SHANKKAR AIYAR

Shankkar Aiyar is the Managing Editor of India Today. He specializes in the interface of Politics and Economics and brings with him over two decades of journalistic experience. Based in New Delhi, he oversees the coverage of the political economy, national affairs, central ministries, bureaucracy, state governments, capital markets and companies, and the regional editions of India Today. Prior to India Today, he was with The Pioneer as an Associate Editor and as a Special Correspondent with The Indian Express. He has also worked with Mid Day, Bombay Magazine and Island Magazine covering local politics, business and sports. Shankkar Aiyar was the recipient of the Wolfson Chevening Shared-Press Fellowship in 1999. He was awarded the Observer Business Journalist of the Year Award in 1992.

Shankkar Aiyar won The PoleStar Award for the 'Best Feature in Business Journalism' for 2003 for his article, 'Made In India: The Story of Manufacturing Revival', that appeared in India Today.

MADE IN INDIA: THE STORY OF MANUFACTURING REVIVAL

Propelled by reforms and driven by the threat of extinction, Indian industry finds solutions to domestic hurdles and leverages India's advantage to emerge as a visible player in the global supermarket

Venu Srinivasan is an obsessive man. Most Sundays you can find the Chairman of the TVS Group in a leather jacket and boots thundering down the 58-km East Coast Road outside Chennai at the break of dawn. We don't know yet if it is his passion for bikes that motivates him to produce great bikes like the Victor or if it is because he manufactures bikes that he is passionate about mobiking.

Two hours away by a Gulfstream jet, in Mumbai, lives another obsessive entrepreneur. At around the same time on Sundays, Anil Ambani, Vice Chairman of the Reliance Industries, runs his marathon between his home in Colaba and the flying club in Juhu. He perhaps even knows how many steps it is to the end of the marathon. Far away in Jamshedpur, a distinguished looking man often gets into the cockpit of his corporate jet to keep up his flying miles. Last December, this youngish looking man retired as the executive chairman of India's largest conglomerate but the 60-plus Ratan Tata still clocks in his miles and around 14 hours at work.

It is not just about their hobbies or their business that they are passionate, indeed obsessed. They share another belief, about India and about winning in the global market place. Last month, Moser Baer Chairman Deepak Puri stopped right in his tracks on a Brussels street. There was this little car that sped past him to halt ahead. He checked the badge. It said Sprite but it did look like the familiar Indica. It was. Puri's chest swelled with pride and he made a mental note to call Tata when he got back to Delhi. He knew the Tata Sons chairman would like to hear about it. After all, every consignment of optical data storage discs (CDRs) shipped by Moser Baer is stamped: Made with pride in India.

It is a feeling of triumph that they all share. They belong to a new emerging group of global champs. They are the flag bearers of a new benchmark: 'Made In India'. Doctors in the US and UK are prescribing medicine produced by Ranbaxy, Dr Reddy's, Orchid and Wockhardt; 11 of the 12 top technology brands buy CDRs from Moser Baer; M&M tractors are a huge hit in Texas while the Scorpio is headed for Italy and Spain; one of three laminated tubes - of toothpastes or cosmetics squeezed anywhere in the world is produced by Essel Propack. Elsewhere, Mexicans are saddling up Bajaj Pulsar by the hundreds, BPL exports over 100 million alkaline batteries every year and over two dozen names in global fashion, ranging from Tommy Hilfiger to Ralph Lauren, are buying Indian clothes.

It is also a telling story that symbolises the quiet arrival of the 'Made In India' label on the global marquee. After all it seems so recent that Indian industrialists met up at the Belvedere in Mumbai to form the infamous Bombay Club against opening up of the economy. And not too far back Indian manufacturing pitted against a gladiator called globalisation was declared dead even before the battle began. The 'Made In India' badge is now a very visible player in the global supermarket. In 2002-3, even as the global economy spluttered, the top 100 Indian companies logged a turnover of over Rs 70,000 crore.

TOP EXPORTS FROM INDIA

Rs 27,000 crore ▶
Gap, Tommy Hilfiger, Esprit, Wal-Mart, Polo ... they all shop for clothes in India. Now $6 billion, garment exports could touch $50 billion by 2010.

