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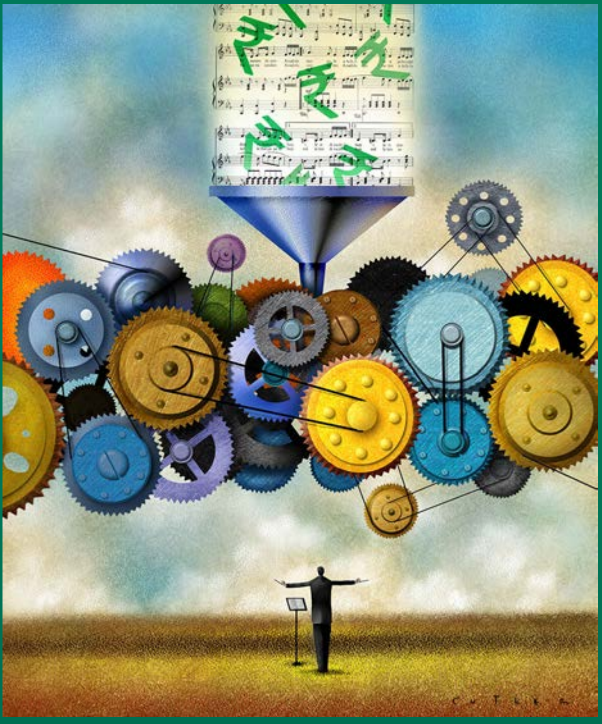
CII
Confederation of Indian Industry

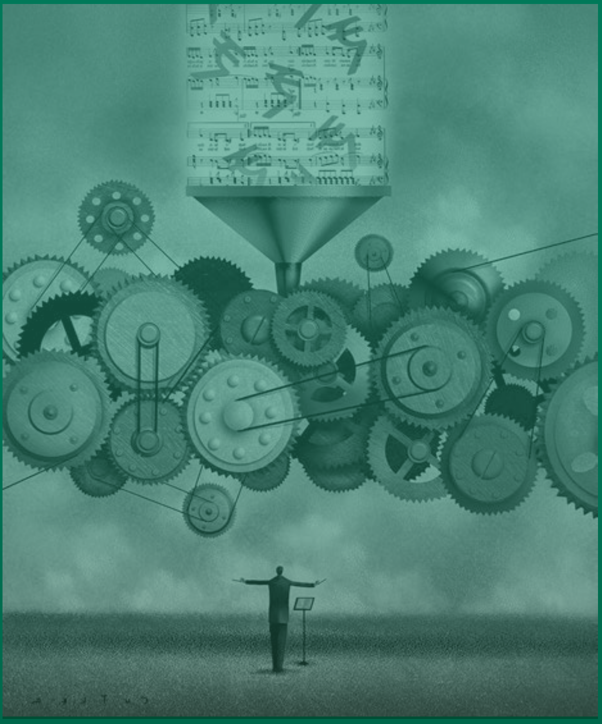


CII 13th Manufacturing Summit 2014

CII-BCG Manufacturing Leadership Survey 2014

Addendum to the Background Note

The Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. We partner with clients from the private, public, and not-for-profit sectors in all regions to identify their highest-value opportunities, address their most critical challenges, and transform their enterprises. Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with 81 offices in 45 countries. For more information, please visit bcg.com.



The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.
CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India's development process. Founded in 1895, India's premier business association has over 7200 members, from the Private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 100,000 enterprises from around 242 national and regional sectoral industry bodies.
With 64 offices, including 9 Centres of Excellence, in India, and 7 overseas offices in Australia, China, Egypt, France, Singapore, UK, and USA, as well as institutional partnerships with 312 counterpart organizations in 106 countries, CII serves as a reference point for Indian industry and the international business community.

Note to the readers

The CII-BCG Manufacturing Leadership Survey 2014 was launched to gauge the pulse of industry leaders on the current scenario and future prospects for the Indian manufacturing sector. The survey was hosted online and sent through email to top management of CII member companies in the manufacturing sector.

The survey results, complied from 102 responses, have been selectively incorporated in the background note for the summit. We would like to thank all the respondents to the survey for their valuable inputs.

The following pages contain summarised responses for select questions in the survey. The results have been complied from survey responses received and do not necessarily reflect BCG's view on the subject.

Survey focused on three dimensions

Perspectives on manufacturing sector performance

Vision for Indian manufacturing

Perspectives on realizing the "Make in India" vision

Agenda

Perspectives on manufacturing sector performance

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Exhibit 1 | Recent slowdown adversely impacting the sector

What has been the average annual growth of your sector's India operations in recent past?

