Event Report
Exporting India:
Indian Companies Going Global

APRIL 6, 2007

On April 6, 2007, Columbia Business School's South Asia Business Association hosted a panel discussion on India's foreign investment activities. Moderated by Sree Sreenivasan, dean of students and associate professor of professional practice at Columbia University's School of Journalism, the panel consisted of P. R. Chandrasekar, CEO of Wipro for the Americas and Europe; Jack Freker, president and COO of Zenta; C. N. Madhusudan, president of NIIT Ventures; and Euan Rellie, partner and managing director at Business Development Asia, LLC.

"India Unleashed," the dramatic theme of the 2007 India Business Conference, aptly characterizes recent foreign investment by Indian firms. After all, the total value of foreign acquisitions by Indian companies has risen dramatically, from $2 billion in 2004 to $7.2 billion in 2006. In the first quarter of 2007 alone, Indian overseas mergers and acquisitions activity totaled $18 billion. As the *Economist* recently noted, "For proud Indians, nothing, except perhaps victory for their national cricket team, is as sweet as the sight of Indian companies marauding acquisitively across the globe. And marauding they are."

Several panelists found this recent turn of events remarkable. "Just a few short years ago, I was on panels talking about the infrastructure woes and some of the political challenges of outsourcing to India," said Jack Freker of Zenta, noting that while these concerns largely remain, the focus has shifted dramatically to India's aggressive overseas investment activity. "It's a sea change," he said. "The pace of change is enormous, and it's accelerating."

As but one example, Mr. Freker exclaimed, "Who would have ever thought that [Indian conglomerate] Tata would buy one of the largest steelmakers in the world," referring to the company's purchase earlier this year of the Corus Group, itself the product of a merger between two massive steel concerns, Koninklijke Hoogovens N.V. and British Steel plc, in the late 1990s. Tata is now the fifth-largest steelmaker in the world.

C. N. Madhusudan of NIIT Ventures characterized this change on personal grounds. Some of the companies that he approached as an investor in the past "were wary of me and seemed disinclined to see my company as a serious investor. Today, most companies look at you as a serious investor, and the word *India* has completely changed in terms of the weight and image that it has."

Mr. Madhusudan attributed part of the current expanding trend of Indian investment overseas to the country's economic turmoil of the 1990s. "The writing was on the wall: export or perish. We decided we needed an overseas presence," he said, noting that 50 percent of his firm's overall business is now generated outside India.

Three years ago, the Indian government facilitated this trend by loosening restrictions on Indian companies investing abroad. While Indian companies were formerly barred from investing more than $100 million in any overseas enterprise, they may now invest an amount up to the net worth of any overseas target acquisition.

Indian companies have wasted little time capitalizing on the expanded private sector opportunities facilitated by the liberalization of the Indian government's overseas investment policy. "We acquired six companies in the last 18 months in Europe and the United States," said P. R. Chandrasekar of Wipro. According to him, such an appetite for expansive overseas investment is not without risk of heartburn. "Going global means you face tremendous challenges with peoples, cultures and organizational structures," he said, noting that Wipro now has 67,000 employees across several continents.

"It's exciting to see the transformation of India's image on the global stage," said Euan Rellie of Business Development Asia, a corporate-finance and strategic-advisory firm. "Confidence and national ambition . . . are, of course, good things," he said, "but irrational exuberance and hubris are not." Mr. Rellie recounted the overseas investment activities of Japanese companies in the 1980s and Korean companies in the 1990s that "made some very expensive acquisitions, overpaying for trophy assets…that arguably could have been instrumental for downturns" in those countries. A recent *Business Week* article echoed his point: "Tata's Steep Price for Corus—The acquisition vaults the Indian company to No. 5 steelmaker in the world, but did it pay too much?"

Mr. Rellie continued:

> Remember the environment that we're in is, money is cheap, valuations are high and it would be very easy for Indian companies to overpay in a dash for growth. I really believe there is a spirit of competition among some of the captains of industry in India to go out and be bolder, make a bigger deal, be aggressive, and I think there's a fine line between going out and conquering the world and perhaps coming back with an injury or two. When I talk to American bankers, when they want to sell a business, the first companies on the list of potential buyers are Indian companies. Bankers are lining up to lend money to Indian corporations. The only worry is that those bankers will want to be paid back.

Despite his expressed concerns about ill-advised overseas investments, Mr. Rellie nonetheless expressed agreement with fellow panelist Mr. Freker on the following point: "Jack's right—the Indian juggernaut is just getting warmed up."

As a result, many Indian employers are finding it increasingly challenging both to retain well-qualified employees and to ensure that their employees' skill sets are competitive globally. Infosys, the Indian consulting and IT services giant, spends $65 of every $1,000 in revenue to train its employees, contrasted with just $6.56 for IBM, according to a recent *New York Times* article. Said Mr. Madhusudan, "There is big pressure to take the best talent you have and invest in training them. That's the only way you can survive."

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