



INDEX	LAST	CHANGE
CXK Nifty	6053.45	-9.75
PE Ratio (Sensex)	16.64	-0.14
US Dollar (in ₹)	62.44	+0.14
Gold Set 10 gm (in ₹)	29950.00	+130
Silver 1 kg (in ₹)	44747.00	+533

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'Industry has been ruined by FTAs'

The national manufacturing policy has been rich in promise but poor in delivery, says Bāba Kalyani

RASHEEDA BHAGAT

The manufacturing sector in India has shrunk in the last two years, from 17 to 14.5 per cent of GDP. The promised job creation hasn't happened. Things are so bad that at Davos this year, India was not even on the map. Baba Kalyani, chairman of the \$2.5 billion Kalyani Group, told *Business Line* in an interview.

Corporate India is talking about policy paralysis. How are things in the manufacturing sector? You are in steel, power, and are one of the biggest suppliers to the Indian Railways and defence.

The policy on manufacturing was well enunciated by Prime Minister Manmohan Singh two years ago.

It said a country with 1.2 billion people needs a strong manufacturing industry and it should be 25 per cent of the GDP by 2022. This will create 100 million additional jobs in manufacturing and have a multiplying effect. The major sectors in manufacturing for large economies are auto, pharma, electronics, metals, power, railways, defence and aerospace.

With that announcement the industry hoped the sector would get a big push, and we did see some signs initially; the power sector opened up and they invited Indian companies to set up facilities to manufacture power equipment. We too took advantage of that, setting up a JV with Alstom to make turbine generators.

The defence procurement policy released last year also had similar goals: How do we create more indigenous capacity with a new clause saying 'Buy Indian', which wasn't there earlier.

So how far has this been accomplished?

All this was very encouraging and we thought things will start happening. Unfortunately, the policy is in place, the intentions are there, but the process to implement the

policies is completely missing. Things didn't take off. Actually, manufacturing had then (two years ago) comprised 17 per cent of the GDP, now it is 14.5 per cent!

Things have moved backward; how and why did this happen? Because we are importing more than in the past.

Is it because goods are cheaper or of better quality?

No, because of the FTA, due to which companies come and set up plants here, they don't manufacture anything, they just assemble.

Do you think Indian industry will go back to the good old days and demand a level playing field? Back to the Bombay Club days?

No, I don't think Indian industry is saying that. India today is the most competitive manufacturing place in the world. If you look at costs we are cheaper than China...

Really?

Much cheaper. Cheaper than Brazil too, in every hi-tech manufacturing sector... But if you're going to make shoes for mass consumption, our labour laws and skill conditions really won't allow that. This is the background. We have a policy in place that is supposed to grow manufacturing but nothing is happening.

Now that the general elections are near, what would corporate India expect immediately from the new government?

The good news is that whether it is the BJP with (Narendra) Modi or the Congress with (Rahul) Gandhi,

The good news is that both the BJP with Narendra Modi and the Congress with Rahul Gandhi are talking about manufacturing in their latest speeches.

BABA KALYANI
Chairman, Kalyani Group

both are talking about manufacturing in their latest speeches. I was thrilled when recently Modi talked about indigenisation in the defence sector. It is not rocket science, simplistically speaking too, for a country of 1.2 billion—the only sector that can generate the kind of jobs we're talking about for our young, is manufacturing. If we don't grow the manufacturing industry to 25 per cent of the GDP and continue to do what we've done in the last few years to this industry...taking it backwards... there will be a revolution on the streets. And there will be no political party left. Today we are exporting our jobs either through FTAs in sectors such as auto or through huge imports... All these countries are making a big fool out of us.

What kind of imports are we talking about?

In the last seven years, \$580 billion worth of manufactured equipment was imported into this country. This is the big cause of the financial crisis and the pressure on the rupee today. Even if half of those products were made in India, our manufacturing sector would have been buoyant and gone to 20 per cent of the GDP; we wouldn't have had the balance of payment crisis as we're talking of \$300 billion dollars worth indigenous production.

In retrospect, what was the turning point?

It is very difficult to pinpoint but as I've said from many public forums, six ministries—industries, heavy industries, railways, chemicals and fertilisers, power and defence—control manufacturing in India. Each has a large manufacturing base and its own policy. Everywhere in the world, whether manufacturing, trade or whatever, it is controlled by one apparatus and one policy perspective. Here

we have one prime minister with good intentions, and six ministries running their own empires. This creates problems including the import culture.

So do you see the new government tackling this problem?

They have no alternative. Honestly, India is now running out of time and we all know this. At Davos this year, India was not even on the map... it was totally off the radar. My point is, do we want to be slaves again, like we were 100 years ago?

That is why we decided we will spend our money, we will make our products (for the defence sector), *koi le na le* (whether someone buys or not) it doesn't matter.

So we've made a 155mm 52-calibre gun with self-propelling capability, costing \$2 million, similar to the Bofors gun, but of a much larger range. We've also built an ultra-light Howitzer, weighing only around 900 kg against the normal weight of 3 tonnes for such guns.

