Chapter 4

4.1 Introduction to Non-Financial Analysis and tools of it

4.2 PEST, SWOT, Five Forces analysis of selected Industries and companies
4.1 Non Financial Analysis: The financial evaluation is only a part of the decision making process and additional information is needed. Therefore, even if the financial conditions are extremely favorable, neglecting some of the qualitative aspects may cause serious problems. The business analysis process must enclose a wide spectrum of analysis dimensions, whether financial or not, as a way to fully study all the aspects that may influence its viability. With the financial analysis, strategic, commercial, political, environmental, human resources and managerial analysis got equal importance\textsuperscript{53}.

Tools of Non-Financial Analysis\textsuperscript{54}:

1. PEST analysis: PEST analysis is very important that an organization considers its environment before beginning the marketing process. In fact, environmental analysis should be continuous and feed all aspects of planning. Identifying PEST influences is a useful way of summarizing the external environment in which a business operates. However, it must be followed up by consideration of how a business should respond to these influences. The PEST analysis is a useful tool for understanding market growth or decline, and as such the position, potential and direction for a business. A PEST analysis is a business measurement tool.

2. SWOT Analysis: SWOT Analysis is the most frequently used device for audit and evaluation of strategic position of the company. It gives an overall view of the company’s operating environment including its capabilities and resources to align the specific business model. It actually forms a firm ground to plot and evaluate the potentials and limitations in the external and internal setting of the company. The big optimism seen in such reports is that, the factual data about the company regarding its negativities is exposed including weaknesses and threats. The overall picture of the company aligns the policies and strategies in a right direction and helps a great deal towards stable future of the company.

\textsuperscript{53} www.wikipedia.com
\textsuperscript{54} Thomson & Strickland, Strategic Management
3. **Five Forces Analysis:** Michael Porter provided a framework that models an industry as being influenced by five forces. The strategic business manager seeking to develop an edge over rival firms can use this model to better understand the industry context in which the firm operates.

Porter explains that there are five forces that determine industry attractiveness and long-run industry profitability. These five "competitive forces" are:

- The threat of entry of new competitors (new entrants)
- The threat of substitutes
- The bargaining power of buyers
- The bargaining power of suppliers
- The degree of rivalry between existing competitors

4.2 (A) Non-Financial analyses of Industry and companies

4.2 (A - 1) Non-Financial Analysis of the Pharmaceuticals Industry

1. **PEST Analysis of Pharmaceuticals Industry**

It never ceases to amaze me why so many businesses fail to take the time to look at the macro and the micro environments when completing their business plans and strategies. These external forces will play a big part in shaping the final outcome of the ultimate corporate achievement. Yet, most managers’ focus only on internal factors and it is fair to say that sales growth and profits remain high on their agenda.

The macro environment tends to have a long term impact and requires extensive research. Couple this with the fact that many managers are over worked and under resourced and we begin to see why the process is often not completed. There is no published evidence to confirm this hypothesis, just anecdotal hearsay.

55. Porter, Michael, Strategic Management
56. EPW, Indian Pharma Sector Report
Political

Economic growth will bring political stability to India. It will improve international credibility and create a visionary rather than a reactionary political regime. The poverty level in India stands at 27%, which is very high compared with China’s 5% level, for example. Making medicines affordable to all Indian citizens is a noble goal, but one must strive for a fair distribution of low-priced medicines to the masses and high priced modern medicines to wealthier people.

The economic development that would result from growth in the pharmaceutical and computer sectors could trigger development of other sectors and indirectly lower the poverty level. India can then achieve macroeconomic growth through education, infrastructure development, improved sanitation, and enhanced public health. In a political sense, these developments will forge a win–win situation for Indian citizens and politicians. Changing disease patterns must be understood, and policies must be prioritized for the treatment of diseases. A committee of representative physicians from various internal states, government officials, and key executives from various pharmaceutical companies could likely muster the clout required to meet the health requirements of Indian citizens as well as promote the country’s pharmaceutical industry.

There is now growing political focus and pressure on healthcare authorities across the world. This means that governments will be looking for savings across the board. Some of the questions the industry should ask are:

- What pressures will be put on pricing?
- What services will be cut?
- Will the same selection of drugs be available to everyone?

In addition to this, could there be more harmonization of healthcare systems across Europe or the USA? What impact will reforms have on insurance models?
Economic
The development of the pharmaceutical industry would help the Indian economy produce more national wealth. Foreign investment would increase, and Indian companies would have the opportunity to collaborate with many companies from around the world. Indirectly, developing the pharmaceutical industry would also help other industries.

The related employment opportunities in various fields are no less important. If good jobs were available locally, citizens would not feel the economic pressure to migrate to the United States, Europe, or Japan. Development of clinical trial centers would provide funding from private pharmaceutical industries to local hospitals. In return, a staff of nurses and doctors would be maintained, which would benefit local communities.

According to economics historian Walt Rostow, five stages of economic development exist. The first two stages are traditional society and the preconditions for takeoff. The third stage is economic takeoff, which then matures in the fourth stage. The fifth stage is high mass consumption. The Indian economy is most likely in the second or third stage, according to Rostow's model, and is expected to take off. As an indication of this position, Indian pharmaceutical companies no longer have only domestic operations—some companies now have enterprises in the United States and other countries. One must be aware of the relationship between economic development and the environment and thereby promote the incorporation of environmental values into economic development.

This relationship is especially true for bulk drug manufacturing, in which, with the advent of drug discovery, India may experience significant growth. Increased spending for the protection of the environment would produce more-hygienic conditions for the population, and protecting the environment from the beginning would avoid the potential for future cleanup costs.
The global economic crisis still exists yet government reports still show that spending on healthcare per capital continues to grow. Will the current healthcare models exist tomorrow? The growth in homecare (as seen in the Nutrition sector) demonstrates how nursing services have moved to the private sector and have become a key business offering.

The reduction in consumer disposable income will have an impact on those countries using health insurance models particularly where part payment is required.

These economic pressures are seeing an increased growth in strategic buying groups who are forcing down prices.

Increased pressure from shareholders has caused a consolidation of the industry: more mergers and acquisitions will take place over the coming years.

Social / Culture
The development of the IPI would create new jobs, but mainly it would provide access both to modern technology in the field of medicines and to medicines developed indigenously. As a result, it will be able to provide new drug formulations and improved healthcare treatments to Indian patients. In particular, new medicines would be available to treat diabetes, cardiovascular diseases, cancer, and psychological disorders. But even during the drug discovery and development phases, significant funds would be invested in local communities.

For example, during Phases I to IV, normal volunteers or patients would participate in clinical trials during which they receive free medicines and are paid to participate. In Phase IV trials, patients who cannot afford expensive medicine will have the opportunity to receive modern medicines. As a result of changes in the culture and in the social environment, new types of diseases are invading India. India must have a concrete plan to protect itself from these diseases, and the development of the pharmaceutical sector is the first step.
The increasing aging population offers a range of opportunities and threats to the pharmaceutical industry. The trick will be to capitalise on the opportunities.

There is also the problem of the increasing obesity amongst the population and its associated health risks.

Patients and home careers are becoming more informed. Their expectations have changed and they have become more demanding. Public activism has also increased through the harnessing of new social networking technologies. How can pharmaceutical companies get closer to consumers without over stepping the regulatory boundaries?

**Technological**

Technological advancements will create new business prospects both in terms of new therapy systems and service provisions. The online opportunities will see the growth in:

- New info and Communications technologies.
- Social Media for Healthcare.
- Customized Treatments.
- Direct to Patient Advertising.
- Direct to patient communications.

2 SWOT Analysis of Pharmaceuticals Industry

SWOT analysis can be gainfully used to examine the IPI and determine where its greatest opportunities lie. This section examines these factors.

**Strengths**

Most people in India, especially those who are educated and have advanced degrees, are fluent in English. This aptitude allows them to communicate with most of the outside world, which is an important asset to the IPI.

57. www.scribd.com
The health statistics of India make it clear that India produces a sufficient number of medical and pharmacy graduates, which contributes to the strengthening of the IPI. The Patent Act and Drug Price Control Order of the 1970s forced MNCs to shrink their operations in India, thus providing space for indigenous pharmaceutical companies to expand in the local market. As a result, in the past two to three decades domestic pharmaceutical companies have established operations and are self-sufficient in all aspects.

For example, Cipla Limited could provide the generic version of the AIDS triple cocktail to impoverished South African people at $350/patient/year or at a price that is one-thirtieth its cost in the United States. Indian patent laws allowed local companies to set up operations to produce bulk drugs that are still under patent, by various synthetic routes. The prevalence of this reverse engineering is controversial, but it suggests that the IPI’s chemists have a strong showing in organic/medicinal chemistry. The IPI’s tremendous potential to produce bulk drugs will be a major asset in future drug discovery programs.

Highly educated people as well as low labor costs are the major strengths of the IPI. Any pharmaceutical industry needs employees from the fields of organic chemistry, biochemistry, pharmacology, pharmacokinetics, pharmaceutical science, analytical chemistry, and so forth. With a very well-developed and diverse education system, India produces students who can meet these requirements. Bangalore is considered to be the Silicon Valley of India.

The Indian computer industry is on par with its American counterpart, and many companies in the world depend upon Indian programmers to develop complex software. The use of computers in the pharmaceutical industry is increasing, and in particular they are being applied to data management and drug discovery programs. Thus, collaboration between the computer and pharmaceutical industries will help drug discovery and development programs prosper. The presence of other parallel drug/medical systems also would be a major strength for the
IPI. It would provide a vast resource for the development of new drug molecules in the drug discovery programs.

**Weaknesses**

Although the IPI is large by Indian standards, on the world market its share is merely 1–2%. Even if 25% of gross sales are invested in R&D, the IPI's total R&D budget is comparatively very small. Individual R&D budgets of many US companies probably amount to much more than the cumulative R&D budgets of all the companies in India. Thus, availability of funds is a major weakness of the IPI. Animal experiments are an essential part of pharmaceutical R&D.

Every drug molecule must be screened using animals first to determine its efficacy and side or toxic effects. If Indian animal rights activists block the use of animals in R&D experimentation, the IPI will be forced to turn to other countries for animal studies. A great need exists to provide appropriate information to animal activists in India so a balance can be struck between animal rights and human rights. A drug regulatory system is an essential part of the pharmaceutical sector.

Drug discovery and drug development are risky, complex, and not fully understood. The Indian regulatory system is not set up to accommodate the drug discovery/development processes and therefore does not have the proper infrastructure, enough manpower, or financial support to effectively move drug development operations forward. As a result, one might expect delays in the approval process. The American pharmaceutical industry has entered the era of pharmacogenomics and is venturing into the development of drug therapy tailored to individuals.

Likewise, the Indian pharmaceutical industry is investing significant funds in biotechnology and genomics. These fields are capital consuming and have no guarantee of success. The biotech industry needs scientists who understand these disciplines, but it is not easy to attract qualified scientists and
opportunities in this area of science, which is in its infancy, can be suicidal to the IPI. Venture capitalists would do well to invest their money only on those projects whose success is guaranteed. Gaining FDA approval of a drug can be a lengthy process.

The organization has just enough manpower to oversee approval of products from US-based companies. The IPI's efforts to seek approval to market drugs in the United States could be time consuming because of FDA constraints, and the approval process could be a major bottleneck for India's drug development industry. As shown in Table VII, the infrastructure in India is good but could be improved. The development of infrastructure is a key to success, and the IPI must take more definitive steps to overcome this weakness.

Opportunities
A patent is granted to an invention that is novel, non-obvious, and useful. The IPI has a clear opportunity to be part of the international patent community in the acquisition of patents. This process will stimulate economic development, provide job opportunities, and help India build a global reputation as a nation with a strong scientific community. It will also make modern medicines available to the entire Indian population. More important, indigenous R&D activities will help domestic companies discover drugs to treat tropical diseases. In the pharmaceutical arena, patents can be granted for new molecules, new medical indications for an existing molecule, new ways to administer an existing molecule, or modification of an existing formulation with added value. Because India will not be able to produce the huge amount of capital needed to discover new drug molecules, it may be prudent to consider issuing patents for "Swiss-type" claims for new therapeutic uses of known molecules. Low manufacturing costs and process skills are the IPI's forte, and India would do well to make use of this important opportunity.

