



## Multinational Companies look to **bolster their India Strategy**

In September last year, global management consulting firm, McKinsey & Company's CEO Bob Sternfels made a significant statement in an interview with a leading business publication. He said, **"It is not India's decade, it's India's century"**<sup>1</sup>. While talking about the company's plans for a disproportionate commitment to India, he opined that all key elements were in place for the country – a large working population, multinational companies reimagining global supply chains, and a country leapfrogging at digital scale - to achieve something special not just for the Indian economy, but potentially for the world.

McKinsey isn't the only MNC that is echoing such sentiments.

**India, with its demographic advantage, robust consumption trends, digital infrastructure, strong economic growth, supportive regulatory framework, and government incentives, has become a prime destination for MNCs.**

In recent years, as Western economies grapple with inflation, high interest rates, geopolitical tensions, and slowing growth, the Indian arms of MNCs have become key growth drivers for their overall financials. This is at a time when on a relative basis, the economic growth visibility is much better in India compared to other large economies. Not surprising then that they are looking at bolstering their India strategy.

From toothpaste and soaps to energy drinks, industrial automation, auto components, and advanced engineering solutions, among others, many of these multinational companies (MNCs) have firmly established themselves in the daily lives of Indian consumers. Some of them have been around in India for 40-90 years and deeply understand local demands having served Indian markets for decades.

### India: Top on global radar, but why?

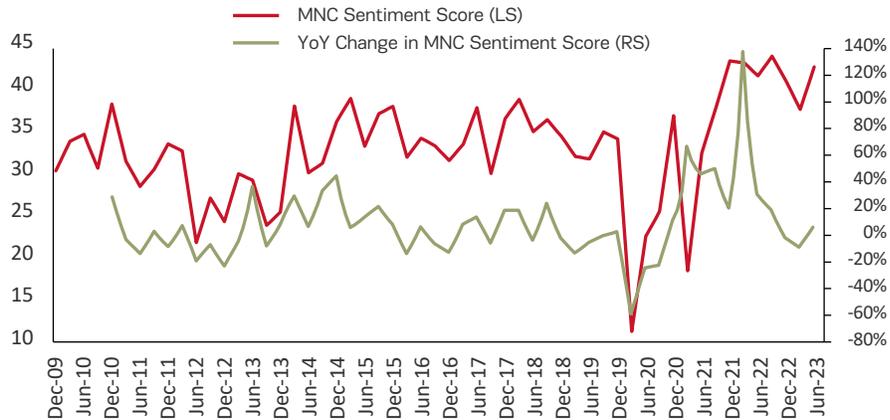
For context, let's look at what Roland Busch, Siemens AG's CEO told the Economic Times in an interview in April 2023<sup>2</sup>. Highlighting that India was its number one growth market, he said, **"We recently did our five-year planning and we looked into the markets and market growth. India is number one in terms of growth. So, therefore, we see a lot of momentum in the industrial, mobility, infrastructure and electrification space as India is very serious about driving renewables up. This is where we have a lot of business and local production"**.



**Chanchal Khandelwal**  
Fund Manager and Senior Analyst

The Morgan Stanley Global MNC Sentiment Index for India registered an impressive QoQ increase in the backdrop of a QoQ decline in China. The report indicates that the improving sentiment augurs well for India's capex cycle, balance of payments, corporate profits and share prices.

