

Make in India: Challenge is to make manufacturing fashionable

A discussion organized by Mint in the presence of Indian and global company executives highlights the positives of PM Narendra Modi's initiative



Left to Right: John G. Rice, vice-chairman, General Electric Co., Gautam Thapar, founder and chairman, Avantha Group, Ravi Uppal, MD and CEO, Jindal Steel and Power, Aditya Ghosh, president and executive director, Indigo, D. Shivakumar, chairman and CEO (India region), PepsiCo, Amitabh Kant, secretary, DIPP and Vipin Sondhi, MD and CEO, JCB India. Photos: Ramesh Pathania/Mint

New Delhi: Prime Minister **Narendra Modi's** ambitious 'Make in India' programme to push local manufacturing has clearly found a number of supporters. A discussion organized by *Mint* in the presence of Indian and global company executives highlighted the positives of Modi's initiative. Participants spoke about aspects of manufacturing that need special attention from the government.

Participants in the discussion, moderated by *Mint* editor Sukumar Ranganathan, were **John G. Rice**, vice-chairman of **General Electric Co. (GE)** and president and chief executive officer (CEO) of GE Global Growth and Operations; **Gautam Thapar**, founder and chairman of the Avantha Group; **Ravi Uppal**, managing director and group CEO of **Jindal Steel and Power Ltd**; **Vipin Sondhi**, managing director and CEO of **JCB India Ltd**; **Aditya Ghosh**, president and executive director at **IndiGo**, run by **InterGlobe Aviation Ltd**; **D. Shivakumar**, chairman and CEO (India region) of **PepsiCo Inc.**; **Amitabh Kant**, secretary in the department of industrial policy and promotion; and **Rajiv Verma**, CEO, **HT Media Ltd**. Edited excerpts:

Why do you think it is the right time to make in India?

Rice: When we make a decision like we made to invest in Pune, I think there are two factors. One is we want to be able to compete more effectively in the local market. So, we really want that facility make us more competitive in terms of costs, service and delivery and everything else. But the other thing is, we don't do anything in a country like India just for the local market. We export 50% of what we produce in Pune. So, you are a part of this global supply chain almost from day one even if you are doing stuff in Pune.

Are you able to make competitively in India for the rest of the world?

Rice: Absolutely. We wouldn't do it here if we could not. I think that when you set up a facility like this, there is a focus on the number of jobs, the attention goes to what we start with. The real draw from my perspective, if you are the government, is what could this be in 5 years or 10 years because once you have it started, the quality of what you do and your ability to attract and retain good workers is going to determine how big the facility can be. We have had great success with phase I and we are already working on phase II and we have had strategic discussions with companies to look at how we can expand the facility. We built phase I and then we got land with a clear intent to expand.

JCB never had complaints. It means you have negotiated this landscape fairly well. Tell us a bit about that.

Sondhi: We came in as early as 1979 when infrastructure was not even part of the dialogue in the country. So, one thing is clear that you have to stay the course and stay through its ups and downs because India will deliver. So, anybody coming in for manufacturing should not look for 2-3 years, it's got to be longer. The second thing, very clearly, is if you approach with a plan to the bureaucracy and stay true to what that plan is, I think there is a response. There may be a delay but there is a response. Also, states compete with each other. One state does it, other wants to replicate that.

We get the sense that a lot of these doing business constraints are going to be addressed at the state level. Is there a broader legislative framework that we would have, which will help facilitate making in India?

Kant: I think the central government has set the trend. It has started scrapping the number of rules and procedures. It has done a lot of business process re-engineering. It has done away with a lot of human intervention and I think that's what central government will continue to do in the next couple of months. The real challenge is to spread this radical change to the state governments. To my mind, you really need 10-12 champions in the state. They really have to drive out and ease of doing business is key to continued sustained growth of India at 9-10% over a long period of time. The government has opened up in a vast range of areas such as defence, railways, construction, etc. So, I think the central government has really done its bit and it needs to carry it in a much bigger law by bringing in greater changes in the labour laws, land laws.

Contrast this with your experience in other countries.