◀ **2,21,000 vehicles**
In just the first six months of 2003-4, India exported 2.21 lakh automobiles across the world, including 1.26 lakh motorcycles and 53,000 passenger cars.

Rs 13,650 crore ▶
Retail chains from across the globe currently source goods worth $3 billion from India. By 2006, top 10 retailers likely to buy goods worth $20 billion from India and Mexico.

◀ **Rs 455 crore**
A team from Wal-Mart US and Germany is in India to shop for leather goods. The Council for Leather Exports expects orders worth $100 million.

Rs 5,000 crore ▶
The sunrise sector. With branded drugs worth $55 billion going off patent in the US in the next five years, Indian pharma exports are set to grow five-fold by 2010.

◀ **Rs 6,800 crore**
Daimler Chrysler, Volvo, Benz... all source auto parts worth $1.5 billion from India. 50 suppliers to top companies have offices here.

Today there are 16 companies whose exports net over Rs 1,000 crore, 15 companies which export goods worth over Rs 500 crore, and 150 companies which earn over Rs 100 crore in foreign exchange. Last year, India's much-maligned steel sector, sold steel worth over Rs 3,000 crore in the international market, most of the orders coming from "competitor" China.

Not surprisingly, last month Forbes put 18 Indian companies - compared with 13 in 2002 and 10 in 2001 - in the Forbes Best of under $1 billion companies. So how did India get here? Through a series of hits and misses, hanging on hope, propelled by reforms and driven by what M&M Vice-Chairman Anand Mahindra calls the "threat of extinction".

When India abolished the licence-permit raj (limits on production) producers ramped up capacities to tap pent up demand. But this was followed up by reduction in import tariffs and lifting of quantitative restrictions, which opened the doors of competition. Even as they battled the "videshis" hampered by poor infrastructure and high cost of money, Indian enterprise found itself facing a slowdown. Swayed by the euphoria of the success in the tech sector, Indian economists and analysts shunned manufacturing and hugged software services. Mahindra was better known for his investment in Mahindra British Telecom than for M&M. Wipro and Infosys ruled Dalal Street. By the late 1990s, the pundits had written off Indian manufacturing.

Faced with extinction, companies trimmed fat to emerge competitive. Tata Steel, for instance, shed over 30,000 employees to emerge as the lowest cost producer of steel in the world. Groups shed non-core activities, brought in management changes and merged or acquired to find form. Companies also evolved and innovated continuously to add market share and thus scale to their operations.

R E L I A N C E I N D U S T R I E S
MUKESH AMBANI,Chairman ANIL AMBANI, Vice-Chairman
Earned Rs 10,629 crore in exports last year.

The apocryphal yarn is that if you bought a suit of blended material in the UK you probably would be wearing RIL threads. Chances are that when you buy any PET bottle overseas, it would have been made from polymers made at Hazira or Jamnagar. The company supplies mattress picking to European giant Bekard, drapes and curtain material to St Hubert, cushions sold in the US are stuffed with RIL fibrefil, its yarn is used in Africa's top-selling Safinet mosquito nets. In short, the company sells in markets across the world. Last year, it brought in over $2 billion through exports.

**"Today India has a once-in-a-life time opportunity.
It has every making of a 21st century miracle."**

The truth as stated by management guru C.K. Prahalad: "There is no distinction between domestic success and global success. So if a company wanted to survive in the domestic market it had to restructure to be as good as any multinational in the local market that in turn would automatically open global markets and add to scale and competitiveness." TVS Group President Venu Srinivasan, who had just split with Japanese partner Suzuki, understood this paradigm. Appreciating that the critical quotient here was quality, he approached Professor Tsuda and Professor Washio, the gurus of Total Quality Management. Typically they asked if TVS was in for the long run and then advocated patience. Exports, he was told, was a 20-year game. "My professors told me if you want to win in exports, invest in quality and processes."

Srinivasan did and today TVS is the only group in the country with two Deming awards and the Japan Quality Medal (the second company outside Japan after Philips, Taiwan). Backed by the quality paradigm, Srinivasan

T A T A S O N S
RATAN TATA,, Chairman
Exports brought inRs 9,658 crore last year.

