INTERNATIONAL EXPANSION PLAN

Assignment taken:

Develop a Hiring & Incentive strategy for Human resources working on international expansion to enable a speedy growth.

Title:

International expansion solutions of Ramalingam Foods by KLS Consultants

Case understanding:

Mr. Ramalingam Venkatesh founded Ramalingam Foods in south Bombay in 1965, and it is known for its freshly cooked south Indian meals and filter coffee. The business is now trying to expand globally. As a result, they face a number of issues in this regard, including:

1) Employees may lack knowledge of the items supplied.

2)In a new international location, employees may struggle to comprehend the culture and tastes of the locals.

3)Hiring new personnel for a new overseas location is tough, and the company will face challenges as a result of reasons such as poor or insufficient capital, cultural differences, and other considerations.

BCS Solution:

The corporation intends to strongly penetrate the market, covering all vital aspects, with the 50 crore set aside for expansion. The company hopes to earn a revenue of 30 crores in the first year by exporting from Indian manufacturers to the five south Asian countries (Singapore, Myanmar, Indonesia, Thailand, and Malaysia) (from international markets). Manufacturing costs (10.5 crores) are the most expensive, followed by marketing and wage. The 30-crore revenue is expected to generate operational income of 6.3 crores and net income of 1.8 crores. Ramalingam Foods is allotted a 50-crore budget for expansion, and a reasonable allocation has been calculated. Factory and land are the most important investments in the allocation.

Solution:

Sales & Revenue:

The company expects to generate $30 million in sales in its first year from all five nations combined. This decision was made based on two factors: the existing production capacity of Indian companies and a penetration rate of 5-7 percent in international markets (the 5 countries). The monthly sales target rises from 28k units in April FY 2018-19 to 3.2 lakhs in March FY 2019-20. This is a monthly gain of 25%.

The costs of existing products have remained unchanged, owing to the fact that these countries' living levels are identical to those of India. Because the export expenses are not prohibitively high, there is no need to raise the mark-up on existing products. The prices of these items will be a bit higher than the existing products:

- 200 grams- Rs. 111
- 500 grams- Rs. 249
- 1000 grams Rs. 486

Product Categories	Name	Weight	Price
1	North Indian dishes Instant Mix	200 Gms	89
2	North Indian dishes Instant Mix	500 Gms	199
3	North Indian dishes Instant Mix	1000 Gms	389
4	Desert Mixes	200 Gms	110
5	Desert Mixes	500 Gms	249
6	Desert Mixes	1000 Gms	499
7	Chutney Powder	200 Gms	75
8	Chutney Powder	500 Gms	199
9	Chutney Powder	1000 Gms	329
10	South Indian Instant Mix	200 Gms	89
11	South Indian Instant Mix	500 Gms	199
12	South Indian Instant Mix	1000 Gms	389
13	Instant Coffee Mix	200 Gms	149
14	Country Specific 1	200 Gms	111
15	Country Specific 1	500 Gms	249
16	Country Specific 1	1000 Gms	486
17	Country Specific 2	200 Gms	111

18	Country Specific 3	500 Gms	249
19	Country Specific 4	1000 Gms	486

Revenue from product type as a percentage of total revenue:
We plan to market the existing product line, with those products accounting for 90% of revenue and the newly announced country-specific products accounting for 10%. South Indian meals will account for around 40% of the present items, while the north Indian mix will account for 30%. The information is listed in the table below.

Product Type	Revenue Percentage
North Indian dishes Instant Mix	30%
Desert Mixes	10%
Chutney Powder	7.5%
South Indian Instant Mix	40%
Instant Coffee Mix	2.5%
Country-Specific	10%

Country-wise split of Revenue Estimate

The 5 chosen countries for expansion differ on factors such as the size of customer target and standards of living.

Country	**Population of Indians**	**Country-wise projected Revenue**	**Revenue compared to total revenue**
Singapore	5.1	2.59762309	8.658743633
Myanmar	29	14.77079796	49.23599321
Indonesia	2.3	1.17147708	3.904923599
Thailand	2.5	1.273344652	4.244482173
Malaysia	20	10.18675722	33.95585739
Total	**58.9**	**30**	**100**

Sales Target for FY'19-20

From the above revenue projections, a sales target (quantity) has been made. Here the main assumption is that 200 grams, 500 grams and 1000 grams are sold in the ratio of **2:2:1.** This assumption is based on the notion that people tend to buy smaller packets more. The sales targets are made using size of target consumers in each country. A 25% monthly growth has been projected based on a 5-7% penetration in the markets.