As it develops its infrastructure, the IPI can look into economies of scale. Merging with a complementary domestic or
international company may provide sufficient funding and resources to manufacture formulations and bulk drugs on a large scale, which would decrease the cost of manufacture. This would help make bulk drug or formulation costs competitive in the world market, which then would boost the amount of exports. Focused R&D and the development of centers for clinical trials in India would allow the IPI to discover new drugs for diseases observed in tropical conditions. Such drugs could be marketed both in India and in neighboring countries with a similar tropical climate. For the first three years of the ninth five-year plan, the growth rate for the Indian economy was 6.2%.

To meet the target of 6.5%, the economy must grow at 7.2% during the next two years. The target growth rate for the tenth five-year plan is 9%. This sizeable increase is a clear-cut indication of the anticipated future growth of the Indian economy, which could provide good opportunities to the IPI.

**Threats**

Many more countries will be complying with the terms of patent laws in 2005. It means that, like India, many countries are preparing for 2005 and will be competing to market various pharmaceuticals. The Indian pharmaceutical market may face the threat of the dumping of bulk drugs and formulations by neighboring countries. The IPI would be compelled to compete with multinationals in 2005, and it remains to be seen how many companies actually will survive the competition. Industrialization and environmental factors must be considered, and if proper measures are not taken up front, business growth eventually will be hampered.
3 Five Forces Analysis of Pharmaceuticals Industry

Porter's Five Forces Model helps strategic business managers analyze the industry in which their companies operate to determine what can be done to get an advantage over their existing competitors and also to determine how attractive a particular industry would be for new entrants.

Porter's Five Forces are: 1) Threats of entry posed by new or potential competitors; 2) Degree of rivalry among existing firms; 3) Bargaining power of buyers; 4) Bargaining power of suppliers and 5) Closeness of substitute products.

Below is an analysis of the Pharmaceutical Industry using the above named forces:

1. Threats of entry posed by new or potential competitor (LOW)
   - High entry barriers due to costs associated with research & development of new drugs (i.e. years of investment in R&D for a drug that may/may not work)
   - Government regulation (i.e. FDA)
   - The threat of entry posed by new or potential competitor is a LOW competitive force due to the above entry barriers & regulatory constraints.
   - Most easily accessible industry in India for an entrepreneur
   - Capital requirement for the entry is very low; creating a regional distribution is easy.
   - Point of sales is restricted in this industry in India.
   - Creating brand awareness and franchise among doctors is a key for long term survival.

2. Degree of rivalry among existing firms (HIGH)
   - Most competitive industry in India with more than 10,000 different players.
   - Top player in the country has only 6% market share while top five companies have only 18% of the share.

58. www.researchandmarket.com
High growth prospects
Low entry barriers
Fixed cost requirement is low

High rivalry among main companies in this industry. For example, the current rivalry in the erectile dysfunction space where Bayer & GlaxoSmithKline claim that Levitra works faster or Eli Lilly & ICOS claim that Cialis works longer than Pfizer’s Viagra. The degree of rivalry among existing firms is a HIGH competitive force.

3. Bargaining power of buyers (MEDIUM)
- Hospitals & other health care organizations buy in bulk quantities and exert pressure on pharmaceutical companies to keep prices in check.
- Regular patients have lost bargaining power due to price increases in generic drugs.
- The bargaining power of buyers is a MEDIUM competitive force.
- End user of the products is different from the influencer.
- Consumer has no choice but to buy what doctor says.
- Buyers are scattered and they are such not wield much power in the pricing of the product.

4. Bargaining power of suppliers (LOW)
- Sales for the pharmaceutical industry concentrate in a handful of large players and that has decreased the bargaining power of suppliers.
- The bargaining power of suppliers is a LOW competitive force.
- Pharma industry is depending upon several organic chemicals.
- Very competitive ad fragmented industry.
- Chemicals are largely a commodity.
- Suppliers have very low bargaining power.
- Pharma industry can switch from their suppliers without very high switching costs.
5. Closeness of substitute products (HIGH)

- Demand for generic versus brand name drugs has increased because of the costs
- Generic drug companies do not have the high costs associated with the research & development of new drugs and that allows them to sell at cheaper prices
- The closeness of substitute products is a HIGH competitive force
- One for the great advantage of pharma industry
- Demand from pharma products is continuous and the industry thrives

Overall and based on the above analysis of Porter’s Five Forces, we can conclude that the pharmaceutical industry is not attractive for new entrants.

4.2 (A – 1.1) Non-Financial Analysis of the Pharmaceuticals Companies

1. SWOT Analysis of Cipla Ltd.⁵⁹:

**Strengths**
- Ranks #2 in the retail prescription market in India;
- 18 brands that feature among the top-300 brands;
- Large basket of 1,500 formulations; and
- Partnered 8 leading generics companies in the US for nearly 125 projects.

**Weaknesses**
- Impact of IPR regime.

**Opportunities**
- Biotherapeutics – A new and promising area;
- Agreement with Avesthagen; and
- Venturing towards areas of cardiology and anti-cancer.

⁵⁹. Referred the official website of Cipla Ltd. and different articles on it and the gist is taken to prepare SWOT analysis
Threats
- Partnership related; and
- Potential de-rating.

Strategic Tie ups:
- Subsidiary in Dubai: Cipla has set up a wholly owned subsidiary, Cipla FZE situated at Jebel Ali Free Zone in Dubai, United Arab Emirates. This is the part of strategy to explore the growing markets in Middle East countries through exports.
- It has a research alliance with a Bangalore-based biotech company Avesthagen, to develop biotherapeutic products;
- Cipla entered agreement with Pentech Pharma of USA for marketing a range of generic products for American market;
- The first phase of the new formulation plant at Baddi, Himachal Pradesh, for the manufacture of tablets and capsules commenced commercial production in April 2005; and
- Presence in Africa and Europe.

2. SWOT analysis of Sun Pharmaceuticals:

Strengths
- The co. has 20% exposure to the DPCO
- Past growth rate of the co. has always been double that of industry as a whole
- Rich scientific talents and research capabilities
- Highly regarded for its ability to launch new products
- Sun Pharma is highly regarded for its ability to launch new products with a great amount of speed and consistency.
- The company has only 20% exposure to the DPCO.
- The past growth rate of the company has always been double that of the industry as a whole.

60. Cipla Ltd. website

61. Referred the official website of Sun Pharmaceuticals and analyzed different articles on it and then gist is taken to prepare the SWOT analysis.
Weaknesses

• Continuous losses of CARACO PHARMA
• Research and development expenditure are very high which may not always fruitful
• Continuous losses of Caraco Pharma is a major concern for Sun Pharma
• The profit margins are declining for the company.

Opportunities

• The relaxation of DPCO
• The company has already made ANDA’S
• Has entered the US market
• Expanding the generic drugs market in USA
• New venture in animal drug
• The relaxation of DPCO will be a big boost for the company and this might marginally improve the profit margin.
• The company has already made ANDAs (Abbreviated new drug application) in USA and it provides a great opportunity for growth for the company.
• The company has entered the US market through its subsidiary Caraco Pharma. This provides a great opportunity for the company to make the most out of the expiring patents in USA.

Threats

• Entry of foreign players
• Company is more into acquisition growth- leads to financial crunch
• The entry of foreign players will pose a major threat to the company.
• The company is more into acquisition based growth and this might lead to a stage of financial crunch as it has already happened in the case of Caraco pharma. Sun pharma provided debt to Caraco and is facing problems due to the continuous losses made by the latter.
1. PEST Analysis of Banking Industry

**Political**

- Government and RBI policies affect the banking sector. Sometimes looking into the political advantage of a particular party, the Government declares some measures to their benefits like waiver of short-term agricultural loans, to attract the farmer's votes. By doing so the profits of the bank get affected. Various banks in the cooperative sector are open and run by the politicians. They exploit these banks for their benefits. Sometimes the government appoints various chairmen of the banks. Various policies are framed by the RBI looking at the present situation of the country for better control over the banks.

- Banking is least affected as compared to other developed economy which is attributed to Reserve Bank of India for its robust policy framework, stricter prudential regulations with respect to capital and liquidity. This gives India an advantage in terms of credibility over other countries. Government affects the performance of banking sector most by legislature and framing policy. Government through its budget affects the banking activities, securitization act has given more power to banking sector against defaulting borrowers.

- Monetary Policy 2009-2010
  - Bank Rate: The Bank Rate has been retained unchanged at 6.0%.
  - Repo Rate: It has been reduced under the Liquidity Adjustment Facility (LAF) by 25 basis points from 5.0% to 4.75% with immediate effect.
  - Reverse Repo Rate: It has been reduced under LAF by 25 basis points from 3.5% to 3.25% with immediate effect. RBI has retained the option to conduct overnight or longer term repo/reverse repo under the LAF depending on market conditions and other relevant factors.
  - Cash Reserve Ratio (CRR): CRR has been retained unchanged at 5.0% of NDTL.

62. EPW, Indian banking Sector Report and Central Bank website is analyzed.
• The move to increase Foreign Direct Investment FDI limits to 49 percent from 20 percent during the first quarter of this fiscal came as a welcome announcement to foreign players wanting to get a foot hold in the Indian Markets by investing in willing Indian partners who are starved of net worth to meet CAR norms. Ceiling for FII investment in companies was also increased from 24.0 percent to 49.0 percent and have been included within the ambit of FDI investment.

• The FM has further increase the farm credit target for 2009-10 at Rs 325000 crore compared to Rs 287000 crore targeted in 2008-09.

• The Budget continued the Interest subvention scheme for short-term crop loans up to Rs 300000 per farmer at the interest rate of 7% per annum. Also additional subvention of 1% to be paid from this year, as incentive to those farmers who repay short-term crop loans on schedule. Also additional allocation of Rs 411 crore over Interim Budget 2009-10 was made for the same.

• The Union Budget 2009-10 extended the debt waiver scheme by six more months for farmers owing more than 2 hectare of land. The Union Budget 2008-09 allowed these farmers 25% rebate on loan if they repay 75% of their overdue within stipulated period of 30th June 2009. Currently this facility has been extended from 30th June, 2009 to 31st December, 2009.

• Setting up of separate task force for those not covered under the debt waiver scheme.

• The government also announced that it will set up a task force to examine the issue of debt taken by a large number of farmers in some regions of Maharashtra from private money lenders who were not covered by the loan waiver scheme announced last year.

• The threshold for non-promoter public shareholding for all listed companies to be raised in a phased manner.

• To allow scheduled commercial banks setting up off-site ATMs without prior approval subject to reporting.

• To provide banking facilities in under-banked/un-banked areas in the next three years. A sub-committee of State level Bankers Committee (SLBC) would identify and formulate an action plan for the same.
• The Ministry has also granted Rs 100 crore of grants in aid to ensure provision of at least one Centre/Point of Sales (POS) for banking services in each of the un-banked blocks.

• The Union Budget 2008-09 has focused on farm credit. The agriculture sector has recorded a growth of about 4% per annum with substantial increase in plan allocations and capital formation in the sector. The one-time bank loan waiver of nearly Rs 71000 crore (Rs 710 billion) to cover an estimated 40 million farmers was one of the major highlights of the last Budget. This Union Budget has provided further six months extension of 25% rebate on loan for farmers owing more than 2 hectare of land. With Government bearing this burden, banks would not be affected much. It will only help banks to clear their most stubborn NPA accounts on banks book. Moreover the emphasize on hiking promoter shareholding in Public sector banks, expanding network with ATM's, opening of banking center in un-banked blocks are some of the positive moves for the sector.

