

# Business plan to launch valtec automation in india



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## **Introduction**

The main objective of this report is to propose a Business Plan to distribute and offer Automation Solutions for various kinds of Valves in Indian Market. The main motive behind pitching into this market is to tap the unending need for valves in various process industries, steel, chemical & Oil and Gas industries.

The report below has been sculpted out by considering the market conditions, intrinsic and extrinsic factors, environmental conditions and also the various business parameters. Based on the above and along with that basing my B. E. in Electronics & Instrumentation Engineering and three years of experience in a similar industry, a clear cut strategy has been jotted down to plan, organize, launch, monitor and control the business of “ Valtec-Automation” in Indian market.

## **Insight into Valves**

Valves form a very integral component in piping systems. The primary method of regulating and controlling pressure, direction and flow of fluids is accomplished with respective control valves. Depending on the scenario, a valve may be operated continuously e. g. control valves, or very rarely e. g. Safety Valves, or intermittently e. g. isolation valves. A valve can be very simple, low cost item or it may be very much complicated, costly item. In piping design the valves probably require more engineering effort than any other piping component

The forecasts convey that the demand for industrial valves globally would increase annually by 4. 4 percent through 2011, driven by an encouraging

indicator of growth in developing nations and a drift towards much more expensive automated valves and actuators in developed countries. India is one among the nations which would experience the fastest market gains.

## **Market Analysis**

### **Target Market**

The Indian market offers tremendous opportunities to foreign investors with one billion populations in hand. The investors could view massive growth and expansion here. Indian economy is growing at a faster rate compared to other nations. the major sectors like energy, environment, infrastructure, transportation with their increasing demand forces foreign investors to enter Indian market. India GDP has registered 6. 7% growth in the period 2008-09 but it has the capacity to sustain the growth rate of 8 to 10% in the nearing years. The current growth rate is apt for the investors.

### **Valve Market in India**

The valve industry is improving day by day. Manufacturers are using new technologies such as latest testing and manufacturing equipment. So demand for valves is seen in almost all areas, especially in core sectors of metal and mining, oil and gas, pharmaceuticals, drugs, food and beverages etc for de-bottlenecking , expansion of capacities and maintenance purposes. By using these technologies there is awesome improvement in the finishing of the valves and they are of good accuracy. the valves distributed by Valtec has smart positioners as control system. Moreover, it is made of low noise and low emission exotic materials.

The valve market is large enough to offer a wide variety of opportunities to all manufacturers irrespective of the kind of operations. The market, by and large, is shared by different manufacturers based on brand name, technology, manufacturing capacities and price competitiveness. Today India is a large producer of valves and it also plays a role in producing top class products of the world. The quality of valves produced in India is used by domestic users based on the service and application. However the large organisations present in key sectors opt for only best brands after a scrutiny of offers based on the application. The country also has small manufacturers who have their own niche markets. The growth in the valve industry is expected to continue at 7-8 per cent per annum. Due to India becoming competitive the growth in exports is expected to be 10-12 per cent per annum. Grabbing all these advantages of this market, Valtec would be pitching in to the valve market of India along with Valve Automation solutions. This is observed to be the right time to sweep away a large portion of this market segment.

## **VALVE EXPORTS OF INDIA**

Source : Exim Bank

## **MARKET SHARE OF DIFFERENT TYPES OF VALVES (Globally)**

Source: Exim Bank

### **Benefits of establishing in Indian market**

- For companies established in special economic zone several tax exemptions are made available

- IT companies have tax incentives
- Many countries are in double taxation treaties with India;
- A private company in India can be made with a minimum capital of INR 100, 000;
- Skilled employees are available at nominal rate.

## **Obstacles in Indian Market**

- Rigid and complex social framework
- Indian Bureaucracy
- Infrastructure issues

India is a nation with varied cultures and hence major changes in social structure are tedious to implement. However, the outlook is slowly changing and government is trying their level best to make effective changes. More Efforts are made to cut down on the red-tape. Poor road conditions and shortage of power supply are some of the infrastructural problems in India that needs to be resolved as quickly as possible. However, useful measures are adopted by the government in these areas as well to attract foreign investors to the country. Eight highways projects has been finalised that will need an investment of Rs 10k crore.

Hence, with the steps taken up to improve the situations, entry into the Indian market will no longer be a tedious process.

## **Business Analysis**

### **Type of Business entities in India**

- Private Limited Company
- Public Limited Company

- Unlimited Company
- Limited Liability Partnership (LLP)
- Partnership
- Sole Proprietorship
- Liaison Office/Representative Office
- Project Office
- Branch Office
- Joint Venture Company

## **Private Limited Company**

- Limitations of a private company
- The shareholders have only limited rights to transfer shares
- The maximum possible number of share holders is fifty
- The public is refrained from buying the shares.

