



## **ASSOCHAM Manufacturing Conference cum Awards**

### **“Transform and Perform”**

**22<sup>nd</sup> August 2017**

**Hotel Shangri-La, Delhi**

**The Associated Chambers of Commerce and Industry of India**

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## Objective

(1) To bring the stakeholders on a common platform and suggest a road-map for framing an inclusive manufacturing strategy encompassing heavy, micro, small, medium and large enterprises and startups in the manufacturing sector to achieve broad based and sustainable growth in manufacturing and increase the share of manufacturing sector in India's GDP from around 17 % at present to 25 % **by 2025.**

(2) To recognise the contribution of best States/UTs of India in nation building which have shown excellence and/or potential in manufacturing.

## Background

A large economy like India needs a vibrant manufacturing sector to provide employment opportunities and reap India's rich demographic dividend. To this end, the government has launched a wide array of programmes like *Make in India*, *Skill India*, *Digital India* and *Ease of Doing Business*. With a historically stable services sector and a growing manufacturing sector, India has the potential to transform into the next Asian powerhouse economy.

In the globalised world of today, factors such as efficient supply chain linkages, cost competitiveness, technology enabled processes, skilled manpower, stable investment climate, faster land acquisition process and friendly labour laws play a vital role in growth of manufacturing. In recent times, apart from China some of the new Asian entrants in the global arena have provided stiff competition to India, mainly on the basis of their competitive cost and technology. Indonesia and Bangladesh are two such prime examples. On the other hand, Singapore, Taiwan and Korea have moved up the value chain to specialise in high tech and skill intensive manufactures.

We live in a world where countries are integrated more than ever before. In the last two decades, various regional /free trade agreements have dismantled trade and non tariff barriers amongst members of the trade blocks. This has made

international market very competitive. Manufacturing exporters are moving close to the countries and are establishing their production centres where supply chain cost can be minimised in terms of logistics and transportation, cost of holding inventory, acquiring skilled manpower among other factors.

Entry norms are now more relaxed than before for non-domestic producers. As more foreign and multinational producers enter the domestic arena, competition for domestic producers also gets intensified. Easier entry norms, thus, make it imperative for domestic producers to be competitive, even in internal market within the economy. Therefore, to remain relevant in both internal and external market environments manufacturing sector producers need to be competitive in all areas.

This conference would focus on the potential of Indian manufacturing sector and would intend to provide an overview of present state of Indian manufacturing in terms of important macro and micro parameters. Besides, it will cover policy areas which need major push from the Government.

In the last two decades, India has taken a rather unconventional path to become one of the fastest growing economies in the world. Unlike many of the other emerging markets, where manufacturing has grown much faster than GDP growth rate, for India this certainly has not been the case. India's growth story has been driven by the dynamics of the services sector and therefore contribution of manufacturing to country's GDP has remained stagnant.<sup>1</sup> The share of manufacturing in Indian GVA was 17.5 per cent in 2015-16 – according to the new series, but still lagged behind Japan (19 per cent), Germany (23 per cent), Malaysia (23 per cent), Hungary (24 per cent), Thailand (28 per cent), South Korea (30 per cent), and China (36 per cent).

Since India's growth is services sector led, there have been always concerns about sustainability of such a growth. Usually, development process in other countries follows a transition from agriculture to manufacturing and then towards services sector. But in India, services sector has been the mainstay of economic growth.

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<sup>1</sup> Twelfth Five Year Plan (2012-2017), Planning Commission, Government of India

Paradoxically, in spite of drastically falling share in GDP, agriculture continues to support the bulk of the population in terms of employment. This implies that industry and services are unable to absorb excess workers from agriculture.

Therefore, it becomes imperative that share of manufacturing in GDP expands to 25 % **by 2025** to absorb a rising young work force. *Make in India* has set a target of generating additional 100 million employment opportunities in manufacturing by 2022.

India possesses relative advantage over several other emerging economies in many aspects. With its experienced work force, large pool of scientists, engineers and managers, reasonable endowment of natural resources, a large domestic market, large and diversified manufacturing base and proximity to fast growing Asian markets, India has the potential to emerge as a major manufacturing hub.

India has to contend with stiff competition from other emerging Asian economies, like Vietnam, Malaysia and Thailand apart from China due to greater flexibility in the operation of their factor markets (land, labour and capital) and a far more conducive business environment in terms of ease of doing business. These factors do undermine the pull factor for India as a preferred destination for investment and Make in India.