**Economic**

• Banking is as old as authentic history and the modern commercial banking are traceable to ancient times. In India, banking has existed in one form or the other from time to time. The present era in banking may be taken to have commenced with establishment of bank of Bengal in 1809 under the government charter and with government participation in share capital. Allahabad bank was started in the year 1865 and Punjab national bank in 1895, and thus, others followed. Every year RBI declares its 6 monthly policy and accordingly the various measures and rates are implemented which has an impact on the banking sector. Also the Union budget affects the banking sector to boost the economy by giving certain concessions or facilities. If in the Budget savings are encouraged, then more deposits will be attracted towards the banks and in turn they can lend more money to the agricultural sector and industrial sector, therefore, booming the economy. If the FDI limits are relaxed, then more FDI are brought in India through banking channels.

63. Union Budget of last five years is analyzed
Indian economy has registered a growth of more than 9 per cent for last three years and is expected to maintain robust growth rate as compared to other developed and developing countries. Banking Industry is directly related to the growth of the economy. The contributions of various sectors in the Indian GDP for 2007-2008 are as follows: Agriculture: 17%, Industry: 29%, Service Sector: 54%. It is great news that today the service sector is contributing more than half of the Indian GDP. It takes India one step closer to the developed economies of the world. Earlier it was agriculture which mainly contributed to the Indian GDP. The Indian government is still looking up to improve the GDP of the country and so several steps have been taken to boost the economy. Policies of FDI, SEZs and NRI investment have been framed to give a push to the economy and hence the GDP.

Reserve Bank of India controls the Interest rate, which is based on several monetary policies. Recently RBI has reduced the interest rate which stimulates the growth rate of the banking industry. As on September 11, 2009, Bank Rate was 6.00 per cent, the same as on the corresponding date of last year. Call money rates (borrowing & lending) were in the range of 1.50/3.47 per cent as compared with 5.25/11.00 per cent on the corresponding date of last year.

Inflation represents a rise in general level of prices of goods and services over a period of time. It leads to erosion in the purchasing power of money. Resultantly, each unit of currency buys fewer goods and services. Different fiscal and monetary policies have curbed the Inflation rate from the high of 12.63 per cent to 3.92 per cent. To fight against the slowdown of the Economy, Government of India & Reserve Bank of India took many fiscal as well as monetary actions. Clubbed with fiscal & monetary actions, decreasing commodity prices, decreasing crude prices and lowering interest rate, we expect that Indian Economy could again register a robust growth rate in the year 2009-10. Inflation stands at 3.92 per cent on 7th February 2009 against a high of 12.63 per cent on 9th August 2008.

Agriculture has been the mainstay of our economy with 60% of our population deriving their sustenance from it. In the recent
past, the sector has recorded a growth of about 4% per annum with substantial increase in plan allocations and capital formation in the sector. Agriculture credit flow was Rs 2, 87,000 crore in 2008-09. The target for agriculture credit flow for the year 2009-10 is being set at Rs.3, 25,000 crore. To achieve this, I propose to continue the interest subvention scheme for short term crop loans to farmers for loans up to Rs.3 lakh per farmer at the interest rate of 7% per annum. For this year, the government shall pay an additional subvention of 1% as an incentive to those farmers who repay their short term crop loans on schedule. Thus, the interest rate for these farmers will come down to 6% per annum. For this, I am making an additional Budget provision of Rs 411 crore over Interim BE.

• The one-time bank loan waiver of nearly Rs 71,000 crore to cover estimated 40 million farmers was one of the major highlights of the last Budget. Under the Agricultural Debt Waiver and Debt Relief Scheme (2008), farmers having more than two hectares of land were given time up to 30th June, 2009 to pay 75% of their over dues. Due to the late arrival of monsoon, I propose to extend this period by six months up to 31st December, 2009.

**Socio cultural**

• Socio culture factors also affect the business. They show in which people behave in country. Socio-cultural factors like taboos, customs, traditions, tastes, preferences, buying and consumption habit of people, their language, beliefs and values affect the business. Banking industry is also operates under this social environment and it is also affect by this factor.

• These factors are changing continuously people’s life style, their behavior; consumption pattern etc. is changing and also creating opportunities and threat for banking industry. There is some socio-culture factors that affect banking in India have been analyzed below.

• Before the birth of the banks, people of India were used to borrow money local moneylenders, shahukars, shroffs. They were used to charge higher interest and also mortgage land and house. Farmers were exploited by these shahukars. But farmers
need money. So, they did not have any choice other than going to shahukar and borrowing money from them in spite of exploitation by these people. But after emergence of banks attitude of people was changed. Traditional mahajan pratha still exist in India especially in rural areas. This affects the banking sector. Rural people afraid to go to bank to borrow money instead they prefer to borrow from shahukar with whom they have relationships from the time of their fore fathers.

- **Attitude of people of India is changing.** Now, younger generation wants to remain separate from their parents after they get married. Joint families are breaking up. There are many reasons behind that. But banking sector is positively affected by this trend. A family needs home, consumer durables like freeze, washing machine, television, bike, car, etc. So, they demand for these products and borrow from banks. Recently there is boost in housing finance and vehicle loans. As they do not have money they go for installments. So, banks satisfy nuclear families wants.

- **Life style of India is changing rapidly.** They are demanding high class products. They have become more advanced. People want everything car, mobile, etc.. What their forefather had dreamed for. Now teenagers also have mobile and vehicle. Even middle class people also want to have well-furnished home, television, mobile, vehicle and this has opened opportunities for banking sector to tap this change. Everything is available so it has become easy to purchase anything if you do not have lump sum.

- **Increase in population is one of the important factors, which affect the private sector banks.** Banks would open their branches after looking into the population demographics of the area. Percentage of deposit in any branches of banks depends upon the population demographic of that area. The population of India is about 102.90 is expected to reach about 119.70 cores in 2011. About 70% of population is below 35 years of age. They are in the prime earning stage and this increase the earning of the banks. Total Deposits mobilized by the Private Sector Banks increased from Rs, 2,52,335 crore as on 31st March 2004 to Rs, 3,12,645 crore as on 31st March 2005. Deposits showed a subdued growth during 2004-05. Income distributions also
affects the operations and overall business of private sector banks.

- Literacy rate in India is very low compared to developed countries. Illiterate people hesitate to transact with banks. So, this impacts negatively on banks. But there is positive side of this as well i.e. illiterate people trust more on banks to deposit their money; they do not have market information. Opportunities in stocks or mutual funds. So, they look bank as their sole and safe alternative.

**Technological**

- Technology plays a very important role in bank’s internal control mechanisms as well as services offered by them. It has in fact given new dimensions to the banks as well as services that they cater to and the banks are enthusiastically adopting new technological innovations for devising new products and services.

- The latest developments in terms of technology in computer and telecommunication have encouraged the bankers to change the concept of branch banking to anywhere banking. The use of ATM and Internet banking has allowed, anytime, anywhere banking facilities. Automatic voice recorders now answer simple queries, currency accounting machines makes the job easier and self-service counters are now encouraged. Credit card facility has encouraged an era of cashless society. Today MasterCard and Visa card are the two most popular cards used world over. The banks have now started issuing smartcards or debit cards to be used for making payments. These are also called as electronic purse. Some of the banks have also started home banking through telecommunication facilities and computer technology by using terminals installed at customers home and they can make the balance inquiry, get the statement of accounts, give instructions for fund transfers, etc. Through ECS we can receive the dividends and interest directly to our account avoiding the delay or chance of losing the post.

- Today banks are also using SMS and Internet as major tool of promotions and giving great utility to its customers. For example SMS functions through simple text messages sent from
your mobile. The messages are then recognized by the bank to provide you with the required information. All these technological changes have forced the banker's to adopt customer-based approach instead of product-based approach. Technology advancement has changed the face of traditional banking systems. Technology advancement has offer 24X7 banking even giving faster and secured service.

- It is the buzzword today and every bank is trying to adopt it is the centralize banking platform through which a bank can control its entire operation the adoption of core banking solution will help bank to roll out new product and services.

2. SWOT analysis of Banking Industry

Strengths

- Indian banks have compared favorably on growth, asset quality and profitability with other regional banks over the last few years. The banking index has grown at a compounded annual rate of over 51 per cent since April 2001 as compared to a 27 per cent growth in the market index for the same period.

- Policy makers have made some notable changes in policy and regulation to help strengthen the sector. These changes include strengthening prudential norms, enhancing the payments system and integrating regulations between commercial and co-operative banks.

- Bank lending has been a significant driver of GDP growth and employment.

- Extensive reach: the vast networking & growing number of branches & ATMs. Indian banking system has reached even to the remote corners of the country.

- The government's regular policy for Indian bank since 1969 has paid rich dividends with the nationalisation of 14 major private banks of India.

64. Different articles, report and central bank website is analyzed to do the SWOT analysis of the Indian banking sector
• In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in comparable economies in its region.

• India has 88 scheduled commercial banks (SCBs) - 27 public sector banks (that is with the Government of India holding a stake) after merger of New Bank of India in Punjab National Bank in 1993, 29 private banks (these do not have government stake; they may be publicly listed and traded on stock exchanges) and 31 foreign banks. They have a combined network of over 53,000 branches and 17,000 ATMs. According to a report by ICRA Limited, a rating agency, the public sector banks hold over 75 percent of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively.

• Foreign banks will have the opportunity to own up to 74 per cent of Indian private sector banks and 20 per cent of government owned banks.

Weakness

• PSBs need to fundamentally strengthen institutional skill levels especially in sales and marketing, service operations, risk management and the overall organisational performance ethic & strengthen human capital.

• Old private sector banks also have the need to fundamentally strengthen skill levels.

• The cost of intermediation remains high and bank penetration is limited to only a few customer segments and geographies.

• Structural weaknesses such as a fragmented industry structure, restrictions on capital availability and deployment, lack of institutional support infrastructure, restrictive labour laws, weak corporate governance and ineffective regulations beyond Scheduled
Commercial Banks (SCBs), unless industry utilities and service bureaus.

- Refusal to dilute stake in PSU banks: The government has refused to dilute its stake in PSU banks below 51% thus choking the headroom available to these banks for raining equity capital.
- Impediments in sectorial reforms: Opposition from Left and resultant cautious approach from the North Block in terms of approving merger of PSU banks may hamper their growth prospects in the medium term

**Opportunities**

- The market is seeing discontinuous growth driven by new products and services that include opportunities in credit cards, consumer finance and wealth management on the retail side, and in fee-based income and investment banking on the wholesale banking side. These require new skills in sales & marketing, credit and operations.
- Banks will no longer enjoy windfall treasury gains that the decade-long secular decline in interest rates provided. This will expose the weaker banks.
- With increased interest in India, competition from foreign banks will only intensify.
- Given the demographic shifts resulting from changes in age profile and household income, consumers will increasingly demand enhanced institutional capabilities and service levels from banks.
- New private banks could reach the next level of their growth in the Indian banking sector by continuing to innovate and develop differentiated business models to profitably serve segments like the rural/low income and affluent/HNI segments; actively adopting acquisitions as a means to grow and reaching the next level of performance in their service platforms. Attracting, developing and retaining more leadership capacity.
- Foreign banks committed to making a play in India will need to adopt alternative approaches to win
the "race for the customer" and build a value-creating customer franchise in advance of regulations potentially opening up post 2009. At the same time, they should stay in the game for potential acquisition opportunities as and when they appear in the near term. Maintaining a fundamentally long-term value-creation mindset.

- Reach in rural India for the private sector and foreign banks.

- With the growth in the Indian economy expected to be strong for quite some time-especially in its services sector-the demand for banking services, especially retail banking, mortgages and investment services are expected to be strong.

- The Reserve Bank of India (RBI) has approved a proposal from the government to amend the Banking Regulation Act to permit banks to trade in commodities and commodity derivatives.

- Liberalisation of ECB norms: The government also liberalised the ECB norms to permit financial sector entities engaged in infrastructure funding to raise ECBs. This enabled banks and financial institutions, which were earlier not permitted to raise such funds, explore this route for raising cheaper funds in the overseas markets.

