

# **Engaging Suppliers to ensure Manufacturing competitiveness**

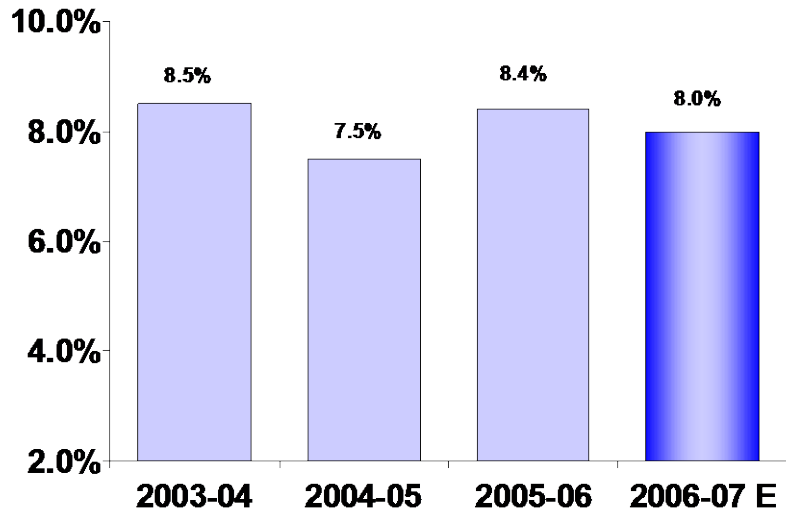


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TVS Motor Company, Hosur - India

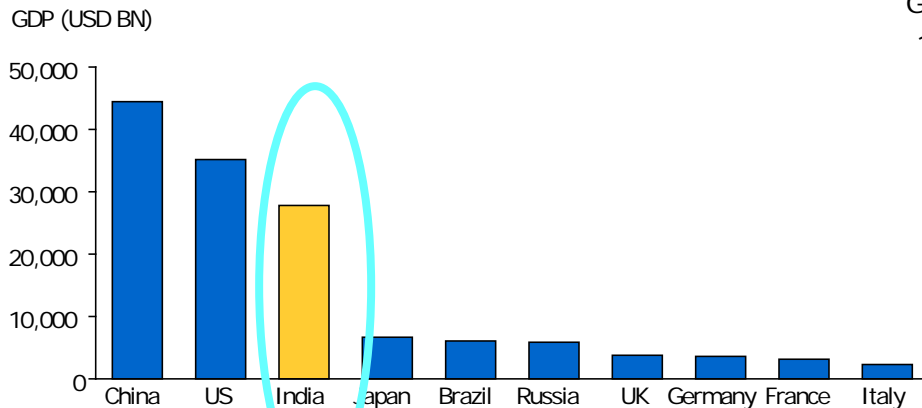
# INDIA – The present & future...



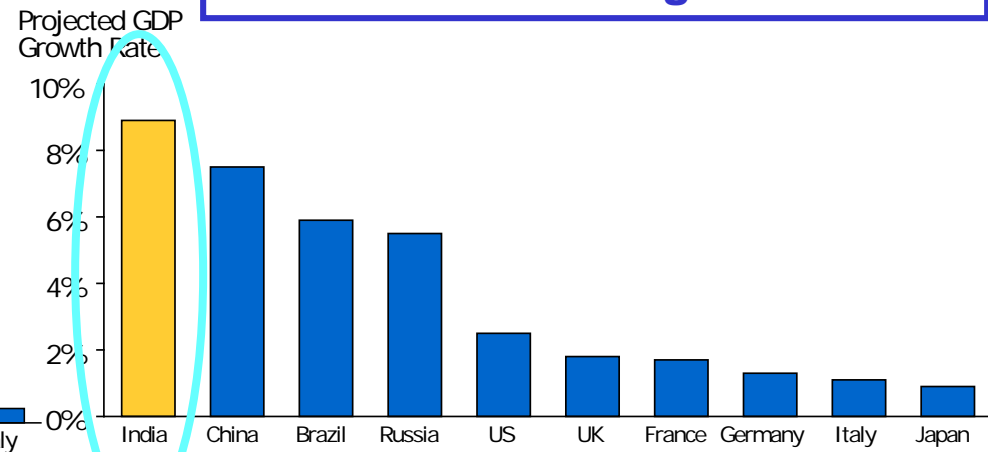
Indian economy is growing at an average rate of 8%, for the past 3 years and it is likely to continue....

