

## A tag of respect: Made in India

**A** recent report prepared by Deloitte Touche Tomatsu and the US Council on Competitiveness ranked India second in manufacturing competence after China, ahead of South Korea, the United States, Brazil and Japan. It talked of India's large talent pool — scientists, engineers and skilled workmen — and commended its quality management practices. In the next five years, it concluded, India will have narrowed the gap with China. So, is the "Made in India" tag no longer a liability?

This is the second acknowledgement in recent times that India's core skills are not just in information technology and business process outsourcing but also in manufacturing. Carlos Ghosn of Renault and Nissan blazed a new trail when he talked about the frugal engineering skills of the country. The Renault-Nissan alliance has thus invested Rs 4,500 crore in a facility near Chennai which can produce 400,000 cars in a year. It has tied up with Ashok Leyland to make trucks and with Bajaj Auto to make an ultra-small car. Its Logan sedan is sold by Mahindra & Mahindra under a licence agreement. That's a lot of work in a single country. Ghosn has put his money where his mouth is.

Beyond reports and public statements, there is a steady and sure shift in the way multinational corporations look at India. To begin with, it was just back-office work and some customisation

of products for local use — peripheral assignments. Wages were unbelievably low in India, which left ample scope for labour arbitrage. For manufacturing, most multinational corporations went to China. Now, India is being rediscovered as a manufacturing base, partly because the Indian market is growing in size, and the preferred destination to devise emerging market solutions.

In fact, talk to any global car maker and he will tell you that production costs in India are at least 40 per cent lower than in the West. Hyundai has made India its hub for small car production. One of the reasons is that Japanese two-wheeler and commercial vehicle makers came to India in the late 1980s, immediately after Suzuki had set up shop in the country. They brought with them superior business practices, which have now been internalised by the component makers. This provides anybody willing to manufacture in India a ready base of vendors.

JCB has put up the world's largest backhoe facility at Ballabhgarh in Haryana, not far from Delhi. Of course, there is massive construction happening in the country and the demand for



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backhoes and other equipment will be strong for some time to come. But the long-term plan is to use the factory to feed other emerging markets in Asia and Africa as well. The Indian engineers of JCB, on their part, have done away with the bells and whistles from the equipment, which has opened a whole new range of price points for the com-

pany. Another unit in Pune, which specialises in fabrication, supplies to JCB factories across the world. Such things did not happen in the past.

Or take the example of General Electric. Its scientists in Bangalore have made a portable electro-cardiogram that weighs just 1.1 kg and costs as little as \$800. The 240-metre round synthetic roof over the Shanghai Railway Station which stands with no pillar support was designed and developed by GE scientists in Bangalore with the use of proprietary multiwall sheets. These are all solutions and technologies waiting to be sold right across the emerging markets. Some of the low-cost medical equipment have even begun to sell in the developed world.

Still others have started to combine their Indian and Chinese manufacturing operations into one seam-

less process. Dinesh Paliwal, the chairman, president and CEO of Harman International and one of the highest-paid CEOs in the United States, has caused a tectonic shift in the world view on China and India. Till recently, the question every global corporation asked was China or India? Paliwal argues the debate shouldn't be China or India; he says the answer is China and India. No corporation, he says, can afford to ignore China and India in its long-term vision. Harman has developed a new audio system for cars. The product has been developed in Bangalore and the production is happening in China. It is still early to say if it will be a blockbuster, but look at the benefits Paliwal has got. One, he has cut the go-to-market time by half to six months; and two, he has been able to bring the price down also by almost half.

If India has to build on its new-found skills in manufacturing, it has to institutionalise its knowledge and expertise. The Indian School of Business (ISB) at Hyderabad, recently ranked 12th by *The Financial Times* on its list of the world's top business schools, has set out to build emerging market competencies. This is something business schools across the world have ignored so far. All case studies relate to the developed world. So, ISB is incubating ideas on how to provide homes to migrant workers, how to reach ambulance services to those who probably cannot afford it. It wants to put together a huge body of emerging market case studies. That should help the cause of manufacturing in India.