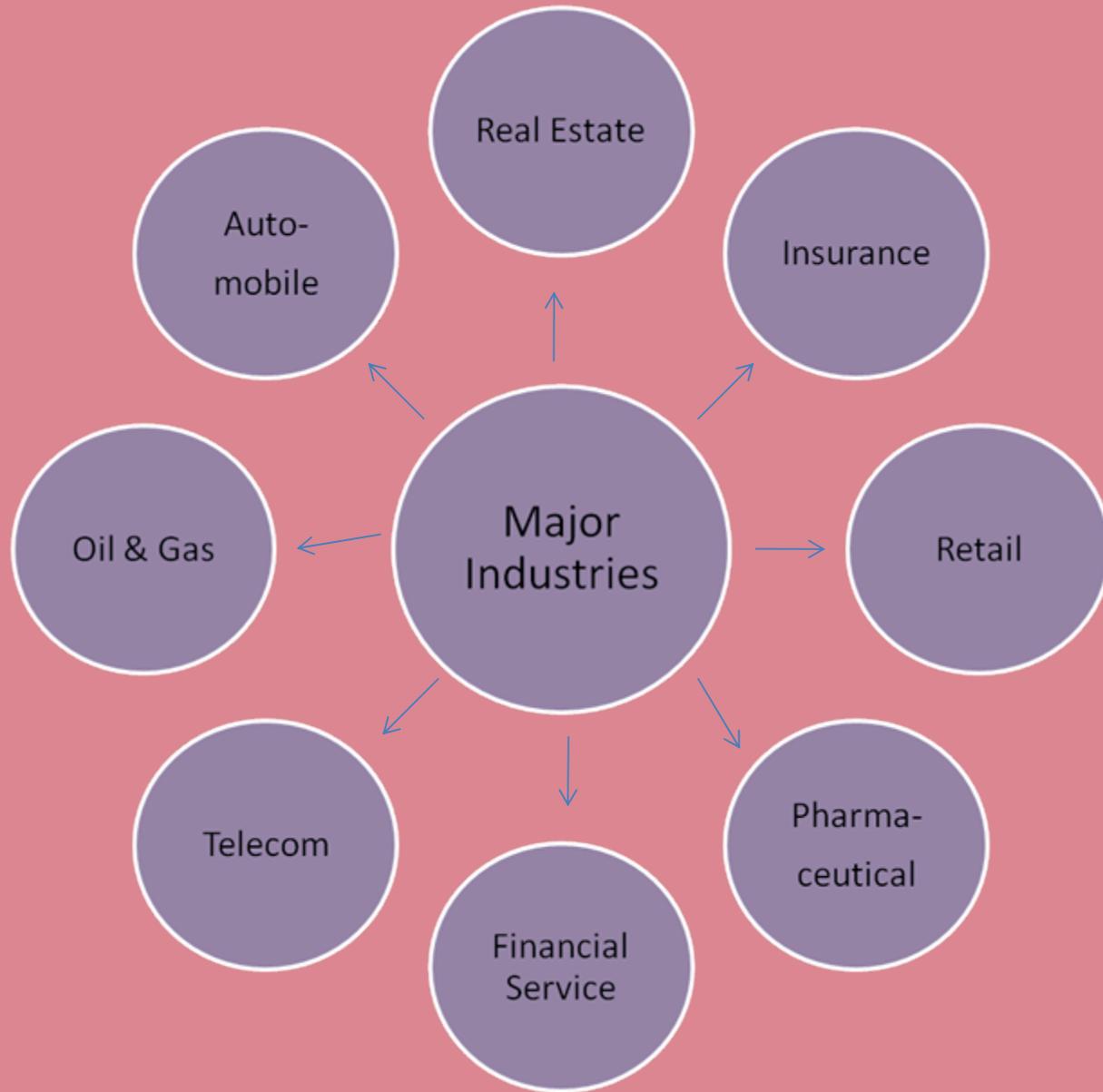




Industry-wise India Market Environment & Risk Analysis An Overview



MAJOR INDUSTRIES



Real Estate



REAL ESTATE

Business Environment and Key Risks:

