

## ***IPOs stress on supplier design capabilities to tide the next wave***

22 International Purchasing Organizations (IPOs) were part of the IPO Conference on “Going Global – Challenges Ahead” organized under the IPO Forum of ACMA coinciding the 11<sup>th</sup> Auto Expo on 9<sup>th</sup> January, 2012 in New Delhi.

Welcoming the participants, Mr. B.K. Bose, Chairman of the All India IPOs Forum of ACMA and Vice President, IPO, Cummins, spelt the objectives of the Forum to the supplier base. He mentioned that the forum which had a membership of over 30 IPOs was set to grow with more IPOs having shown keen interest to join and take benefit from the Forum’s activities. He outlined the objectives of the forum which included Quality Improvement, developing supplier design capability, improving project management, supply chain capability and LCC terms of cost competitiveness.

Giving a perception on Component Exports from India in context of economic crisis in Europe, Mr. Samik Biswas, Asia Operations Practice, McKinsey & Company attributed the continued growth of auto components to the fundamentals and competitiveness of the industry. While the Europe crisis may result in headwinds in economy and will need careful monitoring, short tail winds will continue the industry to move ahead, he opined.

India, he said was stronger in design, process, machining and fabrication activities as against labour and raw material intensive operations vis-à-vis China.

Many companies adopted a 2-stage process to identify and successfully source components from India, he said, and also detailed the phases on the stages, which included assessing initial, sourceable, prioritized spend base, identifying component that cannot be sourced from India and selection of components, prioritized through opportunities and feasibility matrix he added.

On the challenges of Europe crisis, falling financial markets and sovereign debt concerns, banking system liquidity pressure, loss of steam in emerging market dynamics compounded with increasing raw material prices, were concerns bothering the international markets and the emerging markets in particular which saw Europe as a good destination to export.

On a positive note, he mentioned that continued cost pressures will keep India sourcing relevant. Levels of India sourcing are yet to reach full potential, which would provide for further opportunities for growth he added. Indian OEMs expanding operations overseas and Overseas OEMs expanding base in India were good signs which will help future exports, he mentioned.

Giving his inaugural address, Mr. Sumanta Chaudhuri, Joint Secretary, Department of Commerce, complimented ACMA for initiating a forum focused towards enhancing auto component sector exports, which he mentioned permeated positive sentiments and also reinforced the developing Engineering Prowess of the Indian manufacturing sector. Terming the automotive and the auto component industry in particular as a sunshine sector, he assured of his Department’s support in furthering exports. He also outlined the various incentives provided to the industry which was also aimed at promoting the Brand India image. The various, FTAs, PTAs and CEPAs he mentioned were also opportunities for the industry to look at as different accessible markets.

On the Opportunities and challenges, General Motors, Getrag and Tyco shared their experiences and advice to the supplier community.

Opportunities included sourcing to new vehicle and engine programmes, positive momentum in the North American, South African and Asian markets, incentives in emerging markets like Uzbekistan, enhanced supplier influence, etc.

Tyco also shared a few success stories with Indian companies for their global sourcing.

The Challenges included, flawless launch of projects, supply chain management, effective capacity utilization, relationship management, continued cost competitiveness, contractual security, delivery, quality, price, exchange fluctuations, local demand vis-à-vis exports, logistical competence, executional, cultural, inherent and financial challenges.

Supplier design capability was a new initiative discussed during the Conference. Mr. Reinhold Hierl, Director – IPO, BMW India Pvt. Ltd. outlining the programme, mentioned that the engineering capabilities would be looked at by the IPOs and global players to go the next step in building stronger relationships.

Adding his view, Mr. Harvansh Batra, Director – Sourcing, EADS, mentioned that while the Indian industry's expertise had developed in manufacturing and tool design, it was necessary to develop engineering capability. Engineering services he motioned had a larger scope than IT business in future and would be more than \$1 trillion in value terms.

Industry needed to adopt and work on the Product Life Cycle Management with more focus on design and engineering capabilities with innovations. India, he opined had the right infrastructure, capability, respect for IP and resources to develop and strengthen its engineering services. Value creation to OEM could be enhanced by including engineering services along with supply of reliable components, he said. Mr. Batra also cited examples from the Aerospace industry. Company also get to increase their value in the market by syncing its vision in line with customer requirements, complete response to customers on design to build RFQ, handle quality, warranty issues, etc. he added. However, management commitment was key for any improvement to be made in this aspect he emphasised.

The conference also included a panel which included Mr. Jayant Davar, Past President and Chairman Globalization Committee & Trade Fairs, Mr. Rattan Kapur, Chairman-Northern Region, Mr. Sriram Sivaram, Deputy Chairman – Southern Region, Mr. Kirti Rathod, Deputy Chairman- Western Region and Mr. B.K. Bose, Chairman – IPO Forum discussion which deliberated upon the need to ensure moving from a inspection based to QA based suppliers; development of suppliers using the tool of sharing of best practices; regular exchange of information and communication with regard to expectations and developing the supply chain

Consolidation of sub-suppliers, hand-holding, process orientation, proactive approach, employee involvement, better and innovative HR practices, cultural adaptation, transferring knowledge, transparency, relationship management and involving financial institutions for growth were some inferences from the deliberations at the Panel Discussions.

Earlier, Mr. Jayant Davar, Past President and Chairman, Globalization and Trade Fairs Committee outlined the industrial scenario and the efforts made by the industry to address various challenges facing it. The industry has to look into value creation for its customers to keep it afloat in a competitive global market, he opined.

The conference was attended by over 32 delegates from 22 IPOs and over 85 suppliers, who termed the same as informative.