- Hybrid capital: In an attempt to relieve banks of their capital crunch, the RBI has allowed them to raise perpetual bonds and other hybrid capital securities to shore up their capital. If the new instruments find takers, it would help PSU banks, left with little headroom for raising equity. Significantly, FII and NRI investment limits in these securities have been fixed at 49%, compared to 20% foreign equity holding allowed in PSU banks.

**Threats**

- Threat of stability of the system: failure of some weak banks has often threatened the stability of the system.

- Rise in inflation figures which would lead to increase in interest rates.
• Increase in the number of foreign players would pose a threat to the PSB as well as the private players.

3. Five Forces Analysis of Indian Banking Industry

1. Rivalry among Competing Firms

Rivalry among competitors is very fierce in Indian Banking Industry. The services banks offer is more of homogeneous which makes the Company to offer the same service at a lower rate and eat their competitor market’s share. Market Players use all sorts of aggressive selling strategies and activities from intensive advertisement campaigns to promotional stuff. Even consumer switch from one bank to another, if there is a wide spread in the interest. Hence the intensity of rivalry is very high. The no of factors has contributed to increase rivalry those are.

- A large no of banks: There is so many banks and non-financial institution fighting for same pie, which has intensified competition.
- High market growth rate: India is seen as one of the biggest market place and growth rate in Indian banking industry is also very high. This has ignited the competition.
- Homogeneous product and services: The services banks offer is more of homogeneous which makes the company to offer the same service at a lower rate and eat their competitor market’s share.
- Low switching cost: Costumers switching cost is very low, they can easily switch from one bank to another bank and very little loyalty exist.
- Undifferentiated services: Almost every bank provides similar services. Every bank tries to copy each other services and technology which increase level of competition
- High fixed cost
- High exit barriers: High exit barriers humiliate banks to earn profit and retain customers by providing world class services
- Low government regulations: There are low regulations exist to start a new business due LPG policy adopted by India
2. Bargaining Power of Suppliers

Banking industry is governed by Reserve Bank of India. Reserve Bank of India is the authority to take monetary action which leads to direct impact on circulation of money in the Economy. The rules and regulation lay down by RBI. Suppliers of banks are depositors. These are those people who have excess money and prefer regular income and safety. In banking industry suppliers have low bargaining power.

- Nature of suppliers: Suppliers of banks are those people who prefer low risk and those who need regular income and safety as well. Banks best place for them to deposits theirs surplus money.
- Few alternatives
- RBI rules and regulations: Banks are subject to RBI rules and regulations. Bank has to behave in a way that RBI wants. So RBI takes all decisions related to interest rates. This reduce bargaining power of suppliers
- Suppliers not concentrated: Banking industry suppliers sure not concentrated. There are numerous with negligible portion of offer, so this reduce their bargaining power.

3. Bargaining Power of Consumers

In today world, Customer is the King. Banks offers different services according to clients need and requirement. They offer loans at Prime Lending Rate (PLR) to their trust worthy clients and higher rate to others clients. Customers of banks are those who take loans and uses services of banks. Customers have high bargaining power. These are

- Large no of alternatives: Customers have large no of alternatives, there are so many banks, which fight for same pie. There are many non-financial institutions like ICICI, HDFC, and IFCI etc. which has also jump into these business. There are foreign banks, privat banks, co-operative banks and development banks together with specialized financial companies
that provides finance to customers. These all increase preference for customers.

- Low switching cost: Cost of switching from one bank to another is low. Banks are also providing zero balance account and other types of facilities. They are free to select any banks service. Switching cost are becoming lower with internet banking gaining momentum and a result customers loyalties are harder to retain.

- Undifferentiated service: Banks provide merely similar service there are no much differentiated in service provides by different banks so bargaining power of customers increase. They cannot be charged for differentiation.

- Full information about the market: Customers have full information about the market due to globalization and digitalization. Consumers have become advanced and sophisticated. They are aware with each market condition so banks have to be more competitive and customer friendly to serve them. For good creditworthy borrowers bargaining power is high due to the availability of large number of banks.

4. Potential Entry of New Competitors

Reserve Bank of India has laid out a stagnant rules and regulation for new entrant in Banking Industry. We expect merger and acquisition in the banking industry in near future. Hence, the industry is less pot of new competitor. Barriers to an entry in banking industry no longer exist. So lots of private and foreign banks are entering in the market. Competitors can come from an industry to ‘disinter mediate’ bank product differentiation is very difficult for banks and exit is difficult. So every bank strives to survive in highly competitive markets. We see intense competitive can mergers and acquisitions. Government policies are supportive to start new bank. There is less statutory requirement needed to start a new venture? Every bank to tries to achieve economies of scale through use of technology and selecting and training manpower. There are public sector banks, private sector and foreign banks along with non-banking finance companies competing in similar business segments.
5. Potential Development of Substitute Products

Every day there is one or the other new product in financial sector. Banks are not limited to tradition banking which just offers deposit and lending. In addition, today banks offers loans for all products, derivatives, For Ex, Insurance, Mutual Fund, Demit account to name a few. The wide range of choices and needs give a sufficient room for new product development and product enhancement. Substitute products or services are those, which are different but satisfy the same set of customers. In private banking industry following are the substitutes:

- NBFC: Non-banking financial Institutions play an important role in giving financial assistance. Mobilization of financial resources outside the traditional banking system has witnessed a tremendous growth in recent years in the India. NBFC is a close substitute of banking in respect of raising funds. Borrower can easily raise funds from NBFC because it requires less formal procedure for getting funds compare to private banks.

- Post Office Products: Post office is also providing some service like fixed deposit facility, saving account, recurring account etc. The interest rate of saving account is higher than private banks. It is fully secured by the government so people who do not want to take risk for them post office saving is good substitute.

- Government Bond: Govt. Bond also attracts savings from the general public. It is less risky and more secured as compare to savings in private banks.

- Mutual Funds: Mutual funds are also now proving as good substitutes for banks. They assure for providing high return with less time in comparison of banks. The administrative expenses are also very low as compared to banks. Investment in Mutual funds is more flexible than investment in banks.

- Stock Market: People who are ready to bear risk and wants a high return on their investment, stock market is a good substitute for them. Day by day investors are moving towards stock market as interest rate in banks are
decreasing. So now stock market has proved as a big competitor for baking sector.

- Debentures: Debentures is also proved as a good substitute of bank's fixed deposit as return on debenture is fixed and high. There are different types of debentures, which attract various classes of investors.

- Other Investment Alternatives: Now common people's attraction is shifting from banks to other various alternatives such as gold, precious metals, land, small savings etc. As we can see the growing trend in these alternatives in comparison of decreasing interest rates in banks.

4.2 (A – 2.1) Non-Financial Analysis of the Banks

1. SWOT analysis of State Bank of India

Strengths
- Strong domestic market position sustaining reach and customer confidence
- Strong capital position helping pursue growth initiatives
- SBS merger further hastens SBI and its associate banks merger and helping defend its leadership position
- Brand name
- Market Leader
- Wide Distribution Network
- Government Owned
- Diversified Portfolio

Weaknesses
- Reduction in the asset quality increasing NPA ratio
- Susceptible to political interventions
- Minor hindrances
- Hierarchical management
- Lags modernization

65. State Bank of India official website and many articles on it is analysed and the gist is made to do the SWOT analysis
Opportunities

- SBI could be the highest beneficiary from the increasing adoption of E-transactions
- Investments in information technology will decrease transaction costs of SBI
- New business initiative will expand the market share and increase the revenues
- Growth in general insurance industry will help increasing the market share
- Merger of associate banks with SBI
- Opportunities for public sector banks
- New Branches and ATM's
- Expansion on Foreign soil

Threats

- Opening of Indian banking sector in 2009 will cause intense competition
- Global economic slowdown could reduce demand for banking services in India
- Advent of MNC banks
- CRM
- Private banks venturing into the rural
- Employee Strike

2. SWOT analysis of ICICI Bank

Strengths

- Strong domestic market makes ICICI a leading private sector bank in India
- International expansion of commercial banking increases profitability of ICICI
- Steady financial performance and relatively higher efficiency generates higher returns for shareholder

66. Official website of bank and articles referred
Online Services: ICICI Bank provides online services of all its banking facilities. It also provides D-Mart account facilities online, so a person can access his account from anywhere he is. D-Mat is a dematerialized account opened by a salaried person for purchase & sale of shares of different companies.

Advanced Infrastructure: Branches of ICICI Bank are well equipped with advanced technology to provide the customers with faster banking services. All the computerized machines are located in suitable manner & are very useful to the customers & staff of the bank.

Friendly Staff: The staff of ICICI Bank in all branches is very friendly & helps the customers in all cases. They provide faster services along with bonding & personal relationship with the customers.

12 hrs. Banking services: Compared to other bank ICICI bank provides long hours of services i.e. 8-8 services to the customers. This service is one of its kind & very helpful staff for the customers who are in urgent need of money.

Other Facilities to the Customers & Employees: ICICI Bank also provides other facilities like drinking water facilities, proper sitting arrangements to the customers. And there are also proper Ventilation & sanitary facilities for the employees of the bank.

Late night ATM services: ICICI bank provides late night ATM services to the customers. The ATM centers of ICICI bank works even after 11:00pm. at night in certain branches.

Weaknesses

- Overdependence on the domestic Indian market increases business risk for ICICI
- Credit risk concentration increases the default risk of ICICI
- Increase in non-performing loans reduces the profitability of the company
- High Bank Service Charges: ICICI bank charges high to customers for the services provided by them when compared to other bank & that is why it is only in the reach of higher class of society.
• Less Credit Period: ICICI bank provides credit facilities but only up to limited period. Even when the credit period is not over its ends reminder letters to the customers which may annoy them.

**Opportunities**

• Rural financing and loans to small enterprises could increase the market share and profitability of ICICI
• Growth in general insurance industry will help increasing the market share of ICICI Lombard General Insurance Company
• Bank –Insurance services: The bank should also provide insurance services. That means the bank can have a tie-up with an insurance company. The bank will advertise & promote the different policies introduced by the insurance company & convince their customers to buy insurance policies.
• Increase in percentage of Returns on increase: The bank should provide higher returns on deposits in comparison of the present situation. This will also up to large extent help the bank earn profits & popularity.
• Recruit professionally guided students: Bank & Insurance is a special non-aid course where the students specialize in the functioning & services of the bank & also are knowledge about various tax policies. The bank can recruit these students through tie-ups with colleges. Such students will surely prove as an asset to the bank.
• Associate with social cause: The bank can also associate itself with social causes like providing relief aid patients, funding towards natural calamities. But this falls in the 4th quadrant so the bank should neglect it.

**Threats**

• Opening of Indian banking sector in 2009 would cause intense competition
• Global and domestic economic slowdown could affect financial performance of ICICI.
• ICICI Bank is facing tight competition locally as well as internationally. Bank like Citi Bank, HSBC, ABM, Slandered Chartered, HDFC also provide equivalent facilities like ICICI
do and also ICICI do not have consistency in its international operation.

- Net Services: ICICI Bank provides all kind of services on-line. There can be easy access to the e-mail ids of the customers through wrong people. The confidential information of the customers can be leaked easily through the e-mail ids.

- Decentralized Management: Each branch manager is given the authority of taking decisions in their respective branches. The decisions made by different managers are diverse and any one wrong decision can lay to heavy losses to the bank.

- No Proper Facilities: To Uneducated customers: ICICI Bank provides all services through electronic computerized machines. This creates problems to the less educated people. But this threat falls in the 4th quadrant so it’s negligible. The company can avoid this threat

4.2 (A – 3) Non-Financial Analysis of Indian Cement Industry

1. PEST analysis of Indian Cement Industry

Political
- The price of cement is primarily controlled by the coal rates, power tariffs, railway tariffs, freight, royalty and cess on limestone.

- Interestingly, government controls all of these prices. Government is also one of the biggest consumers of the cement in the country.