- **Market and Competition:** Early information to attractive parcel of land to competitors, withdrawal of restriction on FDI Investment, low entry barriers and entry of new global players, small builders and contractors increase the overall business competition environment.
- **Land Reserves:** Fragmentation of original title of land or incapability in acquiring ownership title over large contiguous parcel of land in strategic locations may hamper the growth prospects.
- **Fraudulent transfer of Land:** Lack of due diligence review in acquisition of attorney and development rights which may effect the ownership title in respect of that land.
- **Time-consuming Approval:** Time consuming and circuitous procedures to obtain approvals from multiple agencies leads to project delays and affects marketability of projects.
- **Project Execution and Completion:** Dependent on third party entities to source land, provide market research, and to design, construct and sale of projects may delay the project execution and adverse impact on overall profitability and reputation.
- **Economy and Regulatory Environment:** Increase in inflation rates, economic depression in consumer disposable incomes, land ceiling regulation, amendment or introduction of revenue laws like Property Tax, Service Tax, FBT on construction contract may add to overall compliance cost.
- **Consumer Investment Capacity:** Increase in bank rates for housing loan and commercial property would reduce the demand of residential and commercial projects.
- **Location Analysis:** Ignorance of the factors like tastes and preference of customers, economic development of the location, the proximity of the land to civic amenities and urban infrastructure, the availability and competence of third parties such as architects, surveyors, engineers and contractors before initiating project in any region may effect the profitability of the project.

Insurance



INSURANCE

Business Environment and Key Risks:

- Investment Market and Economy: Downturns or disruptions in the amount invested due to volatility of domestic and international financial, bond and stock markets and extensive governmental regulation may erode organization profitability.
- Equity and economy research: Exposure of slow accumulation of funds for policy holders due to inefficient equity research of potential economy and companies for investments.
- Terrorist Attack and Nature calamities: Any kind of such activity may requires the company to make significant payment to the policy holder and distort the financial solvency.
- Regulatory Environment: Change in regulatory environment like taxability of the amount received under life insurance, restriction on investment of funds in to equity market and allocation of profits in to bonus for policy holders may influence the overall operations and profitability.
- Unorganized and Backward region market: Long gestation period in obtaining customer faith and footfalls in the market penetrated in the unorganized and backward region where in the customer are more obsessed for investment in the PSU like LIC of India.
- Estimation of future prospects: Incorrect estimation of the future prospects of the portfolio client, death rate, liquidity of investments, interest rate, inflation may result in to under or over calculation of the premium and cause a serious harm to financial solvency and reputation.
- Introduction of new product: Possibility of lesser profitability in design, development and offer of new products where in company may have no prior experience.

Retail



RETAIL

Business Environment and Key Risks:

- Market and Competition: Risk of survival and growth in such highly fragmented industry due to entry of new global player and stiff competition from small traditional formats of unorganized sector.
- Product spectrum: Retail in India is exposed to failure in meeting consumer demand having different culture, tastes and preferences.
- Design innovation: Efficient forecast, anticipate and respond to changing consumer preference and fashion trend is highly required.
- Infrastructure availability and national reach: Identification and acquisition of quality retail space on favourable terms is crucial requisite for increasing consumer base and brand marketing.
- Volatile consumer demands: Demand of wearing apparels is highly volatile and influenced by change in fashion and trend in domestic and global market.
- Inventory optimisation: Delay in supply, lack of quality or increase in price of fabrics may result in customer dissatisfaction.
- Shrinkage: Shoplifting by customers, pilferage by employees, errors in documents may affect the operations.
- Anticipating product demand: Overestimation and underestimation may result in outdated inventory or negatively impact franchisee relationships.
- Economy and Government: Change in consumer disposable incomes and restriction on FDI investment and government regulation under textile policy and SWMI Act expose the company's growth prospects.
- Cost overruns and product pricing: Intricacy in maintaining competitive prices with small competitors having low overhead, real estate cost and easy evasion of taxes.

Pharma



PHARMACEUTICALS

Business Environment and Key Risks:

- Regulatory and Certification in overseas market: Certification of manufacturing facilities from domestic and international medical authority to drive export in to the North America, Europe and Japan being the three largest market for pharmaceuticals.
- Expansion in developing economy: Free entry and exit makes competition in this industry very intensive and strict price control regulation on essential drugs decrease the lower margin.
- Cost effective chemical synthesis: Development of cost beneficial chemical synthesis for various drug molecules is indispensable to provides a wide variety of bulk drugs and exports sophisticated bulk drugs.
- Produce diversification development: Produces bulk drugs belonging to all major therapeutic groups under excellent 'good manufacturing practices' (GMP) compliant facilities for the production of different dosage forms is crucial to increase market share.
- Research and Development: Low investments in innovative R&D and lack of resources to compete with MNCs for New Drug Discovery Research and to commercialize molecules on a worldwide basis may disrupt the growth strategy.
- Quality controls and testing: Production of spurious and low quality drugs tarnishes the image of industry at home and abroad.
- Process or Product Patenting: Delay in applying of process or product patenting may expose in to development of product or process by competitors and disrupt the operations and profitability.
- Pricing Controls: Drug Price Control Order puts unrealistic ceilings on product prices and profitability and prevents pharmaceutical companies from generating investible surplus.