The issues relating to poor product quality, infrastructural bottlenecks, and inadequate efforts at research and development have taken a toll on the country's manufacturing competitiveness. These issues should be addressed from a holistic macro perspective.

According to the Global Manufacturing Competitiveness Index ranking for 2016,<sup>2</sup> China is currently the most competitive manufacturing nation, but the USA is expected to take over the top spot in five years. India, which is currently ranked at 11, is expected to rise to 5 in the next five years.

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<sup>2</sup> Global Manufacturing Competitiveness Index, Deloitte Touche Tohmatsu Limited, at <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Manufacturing/gx-mfg-rankings-competitiveness-index.pdf>

However, the task of creating a growing manufacturing eco system is not an easy one since Indian manufacturers lag behind their global peers in key operational areas like production planning, supply chain linkages, quality and maintenance. As a consequence, an average Indian manufacturing worker is almost 4 times and 5 times less productive than an average Thai and an average Chinese worker respectively.<sup>3</sup> Lower level of labour productivity in India also presents an opportunity to improve by targeted skill development, along with increased capital productivity.

The BCG Global Manufacturing index also tends to suggest that India has the potential to become a “rising regional star,” which in their definition means that the competitiveness has the potential to increase compared to other major economies of the world –with moderate wage growth, sustained productivity gains, stable foreign exchange rates, and rising energy cost advantages.<sup>4</sup>

Currently there are challenges in the global economy, but India is well placed to transform those challenges into opportunities. Support from the government and competition amongst states to improve their ease of doing business rankings can make Indian manufacturing sector vehicle for employment generation and prosperity.

Government of India needs to engage with industry on a continuing basis and improve policy framework which drastically cuts down the cost of doing business in India. This conference will cover amongst others the following areas which have a direct impact on cost and competitiveness of Indian manufacturing:

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<sup>3</sup> McKinsey (2012), op. cit.  
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[https://www.bcgperspectives.com/content/articles/lean\\_manufacturing\\_globalization\\_india\\_manufacturing\\_cost\\_competitiveness/](https://www.bcgperspectives.com/content/articles/lean_manufacturing_globalization_india_manufacturing_cost_competitiveness/)

## Agenda of Discussion

### Re-igniting Manufacturing: Providing an Empowering & Enabling Ecosystem

- Role of Government as a facilitator in sustainable manufacturing
- Policy interventions at Centre and State levels to promote manufacturing
- Aligning priority programmes with Manufacturing: Ease of Doing Business, IPR policy etc.
- Trade and fiscal support required for high capital intensive industry
- Support for MSMEs to build robust manufacturing

### Skill Manufacturing: Bridging Talent Gap, Building Tomorrow's Team

- Vocational training: systemically introduced at state curriculum at high school, senior secondary and graduate level
- Vocation education: perceptive barrier between white and blue collared workers
- Diverse Skilling and reskilling HR
- Decoding the Mind of the Modern Job Seeker
- HR's Unique Position within the Human Capital Management Landscape

### Factories for the Future: Achieving Sustainable Manufacturing Excellence

- Realizing smart factories for heavy industries
- Power and Energy saving in factories-green and cost effective solutions
- Achieving Sustainable Steel Manufacturing
- Defence Production
- Automation and Robotics

### MSME: Foundation for large scale manufacturing

- Building foundation for MSME sector and its exports
- MSME Quality improvement, Operational excellence and Productivity enhancement
- Textile MSME Productivity and Quality
- Empowering MSMEs through credit flow
- Role of Technology in building next generation of MSMEs

## Award Ceremony

The conference will have award ceremony for best State/UT, which has shown excellence and/or potential in manufacturing, thereby contributing in the nation building through employment generation, GSDP, industrial activity, revenue among others. Keeping in consideration the different geographical, climatic, topographical, availability of natural resources conditions distinct awards will be given to Himalayan and North-East Region.

Several economic and social indicators including, but not limited to, growth rate in no. of industries, labour productivity, efficiency, capacity utilization, return on capital, manufacturing process ratio, share of manufacturing in GSDP, value addition etc. will be considered and analyzed for selecting the best State/UT.

To recognise the contribution of a State/UT in nation's progress, Hon'ble Minister from Government of India will confer awards upon best State/UT.

Awards will be conferred under four different categories as follows:

1. Best State in Manufacturing in North-East Region
2. Best State in Manufacturing in Himalayan Region
3. Best State showing Manufacturing Excellence
4. Best State showing huge Manufacturing Emergence
5. Best State showing manufacturing Excellence in MSME
6. Best State for Environment Friendly manufacturing
7. Best Union Territory showing Manufacturing Excellence