- Most state governments, in order to attract investments in their respective states, offer fiscal incentives in the form of sales tax exemptions/deferrals.

- States like Haryana offer a freeze on power tariff for 5 years, while Gujarat offers exemption from electric duty.

Economic
Currently, the industry is on the boom, with a lot of government infrastructure and housing projects under construction. In spite
of seeing a fall during 2008-09, the export segment of the industry is expected to grow again on account of various infrastructure projects that are being taken up all over the world and numerous outstanding cement plants coming up in near future in the country.

Social
- Usually, the cement industry in India consists of both the organized sector and the unorganized sector.
- Organized sector comprises of the well-known cement manufacturing companies while the main players of the unorganized sector are the regional and local cement-producing units in various states across the state.
- Indian consumers prefer buying branded cement like ULTRATECH, JAYPEE CEMENT, LAFARGE CEMENT etc.
- It has been seen in the past, as well, that mini cement plants with low brand value and image are not able to survive against the cement giants.
- With a population of more than 100 billion people, it is expected that cement industry will create another 25 lakhs jobs in the next 4-5 years.

Technology
- From mining to production the entire process depends on technology.
- The Government of India plans to study and possibly acquire new technologies from the cement industry of Japan.
- The government is discussing technology transfer in the field of energy conservation and environment protection to help improve efficiency of the Indian cement industry.
- Cement industry has made tremendous strides in technological up-gradation and assimilation of latest technology.
- At present 93% of the total capacity in the industry is based on modern and environment-friendly dry process technology.
2. SWOT analysis of Indian Cement Industry

**Strengths**

The cement industry has much strength to be considered. Cement is, literally, the building block of the construction industry. Almost every building constructed relies on cement for its foundation. The cement business is a $10 billion industry, measured by annual cement shipments. There is also a strong reputation behind the cement industry. Cement is a solid material and consumers rarely have complaints about the product. Regional distribution plants have also made cement widely available to any type of buyer.

**Weaknesses**

The cement industry is not without its drawbacks. The cement industry relies on construction jobs to create a profit. But the cement industry heavily relies on weather. About two-thirds of cement production takes place between May and October. Cement producers often use the winter months to produce and stockpile cement, to meet demand. Another weakness is the cost of transport; the cost of transporting cement is high and this keeps cement from being profitable over long distances. In other words, shipping cement costs more than the profit from selling it.

**Opportunities**

The cement industry has opportunities as well. One such opportunity is the cement industry's efficiency. The cement industry has recently streamlined its production efforts, using dry manufacturing instead of wet, which is heavier and more time-consuming. The cement industry has also invested about $6 billion in expansion efforts to meet unmet cement needs. Projections show that by 2012, the cement industry will have 25 percent more production capabilities.
Threats

The nature of the economy has uncovered a number of threats to the cement industry. The cement industry greatly relies on construction. The current economy has lessened the number of construction jobs, which in turn hurts the cement industry. The cement industry controls the majority of the United States market, but not all of it. About 11.5 metric tons of cement are imported annually to support the unmet need. If other countries can produce and ship cement for a reduced price, the U.S. cement industry is in danger. The U.S. government is also attempting to regulate the cement industry's waste. The Environmental Protection Agency has introduced regulations for the cement industry to cut down emissions.

3. Five Forces Analysis of Indian Cement Industry

1. Rivalry among Existing Players (High)
The Indian cement industry has large number of cement producers thus making it a low concentration market. The four biggest cement players in the Indian cement industry are:

1. ACC Ltd
2. Grasim Cement
3. Ambuja Cement
4. Ultratech Cement

The market share of the above-mentioned four companies accounts to 39.80% currently. It is believed that if these four companies do not increase their market shares in the coming years, then their combined share could drop to 34%. The share of mid-large players (like Shree Cement, Madras Cement, India Cement) will remain about 36%, small players (like My Home Industries Ltd, Orient, Binani) will hold about 24%, and new players (like Reliance, Murli Agro, JSW Cement) will account for 6% of the market. With focus on capacity addition, many small/medium players have been able to capture more market share and consolidate their position in the industry in the last two years.

67. EPW and different articles analyzed to prepare the gist
Market share of top five individual companies taken together show a decline to a level of 44.3% in FY09 from 46.3% in FY08 (Bharat Book Bureau 2004).

2. Threat of New Entrants (High)
The existing companies are pushing hard to expand their production capacity to face the rising competition. With the announcement of the Indian Government in the budget for the FY2010-2011 to pump in more than Rs.1.73 trillion in infrastructure (Thomson Reuters Corporate n.d.), the cement industry becomes a very attractive market to enter, thus increasing the threat of new entrants. Although the investment to set up a cement plant is huge, still looking at the future opportunities Indian steel and infrastructure giants like Jindal Steel works and Reliance Group are also eyeing a share in this huge market (Word press n.d; Economic Research India Limited 2010).

3. Threat of Substitute Products or Services (Low)
Now-a-days Timber is also being considered as one of the substitutes of cement. In many countries like Japan, Indonesia, Singapore etc are now using timber in construction since those areas are high earthquake affected. They now prefer timber which is cheap and long lasting for years. But timber cannot be considered, as one of the major substitutes of cement, therefore cement is one of the main components of any construction. Without cement, construction work is next to impossible as it provides strength to the building.

4. Bargaining Power of Buyer (Low)
The boom in the infrastructure industry of India has benefited the cement industry immensely. In the present day context, cement producers have become more powerful than buyers. In the current situation, most of the companies are moving into direct marketing, thus removing middlemen. Despite enough competition, due to high institutional demand of cement, small-time buyers are usually targeted as a secondary market by the cement companies. Thus, buyers are not left with much bargaining power.
5. Bargaining Power of Suppliers (Low)
The basic raw materials used in the cement manufacturing process are limestone, sand, shale, clay, and iron ore. The main material, limestone, is usually mined on site while the other minor materials may or may not be mined there. Since all the raw materials are natural resources, they are under the Government’s control. Companies have to buy rights from the government to set-up the cement plant. So there are no such suppliers in the cement industry.

4.2 (A – 3.1) Non-Financial Analysis of Cement Companies

1. SWOT analysis of Gujarat Ambuja 68

Strengths

• Brand name
• Most profitable cement co. in India
• Lowest cost producer
• Sea transportation
• Captive power plant
• Fuel efficiency

Weaknesses

• Cement industry is highly fragmented
• Demand-supply gap, overcapacity
• Increasing cost of production
• High interest rates
• Packaging

Opportunities

• Government infrastructure spending
• Investment in industrial and commercial projects
• Commercial construction activity

68. Referred official website of Gujarat Ambuja and different articles to prepare SWOT analysis
Threats

- Imports from Pakistan affecting markets in North India
- Excess overcapacity can hurt margins as well as prices
- Consolidation through Mergers & Acquisitions

2. SWOT analysis of UltraTech Cement

Strengths

- The company's production facilities are spread across 11 integrated plants, one white cement plant, 12 grinding units, and 5 terminals, 4 in India and one in Sri Lanka.
- High quality 17.64Mn.Ton cement production in 2009-10. production is increasing annually.
- Annual production capacity of 23.10 million tones.
- Use of high-end equipment such as the Gamma Metrics Machine and the X-ray Analyzer ensures that each product passing out of UltraTech manufacturing facility adheres to global standards of quality and performance.
- Logistics
  - Can directly deals with the limestone tenders and thus the middle man do not affect its cost.
- Use the local transporters which provide the efficient transportation cost.
- Ultratech manufacturing plant uses ultra-modern technology and imported machinery.
- Company's Unit at Kovaya is the only Unit in this sector in India to have a desalination plant. It is used for meeting the water needs of the plant and the colony. The waste gases from the cooler are used in the desalination plant.
- The Ultratech cement manufacturing The greenbelt at our Units is simply awesome and is surrounded by trees all around. At some points, you cannot even see the skyline. Only the leaves and the flowers and hear the cacophony of the birds.

69. Referred official website of UltraTech Cement and other articles to prepare the SWOT analysis
• Company’s CSR (corporate social responsibility) activities extend to 127 villages, in proximity to its plants, across the country.
• The Aditya Birla Group the eighth largest cement player in the world.
• UltraTech’s products include Ordinary Portland cement, Portland Pozzolanacement and Portland blast furnace slag cement.
• The company exports over 2.5 million tons per annum, which is about 30 per cent of the country's total exports.
• Ordinary Portland cement is the most commonly used cement for a wide range of applications. These applications cover dry-lean mixes, general-purpose ready-mixes, and even high strength pre-cast and pre-stressed concrete.
• OPC is used for applications, such as commercial buildings, industrial constructions, multi storied complexes, cement concrete roads and heavy duty floors.
• PPC cement is used for big construction like dam and thermal power plant,
• The Company has a network of cement
• UltraTech's distribution network is very widely spread out in the country with over 5,500 dealers and 30,000 retailers
• Total number of employees in Company as on 31st March, 2010 was 4,481 employees.
• Ultratech has won the best employer award in 2007.
• Company continuously strives to foster a culture of high performance. Management has infused a lot of rigor and intensity in its people development processes and in honing skill sets.
• The Performance Management System at Ultratech Cement ensures that performance and achievement do not go unnoticed.
• Ongoing learning, refreshing HR systems in line with global benchmarks, aligning rewards an recognition with performance, have enabled Company sustain its reputation of a meritocratic organization.
• Its HR processes are absolutely aligned to organizational goals
• It provides an opportunity to the employees to monitor their progress and develop into complete professionals.
• The Group’s Corporate Human Resources function has played and continues to play an integral role in Company’s Talent Management Processes. The cornerstone of our Performance Management System is the Appraisal System. Individual performance targets in the form of Key Result Areas (KRAs) are set at the beginning of the year through consultation with the reporting managers.

• At the end of the year, each employee’s performance is assessed against the set KRAs. Performance Management provides the employee an opportunity to discuss his/her achievements during the given period and to focus on improvement areas.

• Training & development-We lay a lot of emphasis on developing our employees beyond their present boundaries, broadening their horizon, enabling them to think the unthinkable and rise above the benchmarks they set for themselves.

• Production for the Aditya Birla Group company ± UltraTech Cement, for the period April-September 2010, has moved up by 3.99% at 186.30 lakh mt as against 179.16 lakh mt during April-September 2009.

• Consistent revenue growth.

• All the plants of UltraTech are ISO 14001 Environment Management Systems certified and adhere to OHSAS 18001 standards.

• Clean technologies and processes that combine economic progress and sustainable environment have been adopted at Ultratech plants at Awarpur and Ratnagiri in Maharashtra; Kovaya, Jafрабad and Magdalla in Gujarat; Hirmi in Chhattisgarh; Arakkonam in Tamil Nadu; Tadipatri in Andhra Pradesh; Jharsuguda in Orissa and Durgapur in West Bengal.

Weaknesses

• Raw Material is not available in all the places.
• Losses of raw material
• High cost of branded products.
• High Power/ Fuel costs.
• Required efficient maintenance for the wastes.
• Raw material inventory required due to perishable of raw material.
• High inventory handling cost.
• Due to openness in the organization work culture is very informal that will not suit for better management in corporate.
• Insufficient man power
• Lack of awareness program for consumers due to low promotion mix.
• Lack of marketing mix.
• Delay in supply.
• Highly dusty environment at the time of dumping the cement is hazardous for health.
• It affects human's respiratory system adversely.
• Cement industry is highly fragmented
• Industry is also highly regionalized
• Low value commodity makes transportation over long distances uneconomical
• The cost of transporting cement is high and this keeps cement from being profitable over long distances. In other words, shipping cement costs more than the profit from selling it.