### MNC Sentiment Score and YoY Change

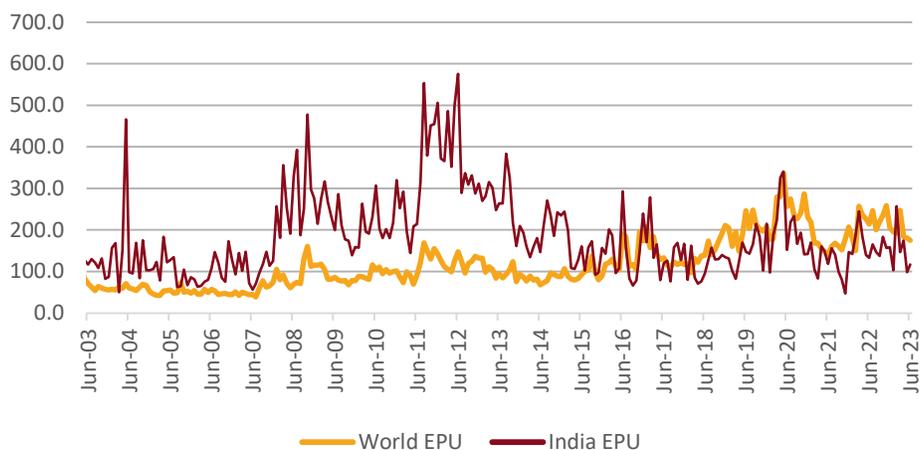


Source: Refinitiv, AlphaWise, Morgan Stanley Research

We recently heard Apple announce the beginning of production of its next-generation iPhone 15 in Tamil Nadu<sup>3</sup>. This is part of Apple's strategy to diversify its manufacturing base from China. Geopolitical tensions have led to a rethinking of global trade relationships and the risk of dependence on one particular country. India is positioned to have windfall gains from this shift to a multipolar world order.

### Economic Policy Uncertainty

(Indexed, Jan 2003=100)



India's economic policy uncertainty (EPU) has been lower than that globally, thus exhibiting confidence in the minds of global investors as well as allowing a conducive environment for capital expenditure (Source: Elara Capital)

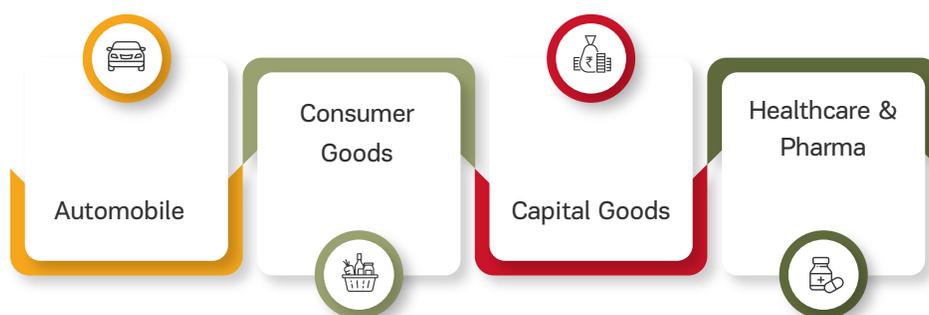
The 2023 G20 Summit hosted by India was a significant milestone for the country and was successful in exhibiting its stature and influence in the global arena. A Pew Research Center study of more than 30,000 people in 24 countries, including India, released before the summit found that 46% of respondents worldwide had a favourable view of India, while a large majority of Indians surveyed (68%) said India's global influence is getting stronger.

## Strong structural drivers adding necessary firepower

The country has multiple factors coming together to create a favourable investment climate. Let us look at the structural drivers that are making India look promising for MNCs.



These structural drivers augur well for sectors that can leverage them. Among various sectors that MNCs have a footprint in, we feel the following four sectors will draw significant focus.



India is a market of possibilities, and it isn't just urban India that is garnering attention, but established MNCs are also tapping into the consumption shifts in rural India. Leading carmaker Maruti Suzuki and one of the largest MNCs in India, Maruti Suzuki saw 44% of its August 2023 sales being driven by rural India<sup>4</sup>.

Nestle India's Chairman & MD Suresh Narayanan in a conversation with a leading media house<sup>5</sup> highlighted the phenomenon that has them excited, which is of rural India discovering their brands with a significant share of sales coming from outside the metros.

