

Business Standard

India arriving in manufacturing: study

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Indian prowess in IT-ITeS is well recognised but there is enormous potential in a number of industry segments in manufacturing as well, a research study carried out by the Indian Institute of Management, Bangalore (IIMB) has revealed.

A wide range of activities in manufacturing are becoming increasingly tradable due to induction of better technology, opening up of foreign direct investment (FDI) and new kinds of organisational arrangements.

"Textiles, pharmaceuticals and biotechnology, auto components, leather and footwear manufacturing and gems and jewellery are some of the other sectors that are equally capable. For Indian companies to take proper advantage of this, certain changes are required in the corporate strategy and rules governing the manufacturing industry," says B Mahadevan of the IIMB.

Mahadevan, who is also the IIMB Management Review editor, and his team have carried out extensive research into the non-IT sector industries which can grab global outsourcing projects.

For instance, in the textiles and garment sector, Indian exports are about \$13 billion per year and are expected to rise to about \$26-30 billion in the next couple of years.

"The factors working in favour are low labour cost, domestic availability of cotton and synthetics, removal of MFA under WTO agreements, and recent tie-ups between garment manufacturers and global brands with beneficial impact on quality, technology, design, productivity, retailing, product range and supply chain management," Prof Mahadevan pointed out.

Yet, India accounts for only 3 per cent of world textile trade compared to China's 20 per cent.

China's advantages are a flexible labour force, cheapest in productivity terms, good infrastructure, facilitating official policies for FDI and scale economies.

"The challenges faced by the Indian textiles industry are many, including high capital costs, high import duties on raw cotton and man-made fibres for value addition, compared to China which has zero duties on cotton imports. The Indian textiles industry has to overcome these challenges if they have to bag outsourcing projects," Prof Mahadevan contends.

In an effort to highlight such challenges faced by other industries and the enormous potential that India has in the manufacturing sector, the IIMB Management Review will hold a conference on 'Global Competitiveness through Outsourcing: Implications for Services & Manufacturing' from July 13 to July 15 in Bangalore.

CEOs of Progeon, Wipro BPO, **Value Leadership Group**, Cognizant Technology Solutions, Deutsche Bank, Madura Garments, Ninestars, Office Tiger and Evalueserve are participating in the conference.