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“WE ARE INVESTING RS 5,300 CRORE IN INDIA”

In an exclusive interview

Keerthi Prakash, Managing Director, Renault Nissan Automotive India Pvt Ltd talks to **Rahul Kamat** about how RNAIPL is actively aligning its strategies with the latest trends, commitment to designing and manufacturing new models, including electric vehicles, and tailored to meet the demands of the Indian market.

MACHINERY

ONCE PRODUCING 13 MACHINES PER YEAR, BIESSE NOW PRODUCES 2,000 MACHINES YEARLY

TOY MANUFACTURING

AEQUS IS WELL PLACED TO TAP INTO THE ODM SERVICES MARKET WITH ITS OWN IDEAS AND DESIGNS



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AEQUS IS WELL PLACED TO TAP INTO THE ODM SERVICES MARKET WITH ITS OWN IDEAS AND DESIGNS

Dr. Ravi Guttal, Aequs' Chief Technology Officer and Senior Vice President, discusses Koppal Toy Cluster's pivotal role in reshaping North Karnataka's future, its impact on India's socio-economic growth, and the significance of vertical integration and robust supply chains for Original Design Manufacturing (ODM) success in India. He also addresses key policies and initiatives for ODM growth in an interview with **Nisha Shukla**.



Dr. Ravi Guttal, Chief Technology Officer, and Senior Vice President of Aequs

How does Koppal Toy Cluster aim to cater to the international toy market demands by manufacturing in India? How is it also reshaping North Karnataka's future and contributing to the growth of India and the manufacturing sector?

Spread over 400 acres, the Koppal Toy Cluster (KTC), India's first toy manufacturing cluster, is built to cater to global players. It comprises an exclusive Special Economic Zone (SEZ), apart from a Domestic Tariff Area (DTA).

KTC offers end-to-end infrastructure and services as a one-stop manufacturing solution. It is set to play a key role in India's quest to become a dominant player in the global toy market. Built to house up to 100 units when fully occupied, the industrial cluster offers

a viable option for global manufacturers and toy brands seeking to diversify their manufacturing and supply chains away from other production centres like China and Vietnam.

For instance, one of the first occupants in the SEZ makes rubber components used in toys made by other units within the cluster. Aequs, one of the largest exporters of toys in the country today, is an anchor participant in the KTC.

Exporting to over 60 countries, Aequs boasts of one of the largest manufacturing spaces in the country, making it one of the biggest toy makers and exporters in India.

Understandably, KTC is expected to transform the socio-economic scenario in North Karnataka, and particularly in Koppal, which is the most backward district in Karnataka. With few jobs available locally, the Koppal district is characterised by rampant migration of labour and is an ideal location for setting up new industries. When fully occupied, the KTC is slated to provide direct employment to 25,000 people, subsequently generating another 1,00,000 indirect jobs in the region. Many of these jobs will require semi-skilled workers, including women from the region.

Why vertical integration and supply chain is crucial for ODM to become successful in India? Which are the other models the industry needs to focus on to emerge as the global hub for manufacturing?

Vertical integration, by its very nature, is beneficial to any industry, as it enables lower costs, better quality, and quicker turnaround in production cycles. However, Original Design Manufacturing (ODM) for toys is a new area for Indian toy manufacturers who, for many



Original Design Manufacturing (ODM) for toys is a new area for Indian toy manufacturers who, for many years, have been dependent on OEM specifications and designs for manufacturing. There are several upstream and downstream capabilities that ODM players need to develop.

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For instance, rapid prototyping is a crucial element for New Product Development (NPD), which requires companies to have in-house 3D printing, prototype mold development, styling, designing, and testing capabilities.

The Aequus Innovation Centre (AIC), set up along with the KLE Technological University, is a first-of-its-kind initiative in the country for innovation in toys and consumer durables, representing a step in this direction by Aequus. The AIC complements Aequus' 30-strong NPD team in the 'Toys' business. Having already proven itself as a successful contract manufacturer for global OEMs, Aequus is well placed to tap into the ODM services market with its own ideas and designs for brand owners.

What challenges do you anticipate India might face in implementing the ODM model for toy manufacturing?

Breaking into the ODM services market begins with the design aspect. Developing original and new toys is a highly specialised field dominated by established studios in the West, which use the services of design houses in centres like Hong Kong, known as the toy design capital of the world.

For instance, Aequus has its own design house in Hong Kong, strategically positioned to stay updated on the latest market trends. This proximity allows them to share ideas and designs for the industrialisation process with Aequus Toys in India. Indian companies will need to establish themselves in this realm first.

Do you think the ODM model has the potential to create employment opportunities and contribute to the socio-economic development of India? What steps is Koppal Toy Cluster (KTC) taking to upskill, skill and reskill the existing workforce?

In terms of job creation, ODM itself will be a minor contributor as the number of people directly engaged in this will be few. However, more ODMs would lead to higher domestic manufacturing and hence accrue the benefits thereof.

As for skilled manpower, toy manufacturing itself does not call for very high-end manpower capabilities. As such, Aequus has a very mature skilling initiative which takes care of all its manpower training needs.