Source: CMIE

Third largest economy by 2050...



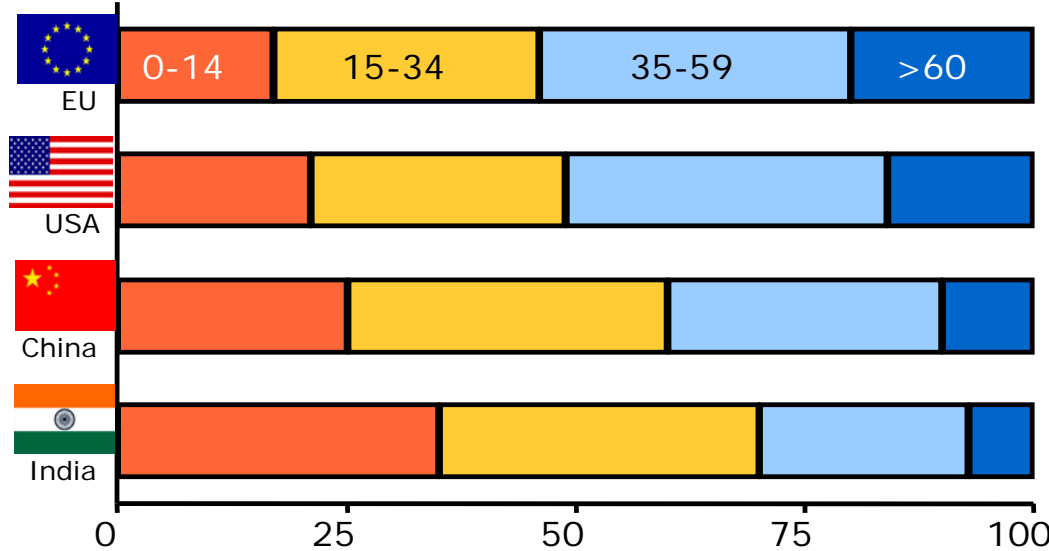
...with the fastest growth rate



Source: Goldman Sachs BRIC Report, Merrill Lynch

# The world's youngest population is in India..

Median Age (Years)	Present	By 2025
India	25	31
China	30	39 to 44
US	36	
Russia	37	
UK	38	



% of Population (2005)

