



Reji Varghese, MD, Forms & Gears

## India: A Young Powerhouse

Reji Varghese, an Engineer, joined his family-run business after completing his education. The Chennai-based company, which is the oldest and largest fixture-building company in India, was set up by his father, late RT Varghese, in 1972. And he has been successfully taking his father's legacy ahead.

### What's Working

**Workforce:** India, along with China, has the largest number of engineering graduates and technical diploma holders. This creates a huge pool of qualified people to choose from.

**Favourable Demographics:** In the next decade, a large percentage of the Indian population would be entering the workforce, which should keep India's labour costs down.

**Auto Industry:** India produces approximately four million passenger and commercial vehicles a year (without taking into account two and three wheelers) for a population of over one billion. The gap is huge and so is the potential. This will give machine tool and related industries terrific opportunities in their home market.

**Raw Materials/Vendor Base:** Foreign machine tool makers are increasingly sourcing more from Indian companies to be more competitive in the Indian market. We have witnessed a large increase in exports and supplies to foreign companies.

### What's Not Working

**Foreign Competition:** In a liberalised and de-licensed economy, the domestic industry will have to compete with foreign players. Compliance with WTO regulations and reducing duty rates will make imports more affordable. As a result, domestic players will face difficulties competing even on the price front.

**R&D and Design:** We are more used to reverse engineering a product rather than developing innovative solutions. Unless R&D and design are strengthened, Indian products will always be behind the curve as far as technology is concerned.

**Full Solutions:** Rather than selling stand-alone machines, we are seeing an increasing trend where customers are focussing on suppliers who offer full solutions. Even smaller Tier-I and Tier-II suppliers are now opting for single-window vendors who can offer full solutions rather than dealing with different suppliers, and they are willing to pay a higher price for this.

### The Way Forward

Unlike China that has an ageing population, India has a young population. Considering this fact, we need to provide quality education to this large number of people who will enter the workforce in the next decade or so. The auto industry is another sector that is showing huge growth. This industry is expected to become triple in size by 2020, giving huge opportunities to the country's industry for growth. Good quality raw materials and other inputs along with a good vendor base for component manufacturing are critical for the machine tool industry. Therefore, we need to take adequate steps so that we can secure enough sources for good quality and cost-effective raw materials.