FY'19-20	Sales Target
April	29224
May	36530
June	45662
July	57078
August	71347
September	89184
October	111480
November	139350
December	174187
January	217734
February	272168
March	340210
Total	**1584153**

Running Expenses

Manufacturing costs

This cost includes the cost of raw materials as well as the ongoing maintenance of factory machinery. Current factory production will be enhanced (if factory utilisation can be increased) and additional quantities will be produced for export. As a result, this cost may be properly estimated because the corporation has previous manufacturing data. The growth of staff and machinery in each factory might help to attain better economies of scale.

Salaries in Human Resources

Each corporate office in each of the five cities employs five people. The office manager will be paid 70K per month, while the rest of the staff will be paid 60K. This figure was calculated by factoring in the cost of living in these countries. The salaries were determined by taking into account the countries' purchasing power parities (PPP). Malaysia, Thailand, and Indonesia are all countries in Southeast Asia. Singapore and Indonesia have PPPs that are very similar to India's. This indicates that the cost of living in these countries is nearly the same as in India, and hence the salaries appear reasonable. Singapore, on the other hand, is an outlier, as evidenced by the employees that work there.

Expenses for marketing and advertising

Traditional and digital marketing tactics will be used in the marketing. Because the target clients will be unfamiliar with the brand, marketing and advertising costs are projected to be greater. Because the company is a new entrant in the worldwide market, even a 5% market penetration requires a good expenditure. With a sales objective of around 30 crores, the marketing, advertising, and promotion expenditure is set at 4.5 crores (15 percent of revenue).

Expenses for export and operations
The export agent and distributors will be compensated for the costs of export and transportation. Because the company will not have factory output for the first year, a full-time logistics workforce is not required. If necessary, we can engage hourly labour in international nations. This will be less expensive than hiring a full-time logistics and operations team.

Legal Costs- Licenses and Tax
There are various one-time costs for permissions such as;

- IEC Import-export code,
- FSSAI License,
- NOC Certificate,
- RCMC (Registration cum membership certificate)

Permission for corporate offices and trade in the 5 countries also include approval from;

- Singapore-accounting and corporate regulatory authority (ACRA)
- Malaysia-Suruhanjaya Syarikat Malaysia (SSM)
- Thailand Ministry of commerce
- Directorate of Investment and Company Administration (DICA)
- Indonesia Investment Coordinating Board

Other Expenses
IT Front
Investment on IT is essential since data management and IT solutions have proven to be game changers in cost optimisation. Being a large company with expansion to 5 different countries, big data analytics and latest IT software/systems are prioritised. The table below shows the expenses for IT Department.

Department	Name of Software	Total Price
	AI based servers (Microsoft Azure)	1,26,380
	Hadoop	8,52,000
	Mobile App and Website Designing	10,00,000
Business Expansion and Marketing	Cloud based ERP	2,62,487
Finance Department	Financial Management Software	11,36,000
HR	HR Cloud	1,01,672
Business Advisory	Cloud Based Transport Management System	1,50,000

Rent and other HR Costs:

The 5 corporate office will have monthly rent payments which are converted into rupees using the currency exchange rates. As done for wages, Singapore is taken to have a higher rental charge. Sufficient funds based on average rent for working space is used to allocate budget. Hr costs for hiring and incentives also have an amount of 20 lakhs kept aside.

Miscellaneous and Overheads:

A 5% overhead and miscellaneous expense on revenue is accounted for since the company is expanding into new markets and there are uncertainties in expenses. Besides, a manufacturing plant can have other expenses and supply chain intricacies may also add to the miscellaneous costs.

Operating and net Income

An operating income (operating Revenue of 30 crores - operating cost of 23.7) or EBITA (Earnings Before Interest, tax and amortization) of **6.3 Crores** is projected. The net income (operating income - tax of 4.5 crores) of **1.8 crores** is estimated. Note that these figures are derived by taking costs on the higher side (Conservatism principle of accounting). The profit is expected to go up considering that factories will be setup in these countries and economies of scale can be achieved in the coming years.

50 crores Budget allotment

Investment	Budget allocation (in crores)
Working Capital	10
Marketing	4.5
R&D	5
Land and factory	20
VC Investment	7.5
Machinery	3
Total	**50**

Conclusion:

In the calculations above, certain assumptions were made, which are indicated alongside. The expansion process for Ramalingam Foods can be made easier with a detailed accounting of predicted revenue and costs. The 50-crore budget allocation was made after examining all of the important components of growth in this business.