The Aequus Skill Development Centre (SDC) imparts training across all the domains needed for workers to be employed. The SDC also runs the country's first Toy Painting Institute. The SDC has the capability to cater to the needs of all the units within the KTC.

The Indian government recently introduced a production-linked incentive (PLI) scheme for toy manufacturers. How beneficial is it proving for the industry? Are there any specific government policies, initiatives, or incentives that you believe should be in place to support the growth of the ODM model in India?

The industry is still awaiting the announcement of the Production-Linked Incentive (PLI) scheme for toy manufacturing, which has been in the making for almost two years now. Surely, the scheme is much called for, not just from an industry perspective, but also from a socio-economic angle. We strongly believe that PLI should also focus on job creation, a sector where toy manufacturing excels. For instance, for every \$10 million of revenue from toy sales, is estimated to generate 1,000 direct jobs in the industry.

Just imagine the number of jobs that can be created by encouraging toy manufacturing in India through incentives such as PLI. As for incentivising ODM, it can perhaps be a part and parcel of the PLI scheme. Alternatively, an innovation fund could be established to encourage innovation, product design, and the industrialisation of toy products.

How is Industry 4.0 revolutionising toy manufacturing in India?

At Aequus, we consider toy manufacturing as a confluence of art and science. While it is still in the early stages of large-scale deployment of Industry 4.0 concepts for manufacturing toys in India, it will be a reality sooner than later. Aequus is at the forefront of this in the industry.

However, we are mindful of the fact that toy manufacturing plays a crucial role in generating large

scale jobs, and thus, the technologies we implement are designed to complement our workforce, not replace it.

For example, Aequus is among the first in the industry in India to implement large-format digital printing. This technology helps execute intricate designs that can be challenging for humans to carry out. Additionally, all our production lines are equipped with sensors that track workflow and enhance input management.

Additive manufacturing, an integral part of Industry 4.0, is used for concept design, rapid prototyping of new toys, and testing concepts with end customers. Digital Twin technology is also being developed by manufacturers in India to understand machine behaviour and health.

Aequus has integrated both additive manufacturing and digital twins into its product design and development initiatives and factories.

What are the key advantages that India possesses over China in terms of toy manufacturing?

The Indian toy industry is more cost-effective than China, primarily due to lower labour costs, which amount to a fraction of the latter. The average labour cost in India is just 92 cents per hour, while in China, it is nearly \$4 per hour.


However, government incentives can skew the equation, as manufacturing units in the hinterland of China tend to benefit from lower labour costs. On the other hand, India possesses a large pool of engineering talent, which is a significant advantage. In addition, intellectual property protection in India is much stronger compared to China, which is a major advantage. This has boosted the confidence of multinational brands in doing business in India.

According to a joint report by industry bodies FICCI and KPMG, the Indian toy market is expected to double to \$2 billion by 2024-25. What are the factors/ measures contributing to growth in this sector?

For starters, global brands view India as a lucrative market for growth, given its low market penetration and increasing purchasing power. Several new brands are entering the Indian market, while a few retail toy chains are expanding their networks in the country.

Secondly, OEMs are looking to de-risk and diversify supply chains from production centres like China. Indian companies like Aequus have proved their mettle as successful contract manufacturers, producing toys for global brands and are now ready to scale up. Some portions of these capacities are likely to be tailored to meet the demands of the Indian market with products variations. For instance, Aequus is seeing a strong interest from brands seeking to manufacture toys for the Indian market, and the DTA units at the KTC are witnessing increased business in this direction.

There are certain electronic components that can be only imported from China or Vietnam since they are not manufactured in India. And these imported parts come with higher duties. What can be an immediate solution to this problem?

Indian EMS (Electronic Manufacturing Services) industry needs support to invest in equipment and facilities. We may need a smooth phase-in of local electronic components and phase-out of imports over the next 2 years. This should also be applied to duties on imports. 

PPS MOTORS TO DELIVER 298 BHARATBENZ BUSES TO ODISHA GOVT

PPS Motors, a part of the largest automotive dealership group, is delivering nearly 300 BharatBenz buses to the Odisha Government as part of the Location Accessible Multimodal Initiative (LAccMI). The Chief Minister of the state, Naveen Patnaik flagged off 63 of these buses recently from Bhawanipatna, Kalahandi District.

PPS Motors, the authorised dealer partner of BharatBenz in the state had secured this significant order from the commercial vehicle brand. PPS Motors will provide the after-sales support for these buses. This order bagged by PPS Motors is one of the largest orders awarded by the Odisha Government in the state.

Speaking on the occasion, Rajiv Sanghvi, Managing Director, PPS Motors, said, "We are extremely delighted and honoured to have got the order for 298

buses from Odisha Government under the LAccMI scheme that is set to revolutionise state's public transportation. We are committed to providing the best-in-class service and ownership experience through our network spread across the state. Further we are investing in creating additional touch points providing deeper and wider coverage. This will help us to provide easily accessible and seamless service for these buses and ensure optimised uptime and a remarkably low cost of ownership."

Under LAccMI policy the state is set to revolutionise the public transportation system. Beginning with a primary emphasis on enhancing connections within blocks and districts. Furthermore, it will aim to seamlessly integrate these improvements into inter-city bus operations.

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