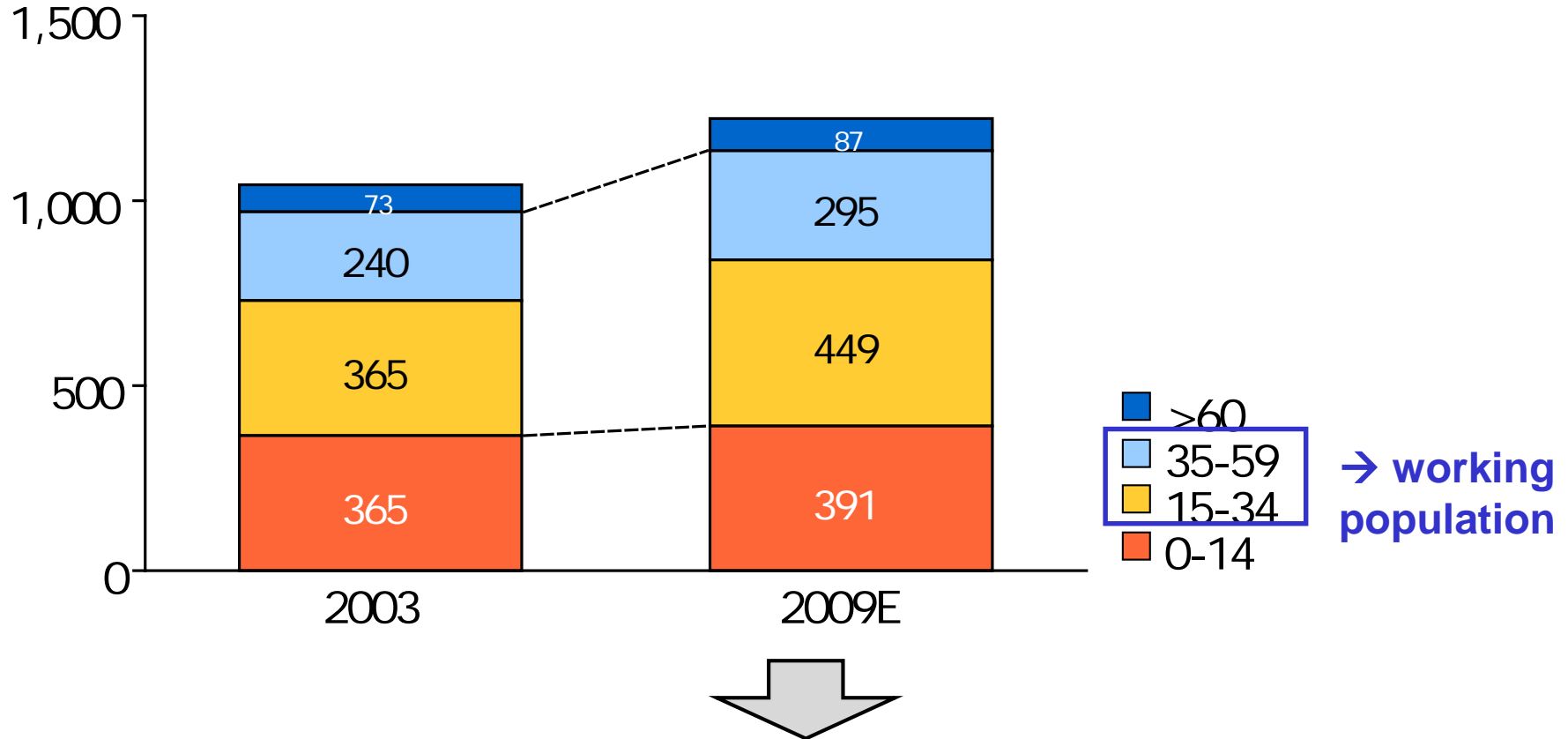


**Highest proportion of population below 35 years (70%)**



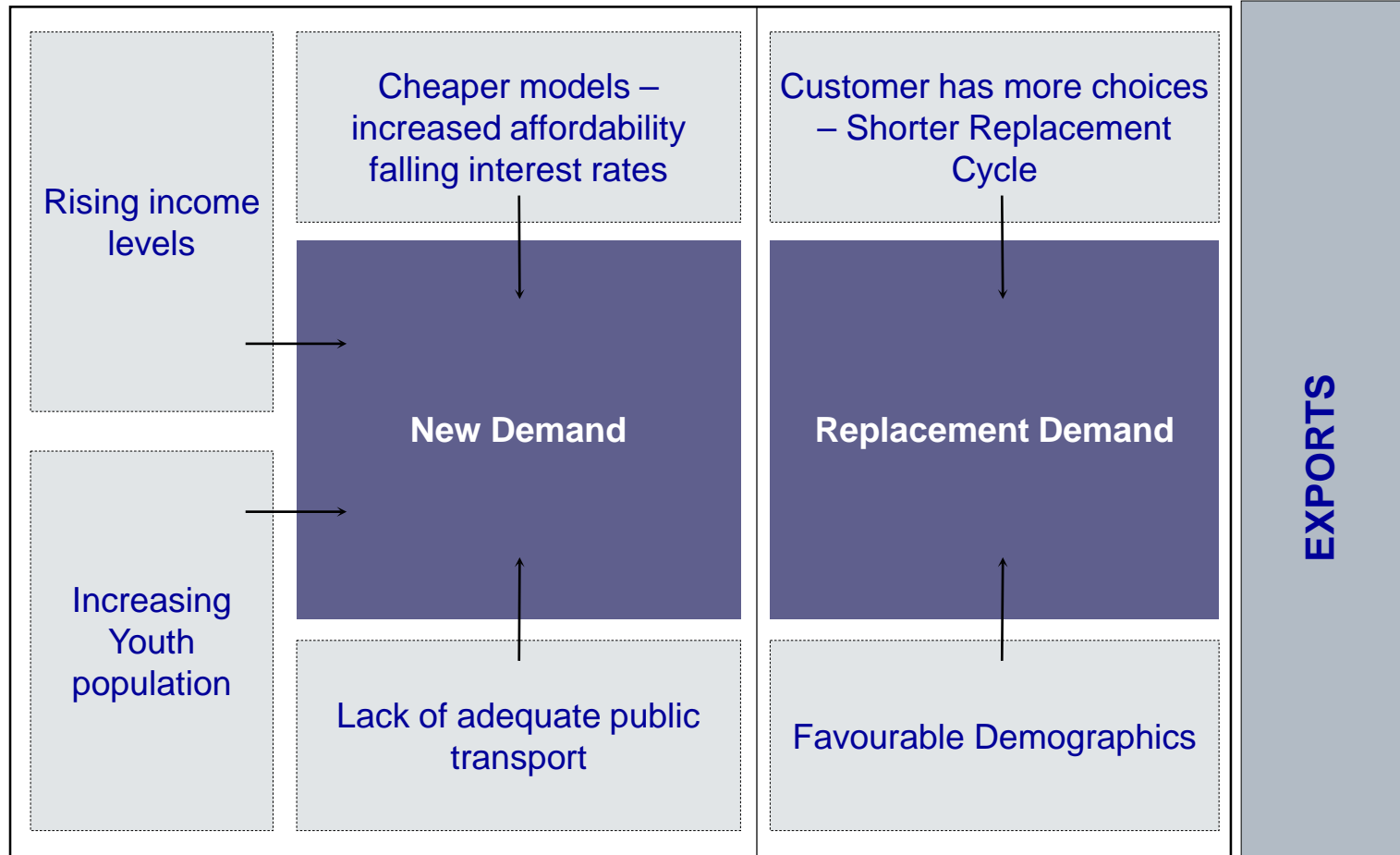
# The youth work, earn & spend at the same time

