics and infrastructure reports from other less populous locations. The business world expects velocity and agility in contrast to the momentum and long-term sustainability that India has the potential to achieve. They fail to recognize the potential associated with the Asian economic crisis, natural calamities, the innumerable terror attacks and even a border conflict.

Many decision makers also fail to recognize the contradictions that formed India. If a blind man were to feel an elephant's tail, he would describe it as wiry. Another, feeling the leg, would describe it as the trunk of a tree, and a third, feeling his trunk, would describe it as a flexible pipe. All descriptions are right; yet in isolation, each does not describe an elephant.

India is not just about Mumbai or Delhi. The Indian language is not just Hindi, and for that matter, Indian food is not just tandoori and curry. It is normal that the roads in India are shared by the bullock cart (or even an elephant) and the latest BMW. India has the pavement dweller as well as those who stay in palatial apartments costing over US\$1000 a square foot. (The current *Forbes* listing features 36 Indian billionaires, with four of them finding place among the top 21 richest people in the world.) It might not be easy to do business in India, but numerous India-based companies have become global leaders in their respective fields. To complicate matters further, strategies for India were derived from a successful strategy from another location with the logic if it worked there it should work in India. With different strategies required between Indian cities, the consequences were obvious. These issues were not limited to global players trying to come into India, but even regional players within India trying to expand nationally.

The Indian E&E Industry Transition

In the three decades preceding 2004, Indian E&E growth for most years hardly exceeded 5% on a low base, with some years even witnessing negative growth. In fact, the escalator growth (total units installed in India as of 1998 was 125) was stagnant, with most units coming from one supplier. This supplier was forced to shut down its local

plant as the market growth had made production economically unviable even with a 100% market share. Through the last decade, the Indian economy significantly opened up, causing major ripples globally, indicating that the elephant had stirred. Throughout this period, the growth in the real-estate development sector was also evident.

In 1997, there was just one building in India above 40 floors. Currently, there are close to 100 projects that fit that description at different stages of concept, design, planning, construction or completion, with at least five projects slated to cross 75 floors. The vertical development that was earlier limited to the class-A cities has started spreading to class-B and -C cities.

While malls and multiplexes were rarities in India 10 years ago, the situation has dramatically changed. Gibson Vedamani (CEO of the Retail Association of India) estimates that another 150 malls will be added to the Indian landscape over the next 20 months (page 42). Supriya Verma (a research analyst with *The Economic Times*) predicts over 600 additional malls in the next three years.

The growth in the real-estate sector development pushed the annual E&E growth in 2006 beyond 20%, with 2006 sales estimated to have inched close to 30,000 units. These units were sold by the seven international players – Fujitec, Hyundai (through KEEL), KONE, Mitsubishi (through ETA MELCO), Otis (the oldest and largest), Schindler and ThyssenKrupp, along with a host of domestic and regional players (estimated to be over 150) like Apex Elevators, City Lifts, Concord, Eros, Eskay, Johnson (one of the Indian market leaders), Omega, Supriya, etc. This growth also had an impact on manufacturing, with more OEMs shifting to outsourcing.

India's Potential

The continued growth in the real-estate development sector and the numerous infrastructure projects (i.e., airports, metros, etc.) will continue to push the Indian E&E business growth well into the next decade. The elevator market for 2007 is expected to move to the 35,000 mark, with the escalator market likely to touch the 2,000 mark. This growth should encourage existing OEMs and component suppliers to consider expanding capacities, while the added attraction of reduced import tariffs should encourage other foreign suppliers to hasten their plans to enter the Indian market.

India is on the move and developing momentum, which despite all contradictions and issues will be unstoppable for the better part of this century. Incredible India has arrived! 🌐