

# India – Incredible to Unstoppable

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It is great to be back here after a gap of two years – a period during which the world and the elevator and escalator industry dropped to economic despair. Yet I am here today with a sense of having been vindicated on my arguments for India. Any presentation on India cannot be complete without a discussion on its wide diversity and contradictions. Therefore, to some, my presentation might sound familiar, yet the understanding of this contradiction is critical for doing business in India.

### Diversity

Most international visitors find it perplexing that many Indians invariably communicate with each other in English. Yet the diversity forces this upon us, a fact to which my family can testify. I speak Malayalam, and my wife speaks Tamil. These languages are as different as German is from Russian or Chinese. Therefore, for our family, the neutral medium of communication is English or Hindi, or a combination of both – commonly referred to as “Hinglish.” The diversity in India is such that even the famous “Indian curry” has probably a million variations; and not all of them are spicy and hot.

### Contradictions

To be successful in India, one also needs to appreciate and adapt to the contradictions that make up this incredible country. The economical disparity probably illustrates this contradiction the best: India is a country with a large population below the poverty line, yet with a number of others being amongst the richest people in the world. The extreme disparity can be shocking when compared to the bare accommodation available to a family of four from the lower economic strata *vis-à-vis* the mammoth and luxurious accommodation being built for one of the world's richest men. Yet both exist in relative harmony.

### The Indian Economy

I believe that the best approach by which to visualize India is as an elephant – not a rampaging wild one, but a slow and lumbering domesticated elephant with amazing tenacity. The manner in which the Indian economy reacted to recent global economic trends illustrates that India would appear to have remained unresponsive to global positive trends and/or negative global trends.

During the 1990s, while the economies of Asia progressed rapidly, the Indian economy with its slow progress was a joke amongst the Asian tigers. Yet, in contrast, the Indian economy did not plummet during the current meltdown, to the end that many countries and

companies are looking to India (and China) to drive the global revival. Numerous stories from multinational companies with balance sheets that remained in the black because of the performance of their Indian subsidiaries support this expectation.

The stability of the Indian economy is understandable, considering that it is driven greatly by its own domestic market, India's bane (its large population) has proved to be its gain. For instance, according to the *Economic Times*, there were more than 427 million mobile phone users in India. While low in terms of a ratio, it is close to the population of the European Union. India's large domestic market will continue to be its economic drive for decades to come. India's tenacity is also evident in the manner and pace at which India has recovered from the numerous adversities that the country has faced.

### The Elevator and Escalator Industry

The Indian elevator and escalator market data have always been open to debate during good times. During bad times, it gets aggressive, depending on the internal position one is defending. Before the Lehman Brothers debacle, the market was on an obvious double-digit growth path, with growth estimates varying between 20 and 30%. Post Lehman Brothers, some industry majors have been estimating a negative growth. However, my informal discussions indicate that except for a few, most suppliers have attained their previous sales figures, while some (particularly the smaller players), have achieved double-

#### GDP Growth Estimates

(Source: *Economic Times*, September 7, 2009)

Country	Pre-Lehman	A year later
USA	+1.3	-2.6
Japan	+0.9	-6.4
China	+9.0	+8.1
Britain	+0.6	-4.2
Canada	+2.0	-2.2
France	+1.0	-2.8
Germany	+1.1	-5.9
India	+7.1	+5.5
Russia	+6.8	-7.0
Brazil	+3.4	-1.0



*A slum dwelling*



*Antilia – residence being constructed for Mukesh Ambani*

digitgrowth. Based on this, I would opine that even with a worst-case estimate, the market has leveled. I believe that the market will be on a steep growth path by the third quarter of 2010. Adequate indicators, including the strategic plans and actions being adopted by a number of OEMs and component suppliers, would support my optimism.

The gap in the market estimates exists because most estimates fail to capture the sizable market being addressed by the more than 500 small players. While the Indian market is dominated by KONE, Johnson Lifts and Otis, followed by Schindler, ThyssenKrupp and Mitsubishi (ETA Melco), my estimate is that the small players could be catering to more than 40% of the market, sometimes with contraptions that do not necessarily meet local codes. With multiple and divergent views in play, admittedly, it is difficult for most players to arrive at a pragmatic decision.

Recognizing this, e-Research, a market research organization, has launched a syndicated study of the Indian elevator and escalator market. This study is being supported by Virgo Communications, the organizer for the International Elevator & Escalator Expo 2010 in Mumbai to be held on February 3-5, 2010.

The following trends will continue to push growth – a demand of more than 20 million economical housing units, continued urbanization, continued growth in B- and C-class cities, taller buildings, infrastructure developments and major shifts from manual door lifts.

#### **Equipment Sourcing**

Most of the majors continue sourcing from their sister companies based in the East. The sourcing approach for most of the small players is based on outsourcing components. I firmly believe that elevator and escalator companies based in Europe and the U.S. have a great opportunity to tap into this fast-growing market.

#### **Applicable Standards and Codes**

India has its own standards and codes for elevators and escalators. Equipment at the upper end of the market is along the lines of EN81 and EN115 – an opportunity begging to be seized.

#### **Conclusion**

In my opinion, the global meltdown actually helped India. Prior to the Lehman Brothers debacle, most businesses in India were unrealistically optimistic. Post Lehman Brothers, there was an immediate swing to unrealistic pessimism. This was particularly true of the real-estate businesses. I believe the mood has now settled down to practical realism, which should auger well for the elevator and escalator industry. The slowdown also gave the industry an opportunity to catch its breath and set out needed processes and training interventions.

I believe that the argument for India is really a no brainer. Such is the situation; growth and development are inevitable – it will be quite difficult to stop this elephant. 