

# All India Rubber Industries Association (Eastern Region)

## Report of the Seminar on *“Make in India and Made in India for MSME - Challenges & Opportunities in Rubber Industry”*

Creation of path to excellence of the Indian rubber industry to survive and thrive was the core objective of the captioned AIRIA (ER) Seminar held at Kolkata on 30th January, 2016). The distinguished personality in the rubber industry and academia **Dr. Robin Mukhopadhyay**, Director & CE, Hari Shankar Singhania Elastomer & Tyre Research Institute (HASETRI) and Director (R & D), JK Tyre & Industries Ltd. was the presenter. It was a very enlightening and insightful programme, thanks to Dr. Mukhopadhyay for this thought-provoking presentation. The highlights are as under:

Manufacturing is entering a dynamic new phase. As a new global consuming class emerges in developing nations, and innovations spark additional demand, manufacturers will have substantial new opportunities—but in a highly competitive environment. Companies are required to develop a highly detailed understanding of specific emerging markets, as well as the needs of their existing customers. They will also require agile approaches to the development of strategy, make big bets on long-range opportunities, such as tapping new markets and/or switching to new materials, but must do so in ways that minimize risk.

The current market reality is that customers today can buy from almost anyone, anytime, anywhere. They are mobile, connected, informed, and opinionated, and are in control of their own buying journey. Traditional sales modus operandi, marketing processes and systems are not viable in today’s market challenges. Strategic elevation, value orientation, client centricity, end-to-end business governance, global agility, etc. are key factors to achieve longevity, growth and profitability.

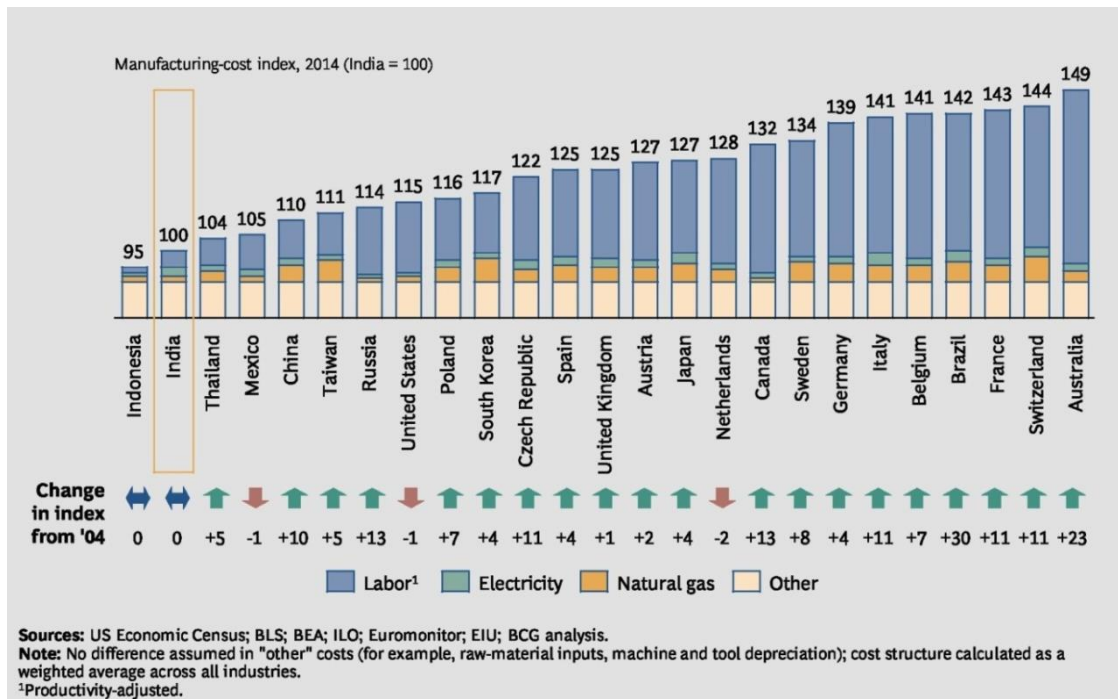
There are eight **global megatrends** identified through independent unbiased market research. Dr. Mukhopadhyay emphasized that these trends, as under, would shape the global tyre and rubber industry over the next decade:

Market Reality		
	Yesterday	Today
Customer	<ul style="list-style-type: none"> <li>Pushed/Pulled and consuming</li> </ul>	<ul style="list-style-type: none"> <li>Informed, empowered and influencing</li> <li>Digitally connected and networked</li> </ul>
Buying Journey	<ul style="list-style-type: none"> <li>Linear and homogeneous</li> </ul>	<ul style="list-style-type: none"> <li>Interactive and heterogeneous</li> </ul>
Channel/touch points	<ul style="list-style-type: none"> <li>Single (limited) channel</li> </ul>	<ul style="list-style-type: none"> <li>Across multiple channels</li> </ul>
What customers buy	<ul style="list-style-type: none"> <li>Product and/or service</li> </ul>	<ul style="list-style-type: none"> <li>Customer experience</li> <li>Total integrated solution</li> </ul>
What customers pay	<ul style="list-style-type: none"> <li>Fixed model</li> </ul>	<ul style="list-style-type: none"> <li>Flexible pricing, subscription model</li> </ul>
Company metrics	<ul style="list-style-type: none"> <li>Productivity / efficiency</li> <li>Transaction value</li> </ul>	<ul style="list-style-type: none"> <li>Customer experience</li> <li>Customer lifetime value</li> </ul>

- Growth in emerging markets,
- Profitable segments in mature markets,
- Expansion of High-value-Added (HVA) products,
- Green Movement,
- Standard Product labeling,
- Technology (Internet) is altering buying behaviour,
- Rather than revolutionary, evolutionary changes in the tyre and rubber industry, and
- The changing consumer behaviour.

He is of the opinion that the elements of both Strategy Road Map (derived from the mega trends), namely, **technical capabilities, global reach, market back thinking**, and **Strategic capabilities**, such as, **market oriented innovation excellence, sales & marketing excellence and operational excellence** must be integrated with each other to maximize effectiveness.

Now business competitiveness to survive and thrive highly matters. Rapid changes in wages, labour productivity, energy costs, and exchange rates had driven dramatic changes in relative manufacturing cost structures. **Winning the Cost War** - the chart below from Boston Consulting Group (BCG) depicts the 2014 manufacturing cost competitiveness Index of top 25 exporting countries:



Data Table of the above Chart - Breakdown of the average manufacturing cost index 2014 (India = 100)

Country	Labour	Electricity	Natural Gas	Other	Total
Indonesia	1.5	1.4	1.6	90.8	95.3
India	4.9	2.3	1.9	90.8	99.9
Thailand	8.3	1.3	3.5	90.8	103.9
Mexico	10.2	2.2	1.8	90.8	105.0
China	11.7	2.0	5.1	90.8	109.6
Taiwan	12.5	1.6	6.6	90.8	111.5
Russia	20.5	1	1.2	90.8	113.5
United States	20.9	1.2	1.8	90.8	114.7
Poland	18.6	2.1	4.6	90.8	116.1
South Korea	17.8	1.4	7.3	90.8	117.3
Czech Rep.	25.0	2.4	4.1	90.8	122.3
Spain	26.0	2.8	4.9	90.8	124.5
UK	26.8	2.7	4.3	90.8	124.6
Austria	29.4	2.1	4.7	90.8	127.0
Japan	27.8	3.1	5.6	90.8	127.3
Netherlands	31.3	1.9	3.9	90.8	127.9
Canada	38.9	1.3	1.4	90.8	132.4
Sweden	34.9	1.9	5.9	90.8	133.5
Germany	40.4	2	5.6	90.8	138.8
Italy	41.0	4	4.8	90.8	140.6
Belgium	43.5	2.2	4.9	90.8	141.4
Brazil	41.5	3.5	5.9	90.8	141.7
France	44.9	1.8	5.1	90.8	142.6
Switzerland	42.7	2.4	7.8	90.8	143.7
Australia	52.1	2.4	3.4	90.8	148.7

## Global Competitiveness Rankings

### IMPROVING SENTIMENT

India is ranked 55 out of 140 countries in the World Economic Forum's global competitiveness rankings.