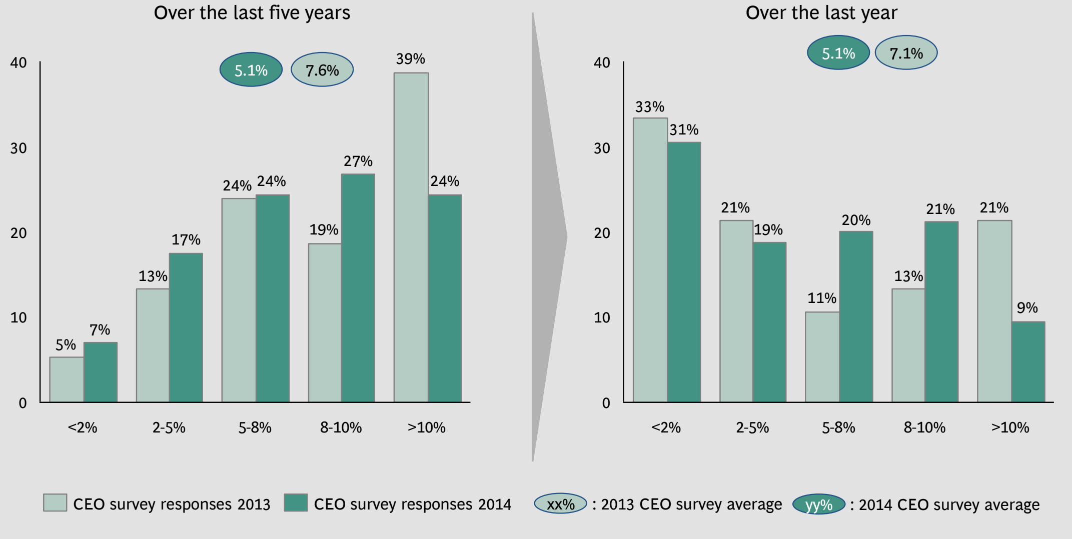


Exhibit 2 | Similarly, effect of slowdown witnessed across companies

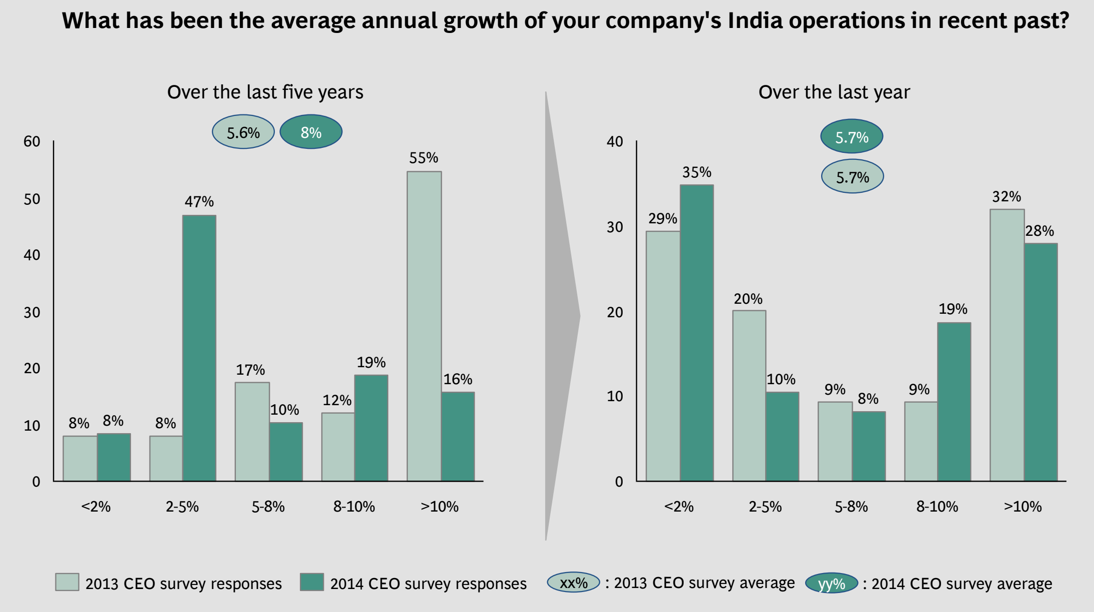


Exhibit 3 | Compared to last year, sector leaders more positive about the future

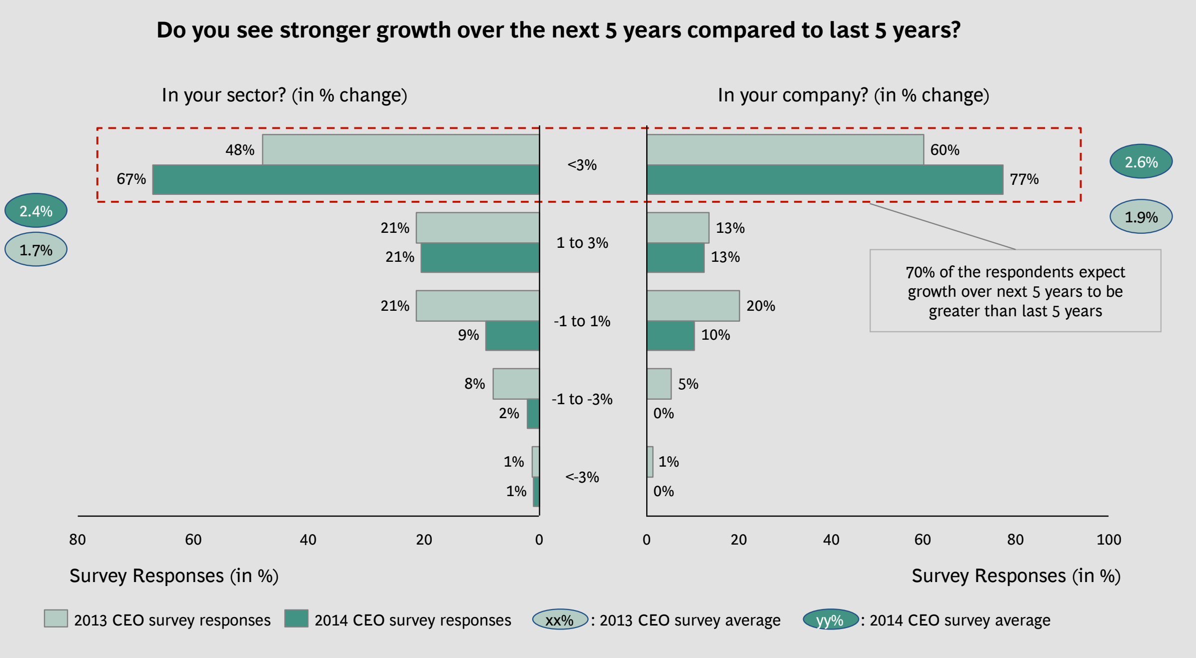


Exhibit 4 | Significantly higher expectation of future growth, with the vast majority expecting 5-10% growth in next 5 years

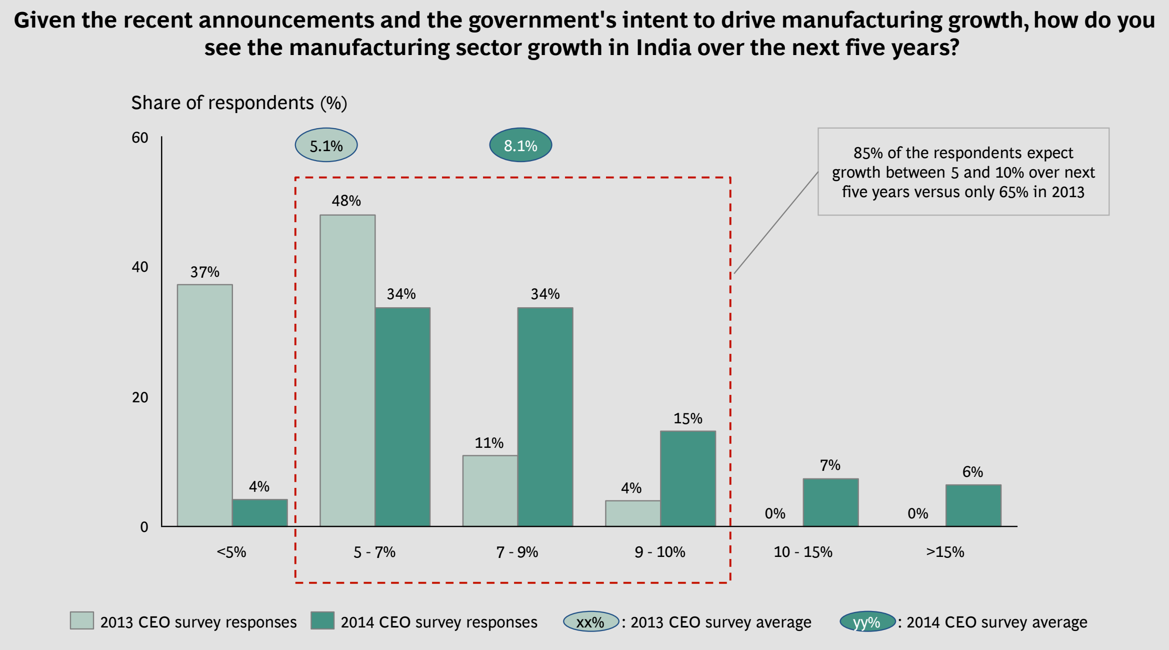


Exhibit 5 | Share of international revenues estimated to be low

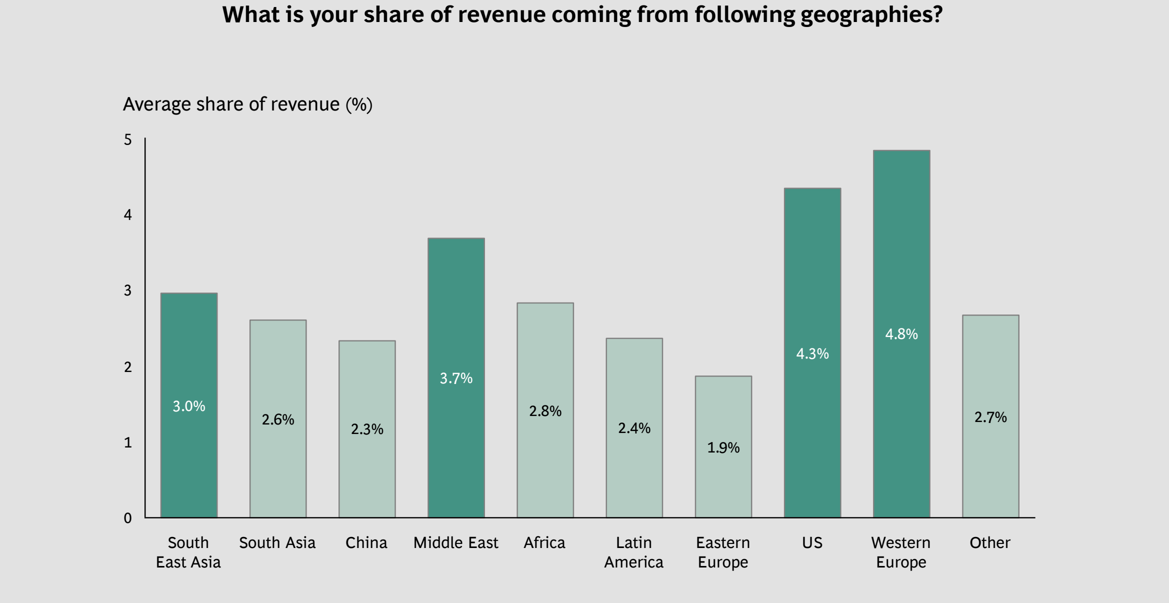
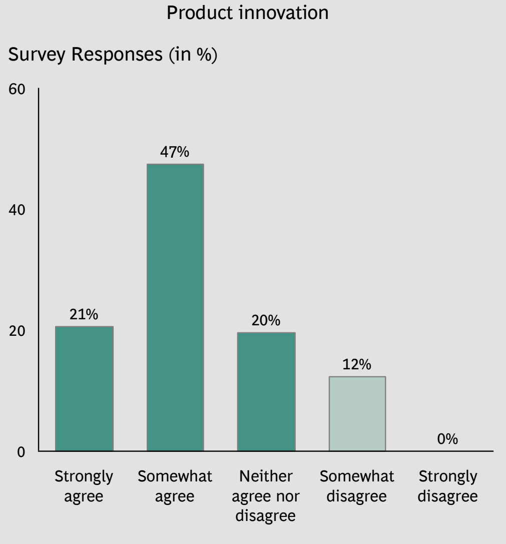
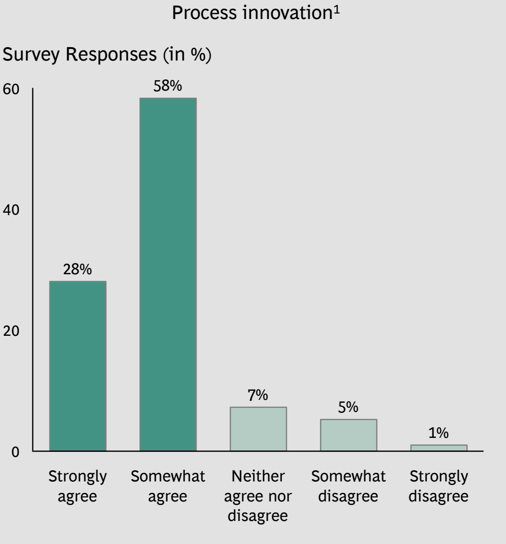


