# WEEK 2
# CASE STUDY

**New EV Player in the Indian Market?**

5=Oct-2022

CONSULTSCHOOL

180Degrees Consulting X Desklamp

**Status-quo:**

Your client is a Fortune 500 company. They have approached you to help them to expand their global footprint, specifically into the Indian Market. However, they want to target the EV Market in India and get a head-start before the influence of other international and local players kicks in. The company is open to acquiring smaller EV start-ups or pursuing a joint venture with another firm that has already set-up operations in India.
Note: In India, its products are already used in the commercial space but it hasn't captured a major chunk of the market share yet.

**Background & Context:**

Your client a listed company and has a good cash flow with a history of shelling out dividends each year. Their primary business is in the automobile sector for commercial vehicles. For the past 5 years, they have concentrated on the Electric Vehicle sector by building their technological and manufacturing capabilities in the European Market. As of now, they are exporting trucks and buses to the USA and have opened a Manufacturing unit at Detroit, USA to cater to the US Market in the future.

EV market, India - anticipated 5-year CAGR: 94.4% (base year for estimation: 2020)

EV market size, India (as of 2021) - $380 million

Products, Indian market - 57% commercial vehicles, 43% passenger cars

Market distribution in India:

| Player | Market Share |
|---|---|
| A | 87% |
| B | 11% |
| Others | 2% |

**The company would like you to strategise how they could:**

- Diversify their geographic footprint
- Present product offerings to capture India Market
- Break even in <5 years

**In addition, the following deliverables fall under the scope of this project:**

1. What are the external and internal factors they should consider before taking the plunge?
2. What are the regulatory laws & legal compliances and/or barriers that might ease or roughen up their objectives?
3. Chart out a roadmap to launch their product offerings in the Indian Market within a 24-month window.

**Helpful hints:**

- Perform a thorough review of all available, pertinent resources to enhance your knowledge of the landscape. This is a continuous process, not one that ends post rudimentary understanding of the problem statement. For more tips on efficient resource extraction, handling & interpretation, look out for our insider tips on the same.
- While performing financial calculations, clearly state all the assumptions involved. The company, as mentioned in an earlier segment, is financially stable and can bear the burden of costs for a maximum period of 5 years, post which they must break even for continued activity in the Indian market.
- Structure the case using a few parameters. Try to ensure that these are mutually exclusive and cumulatively exhaustive, in order to come up with the best possible solutions to each of the pre-requisites

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New E V Player in the Indian Market

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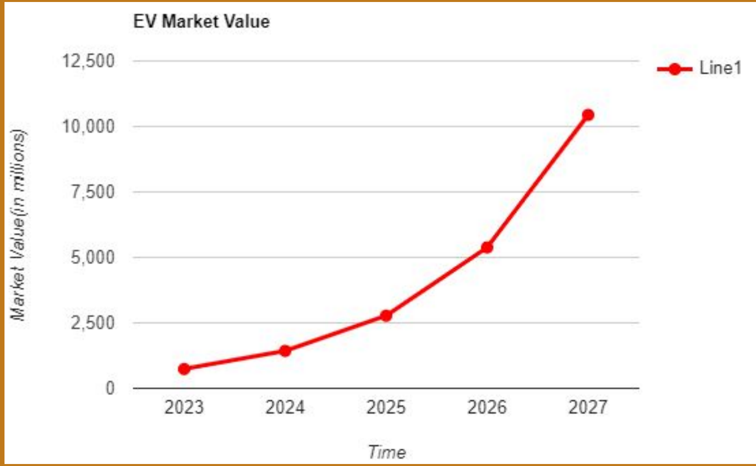
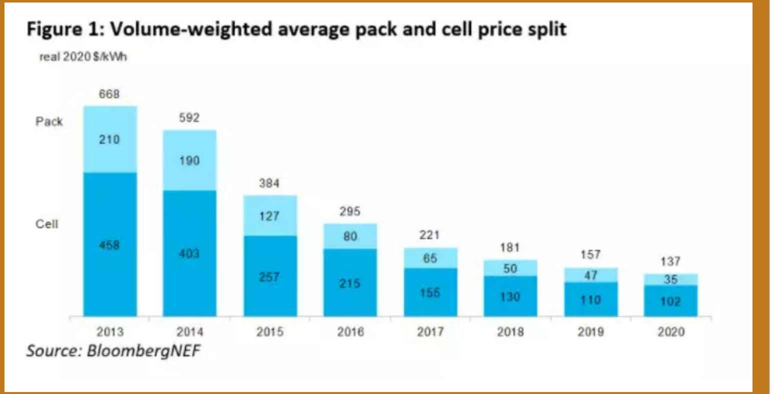
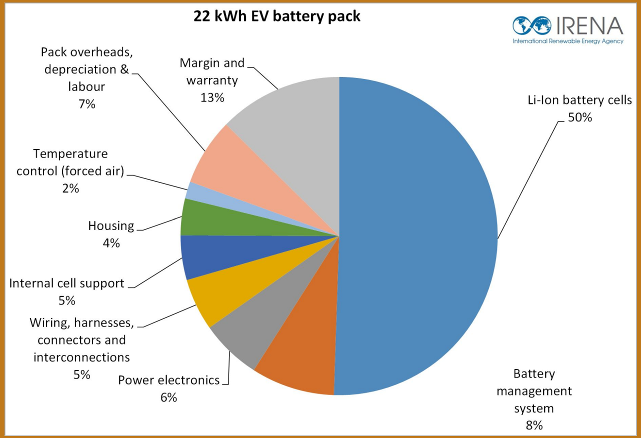
# Present State Analysis