RANKING (out of 140) 2015-16		GCI 2015-2016 Score (1-7)	RANK GCI 2014-2015 (out of 144)
1	Switzerland	5.76	1
2	Singapore	5.68	2
3	US	5.61	3
4	Germany	5.53	5
5	Netherlands	5.5	8
6	Japan	5.47	6
7	Hong Kong	5.46	7
8	Finland	5.45	4
9	Sweden	5.43	10
10	UK	5.43	9
55	India	4.31	71

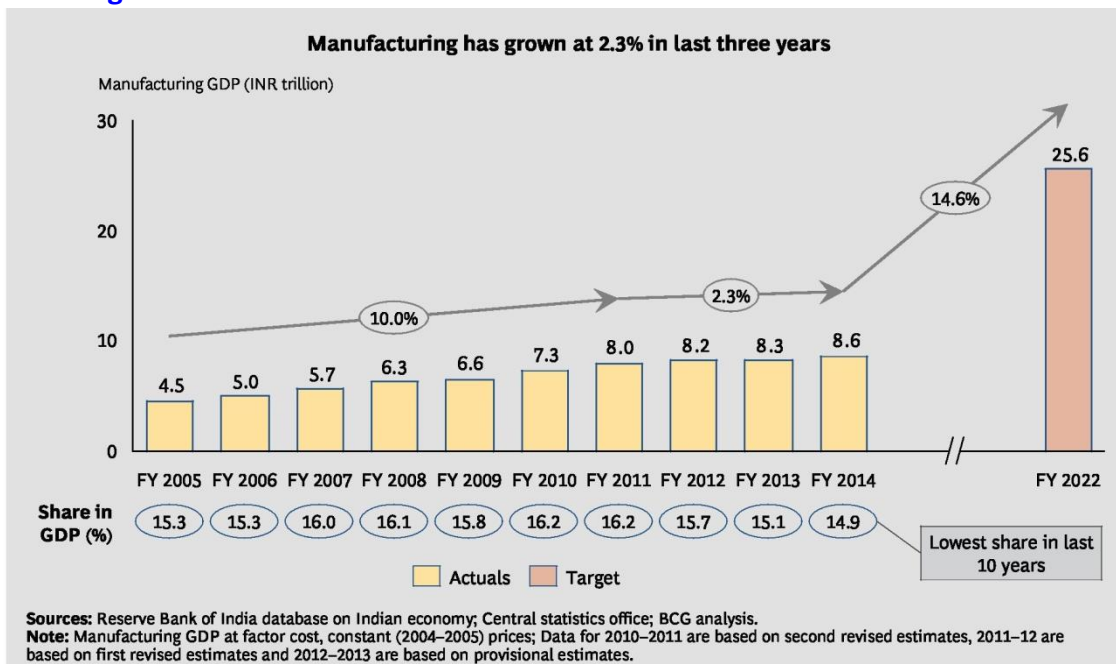
India has jumped 16 places in the World Economic Forum's global competitiveness ranking. The rankings show India ranked 55 out of 140 countries. While this is an improvement over last year's 71 out of 144 (and 2013's 60 out of 148; 2012's 59 out of 144; and 2011's 56 of 142), it is lower than India's rank in 2010 (49 of 133), 2009 (50 of 134), 2008 (48 of 131), and 2007 (43 of 125).

The last was India's best year so far.