## **Public Limited Company**

- Public company cannot be called a private company. The public company has its own limitations:
- The minimum number of share holders should be at least seven.
- A public company is not permitted to start business once the certificate of incorporation is approved. In order to start business as a corporation, trading certificate is a must.
- The company must file a statement in lieu of a prospectus before it can start transacting business.
- It should have minimum of at least three directors.
- Statutory meetings should be held and the management should be appointed based on approval from government.

## **Liaison Office/Representative Office**

A Liaison Office needs approval from the government of India. It plays an important role in collection of information, promotion of imports and exports and facilitate financial and technical collaborations.

## **Project Office**

Foreign companies can establish a temporary site or project offices to execute specific projects and activities related to it in India.

## **Branch Office**

Foreign companies who have involved themselves in activities related to manufacturing and trading goods abroad are allowed to open a branch office in India for many purposes such as import and export of goods, rendering consultancy services, to perform research work etc

## **Limited Liability Partnership (LLP)**

LLP is another corporate business element which provides the advantages of limited liability of a company but allows its members to organise their internal management as is the case of a partnership firm on the basis of a mutually-arrived agreement.

## **Valtec – As Sole Proprietorship**

The sole proprietorship is the oldest, simplest, and very common form of business entity. It implies that the business is fully owned by a single person. The owner and the business is considered as a single entity for all liabilities, taxation and legal liability. Taxation happens at individual level for business earnings and there is no means of escaping. Thus, legal claimants are

eligible for personal property of the proprietor and not simply the assets used in the business.

### **Advantages of a Sole Proprietorship:**

- Simple and low cost
- No filing or legal charter with the Government is required.
- Owner enjoys fullest control on decision making.
- Income goes directly into the pocket of the owner.
- Business profits are not taxed.
- Owner enjoys the privilege of dissolving the business at his/her discretion.

### **Disadvantages of the Sole Proprietorship:**

- The total capital available is limited which in turn limits the size of the business.
- Product liability lawsuit by a customer is not applicable against business
- Change in legal form of business is necessary in case of sharing of benefits of ownership other than profit
- Benefits of employees is not deducted or partly deducted from taxable income.
- the assets of the business go to his or her estate upon loss of life

### **Regulations:**

Registration is not required for sole proprietorship. Just an account in bank should be opened with the name and style that the owner wishes to work. VAT or Service tax registration needs to be applied as Chennai has its state



VAT and service tax registration regulations. The PAN of the owner will be the firm's PAN and the income tax returns will be filed in the personal name.

## **Typical Procedure to Establish Business in India**

Establishing a business in India requires certain period of time. This is because besides incorporation there are certain other formalities in establishing a business in India.

(Source: Types of Business Entities in India, <http://madaan.com/incorporate.htm> )

## **Business regulators**

### **Business Entry Factors**

There are many foreign companies who keep a watch on various opportunities in India. To enter the Indian market and to achieve something big they need to be careful regarding certain points. These include:

- Finding good partners who knows the in and out of local market as well with the procedural issues
- Smart planning
- Identifying the target market
- Promotion of products and services
- Contacting the appropriate agents and distributors

In addition to these, the foreign investors need to explore different market options available in India and frame a joint venture with an India-based company. It also includes establishment of a branch office.

## **Actual Plan**

Vision & Mission Statement: To evolve as a successful market leader in providing the cutting edge fluid flow control and automation solutions and maximize the growth and revenue in all possible ways.

## **Agenda:**

The new born “ Valtec Automation India Private Limited” will hit the market by procuring different type of valves from a specific list of valve manufacturers like RFLEExports, Peco Valves, Tyco, etc .., special actuators from Bettis and several automation equipments from local market on needs basis. Depending upon the customer and process requirements, a clear cut valve automation solution will be engineered by implementing the above mentioned components. Apart from these activities, Installation & commissioning of valves and accessories and maintenance & service jobs would also be rendered.

The target market would initially be Southern region of India and venturing into various process industries like steel, paper & pulp, sugar, cement, chemical, waste water treatment plants, petroleum refineries and others.

Valtec would be strategically Head Quartered in Chennai – Tamil Nadu, which would be a very apt place for carrying out business as it is very well equipped with a fantastic port, air freight, road ways and railways network.

Slowly our footprints would be made in other parts of India as well.

Long Term Plans – The material cost has a direct relation with respect to the cost of the valves. If the cost of any input increases then the cost of the

valve also automatically increases. Almost 60% of total cost of the valve depends on the material price. India has adequate foundries and the closure of foundries in west resulted in export demand. So Indian foundries are adding more capacity. This paves a clear path for Valtec to venture into foreign markets.