Exhibit 6 | Improving trend in ability to bring in innovation

On average, do you see Indian manufacturing companies getting better at the following?





1. For example shop floor process innovation –cost-efficient mix of labor & automation to improve turnaround time in an assembly line

Exhibit 7 | Divided verdict in ease of attracting talent

On average, do you see Indian manufacturing companies getting better at attracting top talent?

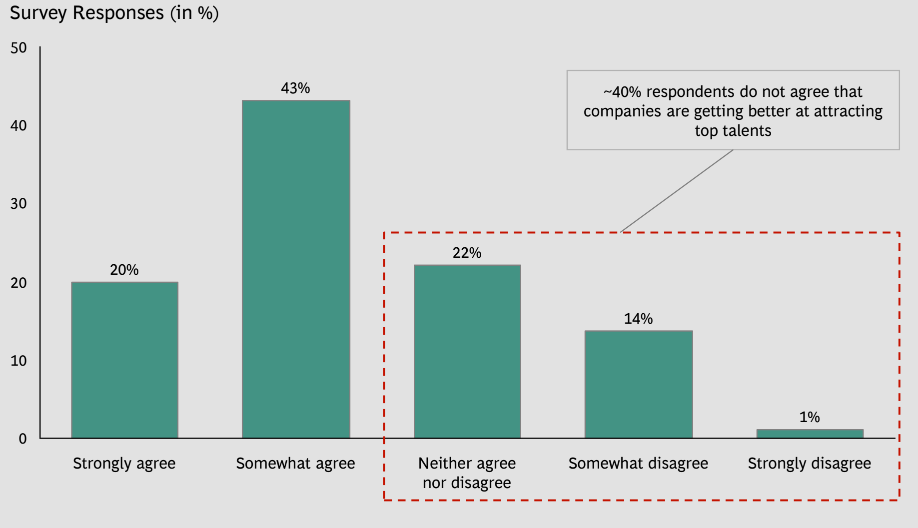


Exhibit 8 | Talent management remains a key challenge, specifically across leadership roles

In which levels of the organization do you see the largest recruiting / retaining challenge?

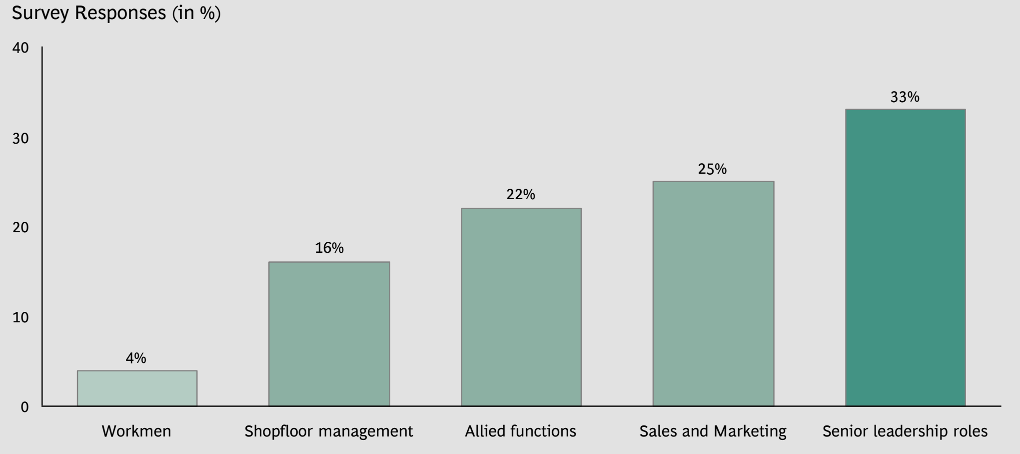
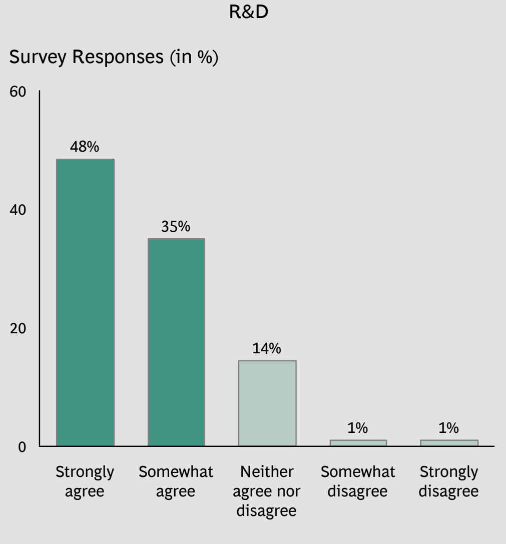
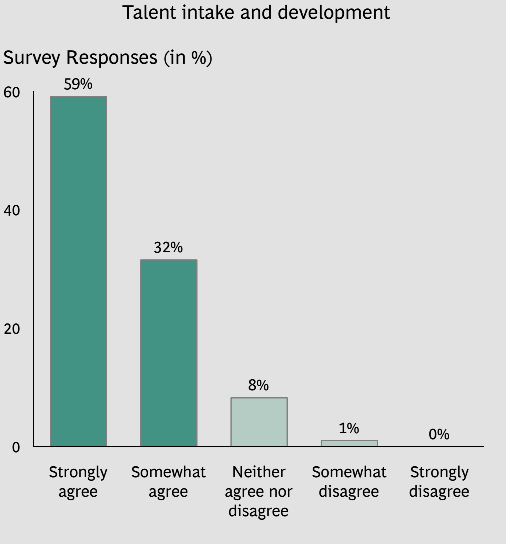


Exhibit 9 | Most companies will increase focus on R&D and talent development

Will your company be investing more time and resources over the next 5 years compared to last 5 years in the following?





1. For example shop floor process innovation –cost-efficient mix of labor & automation to improve TAT in an assembly line

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Exhibit 10 | Most leaders want India to grow at 9%+

What should be the target, aspirational growth rate for manufacturing in India from now till 2020?