If you are driving down the M11 from London to Cambridge in Britain you may just see them zipping through the traffic. Called City Rover, they are our own desi Indicas. Rover has contracted Tata Motors for 1,00,000 cars. Indica will also be seen in Europe as Solo, Sprite, Select and Style.

But then cars are just one item on Tata Sons' export list. Also being shipped are commercial vehicles, software, finished leather goods, packaged tea and steel from Tata Steel, the cheapest producer in the world.

"Protectionism held Indian business back. Not anymore".

DOLLAR EARNERS

D R I S H S H O E S
INDER PAUL SINGH, Chairman
Export earnings are close to Rs 85 crore a year.
Set up in 1988, it bagged award for excellence from India's Council of Leather Exports in 1991.

A R V I N D M I L L S
SANJAY LALBHAI, Chairman
Earned Rs 648.43 crore from exports in 2002-3.
Shirts, trousers, fashion accessories and one of the world's largest producers of denim.

W E L S P U N I N D I A
B.K. GOENKA, Chairman
DEEPALI, Executive Director
Wal-Mart alone buys towels worth over Rs 100 crore a year.
Other global buyers include Tommy Hilfiger, JC Penny, Target, K Mart.

unleashed TVS Motors and Sundaram Clayton into the global jungle three years ago. It is a testimony to their quality and processes that exports in Clayton have risen from Rs 2.5 crore to Rs 50 crore while at TVS Motors they have shot up from Rs 30 crore to Rs 100 crore.

As new transnationals came into the economy with new products, Indian companies found both an opportunity to expand and a challenge to meet. In the truest sense, this was the trial by fire. Actually the entry of transnationals was not entirely a curse. Take the automobile sector. Once the Fords, the Hyundais, the Benz and Toyota came to India they got a ringside view of the Indian talent pool and skill set. As Ford, General Motors, Hyundai and Toyota outsourced out of India, others got into the act. That explains how there are 50 automotive suppliers with offices in Chennai, Mysore and Delhi.

That is happening because Indian entrepreneurs banked on technology and quality to meet the challenge. Bal Krishan Goenka, whose family was in the food grains business, decided to export towels. Quality being critical, Goenka decided to invest in state-of-the-art machinery but faced a very Indian problem. "Nobody took us seriously. If we went to buy machinery at fairs, we were dubbed catalogue collectors. We persisted and even hired expats to run the sophisticated machinery." The efforts have paid off. "We are now in relationship building and discuss business with a two-three year horizon."

The evolution was not totally a private affair. On a parallel track, the government worked to level the playing field. Itself the biggest borrower, it realised the price of costly money. Between 1997 and 2003 it used lower manufacturing inflation and forex inflows to slash the bank rate and forced prime lending rates down by over 500 basis points. This enabled the restructuring of the industry as also the banking sector.

B H A R A T F O R G E
BABA KALYANI, Chairman
AMIT KALYANI, Executive Director
Exports grew by 150 per cent last year.

Every second truck in the US has front axles made by the company. It supplies critical parts like axles, crank shafts and connecting rods. Backed by flexibility and advanced technology, the world's largest single location facility supplies parts to 24 international customers in the world including Daimler Chrysler, Volvo, Renault, Honda, Cummins, Toyota and Ford. Its pricing is competitive, response is fast and quality among the best. In front axles, it controls 60 per cent of the US and 30 per cent of the world market.

"Honestly speaking, I don't think anything is going to stop India."

An AAA-rated company can today borrow as cheaply as 6 per cent. Simultaneously, the government, through investments in railways, healthcare and the Rs 54,000 crore National Highway Authority of India, stepped up counter-cyclical measures to even out excess capacity and create demand. Add $93 billion confidence and opening up of capital flows. As former RBI Governor Bimal Jalan says, "It is possible now for India to take advantage of a virtuous circle of higher growth, higher external capital inflows, and higher domestic incomes and savings, which in turn can lead to further growth."

Juxtapose the lower costs, improved scale of operations and investment in technology and you get a taste of the cocktail that has given India Inc a high. Says AV Birla Group Chairman, Kumar Mangalam Birla: "The combination of intellectual capital and cost efficiency has put India on the global map."

But it wouldn't have worked if India didn't have the technical and skilled manpower required. Each year India adds 5.25 lakh engineers, 2.5 lakh doctors, 39 lakh humanities graduates, 17 lakh science graduates, 15 lakh commerce and management graduates, one lakh graduates in education and 2.5 lakh law graduates.