Based on the voice of the business community, the most problematic factors for doing business in India, as shown in WEF survey, are portrayed below:

	2015-16 Score		2015-16 (Rank/140)	2014-15 (Rank/144)
Corruption	10.1	<b>Basic Requirements (60%)</b>	↑ 80	92
Policy instability	9.6	1st Institutions	↑ 60	70
Inflation	8.9	2nd Infrastructure	↑ 81	87
Access to financing	8.1	3rd Macroeconomic environment	↑ 91	101
Government instability/coups	7.3	4th Health and primary education	↑ 84	98
Inadequate supply of infrastructure	7.3	<b>Efficiency enhancers (35%)</b>	↑ 58	61
Tax rates	6.8	5th Higher education and training	↑ 90	93
Inefficient government bureaucracy	6.6	6th Goods market efficiency	↑ 91	95
Complexity of tax regulations	6.3	7th Labour market efficiency	↑ 103	112
Insufficient capacity to innovate	6.1	8th Financial market development	↓ 53	51
Foreign currency regulations	5.7	9th Technological readiness	↑ 120	121
Inadequately educated workforce	5.5	10th Market size	↔ 3	3
Restrictive labour regulations	5.5	<b>Innovation and sophistication factors (5%)</b>	↑ 46	52
Poor public health	3.3	11th Business sophistication	↑ 52	57
Poor work ethic in labour force	1.5	12th Innovation	↑ 42	49
Crime and theft	1.5			

## NMP's Ambition of 25% Share of Manufacturing in GDP would require ~ 15% Growth of Manufacturing Sector



As per the Seminar title, Dr. Mukhopadhyay talked about -

- **'Make in India'**, a campaign for manufacturing all goods in India with proven technology, using cost competitive resources for domestic as well as overseas market through technology transfer (TOT),
- **'Made in India'** - not just about manufacturing the product in India on TOT basis but rather about encouraging and incentivizing the indigenous companies to design and develop the product (creating IPR), manufacturing including after-sales service & branding, and give them preference during the procurement process, and
- **'Small and Medium Enterprises (SME)'** of India, a highly vibrant and dynamic sector complementary to large industries as mainly ancillary units contributing enormously to the socio-economic development of the country.

### 5 Things 'Make in India' will do:

- Guide Foreign Investors
- Assistance to Foreign Investors,
- Prompt Response,
- Provide relevant information,
- Proactive approach.

