

## G Vijayaraghavan

Honorary Professor, Gulati Institute of Finance and Taxation

Two interesting presentations, one on connectivity and the second on looking at Kerala as a manufacturing base.

On the connectivity part, it is an interesting proposition. But the revenue models for K-FON need to be carefully looked at in terms of how to generate the revenue for constantly upgrading the obsolescence that technology goes through. It is important to have clearly defined financing model to make it sustainable without depending on funding from the government. It is also necessary to ensure that the TSPs do not exploit the situation, as the government will most probably be giving the bandwidth at a very reasonable price with the expectation that TSPs will give it free or at a very low cost.

Looking at Kerala as a manufacturing base for electronics, we will need to definitely define a clear policy on the role of the public sector – what they will do and more importantly what the public sector will not do. We will also need to look at the joint sector, where the public sector and private sector come together. We will also need to clearly specify what we expect from the private sector if the project is owned fully by them.

This is important because when it comes to Government business, very often the public sector companies end up competing with the private sector in the state many times selling products manufactured by companies from outside the state which creates an issue by which the private sector or the joint sector is actually impacted.

Look at Coconics, a joint venture between KSIDC, KELTRON, UST and a small company associated with Intel. What happened was, in the first major tender itself, you have the public sector competing with the joint sector. So you had partners competing with each other. And the problem there was that the product offered by the public sector was not manufactured in

the state. We need to have a clear policy on how we are going to support companies that set up manufacturing units in the state.

Although we have the largest number of start ups in the country, there is a tendency among them to move out of the state because they believe that there is no ecosystem in the state. Hence, I am happy that the presentation on manufacturing talks about creating an ecosystem. Let us look at China, where you see a lot of small companies and start ups coming up. A company out of Shanghai, which I visited two years ago, is able to prepare a design for a product and the product prototype is ready within a day, not in Shanghai, but the manufacturing is happening in Shenzhen, where there are companies who will convert this design within a day into a prototype. For us, anywhere in the country, it will take at least two weeks plus. Ultimately, the prototype comes from China. Many a time if it is to be made in India we have to ensure that we only use certain components, we don't have the facility for quick changes to prototypes.

The other important part of the ecosystem mentioned is the need for quality testing. Here we have a big advantage as we have the Electronic Regional Test Laboratory in Thiruvananthapuram.

What is important is to try to network with the central government institutions, the state government institutions and public sector. Look at some of the university departments who do good work the start-up companies. How do we get all of them together and then say, look, this is what the state has and this is what the state lacks today?

There needs to be a big impetus for the start-ups in this area. I see Balagopal on the call. And, you know, the kind of manufacturing, which they were able to do, the quality of the of the product which came out of the Penpol, now Terumo Penpol, was of the highest international quality.

We need to be clear as to how the state is going to support business here. How do we support companies to get out of the state orbit to get into the national level and how do we then get out of that orbit for the products of the company to be competitive internationally. In the absence of tariff walls, you cannot anymore be manufacturing for Kerala or the Kerala government, you have to be manufacturing for the world and internally competitive, for which the ecosystem is very important.

I conclude by saying that the most important thing is the ease of doing business. I know the government has put in place a system wherein one could start and then get the approvals

G. VIJAYARAGHAVAN

within three years. I don't think that is going to work because within three years the bureaucrat will find something somewhere and then you're going to be at their mercy and have to pay up a ransom. So, we need to look for a clear model by which all approvals come in 30 to 45 days. These are the areas, which I thought I should cover.

Thank you very much.