**Opportunities**

• With the low per capita consumption of cement in India \(^2\) 102 kg compared to the global average of 260 kg (China: 429 kg, Malaysia: 529 kg and South Korea: 951 kg) \(^2\) - and the emphasis on infrastructure development, Ultratech has ample opportunity to ride the growth curve
• It can develop new marketing area.
• It can sign MOUs with government regarding supply of cement for government work.
• Maintain the position of competition in the market.
• Institutional market like corporate and offices, school society complexes are growing in large scale, which will increase the requirement.
People are opting for more stable structures and intensive use of cement is taking place, even government is spending heavily on infrastructure projects. Thus, this is the right time to fully tap these markets.

As Indian core industry is also growing at rate of nearly 10% per annum it is having a good future.

Foreign direct investment in infrastructure sector going to increase in coming years, which will increase the demand of cement.

Roads are undergoing through the transformation process through which the traditional method of road building will be replaced by modern concrete roads.

The cement industries have opportunities as well. One such opportunity is the cement industry’s efficiency. The cement industry has recently streamlined its production efforts, using dry manufacturing instead of wet, which is heavier and more time-consuming. The cement industry has also invested about $6 billion in expansion efforts to meet unmet cement needs. Projections show that by 2012, the cement industry will have 25 percent more production capabilities.

**Threats**

- Large number of players in cement industry makes it more competitive for ACC to carefully price its product and at the same time satisfy its dealers and customers.
- Cheap priced brand are grabbing rapidly a large chunk of lower income customer base.
- Players such as Jaypee Cement, Prism Cement, and Birla cement. ACC cement is eating up considerable market share.
- Due to India’s exponential growth many new international cement companies are expected in coming years which will bring a tide of change and can start price war.
- Government intervention to adjust cement prices
- Transportation cost is scaling high; bottleneck due to loading restriction.
- Coal prices climbing up industry players say current shortage of coal in the country is estimated to be over 10 million tons.
• The emergence of small players in this market may increase the competition and start the malpractices, and heavy discounts to retailers. They can also influence many retailers by giving better profit margin, and other Benefits.

• Now-a-days Timber is also being considered as one of the substitutes of cement. In many countries like Japan, Indonesia, Singapore etc. are now using timber in construction since those areas are high earthquake affected. They now prefer timber which is cheap and long lasting for years

4.2 (A – 4) Non-Financial Analysis of Indian Steel Industry

1. PEST analysis of Indian Steel Industry

Political:

1. Funding, grants & initiatives: The Ministry of Steel has been interacting with All India Financial institutions to expedite clearance of projects. The ministry has also been making presentations to the financial institutions and banks highlighting the emerging scenario in steel sector, technological issues need for development of the steel industry in India etc. Ministry of Steel identifies infra-structural and related facilities required by steel industry so that their absence does not lead to bottlenecks in the future growth of the Iron and Steel Sector, and takes up these issues with the concerned ministries Regulatory Bodies and processes:

Formulation of policies in respect of production, pricing, distribution, import and export of iron & steel, ferro alloys and refractories; and Development of input industries relating to iron ore, manganese ore, chrome ore and Refractories etc., required mainly by the steel industry.

70. Different articles read on website, journals, reports and then prepared the gist for PEST analysis
2. **Government policies:**
   a) Prepare and implement an action plan for achieving the strategic goal of 110 MTPA of steel productions by 2019-20
   b) Prepare and implement road maps for technological and productivity improvements benchmarking them to global standards.
   c) Provide a single-window clearance for large projects, to be followed by statutory clearances by the concerned ministries.
   d) Monitor the implementation of the National Steel Policy.

3. **Trade policies:**
   The trade policy has been liberalised and import and export of iron and steel is freely allowed. There are no quantitative restrictions on import of iron and steel items. The only mechanism regulating the imports is the tariff mechanism Advance Licensing Scheme allows duty free import of raw materials for exports. Iron and Steel industry has been included in the list of 'high priority' industries for automatic approval for foreign equity investment up to 100%. Price and distribution of steel were deregulated from January 1992.

4. **Wars and conflicts:**
   Wars are a curse to any nation is it developed or underdeveloped. It brings with it only death and destruction. But for the steel industry it is a blessing in disguise. Iron and steel are needed to make the weapons of destruction. Its first effect was seen during the First World War. In 1914 the First World War broke out, steel produced in Britain now had to meet the demands of war in Europe. So imports of British steel into India declined dramatically and the Indian Railways turned to TISCO for supply of rails. As the war dragged on for several years, TISCO had to produce shells and carriage wheels for the war.
Economical

Overseas economies and trends: Global Scenario

• In 2007 the World Crude Steel output reached 1343.5 million metric tons and showed a growth of 7.5% over the previous year. It is the fifth consecutive year that world crude steel production grew by more than 7%.
  (Source: IISI)

• China remained the world’s largest Crude Steel producer in 2007 also (489.00 million metric tons) followed by Japan (112.47 million metric tons) and USA (97.20 million metric tons). India occupied the 5th position (53.10 million metric tons) for the second consecutive year.
  (Source: IISI)

• The International Iron & Steel Institute (IISI) in its forecast for 2008 has predicted that 2008 will be another strong year for the steel industry with apparent steel use rising from 1,202 million metric tonnes in 2007 to 1,282 million metric tonnes in 2008 i.e. by 6.7%. Further, the BRIC (Brazil, Russia, India and China) countries will continue to lead the growth with an expected increase in production by over 11% compared to 2007

• Situation in home economy and home economy trends

Domestic Scenario

• The Indian steel industry have entered into a new development stage from 2005-06, riding high on the resurgent economy and rising demand for steel. Rapid rise in production has resulted in India becoming the 5th largest producer of steel

• It has been estimated by certain major investment houses, such as Credit Suisse that, India’s steel consumption will continue to grow at nearly 16% rate annually, till 2012, fuelled by demand or construction projects worth US$ 1 trillion. The scope for raising the total consumption of steel is huge, given that per
capita steel consumption is only 40 kg – compared to 150 kg across the world and 250 kg in China.

- The National Steel Policy has envisaged steel production to reach 110 million tonnes by 2019-20. However, based on the assessment of the current ongoing projects, both in green field and brown field, Ministry of Steel has projected that the steel capacity in the country is likely to be 124.06 million tonnes by 2011-12. Further, based on the status of MOUs signed by the private producers with the various State Governments, it is expected that India’s steel capacity would be nearly 293 million tonne by 2020.

**Taxation specific to product/services:**

- VAT is 4% on the products of steel

- The plant which imports stainless steel slab for conversion into HRSS coil/CRSS coil/STRIPS has asked the government to reduce duty on to 15% from the present 25% duty.

- Custom duty on steel was brought down uniformly from 25 to 20 percent

- Sales tax was withdrawn but special additional duty (sad) of 4% was imposed on all imports

- Interest and exchange rates:

- A reduction in CRR infuses liquidity into the economy but is useful monetary tool only when there is liquidity crunch and heavy demand for loans in the economy for productive purposes. In the current scenario there is global economic recession so lowering of CRR from 8.5% to 5.5% did not reduce the financial crisis. Also lowering the PLR rates encourages steel producers to avail capital at low cost and increase their production. But this does not suffice that demand for finance increases with reduction in key rates bank rates as the most important part for steel producers is the demand and supply of
steel in domestic and international market. The exchange rates play a major role in EXIM trade. Any fluctuations in exchange rates directly affect the importers and exporters. And at times when there is huge depreciations in rupee not only the importers suffer but the exporters also have to export at a lower rate as their customers have latest knowledge about exchange rates which gives them more bargaining power

Social-

Labor related issues: Major events and influences
Below mentioned are some of the initiatives introduced by Tata Steel which were later incorporated by the Factory Act 1948.1.8 hour working day2. Establishment of welfare department
Leave with pay
Life style trends-
The infrastructure sector comprises of roads, railways, airports & power. The Eleventh plan has lined up massive investment in all the related sectors. As per the reports of the Indian Steel Alliance, the projected investment towards the infrastructure sector during the Eleventh Plan is likely to be Rs.20, 27,000 crores. This is an increase of 180 percent over the Tenth Plan which will ultimately lead to an increase in the demand of steel.
Steel construction is now identified with speed. Since India is gearing up for speedy implementation with quality output, steel is the best alternative for fast track construction which in long run could match global standards. As the construction sector is growing faster than the country’s projected GDP growth, there exists a tremendous potential for development in related areas.

- The Indian automobile sector, which is the second fastest growing auto market after China, has emerged as the prime demand driver of alloy steel. The sector which is experiencing growth and high competition is likely to be one of the major drivers of steel consumption in the coming years. Alloy and special steel are gaining more importance by the day in order to make vehicles lighter and fuel efficient. Out of around 2.8 million tonnes per annum of the total capacity of alloy and special steel, nearly 2 million tonnes per annum will be auto
grade special steel, the forging sector being one of the largest consumers.

Media views-
Media highlights all the pros and cons of the industry. It is reactive of all actions done by the industry. It not only praises the socio-corporate responsibilities and other ethical values followed by the industry but it also highlights the darker side of the industry. All the environmental damages caused by the industry attract harsh views from the media. In the current scenario media has strongly opposed the darker side of the industry.

Brand & technological image

The industry is proud of contribution that steel makes to the modern society. It is indispensable in the welfare of mankind. However, recent surveys indicate that most of the population is ignorant of the contribution that steel makes to the society.

Consumer preference & opinion:
Customer’s preferences for steel are strongly in favor of the industry for the commodity of necessity. They prefer steel over other products for the properties that steel possess. But also there are continuous opinion from the NGOs about the environmental hazards caused by the steel industry’s waste disposal method and a new era of eco-friendly customers is emerging who don’t use products that harm mother nature in any way.

Consumer buying pattern-

Consumers of steel sector can be divided in two categories:

a) Business to business (b2b) - Typically the b2b customers purchase steel from large steel producers in the country, for further processing. About 80% of the transactions are b2b transactions. Customers included in this segment are the
automobile sector, construction industry, capital goods industry, etc.

b) Business to customer (b2c) - The end users who use steel in the finished form provided by the company are important because the image of the product lies in their hands. The brand building of the product is in customers hands which depend on the quality of products they receive.

**Ethical issues**

"Think ethical, think the Tata way" This line aptly reflects the ethical culture that has been established in the industry by Tata Steel. In an industry which has been criticized for exploiting labor as well as the natural environment, Tata Steel has shown how and why the industry should be responsible towards all its stakeholders

**Technological**

**Competing technology development:**

- With globalization and an increasing scale of operations, technological self-reliance has become a necessity. In keeping with global ethics of Intellectual Property, it has become necessary for steel companies to have their own resources of Research and Development.
- Hence self-reliance in technology has become a virtual prerequisite to innovation and growth.
- India’s expenditure on Research and Development has been negligible not only in absolute terms but also as a percentage of GNP at 0.86 percent. In the case of steel industry, the ratio of expenditure on R&D as a percentage of turnover is only 0.26 percent. In the five year Plan for steel sector, a new scheme named ‘Scheme for promotion of R&D in the Iron & Steel Sector’ has been included with a budgetary provision of Rs. 118 crores. Steel Technology Centre at IIT, Kharagpur to promote R&D in iron & steel sector was approved, at a cost of Rs. 22.26 crores for 5 years.
Technological developments in core industries like steel consume lot of resources so the researchers try and invent technologies which would have a significant life span. So the replacement technology is less. For instance, the first modern plant set up at Jamshedpur by TISCO was setup at cost of Rs 10000 crore

Maturity of technology:
R&D has not limited itself only towards improvement in production process or capacity. It also aims at sustainable development and incorporates the following factors:

a) Reducing the CO2 intensity of steel  
b) Enabling transfer of technology to revamp and improve the energy efficiency of outdated steel plants  
c) Investing in breakthrough technologies for long-term solutions  
d) Working with customers and industry partners to maximize the contribution of new steels in reducing life cycle CO2 emissions, particularly in high impact applications such as transport and construction

2. SWOT analysis of Indian Steel Industry

Strengths
The government offers a wide range of concessions to investors in India, engaged in steel industry. The main concessions include, inter alia:

- Steel in specified backward districts is eligible for a complete tax holiday for a period of 5 years from commencement of production and a 30 percent tax holiday for 5 years thereafter.
- Environment protection equipment, pollution control equipment, energy saving equipment and certain other equipment eligible for 100 percent depreciation.
- One tenth of the expenditure on prospecting or extracting or production of certain minerals during five years ending with the first year of commercial production is allowed as a deduction from the total income.

