

Make In India

With Make In India Week just a few days away, PepsiCo's D Shivakumar writes about what it will take to make India the world's manufacturing capital



2016 is a crucial year for India. India will be the fastest growing GDP amongst the Top 10 economies in the world and will likely be the destination that garners the highest Foreign Direct Investment. India has to add to these two, the ability to create the maximum number of new jobs in the Top 10 economies.

'Make In India' is possibly the best answer to this challenge of creating 12 million jobs every year in the next decade since amongst all the countries, India is unique. Unique because it is a young, developing, middle income country. Hence India's route to economic prosperity will be significantly different from the rest of the developing countries.

'Make In India' is about a vision for a more prosperous India. It has six components to it: 1) Ease of doing business in India 2) Skills and jobs for the youth 3) Make India a manufacturing hub 4) Doing away with archaic laws and regulations 5) Development of smart cities and 6) Disinvestment in public sector enterprises.

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ner investment benefits to create electronic hubs.

The need for a successful Make in India will be skilling. The national Skill development council has taken an ambitious target of skilling 500 million people in the next eight years. This requires a shift in our thinking. We have long associated education and a degree with a skill set. We will need to rethink many data points—less than 20 % of our graduating engineers and 21 % of MBAs are industry employable. Germany is the best example for skill development.

We need to prioritise four things on this skill building journey:

1. The 3000 ITIs (Industrial Training Institutes) still teach an analogue syllabus. We need to convert to a digital syllabus. This can be a collaborative effort between the government and leading technology companies.

2. We need to hone skills on the basis of learn and practice. Industry must come forward to develop a strong apprenticeship program to help with actual practice. We must adopt virtual methods. High skill industries like airlines use simulators extensively to train pilots.

4. Skill enhancement should be coupled with entrepreneur development. Industry will not be able to absorb the 500 million skilled people over the next eight years. We have to give these skilled people access to capital and markets.

India can be a manufacturing hub. It has a large domestic market in every industry. Apart from the obvious improvement needed in infrastructure, power availability, etc, we need to create a positive IR environment in manufacturing. The last few years haven't been good on this front. This IR trust gap is a reason for owners to invest in skilling their people.

We need to rethink our approach to scale. We should build an ecosystem of large and small companies that work together as opposed to working against one another. Large companies can focus on their core strengths and outsource the rest to small companies. This will build an ecosystem with a higher management capability than having a separate, protected small scale sector.

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I will elaborate on the first three components and I believe the first of the six – ease of doing business in India is possibly a low hanging fruit to close. India has already moved from being No 142 on this index to 130 in the last survey and India's likely destination should be to be near China – in the 90 s. This is about policy, consistency of policy, consistency of taxation, cutting red tape to open a business or close a business and constructive labour laws. Chief Minister Chandrababu Naidu set a great example by allowing women to work the night shifts in the Sri City Industrial park where PepsiCo set up a large facility.

Every industry in today's economy is affected by technology – be it cars, be it two wheelers, be it construction. So 'Make In India' must have a strong technology element to it. The electronics hardware business in India is \$35 billion, low as a percentage of our GDP. Our electronics manufacturing base needs creation of 'chip' manufacturing in order to be globally competitive. This is needed; else India has only low-wages leverage to be an attractive assembler. That in the long term is not sustainable as these 'footloose' industries will move to other developing countries that of-

fer investment benefits to create electronic hubs.

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2. **We need to hone skills** on the basis of learn and practice. Industry must come forward to develop a strong apprenticeship program to help with actual practice. We must adopt virtual methods. High skill industries like airlines use simulators extensively to train pilots. We have classified our human resources into blue collar workers and white collar workers. But this type of skilling will create a new category of grey collar workers, a group that will apply their thinking to resolve physical and digital challenges of society.

3. **Create a better employment marketplace** for skilled people to find attractive jobs.

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The Indian IT (Information Technology) services sector is a great example of skill building, establishing an efficient industry body in NASSCOM and moving up the value curve into knowledge services. There are simple lessons from this sector for 'Make In India'.

PepsiCo is invested in India for the last twenty-six years. Our range of categories is second to HUL. We work with a "Grow in India, Source in India, Invest in India, Innovate in India" philosophy. We committed a \$ 6.5 billion investment for the 2013-2020 period, making it the single largest FMCG investment outside of the share buyback plans. We have more than 60 manufacturing facilities nationally and source significant amounts of potato, sugar, corn, rice, gram, mangoes in India. We also source significant mango quantity from India for export to PepsiCo units globally. We invest in developing farmer capability through technology by upgrading seeds, by leveraging our position to get loans for farmers and innovating with machine equipment manufacturers to develop small harvesting machines for the small farmer. Our potato program has over 24,000 farmers on its rolls. For us, Make In India is not just a philosophy but the way we have been doing business in India.

The author is chairman and chief executive officer of PepsiCo India

