

Capital Goods: Consolidated Issue Summary

S.No.	Areas	Issues
1	Scalability	Industry dominated by public sector undertakings(PSU), primarily due to preferential policies of the government in the past
		Sector includes a wide range of products but lacks depth due to low demand sophistication of Indian market, which in turn leads to low competitiveness of its products in the global market.
		Inability to attract huge FDI despite liberal investment policies and low labour costs, primarily due to poor physical infrastructure that affects the supply chain and hence adds to the costs.
		Benefits of interest subsidies available to many sectors is not available to the capital goods sector, rendering them uncompetitive against their counterparts in other countries which are heavily subsidized
		Frequently varying & changing power plant ratings rendering standardization of the plant design, equipment design, inventory management extremely difficult for equipment manufacturers.
2	Cost Efficiency	Lack of export incentives lowers the competitiveness of the industry, which already suffers from high export transaction costs.
		Dependence on imports for critical raw materials such as CRGO steel, amorphous steel because of their constrained availability and volatile raw material prices in India.
		Unavailability of high alloy materials for pressure parts in India, resulting in dependence on imports.
		High custom duty on raw-materials increase cost of product by 7-10% making Indian companies less competitive
		Costs of testing of different equipment and components in order to conform to the relevant standards of Indian Standards (IS) or International Electro technical Commission (IEC) is very high in India
3	Productivity Optimization	India allows second hand imports of capital goods at concessional rates for various sectors, which has deterred the growth of domestic capital goods industry.
		Unavailability of high alloy materials for pressure parts in India results in dependence on imports. This increases the overall cycle time for Indian manufacturers.
		Huge technology gap exists in high productivity, multi-spindle, high precision (with 5 and more axes), heavy duty machine tools and metal forming machines of modern design leading to dependence on imports in this sub-sector.
		Limited availability of vehicles with hydraulic axles, which are efficient in carrying bulky electrical equipment. There are not many manufacturers of such vehicles in India thus leading to delays in production process.
		Huge gaps in the availability of skilled manpower in the power equipment manufacturing industry. Also the available workers lack the required skills in welding and fitting
		Limited support for R&D. The existing labs and centres for performing tests and R&D are not well equipped and lack modernization; often the machines are old and not working
4	Quality Excellence	India allows second hand imports of capital goods at concessional rates for various sectors, which has deterred the growth of domestic capital goods industry.



		<p>Qualified supervisors and engineers not available in significant numbers</p> <p>Lack of strong understanding of metallurgy.</p> <p>Lack of supporting process technologies such as precision measuring, material engineering and process control.</p> <p>Very few Indian firms use technology to make their business processes like procurement, distribution, marketing and servicing more efficient. Also the use of techno-managerial processes like JIT, TQM, TPM etc. are limited to large firms only.</p> <p>Inadequate testing & certification labs in India</p> <p>Issues in procurement policies of utilities. Emphasis is only given to L1 bids and very little encouragement is given for product innovation</p> <p>Lack of strong quality control mechanisms at some Indian manufacturers to test their sub-vendors' product quality leads to the final product being of poor quality.</p>
5	Sustainability	<p>Indian capital goods industry does not receive adequate export incentives due to which its export competitiveness is low. For instance, export promotion schemes of the government are not easily available for project exports and interest rate subvention provided earlier to the capital goods sector has been discontinued.</p> <p>Lack of supporting process technologies such as precision measuring, material engineering and process control.</p> <p>Lack of awareness among MSMEs and SMEs for global standards and certifications.</p> <p>Limited support for R&D. The existing labs and centres for performing tests and R&D are not well equipped and lack modernization; often the machines are old and not working</p> <p>Huge gaps in the availability of skilled manpower in the power equipment manufacturing industry. Also the available workers lack the required skills in welding and fitting</p> <p>Issues in procurement policies of utilities. Emphasis is only given to L1 bids and very little encouragement is given for product innovation</p>