71. Different articles read on website, journals, reports and then prepared the gist for PEST analysis
Export profits from specified minerals and ores are eligible for certain concessions under the Income tax Act.

- Minerals in their finished form exempt from excise duty.
- Low customs duty on capital equipment used for minerals; on nickel, tin, pigiron, unwrought aluminium.
- Capital goods imported for steel under EPCG scheme qualify for concessional customs duty subject to certain export obligation.
- World's largest producer of mica; third largest producer of coal and lignite & barites; ranks among the top producers of iron ore, bauxite, manganese ore and aluminium
- Labours easily available
- Low labour and conversion costs
- Large quantity of high quality reserves.
- Exports iron-ore to China and Japan on a large scale
- Strategic location
- Proximity to the developed European markets and fast-developing Asian markets for export of Steel, Aluminium

**Weakness**

- Coal steel in India is associated with poor employee productivity. The output per miner per annum in India varies from 150 to 2,650 tonnes compared to an average of around 12,000 tonnes in the U.S. and Australia; and
- Historically, opencast steel has been favoured over underground steel. This has led to land degradation, environmental pollution and reduced quality of coal as it tends to get mixed with other matter;
- India has still not been able to develop a comprehensive solution to deal with the fly ash generated at coal power stations through use of Indian coal. Clean coal technologies, such as Integrated Gasification Combined Cycle, where the coal is converted to gas, are available, but these are expensive and need modification to suit Indian coal specifications
- Poor infrastructure facilities
- Steel technology is outdated
- Low innovation capabilities
• Labour force is highly un-skilled and inexperienced
• High rate of accidents
• Lack of R&D programs and training and development
• Most of the Indian steel companies do not have access to Indian capital market
• There is a lack of respect for the steel industry and it suffers from the incorrect perception that ore deposits are depleted
• There is limited access to capital, and mines are increasingly more costly to find, acquire, develop and produce
• There are long lead times on production decisions.
• The Indian steel industry suffers from an out-dated, unattractive approach to steel education that is partly to blame for insufficient human resources.
• Improvement in operational efficiency of the steel companies -
  • Steel companies are in need of an organizational transformation to gradually align its operating costs to international standards. Steel costs of Indian companies are at least 35 percent higher than those of leading coal exporting countries such as Australia, Indonesia, and South Africa. To match productivity, they will need to invest in new technologies, improve processes in planning and execution of projects, and institutionalize a comprehensive risk management framework.
• Steel operations are not environment friendly. Least importance is given to environment concerns.
• High rate of illegal steel

**Opportunities**
• India has an estimated 85 billion tonnes of mineral reserves remaining to be exploited.
• Besides coal, oil and gas reserves, the mineral inventory in India includes 13,000 deposits/prospects of 61 non-fuel minerals.
• Expenditure outlay on steel is a meager sum when compared to other competing emerging steel markets and the investment gap is most likely to be covered by the private sector.
• India welcomes joint ventures between foreign and domestic partners to mobilise finances and technology and secure access to global markets
• Potential areas for exploration ventures include gold, diamond, copper, lead, zinc, nickel, cobalt, molybdenum, lithium, tin, tungsten, silver, platinum group of metals and other rare metals, chromate and manganese ore, and fertiliser minerals.

• The main opportunities in the steel sector (excluding coal and industrial minerals) are in the development and production of surplus commodities such as iron ore and bauxite, mica, potash, few low-grade ores, steel of small gold deposits, development of placer gold resources located on the frontal belt of the Himalayas, steel known deposits of economic and marginal categories such as base metals in Bihar and Rajasthan and exploitation of lacerate for nickels in Orissa, molybdenum in Tamil Nadu and tin in Haryana.

• Considerable potential exists for setting up manufacturing units for value added products.

• There exists considerable opportunities for future discoveries of sub-surface deposits with the application of modern techniques.

• Current economic steel practices are generally limited to depths of 300 meters and 25 percent of the reserves of the country are beyond this depth.

• Strengthening of logistics in coal distribution -

• In India, the logistics infrastructure such as ports and railways are overburdened and costly and act as bottlenecks in development of free market. Privatization of ports may bring the needed efficiencies and capacities. In addition, capacity addition by the Indian Railways is necessary to increase freight capacity from the coal producing regions to demand centers in the northern and central parts of the country. On the Indian rail network, freight trains get a lower priority than passenger trains, a problem that promotes delays and inefficiency. Special freight corridors would raise speeds, cut costs, and increase the system's reliability.
Focusing on technology for future -

India's numerous technology research institutes are working on energy related R&D. However, there is a possibility that they are operating in a fragmented fashion. The Government may get improved recoveries on its investment by concentrating on few important technology areas. To start with focus maybe applied for tighter emission standards and development of inexpensive clean-coal technologies viz. extraction of methane from coal deposits.

Estimated 82 billion tonnes of reserves of various metals yet to be tapped

While India has 7.5% of the world's total bauxite deposits, aluminium production capacity is only 3% of world capacity, indicating the scope and need for new capacities

**Threats**

- **Foreign Investment in the Steel Sector**
  - During 1999, the Government had cleared 7 more proposals of leading international steel companies for prospecting and exploration in the mineral sector to the tune of US$ 62.5 million. 65 licenses have been issued till date for prospecting an area of around 90,142 skims in the states of Rajasthan, Maharashtra, Gujarat, Bihar, Haryana and Madhya Pradesh. Prospecting licenses have been granted in favour of Indian subsidiaries of well-known steel companies.
  - Large integrated international metal manufacturers including POSCO, Mittal Steel and Alcan have announced plans for expansion in India
  - Steel companies and equipment suppliers are under the constant threat of being taken over by foreign companies.
  - A heavy tax burden discourages further investment.
  - Politicians undervalue the industry's contributions to the economy
3. Five Forces Analysis of Indian Steel Industry

Bargaining Power of Supplier

- Supplier concentration
- Importance of volume to supplier
- Differentiation of inputs
- Impact of inputs on cost or differentiation
- Switching costs of firms in the industry
- Presence of substitute inputs
- Threat of forward integration
- Cost relative to total purchases in industry

Barriers to Entry

- Absolute cost advantages
- Proprietary learning curve
- Access to inputs
- Government policy
- Economies of scale
- Capital requirements
- Brand identity
- Switching costs
- Access to distribution
- Expected retaliation
- Proprietary products

Threat of substitutes

- Switching costs
- Buyer inclination to substitute
- Price-performance trade-off of substitutes

Bargaining Power of Buyer

- Bargaining leverage
- Buyer volume
- Buyer information

72. Different articles read on website, journals, reports and then prepared the gist for PEST analysis
Study of Financial Performance Evaluation of Indian Companies

- Brand identity
- Price sensitivity Threat of backward integration
- Product differentiation
- Buyer concentration vs. industry
- Substitutes available
- Buyers' incentives

**Degree of rivalry**
- Exit barriers
- Industry concentration
- Fixed costs/Value added
- Industry growth-Intermittent overcapacity
- Product differences
- Switching costs
- Brand identity
- Diversity of rivals
- Corporate stakes

4.2 (A – 4.1) Non-Financial Analysis of Steel Companies

1. SWOT Analysis of Tata Steel

**Strengths**
- Abundance for iron ore and other minerals for steel
- Skilled manpower and in low unit labor cost
- High ash content of domestic cooking coal

**Weaknesses**
- Costly basic outputs like coal, power, fuel, etc.
- High social cost
- Too much dependence on the external processing agents

73. Referred official website of Tata Steel and different articles read on website, journals, reports and then prepared the gist for SWOT analysis
Opportunities

- Low per capita consumption
- Untapped markets
- Low cost of export market penetration

Threats

- In automobiles sector, usage of plastic and composites
- Poor R&D
- Availability of low ash cooking oil

2. SWOT analysis of SAIL\textsuperscript{74}

Strengths

- Staffing is a big strength for SAIL as being a Government venture it is looked upon for generating and offering employment.
- Customer base is another major strength for SAIL as it offers steel at subsidized rates and hence caters to high volume of clients.
- Another strength for SAIL is its Market position which is on a very successful level and thus there is no hesitation in its clients.
- Financial Resources also acts as strength as it can use Government funds for ventures.
- Sales Channels also is a strength as it uses all possible channels for promotion and Sales.
- Another Strength is the (product Steel) is core in nature and related to almost all development and infrastructure activities.
- Profitability is another strength as SAIL records astounding profit figures in spite of providing social benefit and subsidies to its clients.

\textsuperscript{74}. Referred official website of SAIL and different articles read on website, journals, reports and then prepared the gist for SWOT analysis
Weakness

- Staff also possess as a weakness in a certain way as SAIL being a Government venture, targets and workload are not tight and job security leads to staff not being fully productive.
- Another weakness is that higher profit margins are possible but not allowed since being a Government venture.
- Competitive Vulnerability is another weakness as competitors include private players with better quality manpower, strategies and policies.
- Another weakness is production of a single vertical (Steel) and no diversification.
- Also a major Weakness is completely answerable to the Central Government and hence exposed to corruption and mismanagement.

Opportunities

- However SAIL has certain opportunities as it is affiliated to the Central Government of India and hence expansion and growth is possible.
- SAIL also can adopt globalisation with ease using Government Support.
- Also SAIL being financially sound can undertake merger and acquisition projects with weaker counter parts.
- It can also involve in production of forward integration products and by-products apart from its core product (Steel) with the help of its healthy brand image.

Threats

- Threats would include change in Government Policies and Economy trend which can have a direct impact on the functioning of SAIL.
- Also emerging and existing private sector competitors who can steal market share.
- Also late implementation of technology and modern machinery as compared to counterparts can pose a potential threat.
Apart from the above major threats, labour turnover can also cause problems due to existence of higher paying jobs with better benefits in the sector.

4.2 (A – 5) Non-Financial Analysis of Indian Automobile (Four Wheeler) Industry

1. PEST Analysis of Indian Automobile (Four Wheeler) Industry

   Political

- In 2002, the Indian government formulated an auto policy that aimed at promoting integrated, phased, enduring and self-sustained growth of the Indian automotive industry

- Allows automatic approval for foreign equity investment up to 100% in the automotive sector and does not lay down any minimum investment criteria.

- Formulation of an appropriate auto fuel policy to ensure availability of adequate amount of appropriate fuel to meet emission norms

- Confirms the government’s intention on harmonizing the regulatory standards with the rest of the world

- Indian government auto policy aimed at promoting an integrated, phased and conductive growth of the Indian automobile industry

- Allowing automatic approval for foreign equity investment up to 100% with no minimum investment criteria.

- Establish an international hub for manufacturing small, affordable passenger cars as well as tractor and two wheelers.

75. Different articles read on website, journals, reports and then prepared the gist for PEST analysis
• Ensure a balanced transition to open trade at minimal risk to the Indian economy and local industry.

• Assist development of vehicle propelled by alternate energy source.

• Lying emphasis on R&D activities carried out by companies in India by giving a weighted tax deduction of up to 150% for in-house research and R&D activities.

• Plan to have a terminal life policy for CVs along with incentives for replacement for such vehicles.

• Promoting multi-model transportation and the implementation of mass rapid transport system

**Economic**

• The level of inflation Employment level per capita is right.

• Economic pressures on the industry are causing automobile companies to reorganize the traditional sales process.

• Weighted tax deduction of up to 150% for in-house research and R & D activities.

• Govt. has granted concessions, such as reduced interest rates for export financing.

• The Indian economy has grown at 8.5% per annum.

• The manufacturing sector has grown at 8-10 % per annum in the last few years.

• More than 90% of the CV purchase is on credit.
• Finance availability to CV buyers has grown in scope during the last few years.