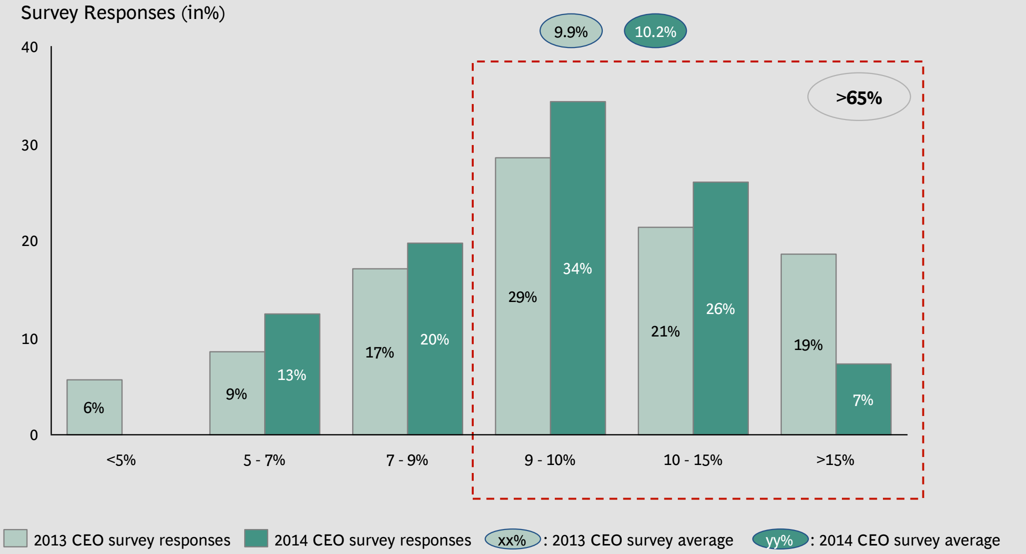
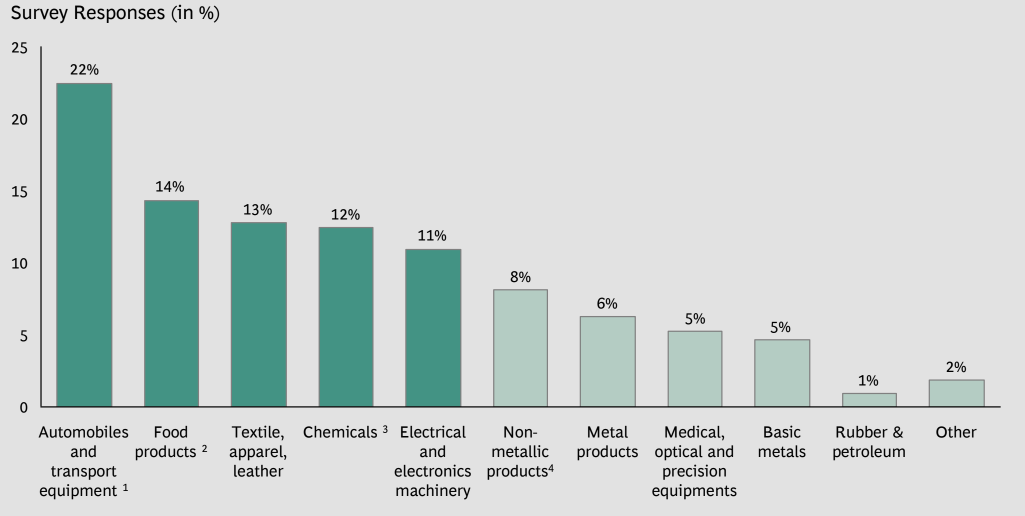


Exhibit 11 | Automobile seen as the top sector to drive growth

Supported by a diversified range of products including food products, textile and apparel, chemicals and electrical and electronics machinery

Which are the key sectors to drive manufacturing growth in India and abroad, up to 2020? (select top 3)



1. includes parts & accessories 2. includes beverages & tobacco 3. includes pharmaceuticals 4. includes glass, cement, ceramic, building materials, etc.

Exhibit 12 | Engineering talent & SMEs still seen as top two competitive advantages for India

What do you believe is the biggest competitive advantage for Indian manufacturing? (select top 3)

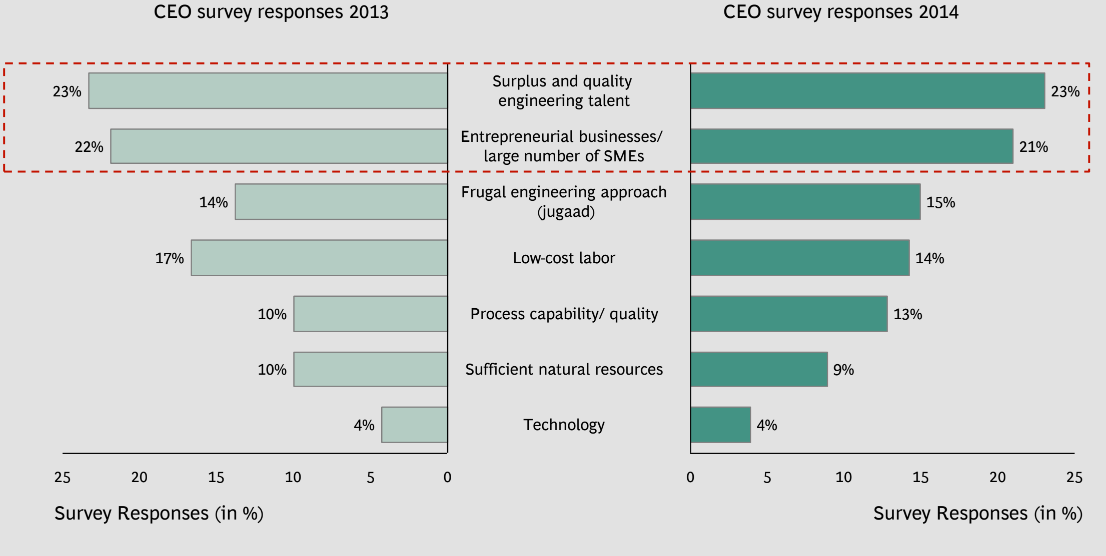


Exhibit 13 | Labor considered to be the least sustainable advantage for India manufacturing

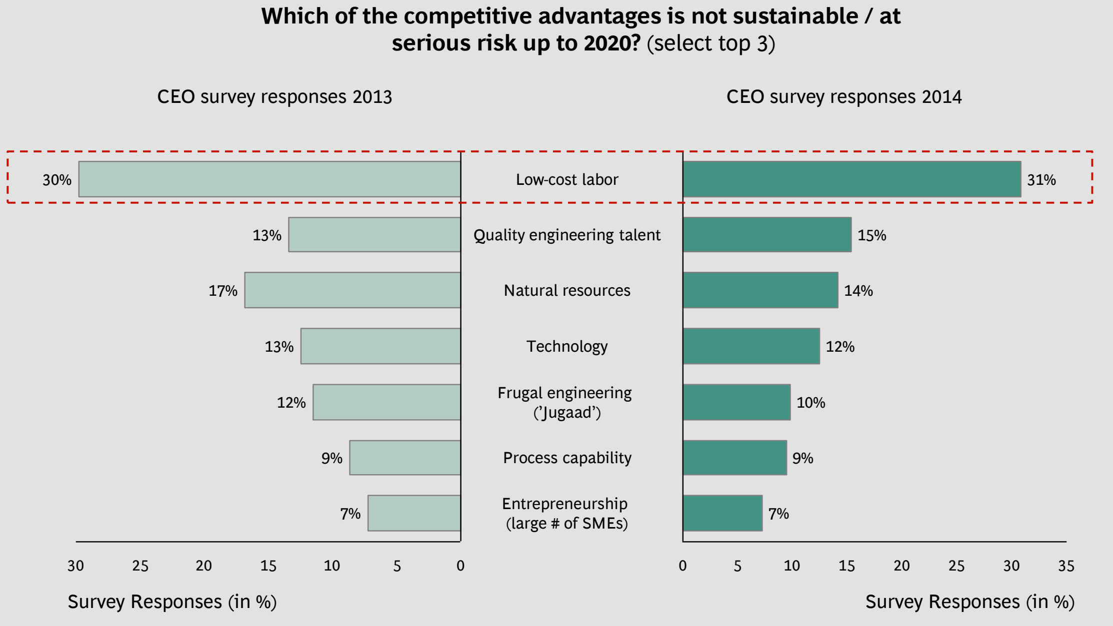


Exhibit 14 | Various ambitions for India manufacturing, led by a will to become a top-quality manufacturer

