

/ COLLECTOR'S EDITION /

PRICE RS. 100. MAY 30, 2014

INDIA *Special* Forbes

05 / ANNIVERSARY
TH / SPECIAL

THE PM'S AGENDA

A BLOCKBUSTER
LINEUP OF
BUSINESS
LEADERS AND
ECONOMIC
THINKERS
SETS OUT THE
TASKS BEFORE
THE NEXT
GOVERNMENT,
SPECIALLY THE
PRIME MINISTER

1. PAWAN MUNJAL
2. BABA KALYANI
3. AJAY PIRAMAL
4. ADI GODREJ
5. KIRAN MAZUMDAR-SHAW
6. KUMAR MANGALAM BIRLA
7. NAINA LAL KIDWAI
8. RONNIE SCREWVALA
9. ARVIND PANAGARIYA
10. GM RAO
AND MORE...

Network **18** www.forbesindia.com

{ BUSINESS
LEADERS }

SNAP MANUFACTURING OUT OF INERTIA

By **BABA KALYANI**

DO IT THROUGH A UNIFIED MINISTRY AND
THE PARTICIPATION OF DOMESTIC COMPANIES
IN MAJOR INFRASTRUCTURE PROJECTS



BABA KALYANI
Chairman,
Kalyani Group

He controls the flagship Bharat Forge, one of the world's largest makers of auto forgings and India's biggest exporter of auto components. To grow his non-forgings business, he has ventured into defence and wind energy equipment manufacturing.

Let me start by giving you a little background. Indian

manufacturing has been in the ICU for the last two years, and no one seems to be bothered about reviving it. There has been a lot of talk, but no action from the government. The Index of Industrial Production (IIP) numbers are clear indicators of this. Growth has been flat or negative, after the increase we had three years ago. The projections then were that at least 25 percent of India's GDP should come from the manufacturing sector. The sad reality is that the share has actually come down from 16-17 percent at that point to about 15.5 percent now.

This is partly due to inaction by the government. Consider this: The manufacturing sector needs all kinds of clearances from

the government—land, power and environment are through state intervention. Since the last two years, these approvals either take forever or do not come through at all. Permissions that would need one or two months earlier take six to eight months now. The press is calling it paralysis; the truth is there is simply no one accountable for making things happen.

The assumption seems to be that an entrepreneur will make windfall profits if these are acted on. But 'sitting' on the files means jobs don't get generated. With every delay we are also denying jobs to the youth. The nation is losing opportunities to create a deep manufacturing base. I've seen several ups and downs in business cycles, but it's never been so bad. Things are badly out of shape.

The contrast with other

countries could not be starker. We are putting up a new plant in eastern Germany—and we don't even have to go anywhere for approvals. It's all done online and we get the answers in 45 days. Here, we have to meet people for six months to a year, and the files just keep moving.

I hope the new government can bring accountability to the system. If they want to reject a proposal, they should be able to state that in a month. We need to deal with the problem at a holistic national level. We need a unified ministry, like Japan's Ministry of Economy, Trade and Industry (METI) and the US's Department of Commerce. This agency should be a sort of godfather for manufacturing, focussed entirely on manufacturing and creating growth.

Today, we have a

I've seen several ups and downs in business cycles, but it's never been so bad. Things are badly out of shape

We need concerted focus on skill training, and good infrastructure that will help manufacturing



dozen ministries from railways, heavy industries, chemicals and fertilisers, defence, power and others. Nothing blends these agencies together—in fact, they often work at cross-purposes. This has been suggested before and a national manufacturing policy was worked out. But it has been all talk and no action. We need concerted focus on skill training and good infrastructure that will help manufacturing. This ecosystem will have to be created but it cannot be done by industry; it has to be shaped through national laws.

Secondly, we are not encouraging domestic companies to participate in Indian projects. Our entrepreneurs should be allowed to take the lead. We launch big projects such as the Delhi-Mumbai Industrial Corridor (DMIC), India's most ambitious industrial programme. Here, we should encourage local companies to create capabilities and participate. Many Indian companies have proven themselves, yet there is a lack of trust. We have, instead, gone and signed Free Trade Agreements (FTAs) with

several countries. Look at how imports have increased in the last seven years—everything is coming from outside. In our auto components business, there are big imports from China and elsewhere. Local manufacturing has fallen, structural changes are needed. It is indeed a scary state of affairs.

Thirdly, I would like to stress on the need to focus on advanced manufacturing. These are high-value added sectors which use futuristic technologies; they require high R&D spend to drive innovation and

productivity. This will need a transformational shift. Industry has to move beyond low cost structures and start to build or even acquire new technologies. Government has to focus on implementing the National Manufacturing Policy and prioritise the indigenisation of key sectors like defence, power and railways. This will necessitate the removal of bottlenecks and speed up decisions.

If we do not latch on to the next revolution, we will never be able to catch up. We are all looking for change. **P**

(As told Cuckoo Paul)