Financial



FINANCIAL SERVICE

Business Environment and Key Risks:

- Code of Conduct: Breach of code of conduct norms by client may hamper the company brand and operations.
- Selection of Portfolio: Lack of due diligence in identifying and planning of investment portfolio may disrupt the brand loyalty and customer dissatisfaction.
- High Regulatory Compliance: Stringent and draconian regulatory environment may result in to higher compliance cost and growth disruptions.
- Regular update for various changes: Ignorance of changes made in economic scenario, government regulation, fiscal and monetary policy, industry potentials in designing and managing portfolio may adversely effect the financial performance and revenue.
- Evaluation of Customer Credit: Non evaluation of the credit worthiness of customers may result in to financial losses due to bad debts.
- Conduct of business associates: Misconduct by employees or business associate may result in to financial losses and serious harm to reputation.
- Risks in dealing with derivative instruments: Leveraged position on the underlying assets, price and market volatility may cause in to financial losses in derivative dealing.
- Operations in Commodity Trading: Commodity market may be distorted due to lack of liquidity, congestion and limitation on deliverable supplies.
- Security Trading: Decline in business due to adverse economic and market conditions in the security industry.
- Technology Failure: Failure in the system control process or technology system may negatively influence the overall operations.

Telecom



TELECOM

Business Environment and Key Risks:

- **Extensive Government Regulation:** Telecom business is subject to extensive government regulation through various regulation authority, which could have an adverse effect.
- **Technical Failure and Natural Disaster:** Technical failure and natural disaster could damage the telecommunication network resulting into financial loss to the company.
- **Extensive Competition:** Telecom sector is a large competitive industry in India.
- **Change in Technology:** In order to remain competitive telecom companies introduce sophisticated new technologies. If new technology fails to be cost effective and accepted by customers ability to remain competitive could be effected.
- **Hire and Retention of skilled manpower:** Manpower is a key strength towards the growth of telecom companies.
- **Billing to customers:** Customers (Users) of telecom companies is billed according to their uses. It is very critical to make correct billing to the correct user, otherwise it can affect the goodwill of the company.
- **Infrastructure availability and national reach:** Identification and acquisition of telecom towers in required location is crucial requisite for increasing consumer base and brand marketing.
- **Customer Complaint Resolution:** Due to high number of customer base it is necessary to create large infrastructure to understand and resolve customers complaint.
- **Effective Advertisement:** Due to heavy competition its very necessary to select suitable and effective advertisement mode to advertise company business.

Oil and Gas



OIL & GAS

Business Environment and Key Risks:

- Decline in International Prices for Crude Oil: Declines in crude oil prices may adversely affect our revenues and profits, and substantial or extended declines will have a material adverse effect on company's results of operations, financial condition and liquidity, including ability to finance planned capital expenditure.
- Government Controlled Prices: Gas Prices are controlled by the Government of India, which limits the profitability of the business.
- Development of New Project: Development of new project contains various risk which can effect profitability of the company. Few risks are as follows: - Delay in commencement of production/ extraction, Substantial increase in project cost etc.
- Dependency on Others: Companies are outsourcing most of the field development work to the different contractors, and they are dependent on the performance of the contractors and other service providers.
- Competition: The oil and gas industry is extremely competitive.
- Exploration and Production Activities are Hazardous: Exploration of Oil & Gas involves a high degree of risk which, even with a combination of experience, knowledge, and careful evaluation, we may not be able to address.
- Shortage of Offshore Rigs: The oil and gas exploration and production industry in India has faced a shortage of offshore rigs in the recent past which adversely affect the business, financial condition and results of operations.

Auto



AUTOMOBILE

Business Environment and Key Risks:

- Climate Change Due to Global Warming : The increasing environmental pollution has become a concern for manufacturers and all associated with the industry. All of them are struggling hard to come up with a holistic and integrated approach to reduce carbon dioxide emission.
- Nurturing Talented Manpower: The major challenge which the Indian automotive industry is facing today is in attracting and nurturing talented manpower not only for the creation of better and reliable products but also for servicing and maintenance throughout the life cycle of the product.
- Cost Optimization Pressures: To sustain in the high competitive automobile industries companies are facing very high pressure on cost optimization of their products. Non optimization of product cost may effect the market share of the company.
- Increasing Customer Demands: Automobile products demand in Indian economy is very high. Companies are facing problem in fulfilling the customers demand with regular change in the specification.
- increased focus on customer satisfaction: To face the high competitive automobile companies are required to be more concerned on customer satisfaction.
- Flexibility of Products: Due to the regular change in customers demand development of products has to be more flexible in terms of up gradation.
- Needs to have a good R&D: Regular change in demand and high competition requires a high class R&D Department.

Thank You

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