

PATANJALI AYURVED LIMITED

This is a proposed action plan for Patanjali to cash in on the untapped potential in the wellness sector in India

Finalist – ***Metamorphosis competition***
Vista Business Fest 2015
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Tejas is proud to present the award-winning articles of its flagship whitepaper competition ***Metamorphosis***, conducted during IIMB's 3-day business fest ***Vista*** (2015). Tejas congratulates the winning teams for their outstanding performance and thanks all participants for their dedicated efforts.

The *Metamorphosis* challenge: The vision of '*Make In India*' is holistic development in infrastructure, manufacturing, renewable energy, and other key sectors. Large conglomerates are in a position to provide strategic impetus to drive domestic growth, as they have huge capital outlay and managerial talent. At '*Metamorphosis*', Tejas challenges participants to develop expansion and diversification strategies for a specific company, by capitalizing on *Make in India* initiatives. The strategy should consider regulatory framework, government involvement and subsidies, resource outlay, and potential challenges in implementation.

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STRATEGIC PLANNING FOR PATANJALI UNDER “MAKE IN INDIA”

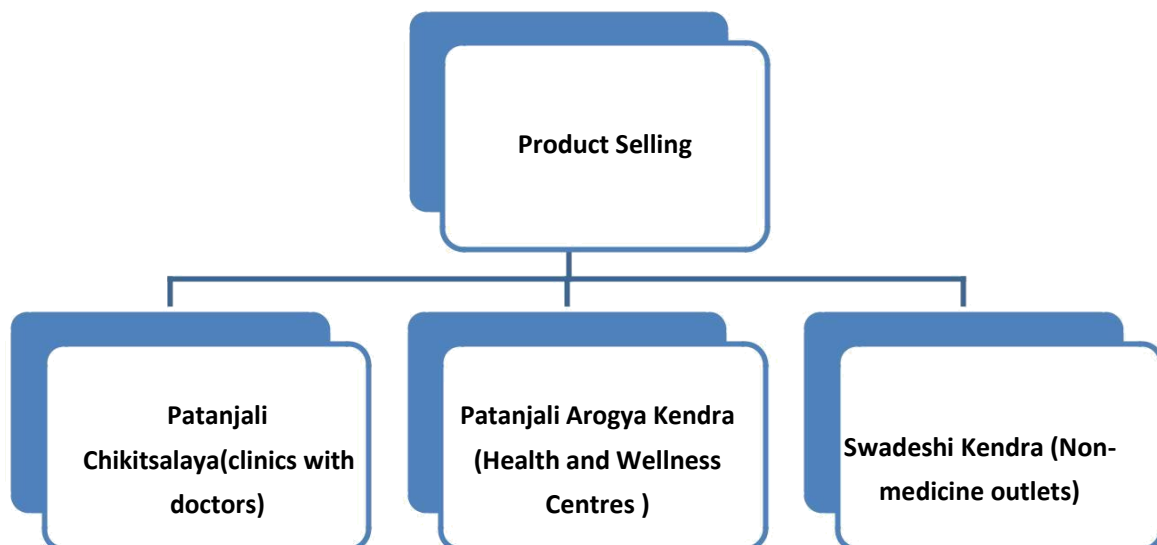
COMPANY ANALYSIS: PATANJALI

In the present scenario, the market of ‘Wellness Industry’ in India is less than 2% as compared to the international market. There are untapped opportunities in the wellness industry because of which the government has given special focus on this sector in the ‘Make in India’ campaign. Active involvement from private and public players can create huge impact and buzz in the global market. The motives are the expansion and spreading the awareness and usability.

Patanjali Ayurveda is maker of ayurvedic consumer products and is one of the fastest growing consumer companies in India. The company was formed by Baba Ramdev in 1997 in collaboration with Acharya Balkrishna (scholar of Ayurveda, Sanskrit and Vedas) to manufacture ayurvedic medicines. Ramdev has focused on Yoga while Balkrishna is spreading and channelizing Ayurvedic products.

The company provides a bunch of products and services which revolves around the consumer needs. Providing them high-quality products at attractive prices is the USP. It has become a household name. The company sources raw materials directly from farmers to cut middlemen cost for increasing profits.

Products are sold through three types of medical centres:



Patanjali operates multiple SewaKendras to offer facilities of free consultations and yoga lessons and has 5,000 franchised stores. Patanjali’s value proposition and it’s positioning is in the gap where consumers are not sure about the benefits of the current FMCG products.

The company has marketed its products through unique word of mouth (free yoga classes) publicity model thus the entire revenue is generated without advertisement.

REGULATORY FRAMEWORK

The Indian System of Medicine (ISM) like Ayurveda, Homoeopathy, Siddha, Unani, Yoga and Naturopathy has been assured to provide budgetary and incentives support by the government. Since, Patanjali operates under AYUSH, the government regulatory framework has:

1. **Preservation of Intellectual Property Rights**: The wealth of knowledge on formulations and medicinal use of plants which are available in ancient Indian texts have attracted foreign interest. Patenting them claiming as innovations, though these already available in the public domain so cannot be patented.
2. **Central Council for Health and Family Welfare (1999)**: At least one physician from the Indian Systems of Medicine & Homoeopathy (ISM & H) should be available in every primary healthcare centre and the vacancies caused by the unavailability of allopathic Doctor should be filled by ISM & H physicians.
3. **Indian Medicines Central Council Act (1970) and Homoeopathy Central Council Act (1973)**: 5.5 years Under-Graduate course and 3 years Post-Graduate qualification. Also, provisions for adequate clinical exposure and internship for students.