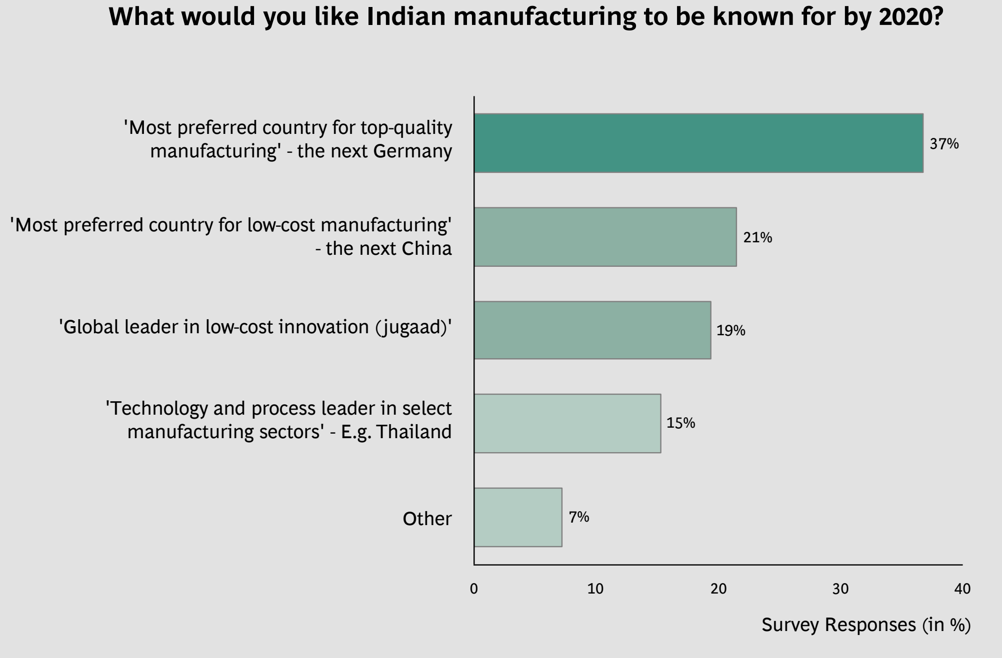


Exhibit 15 | Future growth drivers expected to be across domestic and exports

What would be the key demand-side driver for manufacturing growth in India for the next 5 years?

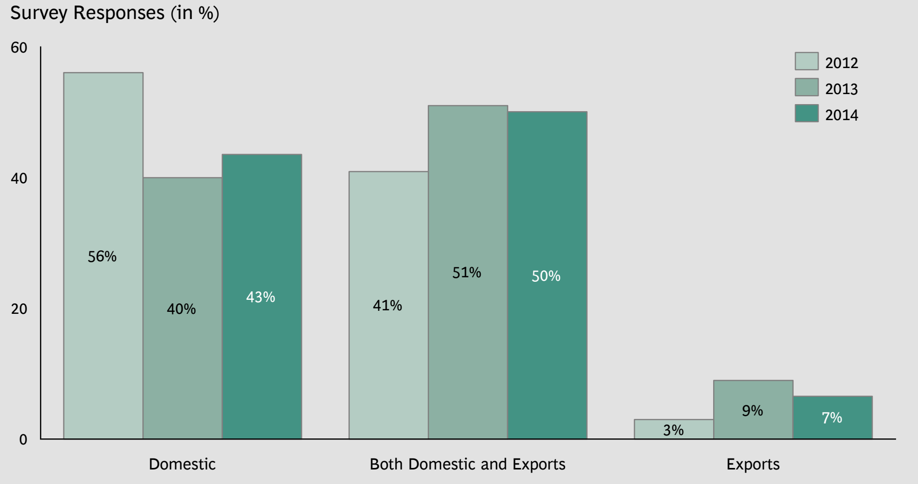
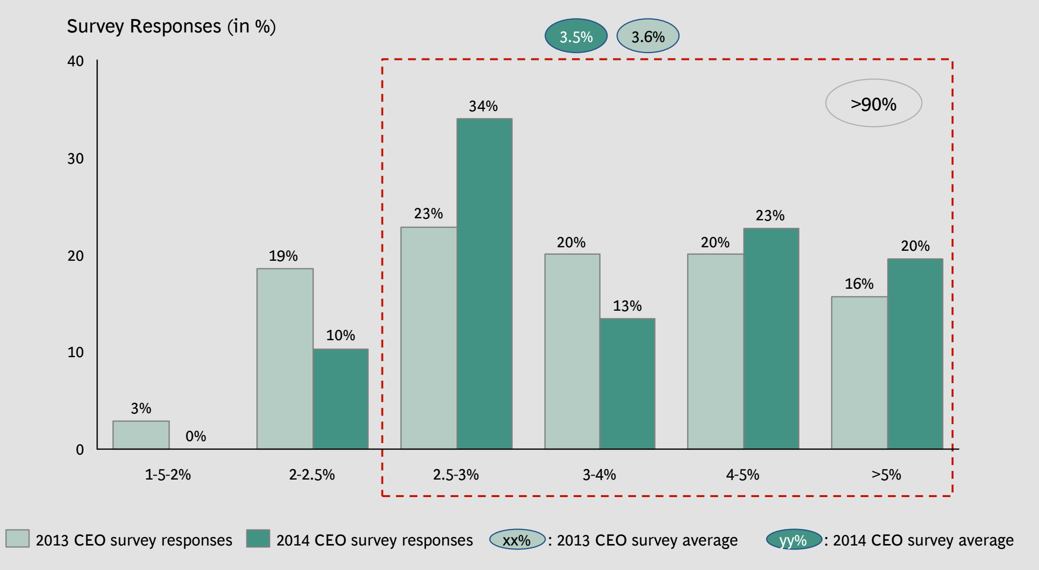


Exhibit 16 | Over 90% of sector leaders aspire to take India's share of world exports from 1.6% to more than 2.5%

What would be your aspiration for India's share in global exports in 2020 (currently **1.6%**)?



Note: 1.6% represents India's share of global merchandise exports in 2014

Exhibit 17 | Higher export aspiration across Asia, Middle East, Africa and Latin America

What is your share/ your target share of revenue coming from following geographies?

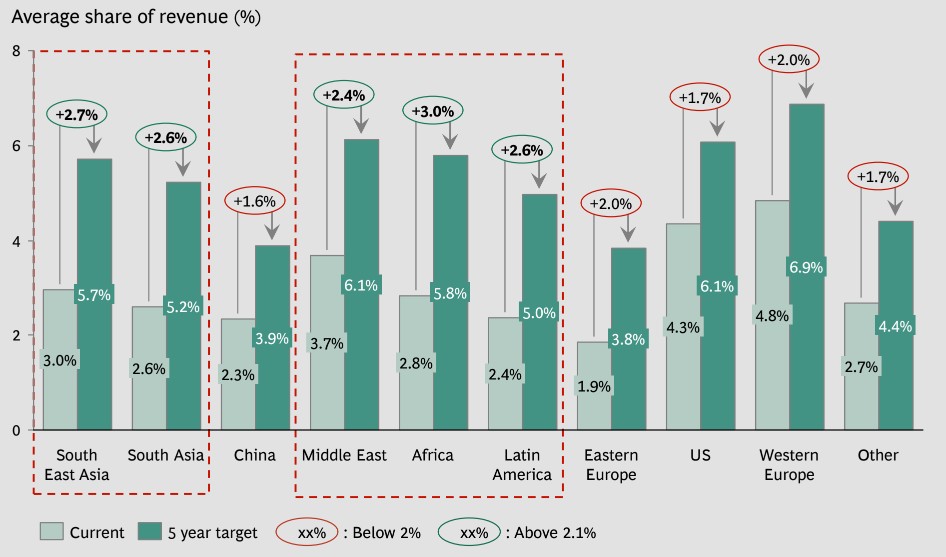


Exhibit 18 | China and South East Asian countries seen as the biggest competitors for India in export markets

Which countries will be our biggest competitors in the export markets, between now and 2020?
(select top 3)