Rice: I think some of the same points apply. If I look at China, Brazil and the other BRICs, they need to focus on efficiency, speed and making it easier for things to happen. There are so many factors that go into competitive landscape. I think the challenge for a big country like India is not just to benchmark itself against Gujarat but may be with Singapore or Hong Kong. What's best-in-class globally because FDI (foreign direct investment) will end up gravitating towards places where investors could expect reasonable risk-adjusted returns and transparency and speed as an advantage.

What do you think really needs to be done to make manufacturing in India really competitive, create jobs and create an export base?

Thapar: If I look at my pulp and paper business, within the Indian firmament, it's extremely competitive. But the competitiveness is not built on resource capabilities and it's built on deliveries, supply, customer understanding and things like that. If I look at the engineering business, we have been in the reverse globalization process. It's an Indian company trying to globalize itself. We are manufacturing in 18 countries around the world. If I look at the strength of Indian manufacturing and reverse globalization, I only look at export performance as a company. From `250 crore a year three years ago, we will cross `1,000 crore this year. So, one of the things that we find out here, especially in some of the areas, are customers who will drive your business forward by way of asking for technology, by asking for best-in-class improvement. We find a lot of that outside of India. So, at one level, you don't have a driver out here.

Second, India has not taken a stand that we want to be an exporting country of the world as opposed to what China did in the 1980s. The FDIs won't drive your growth. You need domestic investments to come up and that's where small and medium enterprises, in my opinion, suffer the most. How easy is it for them to get going? That's where the real challenge lies.

Does this Make in India initiative have something for those entrepreneurs in the MSME (micro, small and medium enterprises) sector?

Kant: I think the key challenge is to create jobs through manufacturing sector and, therefore, the focus has to be on the labour-intensive sectors such as food processing, textile, leather, etc. We have had very antiquated labour laws, you need to radically overhaul them. If the country needs to grow at 9-10%, if you want to talk about 100 million jobs by 2025, the key is to scrap, rules procedures and simplify them. I think that's what this government has tried to do. But the challenge is to do much more of that. We need to simplify the land acquisition Act in two pages. We need to create a nation of job creators and not job seekers. That requires a huge amount of scrapping rules and procedures and also supporting them with venture funds. One of the key things that the government has done is that it has created a `10,000 crore fund, which will assist many VCs (venture capitalists) to really unleash the entrepreneurial spirit of India.

When you look at the road ahead, what do you think are the challenges that still need to be addressed?

Uppal: We still feel that there are a lot of archaic laws and a great deal of interference from government agencies. It's ironic that historically, we have expressed a lot of affection to the manufacturing sector but there is precious little that we have done to encourage entrepreneurship. There are too many touch points between the governmental agencies and the manufacturing sector. Therefore, the barriers are very high to get into manufacturing because it really tests your perseverance and your will to stay in that business. It's only in the last 15-20 years that our volumes have started looking up. I think we just have to go on in this route and the government has to enable it.

I think we need to give the private sector a lot of freedom and not be suspecting everything that they do. We are not afraid of competition whether it is China or any other country as long as there is a level playing field.

Sondhi: One quick point on the processes. If the process can be built on trust, and I think in the past they were built on distrust, then it gets simplified with penalties where people default on trust. Therefore, deemed approvals or self-certification are the ways. That removes the whole layer of people interfering with SMEs (small and medium enterprises).

Kant: India has been very good in putting down laws, acts and procedures but is very poor in enforcement. The key challenge is to scrap all these and ensure enforcement in the right manner... The real challenge for India is young people with ITI (Industrial Training Institute) and IIT (Indian Institute of Technology) background are just not getting to the shop floor. The challenge is how do you make manufacturing really fashionable.

Are there any learnings that one can take from the process that Indigo has built and break it down to see how things can be improved in manufacturing?

Ghosh: Everything that I have heard here, resonates with the challenges we face, what we see and what we struggle with. If we really need to make this into a really successful campaign, which is far beyond the marketing campaign, first of all, that will to win has to come from within us and we have to be able to encourage and celebrate Indian successes. I have found in the last few months that the moment we start thinking of a bigger, brighter independent india, we immediately start thinking of how attractive can it make for a foreign company to come and make investments here.