The derived advantage is there for everyone to see. Take pharma. Till recently Indian pharmacologists were known for their ability to de-construct any patented drug within months. This enabled Indian companies to leverage costs and produce the same drug at one fifth the cost. Today the very same skill sets are being used to derive new drugs, delivery systems and processes. Compared to Pfizer's $5 billion budget, Indian research budgets are puny but given that Indian research costs less than a tenth it is not surprising that Ranbaxy and Dr Reddy's are among the most respected names today. Baba Kalyani, chairman, Bharat Forge, points out that it is not just the absolute cost. "Suppose a customer wants a new part engineered. It could take five engineers three months and about $5 million. In India it can be done in three weeks by our engineers who wouldn't cost more than Rs 15 lakh." Darshan Mehta of Arvind Brands agrees. Mehta lays premium on the ability of the Indian talent to evolve and innovate. "The speed at which we can reconfigure, our understanding of design, the ability to deliver quality consistently and creativity are factors that weigh more than costs." The ideas developed by Indian scientific minds are managed by Indian educated management pros and Indian law graduates are authoring the contracts. Chennai-based management consultant S. Thiagarajan puts it in perspective: "India offers customisation like nobody else. Indian companies are thinking and engineering constantly to add value and engineer to the customers' needs. Unlike China we are not stuck on size of order but are equipped to deliver multiple choice offerings." And this skill set, says Kalyani, "Is expanding at a faster pace than our economy is enabling companies to move to a different level".

Indeed. When tyre major Michelin was setting up a plant in China it first approached the AV Birla Group. Its offer: we will go to China only if you set up a carbon black (a critical input in production of tyres of which the Birlas are the fourth largest producers in the world) plant in China. Michelin even offered to contract the capacity usage. Not surprisingly, Birla bought out a Chinese carbon black plant to deliver an Indianised Birla Liaoning Carbon Black as the prime supplier to Michelin.

Birla is not the only one producing abroad to expand the footprint of 'Made In India'. In Calhoun in Georgia in the US, they celebrate May 12 as the Mahindra Calhoun day. Reason: M&M has set up a plant that assembles tractors for the US market. Last week, Srinivasan set up a TVS Motors plant in China for motorcycles, Pramod Mittal of the Ispat Group, which is targeting exports of over Rs 1,400 crore this fiscal, is leasing a two million tonne plant in Libya, Ranbaxy and Wockhardt have acquired plants in the US and the UK and over 70 and 50 per cent of their revenues are now from overseas units.

Every enlightened player is now setting up units, leasing facilities or buying up to extend its operations in the tried and tested hub and spoke. The transition is rapid. "We are seeing a mindset shift among several Indian companies," says D.S. Brar, Chairman, Ranbaxy Laboratories, who also heads the CII's Indian MNCs Council.

SAIL
V.S. JAIN, Chairman
The company is targeting export one million tonnes this year.
It exported steel worth Rs 1,075 crore last year.
By September this year, it exported six lakh tonnes.

ORIENT CRAFT
SUDHIR DHINGRA, Chairman
Last year, the company earned Rs 509 crore from exports.
These are the brands that people pay to sport, the garments you buy on high street. Armani Exchange, Ralph Lauren, Donna Karan Marc Jacob, Ann Taylor, Zara, Gap, Banana Republic are among the 20 top international brands which shop at Orient Craft.

DR REDDY'S
ANJI REDDY, Chairman
Earned Rs 920 crore from exports last year.
Has tied up with Novartis and Novo Nordisk to develop new drugs and bought a UK firm for $14 million.

AV BIRLA GROUP
KUMAR MANGALAM BIRLA, Chairman
A third of its Rs 27,000 crore turnover is from overseas.

Every time you feel cellulose/viscose on your suit chances are it could be from the AV Birla Group. 8 of 10 insulators that India sells to power companies abroad are manufactured by Birla NGK. Indian Rayon also supplies shirts, trousers and women's wear to upscale brands like Gap. The group is the fourth largest producer of carbon black in the world. One of India's first transnationals, the AV Birla employs over 12,000 foreigners and nets a third of its Rs 27,000 crore revenue from overseas operations.