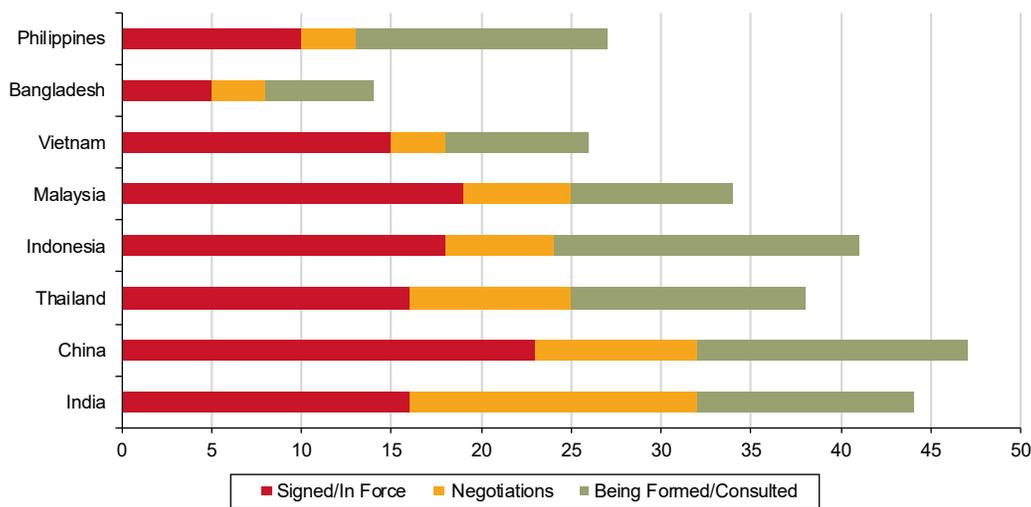
India's vision to achieve Net Zero Emissions by 2070<sup>6</sup> and proactive measures towards its long and short-term goals has MNCs take note. Cummins, an American multinational corporation that designs, manufactures, and distributes engines, filtration, and power generation products, has cited its plans to invest about \$1 billion into its India operations and hire 4,000 people over the next decade<sup>7</sup> as it prepares to switch from conventional fossil fuel engines to those propelled by hydrogen and other green energy options.

Global pharma company AstraZeneca has plans for 15 new launches in India between 2023-25. In an interview with Businessworld, their Country President, Sanjeev Panchal said<sup>8</sup> that India is an important market for them and they are also working on expanding the R&D footprint in India.

## Positive MNC sentiment could lead to a capex boom

A two-pronged growth engine is at work for large MNCs in India. One, they are able to cater to Indian consumption. And two, they have been able to build capacities to cater to the global population. This strategy will help MNCs in achieving the next phase of high growth.

As per a survey of MNCs by EY-CII done in 2022<sup>9</sup>, 71% of respondents plan to invest in India in the next 3-5 years. Free Trade Agreements (FTAs) to boost trade and create cross-border investment opportunities also find favour with MNCs, with 82% supporting trade initiatives. The survey notes that India has the potential to attract \$475 billion in FDI investments in the next five years and finds India attractive as an investment destination and emerging manufacturing hub for the global supply chain.



Source: Bernstein

India has large number of Free Trade Agreements (FTAs) in place, and many are under consultation or undergoing negotiations (Source: Bernstein)

According to media reports, top management consulting firms and Big Four companies are witnessing a surge in India entry strategy mandates as a fresh wave of multinational corporations are looking to establish a presence in the country<sup>10</sup>. The most important ingredient in profits is the rate of investment, writes Morgan Stanley in its MNC Sentiment Index. So, if the investment cycle revs up as a result of the improving MNC sentiment, one can expect higher capex and thus higher corporate profits and share prices. As per Capitaline data<sup>11</sup>, in the last 10 years (FY13 to FY22), the Nifty MNC's revenue growth (CAGR) has been 10.4%, while the Nifty 500 managed only 8.7%. In the same period, the Nifty MNC's profit growth was 12.5%, while that of the Nifty 500 was 10.7%. Over a 10-year timeframe, the Nifty MNC has outperformed the Nifty 50 TRI. Data as of August 31, 2023, taken from ACE MF shows that it has delivered 16.2% returns in the last 10 years, compared to 14.8% managed by the Nifty 50 TRI.

