

Indian Manufacturing Sector Supply Chain Challenges and Risk Mitigation



Agenda

- † Indian Manufacturing Sector Data
- † IMS Characteristics
- † Make In India campaign
- † Supply Chain Issues
- † Role of SMEs
- † Risk Mitigation measures



Indian Manufacturing Sector Supply Chain Challenges and Risk Mitigation



Indian Manufacturing Sector Data

- ❖ Contributes to 15 % of the GDP
- ❖ Has not budgeted for two decades
- ❖ Employs nearly 50 m people in the organized sector and 40 million more in unorganized sector
- ❖ Strong in auto, textiles, jewelry industries
- ❖ Average per hour wage is USD 2



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Indian Manufacturing Sector Characteristics

- ❖ More than 50% of movement of goods is by road.
- ❖ Average effective speed of trucks in India is 21 kmph.
- ❖ Labour has to be treated as a fixed cost.
- ❖ About 50% of employment is in unorganized sector.
- ❖ Urban concentration of the industries
- ❖ Power availability dictates factory working hours and outputs.
- ❖ Work force requires constant skill upgradation
- ❖ Manufacturing processes need standardization; certification



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The Make in India campaign

To give a collective thrust to manufacturing sector; to make India a global manufacturing hub

To create jobs and to revive growth in economy

To retain international investor interest in India

Make in India(MII) & Make for India (MFI)



The Make in India campaign

How will this be accomplished?

By facilitating ease of entry and investment through removal of policy and process constraints

By enhancing investments in transportation, energy and other infrastructure sectors

Make in India(MII) & Make for India (MFI)



The Make for India proposition

asks for focus of manufacturing in India to be on satisfying the needs of Indian markets.

Less reliance on export markets

To create a positive cycle of higher demand and higher supply of goods in India leading to higher production and sales.

Hence will lead to higher income for Indian citizens; help to improve and rebuild skill sets.

Make in India(MII) & Make for India (MFI)



Hence these two propositions are not mutually exclusive or contradictory.

They are by and large complimentary.

They differ however on one major aspect, viz the export thrust.

MII seeks to make India the global hub for manufacturing while MFI's focus is to develop the Indian market and economy

Make in India(MII) & Make for India (MFI)

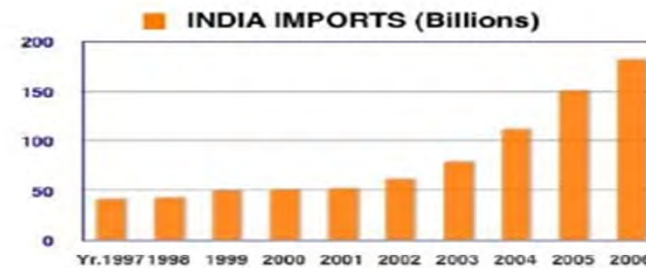
Challenges facing India



Trade

Imports

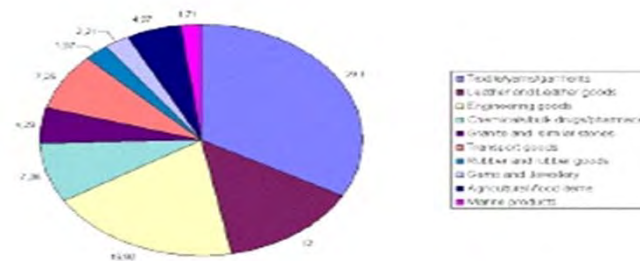
- **Imports:** \$287.5 billion
- **Partners:**
 - China 10.6%, US 7.8%, Germany 4.4%, Singapore 4.4%
- **Commodities:**
 - Gems, crude oil, fertilizer, chemicals and machinery



http://www.business-in-asia.com/asia/images/india_imports.jpg

Exports

- **Exports:** \$175.7 billion
- **Partners:**
 - US 15%, China 8.7%, UAE 8.7%, UK 4.4%
- **Commodities:**
 - Petroleum products, textile goods, gems and jewelry, engineering goods, chemicals, leather manufactures