Population (Million)



**130 m plus people will get added to working population by 2009!**

# Leading to demand for the products



# Indian auto Industry



Largest three wheeler market in the world



2<sup>nd</sup> Largest two wheeler market in the world



4<sup>th</sup> Largest passenger car market in Asia



4<sup>th</sup> Largest tractor market in the world



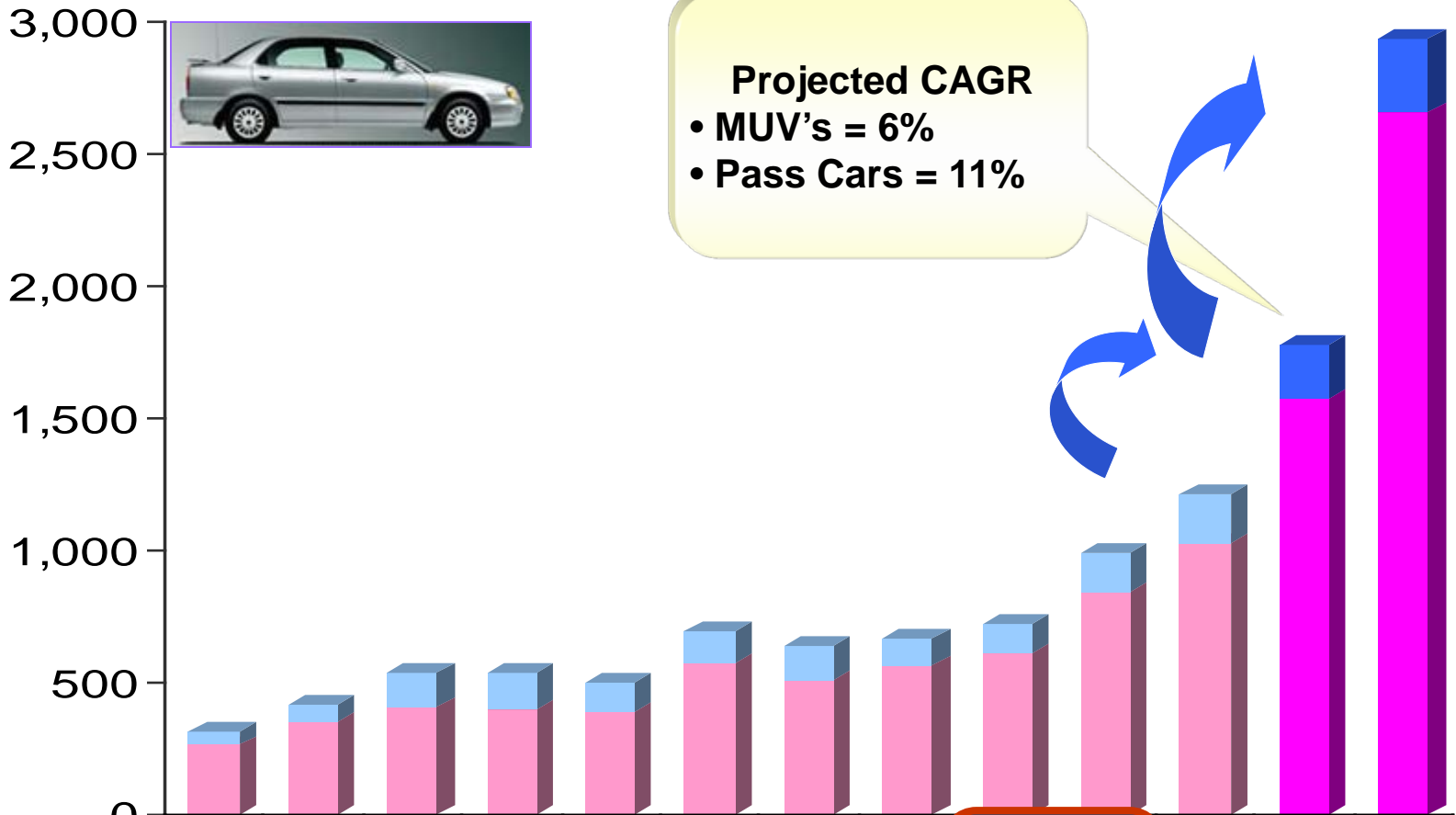
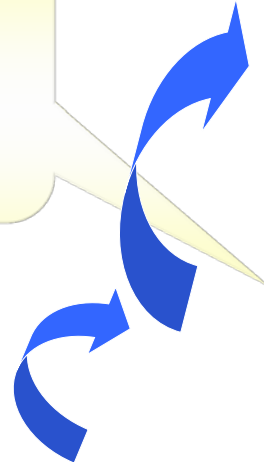
5<sup>th</sup> Largest commercial vehicle market in the World