We believe this makes for a win-win ecosystem for both MNCs and India's economy and a long-term value-creation opportunity.

The views expressed in this article are for knowledge/information purpose only and is not a recommendation, offer or solicitation of business or to buy or sell any securities or to adopt any investment strategy. Aditya Birla Sun Life AMC Limited ("ABSLAMC") /Aditya Birla Sun Life Mutual Fund ("the Fund") is not guaranteeing/offering/ communicating any indicative yield/returns on investments. The sector(s)/stock(s)/issuer(s) mentioned do not constitute any research report/recommendation of the same and the Fund may or may not have any future position in these sector(s)/stock(s)/issuer(s). ABSLAMC has used information that is publicly available including information developed in house. Information gathered and material used in this document is believed to be from reliable sources. Further the opinions expressed and facts referred to in this document are subject to change without notice and ABSLAMC is under no obligation to update the same. Further, recipients of this report shall not copy/ reproduce/quote contents of this document, in part or in whole, or in any other manner whatsoever without prior and explicit written approval of ABSLAMC. Past performance may or may not be sustained in the future.

**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

## Sources:

- 1: [https://economictimes.indiatimes.com/news/economy/indicators/its-not-indias-decade-its-indias-century-says-mckinseys-bob-sternfels/articleshow/93937828.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/news/economy/indicators/its-not-indias-decade-its-indias-century-says-mckinseys-bob-sternfels/articleshow/93937828.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)
- 2: [https://economictimes.indiatimes.com/industry/indl-goods/svs/engineering/dont-see-slowdown-in-india-our-fastest-growing-market-roland-busch-siemens-ags-ceo/articleshow/99828870.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/industry/indl-goods/svs/engineering/dont-see-slowdown-in-india-our-fastest-growing-market-roland-busch-siemens-ags-ceo/articleshow/99828870.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)
- 3: <https://indianexpress.com/article/technology/tech-news-technology/apple-to-soon-begin-iphone-15-manufacturing-in-india-report-8895461/>
- 4: <https://www.autocarpro.in/news-national/rural-india-drives-44-of-maruti-suzukis-august-2023-sales-volumes-116599>
- 5: <https://economictimes.indiatimes.com/markets/expert-view/bharat-is-discovering-nestle-brands-there-is-secular-growth-sureshnarayanan/articleshow/102297445.cms?from=mdr>
- 6: Press Information Bureau of India
- 7: <https://m.economictimes.com/industry/renewables/engine-maker-cummins-to-invest-1-billion-in-india/articleshow/100974702.cms>
- 8: <https://bwhealthcareworld.businessworld.in/article/AstraZeneca-Striving-To-Bring-Innovative-Medicines-To-Fuel-Growth-In-India-Sanjeev-Panchal/14-09-2023-491247/>
- 9: [https://www.ey.com/en\\_in/tax/how-mnncs-would-drive-indias-vision-of-a-developed-nation](https://www.ey.com/en_in/tax/how-mnncs-would-drive-indias-vision-of-a-developed-nation)
- 10: [https://economictimes.indiatimes.com/news/company/corporate-trends/consulting-firms-see-surge-in-mnncs-eyeing-india-entry/articleshow/101708008.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/news/company/corporate-trends/consulting-firms-see-surge-in-mnncs-eyeing-india-entry/articleshow/101708008.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)
- 11: Growth rates upto FY22 considered, Average Profitability Margin % for 10 fiscal years from FY13 to FY22 considered. Data Excluding Vodafone.

## Additional

<https://www.investindia.gov.in/why-india>

<https://indianexpress.com/article/india/india-viewed-favourably-most-g20-members-modis-image-divided-survey-8916045/>