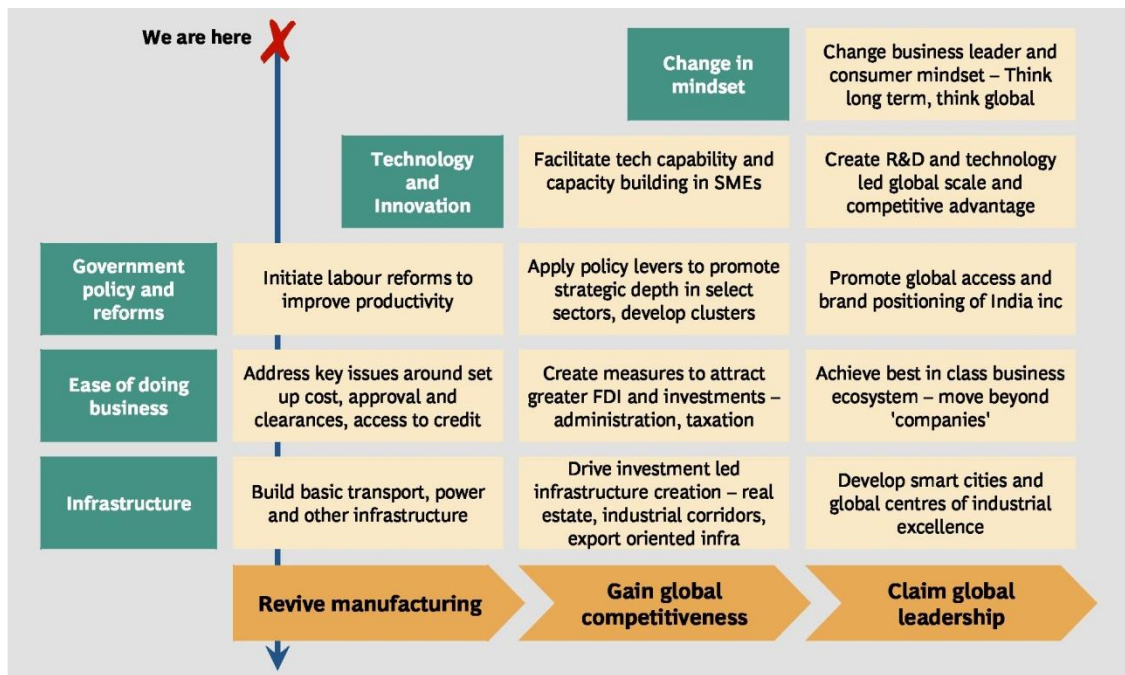
### 'Make in India' - Success

- Future of Make in India lies in success of its different sectors.
- **Important Sectors:**
  - Defence Manufacturing,
  - IT industry,
  - Renewable energy,
  - Railways,
  - Automobile market.

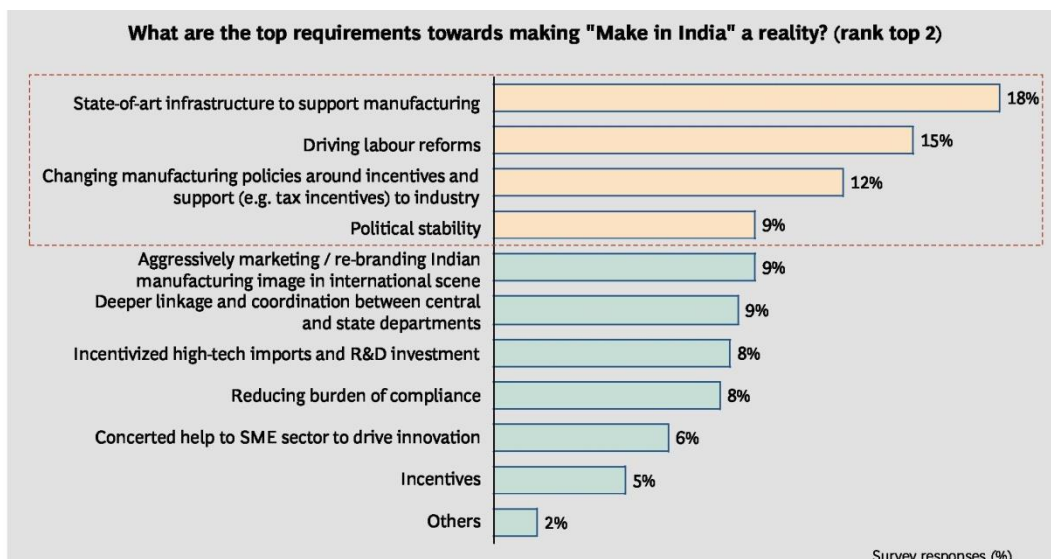
### "Make in India" Challenges:

- **Procedural and Regulatory Clearances** - India stands 130<sup>th</sup> amongst 189 countries in World Bank ease of doing business list.
- **Healthy business only if administrative machinery is efficient.**
- **Hassle free clearance mechanism,**
- **Stringent laws**
- **Tax Ramifications** - Dual tax liability, lack of business consent between other countries.
- **Infrastructure bottlenecks** - Lack of world class infrastructure, Problems with land acquisition, Environmental clearances.

## The Road to Global Leadership



## Top Requirement towards making "Making in India" a Reality



## Indian Rubber Industry Major Issues

- **Quality & Safety** (Management system and practice),
- **Higher Productivity** on a sustained level [Labour & Equipment Productivity, Mobility of people (multi-skill), Management Process, etc.]
- **Cost and utilization of fund** i.e. increase the efficiency of fund (Utilization of capital, raw material holding, in-process time, finished inventories and receivable, Energy Efficiency, Cost optimization including Logistics cost.)
- **Technology and R&D** for re-engineering and innovation (Investment in R&D),
- **Adherence to environmental concerns/issues (sustainability),**
- **Export focus** (compliance to legislations and regulations),
- **Product specialization** (cluster approach),
- **People** (skill development, attitude and values).

With the above, by and large, the programme ended with a pleasing note.