

PUNE

Making Global Headway

Pune, one of the most sought-after business destinations in Maharashtra, is setting new milestones every day by attracting more and more foreign players to its kitty. Today, almost every major foreign company wants to be a part of Pune's thriving manufacturing belt. One of the most commendable things about Pune is its super fast industrialisation, which has resulted in it becoming an international business hub. **Indira Rao** and **Prerna Sharma**, present to you this multifaceted city of India, which is bubbling with energy and is set to vroom the pace of industrialisation with truly world-class standards...



Detroit is a major manufacturing centre, known most notably as a home to the big three automobile companies. Oxford on the other hand is known as the 'city of dreaming spires', a term coined by poet Matthew Arnold in reference to the harmonious architecture of Oxford's university buildings. Both cities, one known to be the world's automotive hub and the other an educational hub are epitomes by themselves.

If you are thinking that we are covering Detroit or Oxford this time, well, that is not the case. We stick to unmasking the potential of places in India rather than abroad. This time we present a city, which is both a Detroit and an Oxford! Flummoxed? Well, let us imagine for a minute how a city would be if it were to be a combination of Detroit and Oxford. It would probably consist of an exceptionally well-educated, technically sound population with major automotive ancillaries situated in the city. Sounds international, isn't it!

THE DETROIT UNMASKED

A city, which meets the above description, does exist and that too in our own country. It has been existing as a town since 937

AD and was the home to the founder of the Maratha Empire. Once known as the city of Peshwas and the 'monsoon capital' of the Bombay Presidency until the independence of India, the city today boasts of being a growing industrial hinterland and an 'exclusive environment' in the government's expansion of education infrastructure.

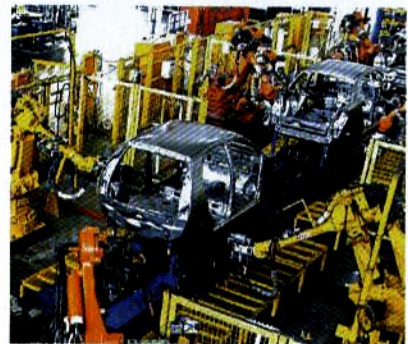
Once described as a pensioner's paradise, Pune is now a city bubbling with energy and has blossomed into a major IT and automotive hub, not to speak of its educational institutions, service industries and hospitality. Branded as the Detroit and the Oxford of the East, Pune has emerged as the new international business hub.

SETTING INTERNATIONAL STANDARDS

Pune's tryst with successful contemporary automotive products started in 1998 with the launch of Indica by Tata Motors. It continued with Bajaj Auto's Pulsar, Mercedes from DaimlerChrysler India to forgings from Bharat Forge. And, today, the most audacious attempt ever made in Indian automotive industry - Ratan Tata's one lakh car - is taking shape at Tata

Motors Engineering Research Centre in Pune. Moreover, with biggies like General Motors and Volkswagen setting up plants here, it justifies the tag of 'Detroit of the East'.

Auto component manufacturer ZF Friedrichshafen, a new entrant in India, recently announced a plant to manufacture transmissions, shocks and clutches with an investment of Rs 125 crores in Pune. A hardware IT park worth Rs 40 crores is also coming up in the city. Emitec, a global leader in emission control technologies, has established its facility near Pune for



Automation exemplified at Tata Motors plant in Pune



German firms are settling in Pune for a variety of reasons: Pune is a city of entrepreneurs and has the capacity to absorb the high level of technology that Germans bring with them; the city has a good rapport socially and culturally with foreigners and they are soon taken into the mainstream of this cosmopolitan environment; the presence of large German firms in the area - Mercedes-Benz, Volkswagen, INA Bearings, ThyssenKrupp, Wilo and others - attracts other German firms to this region; Pune is regarded as a centre of learning and the Germans understand the advantage this could offer them for skilled personnel.

-Zubin Kabraji, Regional Director, Indo-German Chamber of Commerce, Pune

metal substrates production for the entire Asian two and three-wheelers market. With so many developments taking place and so many international companies coming and setting up their operations in Pune, the city has truly become an international business hub.

Pune's engineering strength, its proximity to the Mumbai port and booming export-oriented businesses has it buzzing with activity. Emphasising on the advantages that Pune offers to its international counterparts, Lalit Sahani, MD, UL Group, avows, "Because Pune has so many top notch engineering colleges and management institutes, it attracts lots of students at an early age. This becomes advantageous for all the companies who are in search of skilled manpower."

THE EMERGENCE OF AUTO CLUSTER

A large part of Pune's success story started only after the Indian recession of 2002 was over. The recession saw many large units cut workforce and reduced working hours; many SMEs were simply forced to shut shop. As the global recovery happened from 2002 onwards, the larger units revved up to meet the increased global demand. As this happened, it had a definite multiplier effect on the SME growth. The investments made by the big players/OEMs in Pune have at least quadrupled over the period from 2000 to 2007; it is no surprise then that the number of units should have mushroomed

fast in the wake of this growth.

After the recession, the government came up with the idea of upgrading technology right from the grassroots level, which means basically the clusters. They wanted an institution wherein lot of medium and large-scale industries could interact. As a result, the Auto Cluster Development and Research Institute (ACDRIL) came into being on July 21, 2007. This 60 crore state-of-the-art facility was started to upgrade the local infrastructure.

It also helped boost the international business in the city. While stressing on the importance of auto cluster institute in Pune, Ashwin Shinde, DGM Business Development, ACDRIL, expressed, "We

have incubation facilities - wherein we rent out space in our premises to foreign companies, which means the companies need not come to Pune and buy land immediately without studying the area, knowing the facilities, etc. The auto cluster has got everything related to engineering product development - be it the design facility, prototyping setting section, etc. Our focus is not to meet local business requirements, but to meet global requirements".