Currently, the EV market holds a small chunk of the automobile market with very few major players in it in India. The current cost of an EV is 50% higher than a petrol vehicle.

The given CAGR assure a huge growth in market value in the next 5 years. There are only 2 main players currently which makes market entry much easier for a new player at this stage because of low market value.






# Estimated state analysis

The primary cost of manufacturing an EV is it's battery and battery cell and battery pack costs are consistently decreasing, with more research and investment in EV research now, battery costs are assured to decrease further. The market will grow in value immensely and have many more players.

"I am trying... within one year, the cost of electric vehicles will be equivalent to the cost of petrol vehicles in the country and we will save money spent on fossil fuels" - Nitin Gadkari, Road Transport and Highways Minister

# Roadmap

1. Manufacturing units are already set up in Europe. But transport of products and government levied import laws of India will cause heavy losses. Moreover, India can provide with cheap skilled labour. The indian government also offers immense benefits for manufacturing units set up in India. Hence, it is recommended to set up manufacturing units in india.

2. Many players exist and are investing heavily in the EV market. Instead of delaying market entry till new units are set up, we can join a venture with market player B or the others. Benefits are:

- Existing manufacturing unit
- Existing skilled labour
- Existing market share
- Existing ties with raw material providers

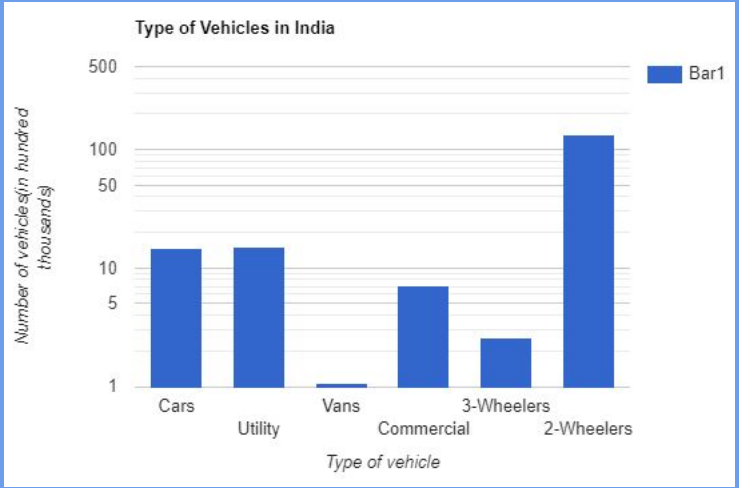
3. Focus of first 2 years should be expanding market share and customer base. With a whooping CAGR of 94%, it is most beneficial to invest on growth in the first 2 years to cope up with the market in the next three years and break even in 5 years.