### **Valtec – An Organization:**

Principal Management – Carry a solid expertise, skills and training in Designing and Automation of Valve based solutions.

Possess a broad spectrum of know-how about the global valve automation market. Leadership – Possess substantial experience in key role such as managerial and Decision Making, Strategic Planning, Financial Planning, Controlling and other managerial roles.

Manpower – To start with, we would be operating with 10 staffs on board and later to triple the strength by the commencement of the next financial year.

Facilities & Infrastructure – All necessary tools and equipments that are required of carrying out this business would be brought in.

Inventory – Just in time principle would be adopted.

### **SWOT Analysis**

#### **Competitor Analysis**

With the development of petrochemical and chemical industries, the Valve Market in India is also experiencing a tremendous growth. Restructuring of power plants are under process in order to improve the efficiency in saving energy. Future investments in nuclear power generation are likely to

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generate substantial revenues for the total industrial valves and actuators market, creating numerous growth opportunities for market participants.

With around thousands of players, the competition in Industrial valve automation sector is very high. Lot of small domestic firms serves the niche market by manufacturing labour-intensive valves with fewer technicalities. These companies gain edge over others with its lower pricing. On the contrary, special valves and sophisticated actuators are being produced by many MNCs that generate majority of the revenue in market as they cater the high-end market. To have a good presence, participants in the industry are likely to go for acquisitions and mergers.

### **Steps to gain competitive advantage:**

As Indian Market is full of many players in Valves and Valve Automation sector, a

Understanding the increasing demand for robust valves that offer a great scope for automation and stable performance and catering these needs in a timely and technologically sound manner.

Also, the solution provided should be the best value for the money.

Investing time and money in research and development of new techniques in automation.

Pitching well into application of intelligent valves which can perform data processing, networking with computer-based control systems that can aid in optimization of the valve system management, perform self diagnosis, combined with embedded system, fieldbus, and computer-based controls.

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Proper understanding of the customer base in the market and also a clear cut analysis of the demand in different kind of process industries is very much vital to provide the best solution and also to stand out in the race.

By providing labour intensive valves with fewer technicalities, the niche market can be captured.

Also, after market service plays a very crucial role in gaining a competitive advantage.

Keeping abreast with the growing technology and constant innovation of the process.

## **Resources, Infrastructure & Manpower**

### **Manpower**

The workforce right from the bottom to the top in the hierarchical order will be absorbed from the Chennai market itself. Apart from the permanent payroll employees, separate team would be formed now and then on needs basis in order to carry out the on site activities like installation and commissioning activities. A first level technical team will comprise of 2 automation and design engineers with relevant work experience and skills. Under them a team of technicians, fitters and other skilled labour force to a maximum of 5 members would be recruited. Apart from these, a middle level management staff and a sales and marketing executive will also be recruited. Support staff like administration, accounts and human resource to be recruited on limited requirement. Sales and Finance department would initially come under the control of top management and in later expansion phases would be restructured.

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## **Raw Materials**

The raw materials will be procured depending on the project specification and design. And just in time procedure would be adopted for all the raw materials that are being procured. The basic myth behind this policy is that the requirement will be varying from client to client and project to project.

## **Infrastructure**

A warehouse cum shop floor for carrying out the automation activities and to stock inventory will be rented. All instruments, tools and basic amenities for carrying out all technical and assembling activities will be procured and listed as fixed assets. Office premises are all rented out in Dubai. The business sponsors are generally involved in the infrastructure to utilize the local knowledge and influence.

## **Financial Plan**

Financial Planning is a very crucial aspect that needs to be carried out well in advance. It's a process of meeting the goals via a proper management and control of the finance. The process of financial planning comprises few important steps which help taking a Big Picture look at the present position. These steps would help us figure out the current financial position, the cash flow or financial support required for a projected period of time and the position that needs to be achieved in a stipulated time period. Also, attention needs to be paid towards the Working Capital that is required for the day to day operations.

1. List down your Goals
2. List down Your Cash Flows and Cash Inflow

3. Understand and figure out your Risk-appetite
4. List down the financial goals.
5. Make sure your Goals are realistic
6. Make the Plan
7. Review and Take advice
8. Take Action and keep Reviewing

## **The Launch**

“ Valtec Automation”, the newly born company will is duly licensed and adhered to all sort of legal and business regulations of India. A deep, strong and rigid foundation gas been laid down in all possible spheres. All the basic business activities have been jotted down, an initial setup team has been made and the company is all set for kicking off.