Pune as a region is actively witnessing investment activities from MNCs that hitherto have not had a presence in Pune. There have been announcements of big-ticket investments of Rs 2,400 crore from Volkswagen and Rs 1,200 crore from General Motors. Domestic big players such as Mahindra and Mahindra, Tata Group, Bajaj Auto, DaimlerChrysler have expansion plans taking off. All this implies that investments of around Rs 5000 crore have been entering Pune for the past couple of years. All these, if anything, point to the strong growth that Pune will witness over the next three to five years. It is projected that the turnover of the industries in Pune is to move up to at least Rs 60,000 crore by 2010.

PUNE-GERMAN CONNECTION

The Pune-German relations have just been growing from strength to strength. The city that already boasts of over 250 small and big German business collaborations and a recently instituted direct Frankfurt-Pune flight now attracted the attention of the North Rhine-Westphalia. Recently, NRW.Invest GmbH, the economic development agency of the Federal State of North-Rhine Westphalia, officially opened shop, which is headquartered in Pune.

The increase in the number of units operating in Pune is indicative of the huge business confidence that the region enjoys. Some of the reasons as to why Pune became increasingly attractive for industries to set up their operations are:

- Proximity to Mumbai, JNPT
- Centre of prosperous urban markets in Maharashtra such as Mumbai, Aurangabad, Nasik, etc.
- Well-developed engineering supply base
- Availability of man-power at reasonable competitive wages
- Competitive property rates
- Good communication infrastructure
- Availability of a ready market and a strong and consistent customer base.
- Entry of MNCs and foreign collaborations ensuring a steady demand for a plethora of products.



The HSBC Global Technology Centre at Kalyani Nagar develops software for the entire HSBC group

Emphasising on the prospects that Pune has, Zubin Kabraji, Regional Director, Indo-German Chamber of Commerce, Pune, says "German companies look very positively at India and the IGCC spares no effort to enhance this perception. Of the 1000 odd German companies based in India, close to 130 are located in and around Pune. This alone proves that Pune is fast becoming the most important German hub in India. We expect that of the 200 odd German firms that will invest in India over the next two years, more than 70 per cent will locate themselves in and around Pune".

Talking about the sister city agreement that the city has with Germany, Zubin says, "German firms are spread in a ring around Pune - there is no specific area of concentration - the land pattern and availability does not allow for that. The sister city agreement has little to do with this concentration, but no doubt, it does reflect in the German thought process from time-to-time".

CHALLENGES

With so many advancements taking place, what stops this city from ruling the roost are major problems like infrastructure and power. Many well-known industrialists have stated some of the following impediments to the growth of this region:

Infrastructure

Be it roads, water supply, electricity or telecommunications, Pune manufacturing units are not happy with the status quo. Roads and traffic conditions clearly leave a lot to be desired. Since Pune is a raw material, talent pool source and a prosperous market for most of the



Maharashtra enjoys favourable government support and so does the city of Pune. It offers very good quality of life and has the positive aspects of a metro and yet retains a mid-size town feel. Pune has an easy access to the key

markets in India and therefore, it's very advantageous to the international companies. Another important factor is the low cost of living and infrastructure set-up costs as compared to the other metros. However, to ensure sustainable growth Pune needs to address some serious challenges like roads, traffic power situation etc.

-Suhas Kadlaskar, Head Corporate Affairs, Mercedes-Benz India, Pune



industries located in areas of Saswad, Ranjanagaon or Chakan, road connectivity from Pune/PCMC to these areas is of crucial importance. This is clearly a big concern for the industries. Apart from the industrial areas, the general condition of roads in the city is also not up to the mark. Travelling on the Pune-Katraj bypass reminds you exactly of a nice little camel ride. Also, Pune does not have an international airport, which further results in wastage of time and money, as one has to travel to & fro Mumbai to catch a flight.

Power

Frequent power cuts, irregularity in power supply, power cuts without prior intimation, power cuts shooting way above the specified scheduled time, are some of the major problems associated with power. The Maharashtra Development Report cites the total demand-supply gap in power in Pune to be around 150 MW. This is clearly a serious issue and needs to be sorted out as quickly as possible.

Octroi

Another major hindrance is the entry tax or octroi charged by both the Pune Municipal Corporation and the Pimpri Chinchwad local governing body. According to Maharashtra Chamber of

Commerce, Industries and Agriculture (MCCIA), interestingly, the industry is not against the tax per se, but it needs freedom from the octroi booths, where the material flow is being deeply affected. There is a huge demand from the industry that octroi becomes account-based, so that the wait period affecting material flow will be reduced and the logistics operations will become smoother.

OVERCOMING THE GLITCHES

On enquiring with MCCIA's Additional Director-General Anant Sardeshmukh on the afore mentioned problems, he said, "Yes, we are lagging behind as far as infrastructure is concerned. An international airport is a must for a city like Pune. But on an encouraging note, it is nice to know that now all the clearances in principle have been well-received and the state government is actively pursuing setting up of an international airport here. So, things are happening pretty fast. Also, the growth has been rapid and the infrastructure has not been able to keep pace with this growth".

Validating his point on the power issues, he avers, "Yes, we are facing a shortage of 150-200 MW. We had a Pune model earlier but that is defunct now because of the overall power situation in the country. The availability has also gone down because of the shortage of rains. But I guess nobody anticipated the situation of delayed rains. However, there are certain projects coming up in the near future that would ease out the situation."

The state too needs to accelerate the investment in the power sector. If a separate generation plant is to be set

FACT

At present Pune is the 7th ranking industrial metro in India. Infact Kothrud has achieved a place in the Guinness Book of World Records for having the fastest urban growth rate.