# Pass. vehicle production (Nos in '000)



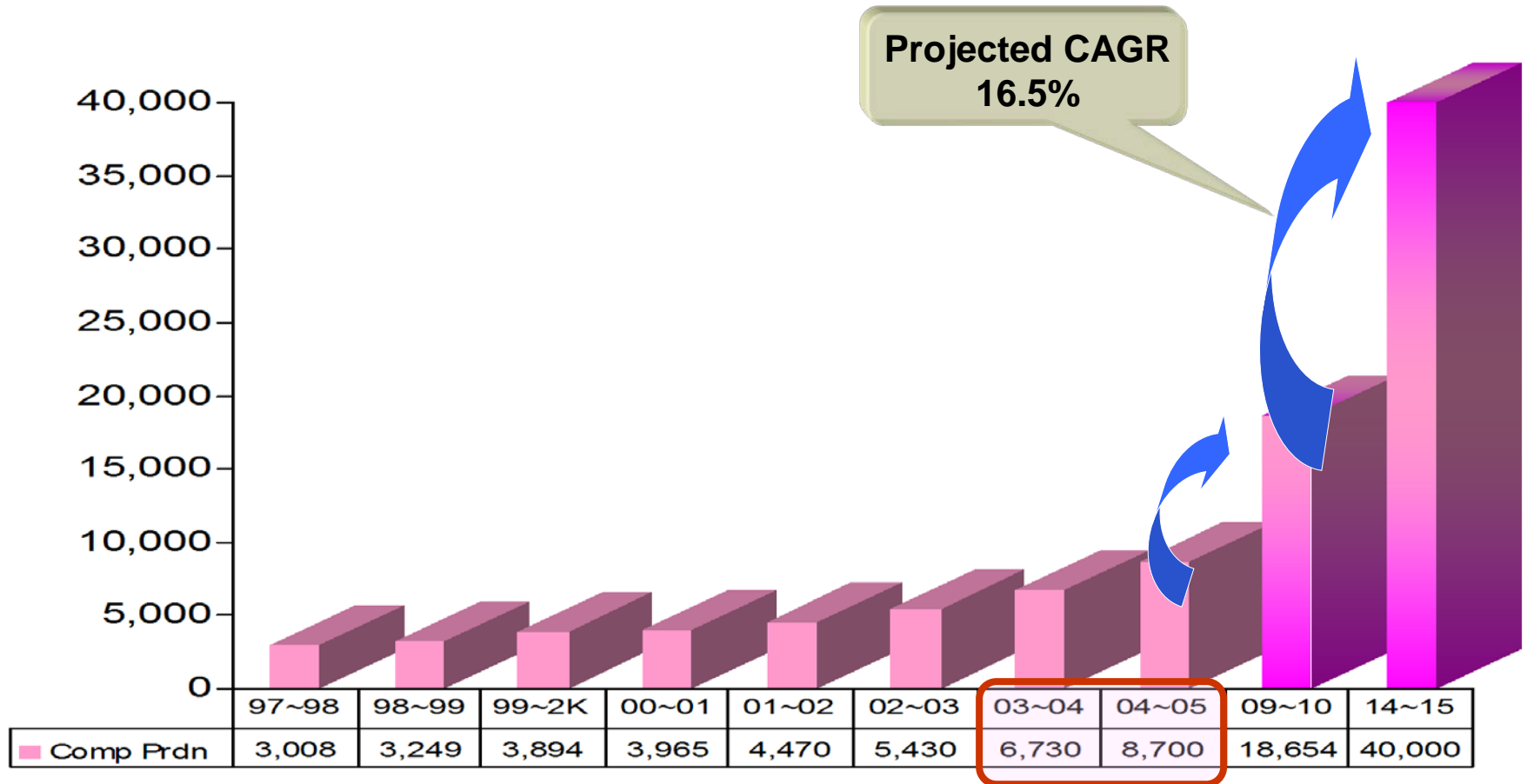
**Projected CAGR**

- MUV's = 6%
- Pass Cars = 11%



	94~ 95	95~ 96	96~ 97	97~ 98	98~ 99	99~ 00	00~ 01	01~ 02	02~ 03	03~ 04	04~ 05	09~ 10	14~ 15
MUV 's	49	67	134	134	113	123	127	105	114	146	182	207	277
Pass Cars	264	348	407	401	390	574	513	564	608	842	1028	1575	2654

# Auto-component production (in \$ Mn.)



**Export of auto-components growing @ 34%**



# The Environment

- Hyper-competition in every sector
  - Automobiles, Airlines, Telecom, Consumer durables, Garments, Media, IT
- Globalization
  - Indian multinational emerging through M&A or organic growth
  - Most global players operating from India
  - Global sourcing from India both by OEMs and tier-1 suppliers
  - MNCs setting up R&D centres in India
- Shortened business cycles
  - Only top players survive in every sector
  - Scale not only in India but in global level necessary for survival

# OEMs sourcing from India



Mercedes-Benz



# Tier 1 suppliers sourcing from India



Precision. Passion. Partnership.



# Automotive design centres in India

- MNCs setting up Global automotive research Centers .
- Base for design Prototyping, testing and validation
- Excellent skills for IT and automotive engg



