

India



# Sourcing Newsletter

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## **M+V Marketing & Sales Private Limited**

### **Sourcing from India: how to go about it**

**More and more companies are looking at India as a sourcing location. After all, India has wide availability of raw materials, good quality manufactures, a high level of English and a lower cost structure than China. But how do you best go about sourcing from India?**

In the past decade, India has become a very important production centre in the world. The Indian government has invested heavily in the development of the industrial sector, as a result of which the Indian car industry, aerospace sector, defence industry, IT industry and pharmaceutical sector (think of vaccines) now produce for the entire world. India's exports have grown in recent years from USD 375 billion in 2010 to USD 529 billion in 2019. This growth rests on a few pillars: availability of raw materials, attractive labour costs, highly educated workforce, stable government, and supportive policies, advanced infrastructure and technology.

### **Convinced? Get started with sourcing from India**

#### **Step 1: Start with proper market research**

Many companies see India as a single country, but it is better to approach it as a continent like Europe. The various industries are often located in a specific cluster in a state where the best materials, infrastructure and personnel can be found for this specific sector. For example, the automobile industry has four major clusters, in Gujarat, near Chennai, Pune and New Delhi.

Don't focus too much on these clusters, but research all opportunities India has to offer. Sometimes, the options outside these clusters may be more cost-effective as wages tend to be lower in more rural areas. Once you have identified the locations that suit your needs, make a list of potential suppliers and manufacturers in these regions.

#### **Step 2: Evaluate potential producers**

To ensure the desired specifications and quality of your product, your potential supplier must have the right expertise and experience within your sector. In addition, you want to be sure that they work with your required quality systems, what their annual production output is and whether the supplier has enough experience with exporting the product.

#### **Step 3: Schedule a visit or call**

After evaluation, you choose the three to five best options from your list of potential candidates. With them, you go deeper into your requirements and the possibilities the manufacturer can offer you. It is advised to plan a visit to the facility or, if a visit is not possible, a video call to get an even better idea of the working methods and the quality of the products that are manufactured there. If you are satisfied, get a quote so that the price and conditions can be negotiated.

Please note that a factory in India usually looks different from what we are used to in Europe. This does not mean that the products delivered are of inferior quality. Often, factories in India are more simply furnished, for example there is no air conditioning, but the machine tools are of the same manufactures as in Europe.

#### **Step 4: Samples and quality control**

Once you have agreed on the price and conditions with the producer, samples can be made, contracts can be signed if the quality of these samples is up to par. Note that once you officially start buying from this supplier, it is still important that you have people available in India who can do yearly check-ups on the manufacturing process and quality of the products.



## Case Study: How a leading USA based Company Cut Costs & Margins by 20%

### Case Background

Our client is a leading UA based multinational company manufacturing cleaning products. In order to expand their operations in India and sell their products in the Indian market, they set up a subsidiary in Maharashtra around 6 years ago.

### Challenges Faced

There was a huge demand for cleaning machines in India but our client was not able to meet that demand.

One of the biggest challenges they were facing was the pricing of their products. Since their cleaning machines were designed and manufactured in the USA and then imported to India, they turned out to be very expensive for the Indian market. This led to a vast unmet demand and potential loss to our client.

That's when they reached us.

### Solution

We heard them out and got an understanding of their long-term business goals.

We came out with a solution that could minimize the costs of their products so they bag huge orders in the Indian market.

We understand the dynamics of the Indian market and we helped them build business partnerships in India to find good component suppliers. They hired 10 Indian engineers to redesign their cleaning machines and engaged a technical purchasing team in India to evaluate suppliers.

As a next step, they sent sample components from the shortlisted suppliers back to their US head office for quality control. As highlighted from the infographic, **M+V** recommends this essential step. Once the quality check was done at the head office, they finalized the suppliers. In early 2021 they began

assembling and 6 months later started shipping major components and parts back to head office. Today, they regularly ship containers to the US. Sourcing from India has helped them increase their margins because of approximately 20% cost saving on the components sourced in India.

### Conclusion

To get your sourcing right and reduce your workload it is advisable to hire a local consultant. Our experts have the know-how to guide your organisation smoothly through this process.



## Solutions for our customers

Strategic services for every step of growth in India



**MARKET EXPANSION CONSULTING**

- Competitor Analysis
- Product-Pricing Analysis
- Transfer & Product-Pricing Studies
- SVB Studies
- BIS Registration
- Digital Branding Strategy
- Sales Assessments
- Internationalisation
- Investments



**FINANCE ADMINISTRATION & CONSULTING**

- Administration
- Financial Compliance & Controlling
- GST Implementation
- Virtual CFO
- Financial Due Diligence
- IFRS & GAAP Reporting
- Sales Forecasting



**SUPPLY CHAIN MANAGEMENT & ADVISORY SUPPORT**

- Sourcing and Distribution
- Sales Order Management
- After Sales Service
- Manpower Study & Org. Design



**INTERIM MANAGEMENT & ADVISORY SUPPORT**

- Interim Management (CFO, CFO, CTO, CHRO, Legal Heads)
- Organisation Due Diligence
- Legal Due Diligence
- Financial Due Diligence



**HR ADMINISTRATION & ORGANISATION CONSULTING**

- Executive Search
- HR System Optimization
- Compensation Benchmarking
- HR Due Diligence
- Change Management
- Manpower study and Org Design
- Succession Planning



**IN-INDIA SOURCING SOLUTION**

- India wide search
- Evaluating suppliers
- Managing Quotes & Offer Phase - Project Monitoring & Control
- Supply Contract, Approvals & Licenses
- Delivery coordination - MIS & follow up



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