• The increased enforcement of overloading restrictions has also contributed to an increase in the no. of CVs plying on Indian roads.

• Several Indian firms have partnered with global players. While some have formed joint ventures with equity participation, other also has entered in to technology tie-ups.

• Establishment of India as a manufacturing hub, for mini, compact cars, OEMs and for auto components.

 **Social**

• Since changed lifestyle of people, leads to increased purchase of automobiles, so automobile sector have a large customer base to serve.

• The average family size is 4, which makes it favorable to buy a four wheeler.

• Growth in urbanization, 4th largest economy by ppp index.

• Upward migration of household income levels.

• 85% of cars are financed in India.

• Car priced below USD 12000 accounts for nearly 80% of the market.

• Vehicles priced between USD 7000-12000 form the largest segment in the passenger car market.
Indian customers are highly discerning, educated and well informed. They are price sensitive and put a lot of emphasis on value for money.

Preference for small and compact cars. They are socially acceptable even amongst the well off.

Preference for fuel efficient cars with low running costs

**Technological**

More and more emphasis is being laid on R & D activities carried out by companies in India.

Weighted tax deduction of up to 150% for in-house research and R & D activities.

The Government of India is promoting National Automotive Testing and R&D Infrastructure Project (NATRIP) to support the growth of the auto industry in India.

Technological solutions helps in integrating the supply chain, hence reduce losses and increase profitability.

Customized solutions (designer cars, etc.) can be provided with the proliferation of technology.

Internet makes it easy to collect and analyse customer feedback.

With the entry of global companies into the Indian market, advanced technologies, both in product and production process have developed.

With the development or evolution of alternate fuels, hybrid cars have made entry into the market.

Few global companies have setup R & D centers in India.
Major global players like Audi, BMW, Hyundai etc. have setup their manufacturing units in India.

2. SWOT analysis of Strengths Indian Automobile (Four Wheeler) Industry

**Strengths**

- Domestic Market is large
- Government provides monetary assistance for manufacturing units
- Sustainable labor cost advantage
- Competitive auto component vendor base
- Government incentives for manufacturing plants
- Strong engineering skills in design

**Weaknesses**

- Infrastructural setbacks
- Low productivity
- Too many taxes levied by government increase the cost of production
- Low investments in Research and Development
- High interest costs and high overheads make the production uncompetitive
- Various forms of taxes push up the cost of production
- Low investment in Research and Development
- Infrastructure bottlenecks

76. Different articles read on website, journals, reports and then prepared the gist for SWOT analysis
Opportunities

- Reduction in Excise duty
- Rural demand is rising
- Income level is at a constant increase
- Commercial vehicles: SC ban on overloading
- Heavy thrust on mining and construction activity
- Increase in the income level
- Cut in excise duties
- Rising rural demand

Threats

- Increasing rates of interest
- Too much competition
- Rising cost of raw materials
- Rising input costs
- Rising interest rates
- Cut throat competition

3. Five Forces Analysis of Indian Automobile (Four Wheeler) Industry

The threat of new entrants

- In most markets, the capital and expertise needed to setup an auto or parts manufacturing facility would be a great enough barrier to entry to prevent many new entrants from setting up.

- However, given India's incredible growth forecasts, infrastructure progress (especially new and better roads), and ever-expanding financing options to rural residents, the market is attractive. As such, we expect the threat of new entrants to be high.

- The barriers to enter automotive industry are substantial. For a new company, the startup capital required to establish manufacturing capacity to achieve minimum efficient scale is prohibitive.

77. Different articles read on website, journals, reports and then prepared the gist for Five Forces analysis
Although the barriers to new companies are substantial, establishing companies are entering the new markets through strategic partnerships or through buying out or merging with other companies. However, a domestic company, with local knowledge and expertise, has the potential to compete its home market against the global firms who are not well established there.

The bargaining power of buyers/customers

- Buyers in India have a wide variety of choice. There are more than 20 foreign manufacturers selling in India (including ultra-high-end such as Rolls-Royce and Lamborghini). Of course there are also a plethora of incredibly cheap choices, like the famous Tata Nano.
- In the relationship between the automotive industry and its ultimate consumers, the power axis is tipped in the consumers favor. This is due to the fairly standardized nature and the low switching costs associated with selecting from among competing brands.

The threat of substitute products

- India is famous for its two-wheelers (bikes and mopeds) and three-wheelers. These are very real and obvious threats to auto manufacturers.
- The threat of substitutes to the automotive industry is fairly mild. Numerous other forms of transportation are available, but none offer the utility, convenience, independence and value offered by automobiles. The switching cost associated with using a different mode of transportation, may be high in terms of personal time, convenience and utility.

The amount of bargaining power suppliers have

- It is likely that the suppliers to the manufacturers have considerable bargaining power. They are not held ransom by one single manufacturer as they can market their products to any of the others in India.
In the relationship between the industry and its suppliers, the power axis is tipped in industry's favor. The industry is comprised of powerful buyers who are generally able to dictate their terms to the suppliers.

**The amount of rivalry among competitors**

- The industry is not yet in its shake-out phase and is still struggling to find the up-and-coming stars and possibly topple the leaders.

- India's auto industry is much like China's, as far as Porter's Five Forces is concerned. Like China's, the P5F analysis ignores the massive future prospects which could indeed render this analysis irrelevant.

- Despite the high concentration ratio seen in the automotive sector, rivalry in the Indian auto sector is intense due to the entry of foreign companies in the market. The industry rivalry is extremely high with any being product being matched in a few months by the competitors. This instinct of the industry is primarily driven by technical capabilities acquired over years of gestation under the technical collaboration with international player.

### 4.2 (A – 5.1) Non-Financial Analysis of Indian Automobile (Four Wheeler) Companies

**1. SWOT Analysis of Tata Motors**

**Strengths**

- One of the leading companies in automobile industry with more than 70 years of experience. During this period it had produced more than 3 million vehicles which is huge achievement for the company.

- TATA motors has been expanding its business which is obviously require more workforce. Currently TATA motors employee base is 23,000 Approx.

78. Referred official website of Tata Motors and different articles read on website, journals, reports and then prepared the gist for SWOT analysis
- One of the strengths which is very visible in the industry and also beneficial for TATA motors revenue are low price vehicles and low fuel consumption.
- Due to TATA motors strong brand and quality vehicles it has good reputation in the industry.
- It is India largest automobile company with revenues of Rs. 35651.48 crores (USD 8.8 billion) in 2007-08.
- TATA motors is expanding its network in International market by aggressively acquiring foreign companies.
- TATA motors has been famous to introduce new vehicles, this is possible just because of the strong research and development.
- TATA motors also play active role in corporate and social responsibility.
- The internationalisation strategy so far has been to keep local managers in new acquisitions, and to only transplant a couple of senior managers from India into the new market. The benefit is that Tata has been able to exchange expertise. For example after the Daewoo acquisition the Indian company leaned work discipline and how to get the final product 'right first time.'
- The company has a strategy in place for the next stage of its expansion. Not only is it focusing upon new products and acquisitions, but it also has a programme of intensive management development in place in order to establish its leaders for tomorrow.
- The company has had a successful alliance with Italian mass producer Fiat since 2006. This has enhanced the product portfolio for Tata and Fiat in terms of production and knowledge exchange. For example, the Fiat Palio Style was launched by Tata in 2007, and the companies have an agreement to build a pick-up targeted at Central and South America.

**Weaknesses**

- Shareholders of TATA motors are not getting much from their investments due to low ROI on shares.
• The thing which customer not like about TATA motors vehicles is weak safety standards.
• Domestic sales are not impressive.
• TATA always followed the low cost advantage strategy although the other segments such as luxury car are still untapped.
• The company's passenger car products are based upon 3rd and 4th generation platforms, which put Tata Motors Limited at a disadvantage with competing car manufacturers.
• Despite buying the Jaguar and Land Rover brands (see opportunities below); Tata has not got a foothold in the luxury car segment in its domestic, Indian market. Is the brand associated with commercial vehicles and low-cost passenger cars to the extent that it has isolated itself from lucrative segments in a more aspiring India?
• One weakness which is often not recognised is that in English the word 'tat' means rubbish. Would the brand sensitive British consumer ever buy into such a brand? Maybe not, but they would buy into Fiat, Jaguar and Land Rover

**Opportunities**

• As it is low cost vehicle product so it can take the advantage of this strength to exploit the opportunity by entering into the third world countries.
• Incorporate safety features in the vehicles to gain more customer satisfaction and allow the safety cautious people to become the customer of TATA motors.
• Manufacturing luxury vehicles to attract corporate segment
• Joint venture and acquisition in other countries.
• In the summer of 2008 Tata Motor's announced that it had successfully purchased the Land Rover and Jaguar brands from Ford Motors for UK £2.3 million. Two of the World's luxury car brand have been added to its portfolio of brands, and will undoubtedly off the company the chance to market vehicles in the luxury segments.
• Tata Motors Limited acquired Daewoo Motor's Commercial vehicle business in 2004 for around USD $16 million.
• Nano is the cheapest car in the World - retailing at little more than a motorbike. Whilst the World is getting ready for greener alternatives to gas-guzzlers, is the Nano the answer in terms of concept or brand? Incidentally, the new Land Rover and Jaguar models will cost up to 85 times more than a standard Nano!

• The new global track platform is about to be launched from its Korean (previously Daewoo) plant. Again, at a time when the World is looking for environmentally friendly transport alternatives, is now the right time to move into this segment? The answer to this question (and the one above) is that new and emerging industrial nations such as India, South Korea and China will have a thirst for low-cost passenger and commercial vehicles. These are the opportunities. However the company has put in place a very proactive Corporate Social Responsibility (CSR) committee to address potential strategies that will make operations more sustainable.

• The range of Super Milo fuel efficient buses are powered by super-efficient, eco-friendly engines. The bus has optional organic clutch with booster assist and better air intakes that will reduce fuel consumption by up to 10%.

**Threats**

• The prices of material such as steel, plastic, rubber is rising which also raise the total production cost of vehicle.

• TATA motors has cost advantage over its competitors. If the competitors will follow the same strategy then it may reduce the sales of TATA motors.

• Low safety standards

• Fluctuation in the economic condition

• Rising prices of petrol, diesel and CNG

• Other competing car manufacturers have been in the passenger car business for 40, 50 or more years. Therefore Tata Motors Limited has to catch up in terms of quality and lean production.

• Sustainability and environmentalism could mean extra costs for this low-cost producer. This could impact its underpinning competitive advantage. Obviously, as Tata globalises and buys into other brands this problem could be alleviated.
Since the company has focused upon the commercial and small vehicle segments, it has left itself open to competition from overseas companies for the emerging Indian luxury segments. For example ICICI bank and DaimlerChrysler have invested in a new Pune-based plant which will build 5000 new Mercedes-Benz per annum. Other players developing luxury cars targeted at the Indian market include Ford, Honda and Toyota. In fact the entire Indian market has become a target for other global competitors including Maruti Udyog, General Motors, Ford and others.

Rising prices in the global economy could pose a threat to Tata Motors Limited on a couple of fronts. The price of steel and aluminium is increasing putting pressure on the costs of production. Many of Tata's products run on Diesel fuel which is becoming expensive globally and within its traditional home market.

2. SWOT Analysis of Mahindra & Mahindra Motors

Strengths

- Over the years the company has emerged as one of the top players in the world in terms of number of tractors sold. This gives a clear indication that the company’s market share is one of its biggest strengths.
- The company’s ability to introduce new products in the market and to generate sales
- Government incentives for manufacturing plants.
- Large domestic market

Weakness

- Infrastructure bottleneck
- High interest costs and high overheads make the production uncompetitive.

79. Referred official website of Mahindra Motors and different articles read on website, journals, reports and then prepared the gist for SWOT analysis
Study of Financial Performance Evaluation of Indian Companies

**Opportunities**

- Rising rural demand
- Increase in the income level
- Commercial vehicles: ban on overloading

**Threats**

- Rising input costs
- Cut throat competition