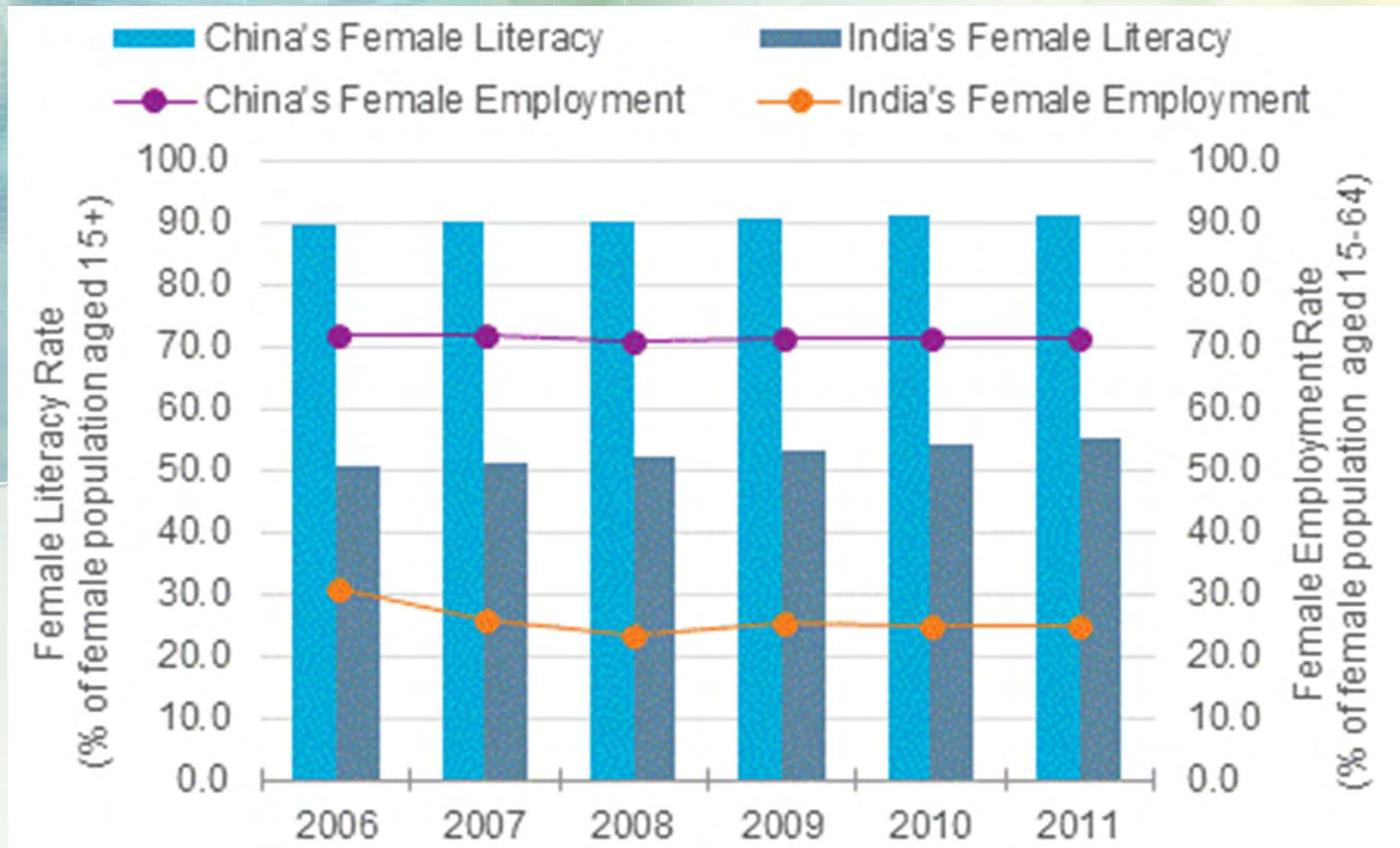


<http://www.indianembassy.it/markets.gif>

Make in India(MII) & Make for India (MFI)



Challenges facing India



Indian Manufacturing Sector Supply Chain Challenges and Risk Mitigation



Supply chain Issues

- ✦ Unable to convert the low labour cost into a market advantage
- ✦ Low indigenous technology development
- ✦ Low comprehensive design skills
- ✦ Skills shortage
- ✦ Unstable and inadequate power supply
- ✦ Unreliable supply lead times within the country
- ✦ Unable to move up the value chain globally



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Risk Mitigation measures

- ✦ Embark on a massive nationwide skill building program at multiple levels
- ✦ Single window clearance across all govt departments to speed up approval processing
- ✦ Focus on maintenance of existing roads
- ✦ Introduce GST
- ✦ Leverage IT and Analytics across Ancillary industries



Indian Manufacturing Sector Supply Chain Challenges and Risk Mitigation



- ❖ Should it be driven by export thrust or creating and catering to domestic needs?
- ❖ Reliable supply of raw materials, transport bottlenecks, power availability, rm price fluctuations, end demand uncertainty ; what are the major SC issues?
- ❖ Particularly for SMSEs and the ancillary sector?
- ❖ What kind of incentives ,concessions are needed from govt? power tariff, duty concessions, user subsidies ? How will govt fund them?
- ❖ Is there a knowledge deficit? Skills gap? How to fill that gap?