"Our cost efficiencies and quality service levels give us a distinctive edge in the world markets."

Ravi Ruia, Vice Chairman of the Essar Group, agrees. "India's competitiveness is now globally benchmarked," he says. The proof of the pudding really is the prognosis on various sectors. The removal of branded drugs worth $55 billion from the patent list in the US alone could boost India pharma exports from Rs 5,000 crore now to Rs 25,000 crore by 2010. Indian garment exporters now service over 20 top global brands to earn $3 billion, a figure expected to touch $50 billion by the end of the decade.

Auto ancillary units now export parts worth $1.5 billion. With over 50 automotive suppliers setting up shop in India, business could grow tenfold. Retail chains like Wal-Mart and Tesco, who currently source goods worth $3 billion from India, could up the ante to as much as $10 billion. In 2002-3, even as the global economy spluttered, the top 100 Indian companies logged a turnover of over Rs 70,000 crore (around $15 billion), a figure that is expected to grow even as the dollar rupee grows stronger. Today there are 16 companies whose exports net over Rs 1,000 crore, 15 companies who export goods worth over Rs 500 crore and 150 companies who earn over Rs 100 crore in foreign exchange. And it is not the Wipros, Infosyses or the TCSs who are raking in the dollars.

The charge is led by old-fashioned manufacturing companies from the automobile, steel and pharmaceutical sectors. What's more, the charge has only intensified in 2003-4. This year, Bajaj Auto will ship 1.5 lakh two- and three-wheelers to ramp up its exports from Rs 353 crore to Rs 560 crore. Global sales at pharma major Ranbaxy last year was $764 million. This year it is confident of netting $900-940 million. Last year, steelmaker Ispat's exports were Rs 799 crore. This year it expects to push that up to Rs 1,400 crore.

As 2003 draws to a close it isn't surprising that the CII expects Indian exports to grow from $50 billion plus now to $103 billion, that Merrill Lynch expects India's GDP to double to $1 trillion. Mahindra describes the journey best. "We have moved from being underachievers and are now

TVS GROUP
VENU SRINIVASAN, Chairman
Motorbike exports up from Rs 30 crore to Rs 100 crore.

As a teenager, Srinivasan had to spend eight hours a day at the family business, TVS Garage. The lessons he learnt then about quality, service and attention to detail have stayed with him. So when India opened up, Srinivasan didn't complain. He simply reengineered, focusing on quality. That was in about six years back. Today his companies—Deming Award winner Sundaram Clayton and TVS Motors—are among the handful of global companies which boast of a rare quality benchmark. TVS Motors is the one of the two companies outside Japan to receive the Japan Quality Medal.

"If you want to win the export game, invest in quality and processes. We spent time improving design, productivity."

R A N B A X Y

D.S. BRAR, Managing Director & CEO

Last year it exported drugs worth Rs 1,901 crore.

It is India's biggest. It is also the pioneer of India's global forays in pharmaceuticals. Early this year, Ranbaxy became the first Indian company to earn royalties when Bayer began sale of an antibiotic developed by it. And there is more in the pipeline. Ranbaxy stunned the pharma world with a subtle declaration. It had planned to file 15 applications a year for generic drugs with the US Food & Drug Administration, but the company says it can easily make 20. Nearly three-fourths of its revenues are from overseas operations and 35 per cent of revenues come from formulation sales in the US.

"The big chance for India is to conquer knowledge industries like pharmaceuticals around the world."

experiencing what it is to have the potential of being world-beaters. This psyche is now driving outrageous ambition," he says. Almost on cue, Inder Paul Singh, chairman, Drish Shoes, says," We have achieved quality benchmarks. Our strategy is to make European brands close down their units and come to us."

Suddenly it doesn't seem like the global analysts are drunk on Prozac. Suddenly the hosannas seem to have a ring of reality. The declaration by Goldman Sachs that India would be the third largest economy behind China and the US by 2050 sounds more real. It could happen earlier too. But for this prediction to come true, India needs to shed the shibboleths of the past. For starters, it must modernise labour laws. It needs to set right the bleeding power sector as also improve road connectivity to enable goods to reach ports on time. More, not less, reforms is what will deliver jobs, growth and prosperity.