

## From New Delhi by Ramtanu Maitra

### Machine-tool industry faces crisis

*Failure to build the Eurasian Land-Bridge will leave the industry vulnerable to economic shocks.*

**T**he pavilions of the Indian machine-tool exposition, IMTEX 98, held in New Delhi recently, were thronged with visitors, but few likely buyers. Although the expo is not where big deals are clinched, nonetheless it is during these ten days that manufacturers do their networking for future business. Enthusiasm, or the lack of it, shown by big buyers at these expositions often becomes the basis on which manufacturers decide whether to expand their capacities or hold back further investments.

IMTEX 98 took place at a time when Indians were going to the polls to elect yet another coalition government, and the country's industries were in the midst of a recession. In addition, the economic contraction that the Southeast Asian nations are undergoing has posed fresh threats of a flood of imported cheap machine tools into India. Machine-tool manufacturers were making this threat known to many who visited the expo.

On the other hand, the expo was a success. For the first time, Indian machine-tool manufacturers made it clear that they are gearing up to meet the challenges posed by the high-quality computerized numerically controlled (CNC) machines from abroad. "We are not seeking protection from the government, but asking it to provide a level playing field, which could be done by, among other things, giving parity to import duty on CNC machines and components," said Gautam Doshi, president of the Indian Machine Tool Manufacturers Association (IMTMA).

A similar attitude was evident among major manufacturers on the is-

sue of quality. Hindustan Machine Tool, the leading public-sector manufacturer of machine tools, will be "exploring possibilities for manufacturing machine tools at par with world class products in terms of quality, price, and technology, with the help of Indian manufacturers," according to chairman and managing director N. Ramanuja.

Delivering the keynote address at IMTEX 98, Dr. M.R. Srinivasan, member of the Planning Commission and former head of India's Atomic Energy Commission, touched on the same theme. He said that the machine-tool industry must do much more networking between the R&D institutions and industry. He said certain technological strengths have been generated within the industry, but it needs to benefit from working with outside parties.

Some of India's internal technological strengths in this sector were visible at the expo. Ace Designers from Bangalore, which exhibited its CNC Turning Center, is already an international name. There are now five companies in the Ace group, including a U.S. subsidiary based in Michigan, selling and servicing Ace products in the North American market. Experts have little doubt that the CNC Turning Center exhibited this year is on par with contemporary machines of international brands.

However, such success stories are few. Many Indian machine-tool producers still believe that the jobbing shops and small component manufacturers, because of their weak financial base, will continue to patronize non-CNC machines. During a conversation

with one manufacturer at the expo, it became evident that the precision, flexibility, and productivity demands on jobbing shops and component manufacturers are rising so fast, that even the small component manufacturers are swiftly resorting to CNC machines.

The machine-tool manufacturers are not totally unaware of this trend. According to an IMTMA study, the number of CNC machines in India was just 2,843 in 1988; it increased by 5,000 during the next five years, and is slated to go up 7,800 more by 2000. Added to this demand, is the importation in significant numbers in recent years of the simpler, stand-alone, cheaper CNC machines from abroad.

Unfortunately, while the manufacturers are keen to improve quality and enhance their production base, domestic consumption of machine tools has been slowed due to industrial recession. The inability of an unstable government, led by a coalition of 14 parties, each with its own priorities, to provide clear direction, has fuelled overall uncertainty. Traders who imported a large number of used machine tools from Europe last year are now stuck with the inventory.

The big question industry has at this point is: Where will the demand growth come from? Defense and railways, which used to account for 40% of domestic consumption, now have virtually withdrawn from the market. While the automobile, general engineering, and consumer sectors remain the main buyers, the overall slowing down of the economy has affected the automobile industry as well. Some multinational auto manufacturers, particularly those from East Asia, are now planning to stop further expansion, resort to importation of auto components, and are even whispering about relocating their production bases to another country.