

Common Manufacturing Hubs to Attract Global Manufacturers as they Eye 'minus China' Strategy

Given the current geopolitical situation and the resultant global call to shift out the locational concentration of global manufacturing in China, India is being looked upon as a serious potential alternative. To match the expectations of a global manufacturer, we as a country are extremely focused on building our capabilities on the manufacturing side. And on this, India must be quick to capture the opportunity. Any delays in setting up the manufacturing facilities, could put us out of the race.

Setting up any manufacturing facility is a long-drawn process which requires significant infrastructure development, construction of the facility as per various standards, a slew of approvals, lining up the labor supply, logistics, etc. Taking a leaf out of the successful flexible and **common workspaces model** which provides ready-to-use infrastructure for services companies, a similar solution for manufacturing can be considered.

Like co-working spaces, **industry-specific common manufacturing infrastructure as a plug-and-play facility** could be set up by the private sector. Depending on the industry-type, common shared services for that industry could be made available. For example, a common chemical manufacturing hub can be set up over a large track of land in an identified area where individual chemical manufacturing units can lease common infrastructure and co-locate. They can set up the core production unit and the developer of the common hub can pre provide for constructed building with electricity connection, water, etc. The hub could have common research labs, testing labs, water treatment plant, pollution control approval, housing infrastructure, transportation, export logistics, storage facility, social infrastructure, training centers, IT and telecom facility, conference facility, railway lines and connectivity, scrap yards, waste disposal facility, heavy vehicle parking space, centralized warehousing, etc. and may even supply the required labor force.

A manufacturing co-working facility will enable the industry to minimize the time to commission production. At present, it takes almost 3 to 4 years to put a manufacturing unit in place. While the state industrial zones have been created, they have very limited facilities, and they mostly enable land allocation which is just one part of setting up of any manufacturing facility. Even with that, land allocation takes long and building the rest of the infrastructure starts only after that. The common hub will address several administrative and ancillary activities for the manufacturers so that they can focus on core manufacturing output and quality. Further, these facilities will be better utilized and maintained as shared services. The issue around ownership of land being transferred to manufacturers can also be addressed through the common hub model.

Our Views

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With manufacturing becoming increasingly tech driven and requiring modern ecosystem, private sector can add value by harnessing new technologies. For a country of our size, the government can consider 2-3 such common manufacturing hubs in each state depending on the suitability of the industry based on availability of and proximity to resources. A scheme like PLI can be created to promote setting up of these common manufacturing hubs by the private sector. Dedicated infrastructure companies can be roped in for this initiative. Another important point is that each of these infrastructures can be funded independently as it would have its own cashflows and business model. Now even the capital market is embracing such financing by way of REITs/ INVITs. Since the manufacturing infrastructure can be leased to the manufacturer and the shared infra could be on a pay-as-you-use model, the cost for the manufacturer can come down significantly.

India needs to make the most of the opportunity where the world is looking at manufacturing with a 'minus China' strategy. And to facilitate setting up manufacturing facilities at rapid pace will be the key to attract global manufacturers.

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