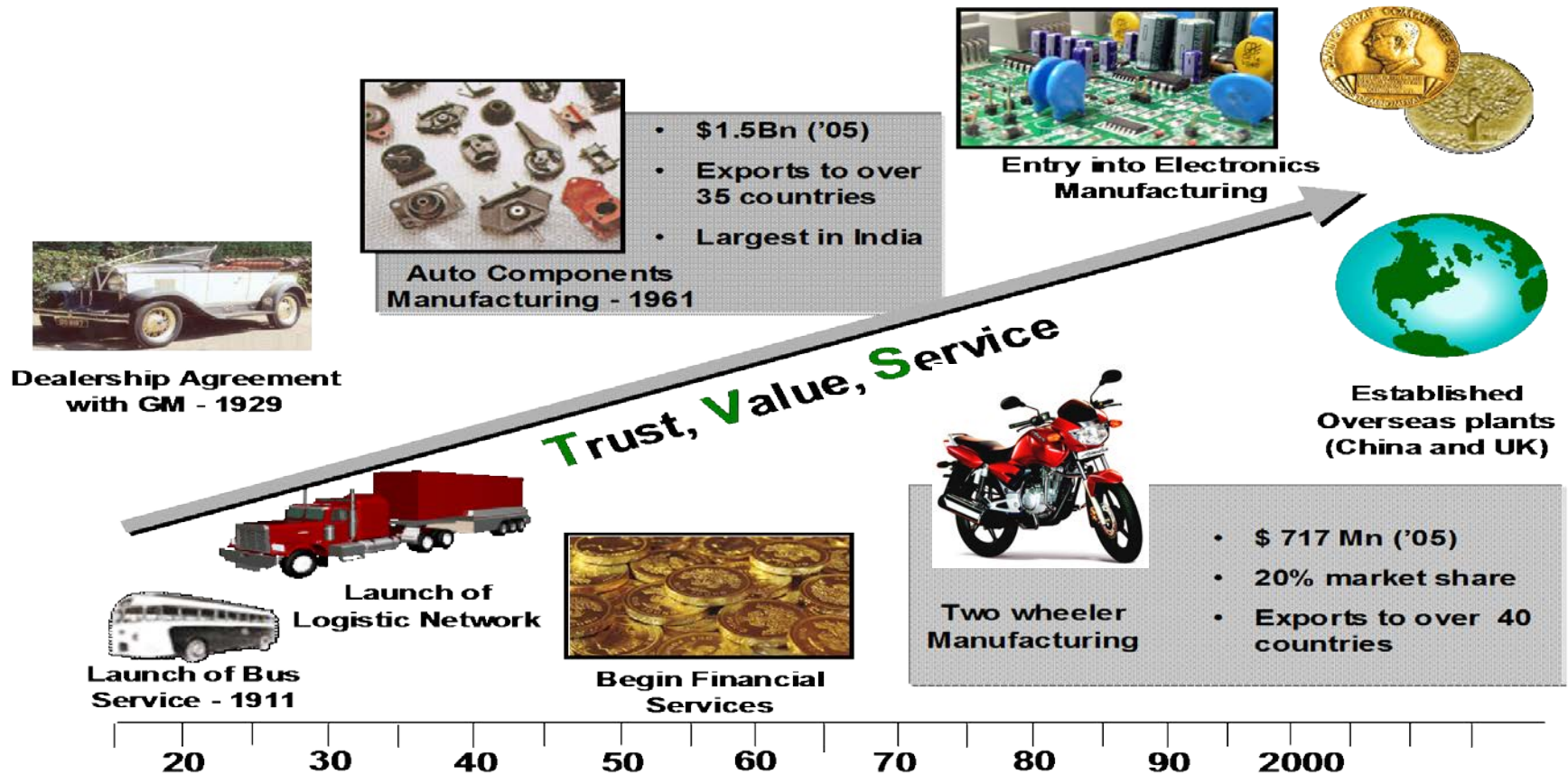
MERCEDES-BENZ



# Talent crunch

- Sudden spurt in demand for talent
- Education system is ill-equipped- both in number and skills
- Gap in employable graduates
- Industry need to create a foundation before deployment
- Shortage of talent leads to high attrition