SUBSIDIES AND BENEFITS

1. The Ministry of AYUSH (Ayurvedic, Yoga, Naturopathy, Unani, Siddha and Homeopathy) has received Rs.1214 crore in budget 2015-2016. Government's intent to foster growth in this sector is very well evident. The areas to be covered in subsidising the sector are:
2. Developing the AYUSH educational Institutes and enforcing extensive quality control practices in the sector.
3. Focussing on Information, Education and Communication by creating awareness through "Arogya Fairs", exhibitions and also multimedia and print media campaigns.
4. Conservation, Development and Sustainable Management of medicinal plants.
5. The Centre of Excellence establishment supporting innovation at public and private Institutions.

6. Implementation of Central Sector Grant-in Aid Scheme for promotion of AYUSH Intervention. 3years for implementation with maximum Rs1.50 crore provided to the grantee organization.

Patanjali receives subsidy as part of “Mega Food Park” scheme which is aimed at raising the processing of perishables in the country from existing 6% to 20% building share from 1.5% to 3% in global food trade by year 2015.

Some essentials of the scheme are:

1. Providing infrastructure to food processing on predetermined basis
2. Value addition to agricultural commodities to be ensured
3. Establishing sustainable raw material supply chain
4. Inducing of latest technology in the sector
5. Pooling of resources for activities complementing food processing
6. Quality assurance by process control, capacity building and optimization

Patanjali has prospects of getting subsidies which the Government is offering for growth of AAYUSH sector.

PROPOSED DIVERSIFICATION

Reaching Rs. 10,000 crore revenue by offering quality service and multiple product lines is the projection of Patanjali Ayurveda. Diversification in product and geographical reach should be opted. Cost and risk associated with doing business largely depends on political stability and economical advancements in the foreign markets. Also, commitment of significant resources is required for entering a market. Taking these two into consideration, Patanjali should tap Asian market of developing and under-developed countries for its products. Initially, exporting the product avoiding substantial cost of manufacturing should be taken up. Building slowly, achieving the experiential curve for the product success and hence becoming familiar with the market is the strategy which should be implemented. Depending upon the success, the mode can be changed to longer term commitment of joint ventures. Also, standardization of product constituents is a must with localization of packaging for the business to prosper.

Yoga and naturopathy being an important part of wellness is a major business of Patanjali. Targeting developed countries with the service that will ensure not just physical fitness but also overall well-being. To expand in this market, recommendation of joint venture will be the best fit and Patanjali does not lose over its core competence.

IMPLEMENTATION STRATEGIES

The brand needs to frame and practice rigorous implementation framework to touch upon various developmental aspects:

1. Firstly, encouraging Research and Development will inculcate and promote the tradition of Ayurvedic medicines and herbal formulations. Standardization should be encouraged at this platform as constituents of products must be uniform.
2. Training human resources in production units and service centres. Production units must have experts for quality products. The Service Centres (yoga centres, Ayurvedic spa, studios, etc.) should have qualified professionals to serve the customers.
3. Identifying issues related to exports by knowing the target market and segment to be catered in that market. Simplifying the export process coupled with durable packaging.
4. Establishing of an authority to check authentication and quality of products before export. Safety measures should be practiced during the production and packaging.
5. Having registrations with various regulatory authorities in the country and abroad to run the business smoothly.
6. Preservation of Intellectual Property Rights becomes critical with the products and services being exported to foreign countries.
7. Infrastructure improvisation by bringing in new technologies at factory outlays, equipment's manufacturing and service offering.
8. Getting the products and medicines ISO 9000 certified to export to major international markets.
9. Opening of new centres in areas like north-east. Enforcing R&D and infrastructure in areas rich in flora and fauna of ayurvedic importance.
10. Medical tourism can be uplifted in collaboration with the hospitality industry
11. Building over all awareness by using promotional mix. Presently, it is word of mouth promotion.

IMPACT ON GOVERNMENT SUPPORT

Increasing the share from 2-4% to 10% of the National Health Budget towards the sector to improvise infrastructure, opening of Kendras, etc. To provide fiscal incentives and tax concessions will further boost the industry by increasing viability and competitiveness.

1. The laws governing the sectors will need to be re-enacted as an impact for growing medicinal plants, manufacturing products and exports happening in this arena.
2. Getting cooperation from sectors like Department of Culture, CII, ASSOCHAM, FICCI.
3. The government needs to have new legislation covering food supplements and nutraceuticals. The licensing of these is required.

POTENTIAL CHALLENGES

The company can face impeding challenges in future. Some of the budding challenges are:

1. Proper amount of training and skilled labour will be required to overcome constraints that the industry has as a whole.
2. Promoting products in the international market because of improperly strategized channels of doing business in the foreign market.
3. Determination of degree of localization is not clear and hence requires a lot of research for various markets.
4. With growth becoming prominent lack of IT knowledge, trust, capital access, research and innovation will become indispensably important.
5. ISM&H uses plant materials extensively for preparation of their drugs. Although 8000 plants are stated to have medicinal properties, only 500 of them are generally used. So the resource exploitation is inappropriate.

MODE OF FOREIGN DIRECT INVESTMENT

Presently, 92% stake in the company is owned by Balakrishnan and 8% of it is held by a couple in UK. Opting for joint venture is the mode of FDI with Limited Liability Partnership. Bringing capital investment in infrastructure and machinery by the foreign counterpart should be practiced. Also, encouraging investments by importing expertise for refinement of technology in operations of Patanjali should be taken-up.

Well-established channels of partners should be used by Patanjali in the host countries for distribution, sales promotion and eventually sales. The collaborating firm will also be responsible for localization (international look appealing) and upselling of the products resulting in creation of brand equity.

This partnering will also enable realization of time to enter the international markets, pricing strategies and promotional mix for products and services. Ultimately, there will be introduction of brand which will be enhanced with time.