

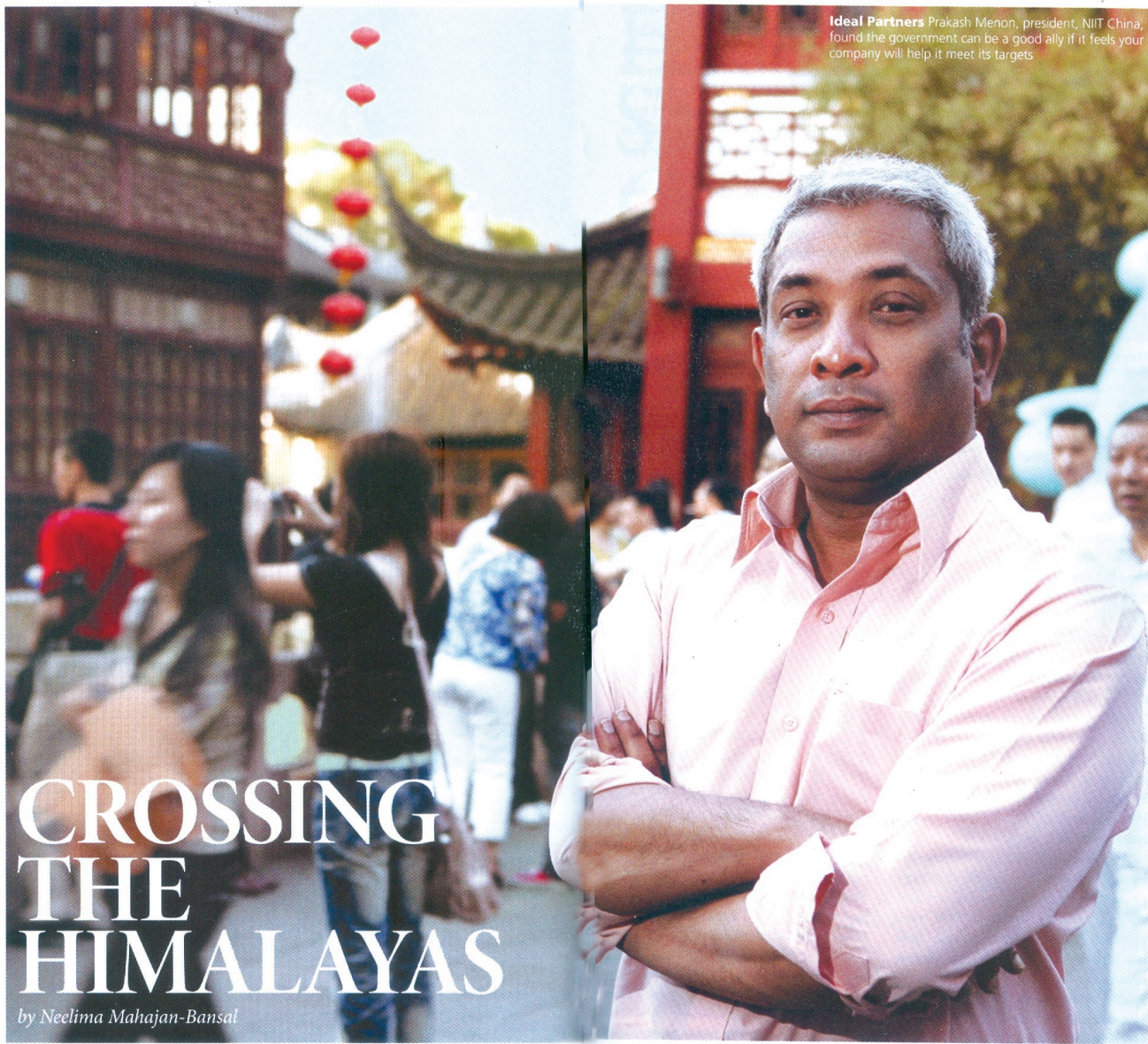
A clutch of Indian companies have slogged hard to dig deep roots in China. They now look set to reap the rewards

MS. Unnikrishnan remembers a strange phenomenon that began to affect his firm 'Thermax' prospects in the international market in the early years of the last decade. Absorption chillers (used for cooling machinery) were one of Thermax' biggest product lines and sold in 40 countries. All this while, the managing director of Thermax knew that his biggest competitors were either from Japan or the US. But gradually, a set of aggressive Chinese manufacturers had begun to take centre stage.

Since no one inside Thermax knew much about this new enemy, the team made a few trips to China. They were stunned to find that almost half the absorption chillers in the world were made and sold in China. It was the single-largest market in the world in this product category, and some of the local companies were well on their way to global market dominance. No one had seen them coming!

Unnikrishnan quickly marshalled his troops to mount an offensive. "To compete against China globally, we had to sell in China too," he says. Going to China made complete sense. One, it gave Thermax the opportunity to understand its rivals and allowed it to utilise some of the raw materials and local expertise. Two, there was no running away from the fact that China was the biggest market within that category.

Back in 2003, there weren't too many Indian firms operating in China. There was no information on how to stage an entry — no consultants, no market researchers. There were doubts about whether the Chinese would accept an Indian product. But they roughed it out. "Chinese price points were way lower than ours. But we wanted to get an order to experience how to sell,



Ideal Partners Prakash Menon, president, NIIT China, found the government can be a good ally if it feels your company will help it meet its targets

CROSSING THE HIMALAYAS

by Neelima Mahajan-Bansal

and how to install in China. So we didn't get into [a] price point game," says Unnikrishnan. Despite the fact that the operations lost money for two years, Thermax went ahead and set up a factory in China. It got worse once the global meltdown hit. But now, things are back on track. Orders are trickling in and China is now a crucial part of Thermax' global operations. While it has subsidiaries in the US and Europe, manufacturing is concentrated only in China and India. Soon, Thermax plans to significantly expand its capacity in China, and bring in new products to drive growth.

It isn't just Thermax who's bitten the bait. Tata Consultancy Services (TCS) is planning to ramp up its presence in China from 1,000-odd people to about 5,000 in the next four years, and has set its sights on cracking the big deals. Suzlon chairman Tulsi Tanti has seen demand for wind energy gallop in the last one year, as the country set clear targets for promoting renewable energy. In the next 10 years, China is expected to set up 100 GW of installed wind power, which will make it the world's largest wind power producer. "All this has created a very attractive market for companies like ours, and now the journey must continue — more remains to be done to create a truly level playing field in line with the local market," says Tanti.

Suzlon's early start may certainly help. In 2006, it was among the first international wind power companies to invest in China, plonking down \$100 million in a blade making facility, one of the largest investments made by an Indian company in China till then.

Now consider packaging giant Essel Propack. It too made an early call, back in the mid-1990s. "Back then, China wasn't a big story in India," says R. Chandrasekhar, COO, Essel Propack. Today, 20 percent of its global revenues come from China — the country figures in its top three markets globally both in revenues and profitability. Essel also figured that it made more sense to use its laminate making facility in China to feed the entire Americas. Setting up a plant in the US would have been much