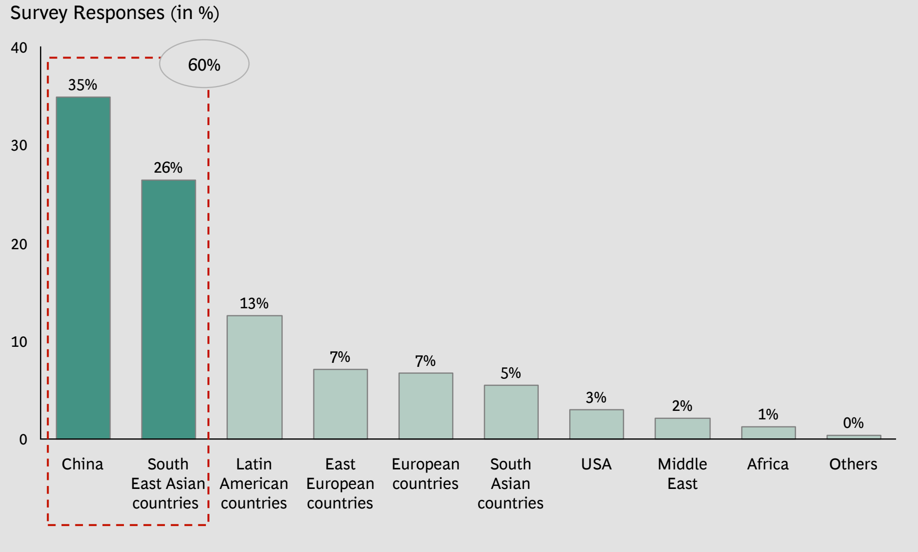


Exhibit 19 | Increasing impact of digital and technology trends in manufacturing sector

Do you see an in increasing impact of digital / technology trends in manufacturing sector?

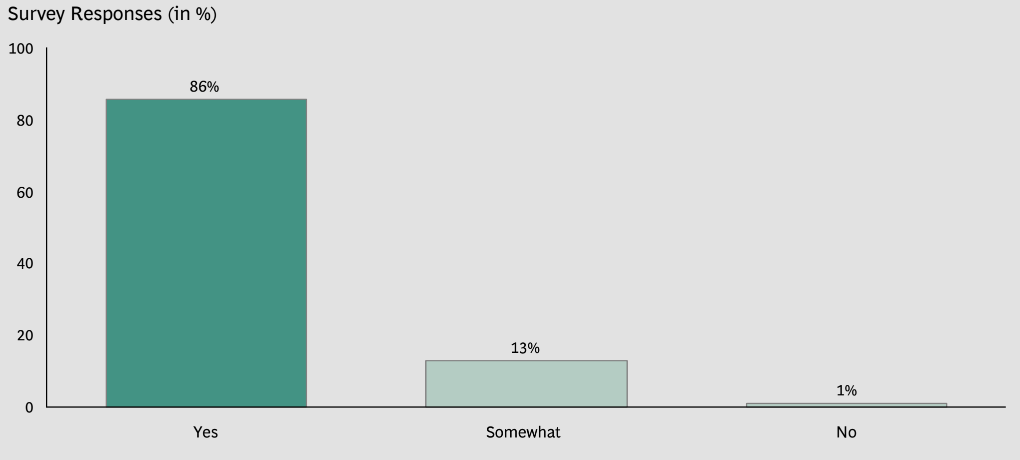


Exhibit 20 | Digital advancement to impact manufacturing more than market-oriented activities

How does digital/ technology impact manufacturing industry the most? (Select top 3 choices)

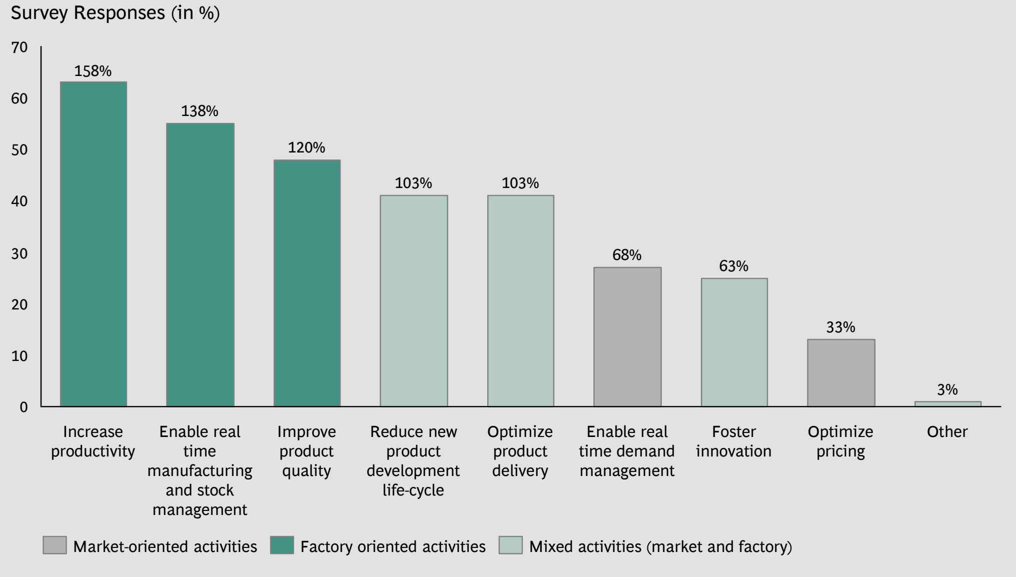


Exhibit 21 | Auto, electrical & electronics machinery and medical equipment expected to be the most impacted by digital trend

In what areas do you see the impact of digital/ technology trends the most? (select at least 2 choices)

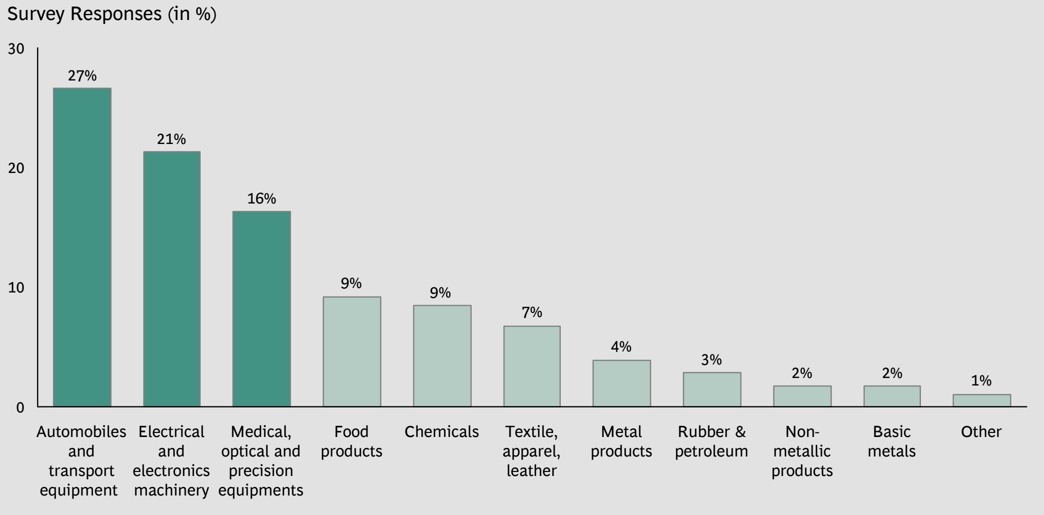


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Exhibit 22 | Industry views both policy as well as implementation reforms as key drivers for growth

What is the magnitude of change required in policy conceptualization and implementation to support manufacturing growth in India?