# The TVS group...



35 companies, US \$ 3.3 bn revenue, 30,000 + employees

Strong foundation for org culture - customer focus, employee

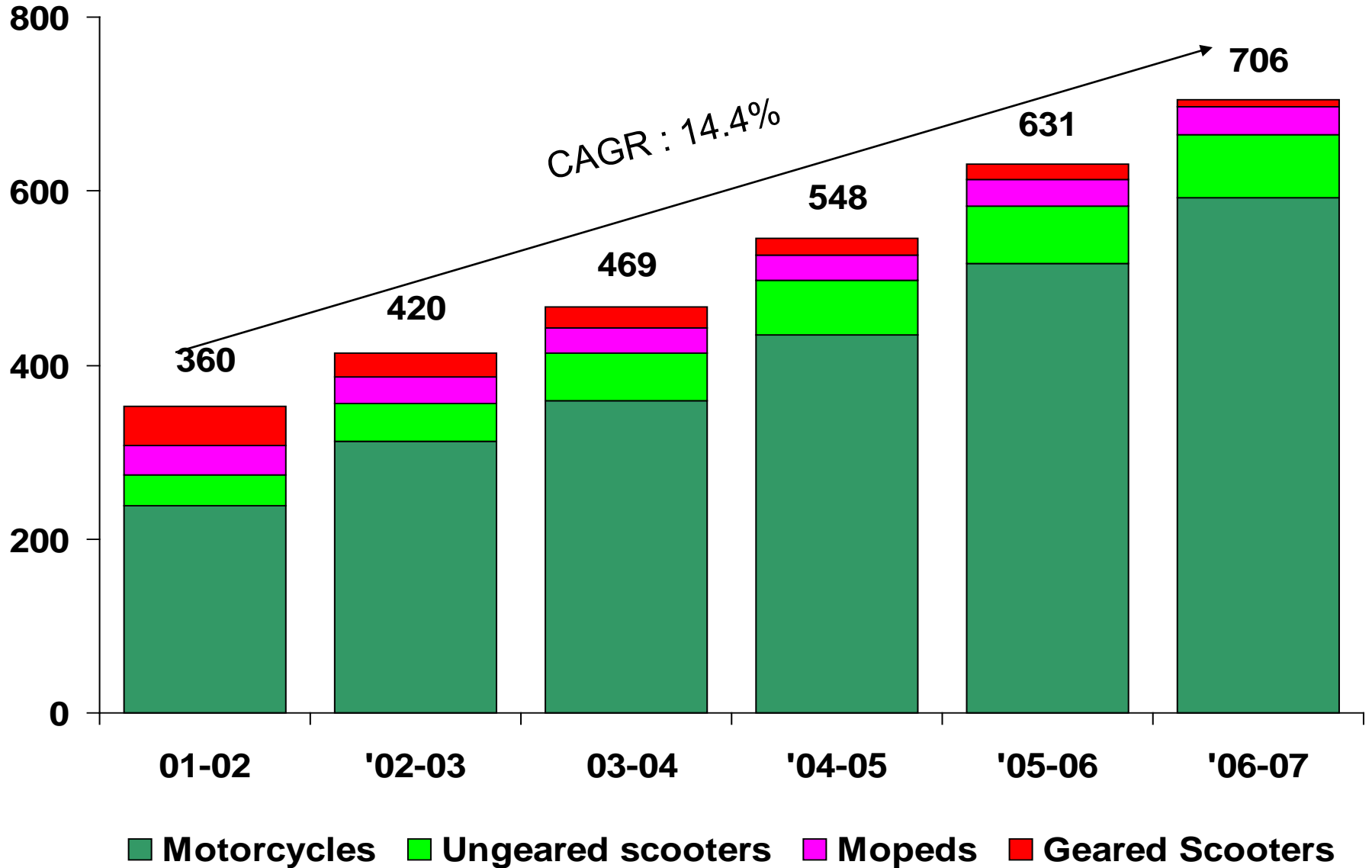
engagement, process orientation

# Two parts of my presentation

- **One from a OEM perspective i.e TVS Motor company**
- **Other from supplier perspective i.e Sundaram Clayton**

# Two wheeler industry

Monthly Average Sales ('000 Nos)



**2W industry growing at a CAGR of 14 %**

Source: SIAM



# Issues with suppliers

- Surprises in delivery and quality
- Inability to achieve expected cost reduction
- Delays in development of new product
- Ability to achieve target cost and quality right first time for new products
- Inability to contribute upstream during design stage

# Issues with OEMs

- Instability in volumes; inability to forecast
- Failure of new products
- Inconsistent supplier policy on selection or share of business; Lack of long term strategic relationship with suppliers
- Inadequate investment to improve suppliers

# Supplier development

- Supplier development task force
- Improve quality capability
  - Quality levels less than 100ppm
  - Implement and sustain a robust QMS
  - Improve the skills of workmen and engineers to sustain Q
- Need to move to self-certification
  - Improve QC methodologies
  - Improve and sustain process capability
  - Implement calibration of gauges, tools and fixtures
- Improve product development capability
  - Improve competency of engineers who participate on concurrent development with OEM
  - Implement more robust APQP and PPAP and adhere

# Supplier development

- Improve cost capability
  - Improve ability identify waste and eliminate them
  - Improve ability to do VA/VE on their products or with OEMs
  - Ability to achieve target cost for new products
  - Create a culture of continual improvement involving all employees
- Improve risk management capability
  - Ability to assess risk and actions to de-risk
  - Ability to manage information relating to vital business performance real time
  - Set up IT system to aid timely decision making