There are a bunch of processes at Indigo but those processes are similar to almost any other airline that functions in this country. What I enjoy about working at Indigo is that there are 9,000 people whose entrepreneurial spirit we are trying to encourage. I think that to a great extent is the enjoyable, secret part of Indigo. If we could encourage the entrepreneurial spirits of folks that we touch on a day-to-day basis, where that person feels that I have a limited amount of time and resources that I have on my hand, how much less can I do? Do I really need to get involved in the stamps, signatures, etc., or can I step away and transfer through the mechanism of trust to the private enterprise?

Also, the media needs to scare the bureaucracy less because everybody is scared that they are going to be analysed and shredded to pieces.

That's no longer the case. Right?

Kant: I think the Prime Minister has managed to meet the bureaucracy regularly and enthuse it to a great extent. The government right now is far more active and decisive than any of the private sector players. I think that momentum needs to continue on a sustained basis.

Verma: I don't think we go to office and say today we are going to scare the hell out of people... At least there is someone who is playing the role of a watchdog.

Whatever you have seen over the last 6-7 months, do you think India is doing it right?

Rice: I think the steps are being taken but this is a massive government with tentacles that go forever so there is a lot of work to be done.

Kant: I think to a great extent, it's a function of great political leadership. What we are witnessing in India is a great transition where the political leadership is wanting to drive india to higher trajectory of growth. This government wants the civil servant to drive that growth. This country can grow only if speedy, risky decisions are taken.

Uppal: I am sorry to say state governments do not have same sense of urgency to do things.

Have we managed to create people with significant expertise in manufacturing space?

Shivakumar: I don't think we have done that and there are many reasons to believe that. Let's go back to our school systems. The average number of years that we spend in a school is six to seven. If you really want to take up the base-level manufacturing skill set, that has to go up to 10-11. If that does not happen, it is not going to happen. Second, SMEs who are technology-led and employ 0-10 people have higher management capability index than the bigger companies today. Clearly, we need to invest a lot in the SMEs on the skill side. That will involve a very different paradigm... In india, we have always seen big versus small, but my philosophy is, it has to be big and small, forming an ecosystem, which we appreciate and we encourage. You have to leverage the advantages of skill in a large company into a small-scale company. That ecosystem, if you build, will be very, very good.

If you want to create 1 million jobs every month, 70-75% of that will come from SMEs.

Today, 975,000 SME companies are on social networking websites. I think the access to technology is really reshaping the skill base of small-scale industries.

What can big companies do about the education? I think the traditional answer of "do more of the same" will not work. We have to do something new.

Shivakumar: ITI curriculum is still analog and technology has not impacted it. The world has turned digital in the last 10-20 years. Adopting these digital practices in ITIs will re-skill these small- and medium-size enterprises.

Sondhi: I completely agree on the ITIs. It was set up as a feeder system to the manufacturing sector and it was up to the state government to make sure that the syllabus is relevant for feeding into large industry. Secondly, it is also the duty of the large-scale industry to create that

ecosystem for the small-scale industry. Finally, girls will have to come into manufacturing as that not only changes the social system but brings about a huge dimension in the confidence of our entire population.

How easy was it for GE to find people?

Rice: One of the reasons we chose Pune was because we thought we would be able to tap into the good workforce there. Twenty five per cent of the workers in our facility are women. It is helping us retain a competitive advantage. It opens up the whole new section of the workforce to us. If you are not making yourself into a place where male, female and all sorts of diversities want to work, you won't have the competitive advantage at some point.

Uppal: In India, we really need to upgrade the skills of our people. If you compare them with those in Japan and Korea, the kind of productivity that they give you is mind-boggling. There is no comparison between them. Our people have very antiquated skills and you don't get the right productivity.

Kant: Wherever good skill development programmes have succeeded across the world, it's been through dual process where the curriculum and machine tools for that has been provided by the private sector. Germany is a classic example of that. In the skilling programme, there is no rationale for the government to run ITIs at all. The government should simply hand over these ITIs to the private sector and allow them to drive these ITIs.