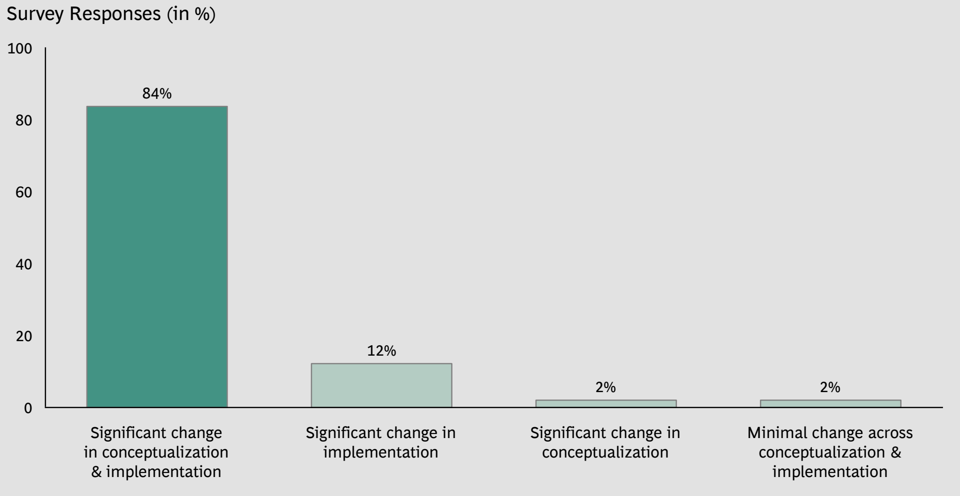
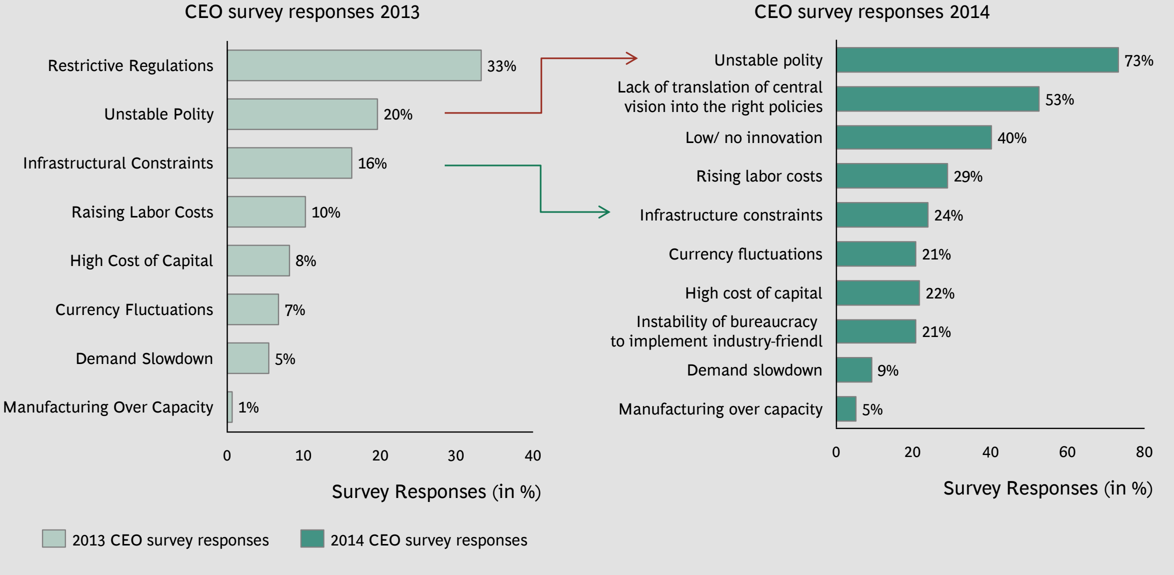


Exhibit 23 | Polity and ability of PM / central vision to be translated into right policies seen as key challenges

What do you foresee as the biggest challenge for manufacturing growth in India over the next five years?
(select top 2)



Note: Other challenges listed include availability of skilled manpower labor reforms, labor availability , skill shortage, competition from low cost countries like China and Vietnam, global economic and political uncertainty, higher taxes and duties, lack of comprehensive, consistent and stable policy framework, no real cost competitiveness due to energy, taxes, freight transaction, taxes, ...

Exhibit 24 | Strong confidence in the "Make in India" campaign

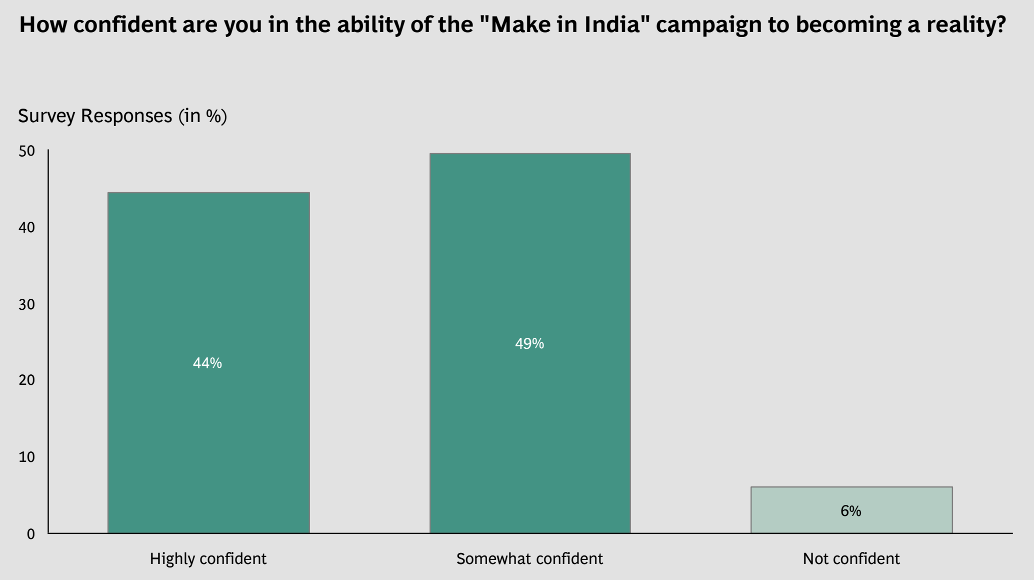
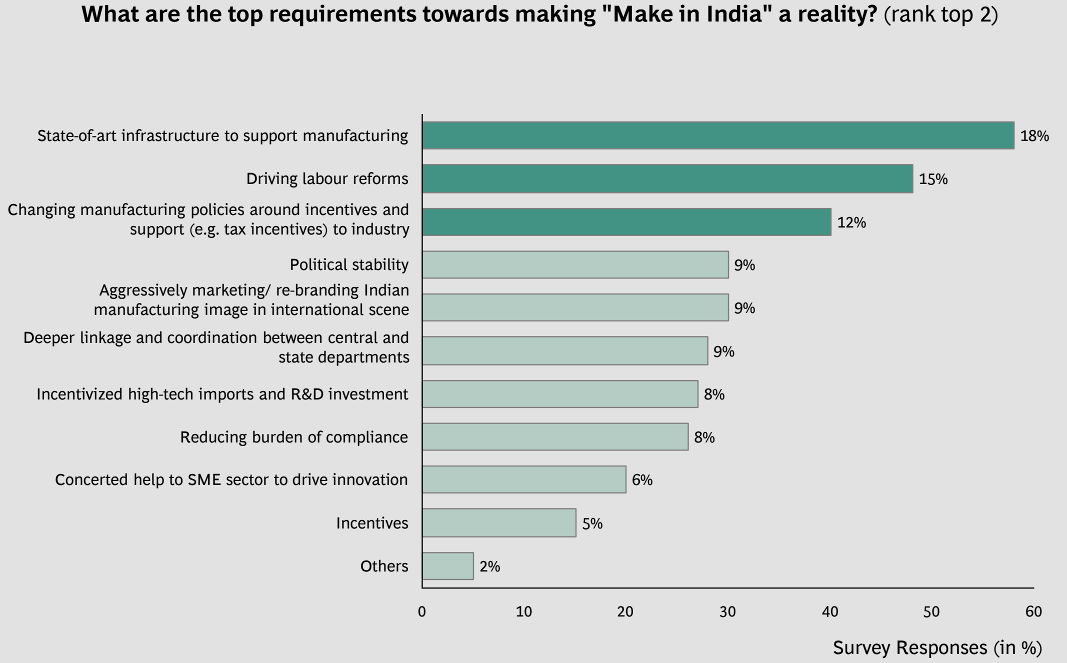


Exhibit 26 | Infrastructure, labor reforms and support to industry seen as top three priorities



Appendix – Respondent profiles

Exhibit 27 | Respondents spread across all industries including diversified businesses