4. For additional marketing and to create a strong and loyal customer network, the company must enter JVs with power companies to jointly set up charging stations in India(like Indian Oil) for cheaper maintenance and refuelling for clients of the particular carmaker. Additionally, since the government intends to promote EVs, it is important that the company tries to enter into a JV with the regional governments/ other public transport providers for selling EVs for public transport (vans, buses).

5. Products based on Indian demographic:
2 wheeler market is huge in India, so it must not be neglected. At the same time 4 wheeler market has a serious lack of major market players. 3 wheeler industry and public transport have seen to have had most Ev demands presently.
So for the first 2 years, 2 wheeler production and public transport joint venture should be focused upon. After developing a good clientele, 4 wheeler market should be targeted.

(Refer plot on next slide)

Breakdown on log scale(point 5)




6. Maintain customer loyalty and provide incentives.

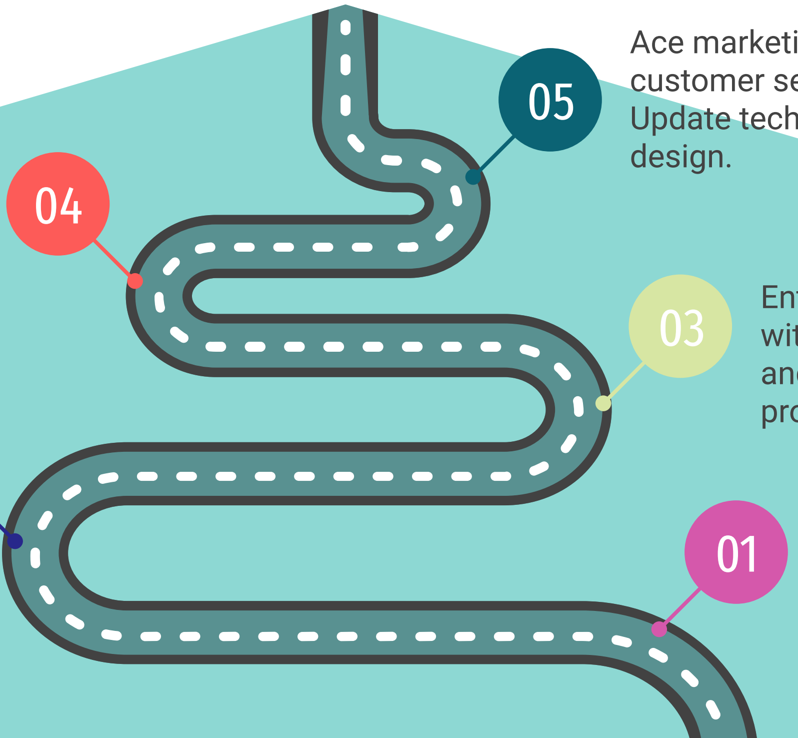
Marketing and customer services will play a huge role in the post entry scenario. Newer, better designs and technology must be encouraged.

# Roadmap

06 Break even in 5 years and gain profits

05 Ace marketing, customer services. Update tech and design.

04 Ensure customer loyalty by providing cheap maintenance services and other incentives



03 Enter Joint Venture with power companies and public transport providers

02 Heavy investments to expand market size.

01 Joint ventures with smaller players and setting up manufacturing units

# Barriers:

| Pre entry | During entry | Post entry |
| --- | --- | --- |
| Cost of setting up manufacturing units + equipment + raw material | Overcoming competition | Maintain loyal customer base, offering incentives |
| Employing skilled labour | Diversifying customer base and catering to various needs | Providing maintenance facilities |
| Joint ventures with small players | Sustaining company financially in growth phase | Newer technology and design, affordable |
| Joint venture with charging stations | | |

# Factors:

| External | Internal |
| --- | --- |
| Difference in European and Indian market/ Lack of (loyal) customer base | Lack of manufacturing units in India |
| Support by Indian government | Lack of skilled labour |
| Legal and safety compliances | Lack of raw material |
| Lack of demand in market | |