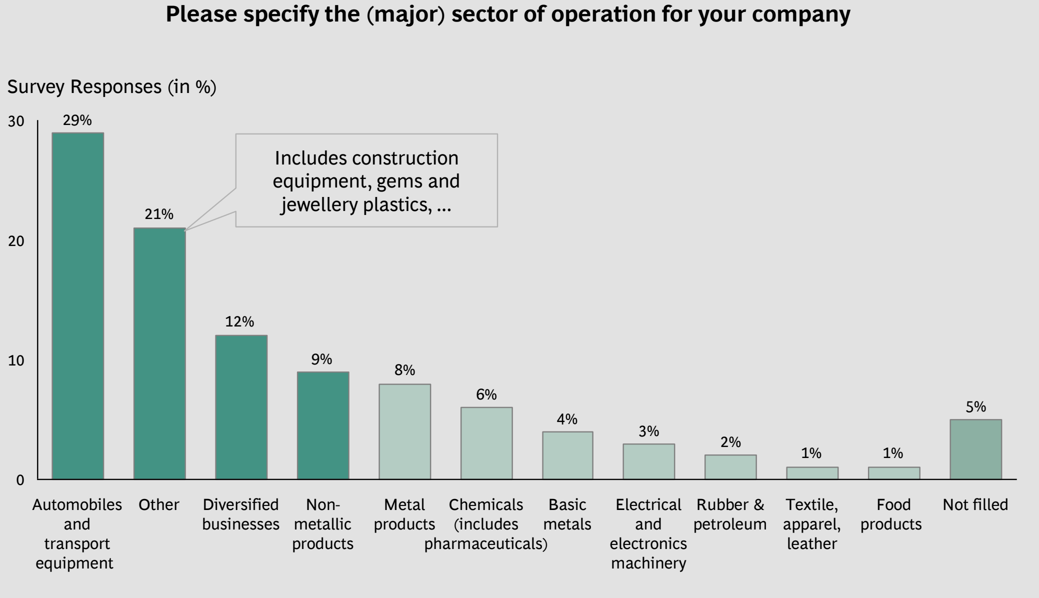


Exhibit 28 | Most respondents having a global footprint while manufacturing only in India

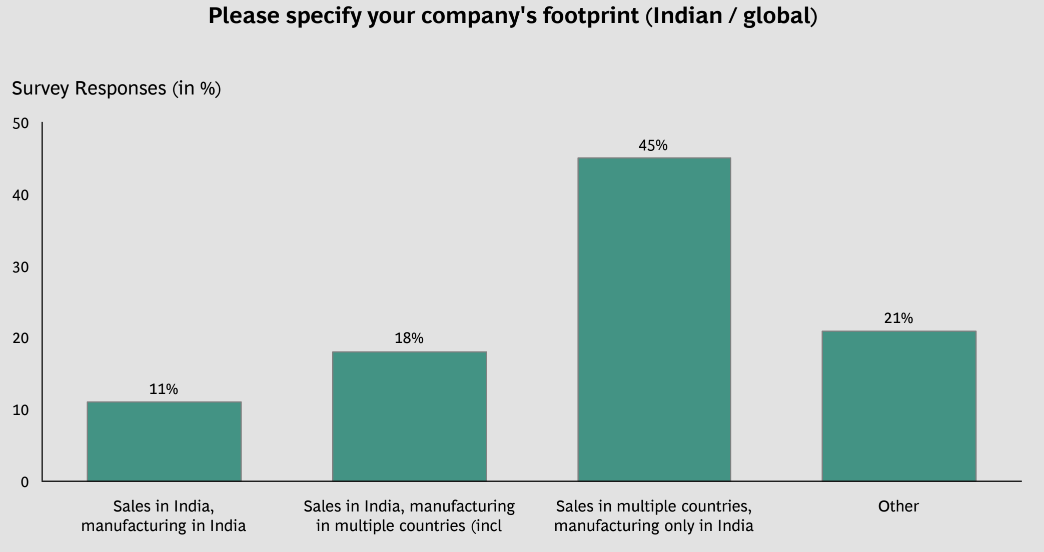
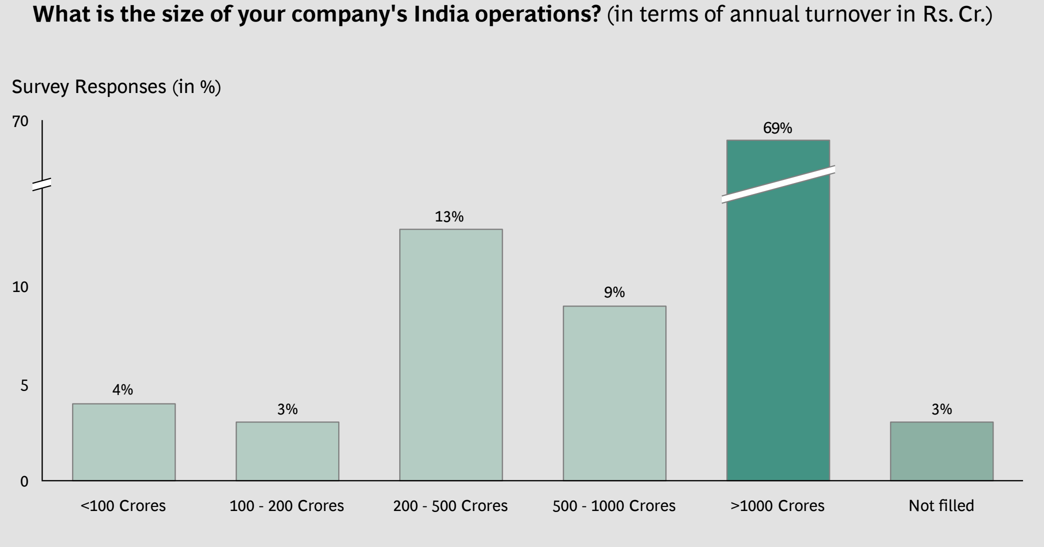


Exhibit 29 | Respondents across various company sizes with majority from businesses of more than 1,000 Crores revenue



NOTE TO THE READER

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Executive Director, ABI showatech India Limited

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Director & Chief Executive, Addison & Co Limited

Mr Rajiv Dube
Director, Aditya Birla Group

Mr M. R. Shankar
Head of Purchase, Akzo Nobel India Limited

Mr Rajiv Rajgopal
Director, Decorative Paints, Akzo Nobel India Limited

Mr Rajive Saharia
President, Trucks, Ashok Leyland Limited

Mr Kawaldeep Sahni
Sr Vice President, Bhushan Steel Limited

Mr Prasad BXV
Senior Vice President, Biocon Limited

Mr K Srinivasan
Managing Director, Carborundum Universal Limited

Mr C K Ranganathan
Chairman & Managing Director, Cavinkare Pvt. Limited

Mr Ajay S. Shriram
CFO, DCM Shriram Limited

Mr Jitendra Kumar Jain
Chairman & Sr. Managing Director, DCM Shriram Limited

Mr Umesh Asaikar
Executive Director, Deepak Nitrite Limited

Mr Pramod Kumar Agrawal
Chairman, Derewala industries Limited

Mr Satish Mehta
Chief Executive Officer, Emcure Pharamaceuticals Limited

Mr K Srinivasan
Managing Director, Emerald Jewel Industry India Limited

Mr Blaise Costabir
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Chief Strategy Officer - Airports, GMR Group

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Mr D. E. Byramjee,
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Mr Pankaj Munjal
Co-Chairman & Managing Director, Hero Cycles Limited

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CEO, Hydro S&S Industries Limited

Mr Sarangarajan
Vice President, Hyundai Motor India

Mr Sunil Duggal
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Chairman & Managing Director, ITI Limited

Mr Bagavathy Appan
EVice President - India Operations, JCB India Limited

Mr Subir Chowdhury
Vice President — Procurement, JCB India Limited

Mr Rohit Raina
Head Corporate Affairs, Jindal Stainless Limited

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Mr Anil Gupta
Chairman, Kei industries Limited

Mr Aniket Kulkarni
General Manager, Kirloskar Brothers Limited

Mr Sanjay Kirloskar
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Mr Rajit Gosh
A Vice President, KOEL

Mr Koji Tsuyuguchi
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Chief Mentor, Maruti Suzuki India Limited

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Mr Arun Malhotra
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Mr Ashok Wadhawan
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Mr Rino Raj
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Ms G Saroja Vivekanand
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Mr Rajan Shringarpure
Managing Director, Vishay Components India Pvt. Limited

Mr A M Muralidharan
Chief Operating Officer- Domestic Projects Group, Voltas Limited

Mr M. Gopikrishana
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