

Cable Corporation Of India	Issue : September, 13
Magazine : Power Today	Page No: 56 to 58
Edition/City	Media Evaluation:

OPINION

WIRES & CABLE

Industry needs to be more quality-conscious

Increased levels of import have hit the growth of wires and cable industry. In order to regain the growth trajectory, the industry needs to develop an uncompromising attitude with regards to quality, says Maadhav Digraskar

Over the past two decades, the Indian wire and cable industry has undergone a major shift from the unorganised to organised sector, with still about 35 per cent of the market continuing to fall under the unorganised sector today.

The cable industry is a crucial infrastructural backbone of an economy. Cables are the critical elements that wire up the length and breadth of the country as telecom and power networks.

The cable industry can be broadly divided into three major sectors—power cables, control cables and telecommunication cables. Under these sectors, there are multiple players in the Indian market, including local as well as international players. The Indian market consists of both branded and unbranded cables.

The size of the Indian cable industry is estimated at approximately Rs 15,000 crore (excluding building wire and railway signaling cables), comprising of 40 per cent of the electrical industry. The wire and cable industry is expected to grow two-fold in the next five years.

DEMAND-SUPPLY SCENARIO

The cable industry constitutes of about 27.5 per cent of the overall electrical industry. Demand has slowed down in the last couple of years and the electrical equipment industry has witnessed a negative growth in FY13 for the first time in last decade. As per the Indian Electrical and Electronics Manufacturers

Association (IEEMA) estimates, the industry witnessed a negative growth of 8 per cent in FY13 vis-à-vis 6.6 per cent growth in FY12. The cable industry too showed a negative growth of 25.7 per cent in 2012-13 (April-March).

Because of a lack of demand and subdued growth of the electrical equipment sector, the cable industry is facing multiple challenges.

The industry is undergoing a difficult phase due to lower volume of orders for cables from various sectors like power, telecom, railways and various industrial, construction, engineering and manufacturing industries during the slowdown of economy. This



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coupled with the fact that various manufacturers had undertaken huge expansions to capacities, in view of announced government policy of thrust in power sector, has resulted into under-utilisation of their capacities.

While exporting to other countries, it is mandatory for the Indian manufacturers to have the cable type tested from the respective national approved laboratory and approval of respective standards organisation. Similarly, the Indian government undertaking and power utilities should also incorporate type test approval certificate of the Indian National Laboratory such as CPRI and approval from the Indian Standards Organisation for foreign bidders to qualify to bid.

There is lack of demand not just for cables, but the entire electrical equipment industry. Due to overall slump in India's GDP, the domestic electrical equipment industry reported a 6.9 per cent growth in FY12, as compared to 13.7 per cent in 2010-11. Sluggish growth in power sector and escalating imports of electrical equipment are impacting the commercial viability of domestic electrical equipment industry.

THE UNORGANISED THREAT

As much as 35 per cent of the Indian cable industry is still unorganised or informal. There are many diminutive and small cable companies who compromise on quality and

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supply sub-standard products at low prices. This kind of parallel market is found in many countries across the globe, but is a serious matter of concern for India. In certain segments, small local producers may be encouraged by legitimate tactics like price preferences, but in most segments there is breach of even basic standards. Standard regulations followed by medium-sized and large-scale manufacturers are bypassed by most small ones. Those operating in the unorganised sector may take advantage of unmetered power supplies intended for agricultural users or avoid paying duties and taxes.

While tenders are being floated for EHV cables that stipulate certain criteria, it is seen that there is lack of standardisation across the country. Product specifications differ from utility to utility, who set up differing criteria. Cheaper imports from manufacturers whose credentials are unproven into the country will create a zero entry barrier for these products leaving the local industry exposed to unfair



Cable configuration

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competition. Technically competent Indian companies will be facing a problem of demand, and cheap imports will enable parties with no base in India to gobble up a major share of the HV and EHV market, which is a technically critical segment.

On the commercial front too, foreign suppliers are favoured with payments in the form of secured letters of credit whereas the Indian cable industry faces unfavourable open credit terms of payments from the local users and State Electricity Boards (SEBs).

In mature markets, such as Western Europe, products such as building wire are generally regarded as commodities, with lowest price and availability being the key criteria for purchasers. Quality is a secondary consideration in mature markets, as purchasers usually assume that all cables that have the appropriate product approvals meet the required performance specifications. In India, however, the market situation is different; domestic consumers are likely to be quality conscious, aware of brands of cable that have a reputation for quality and wary of buying poor quality products. In a market where perceptions of quality are important, unscrupulous small producers may try to sell counterfeit cables, usurping the brand-names of the more reputable Indian cable makers.

SOLUTIONS


The growth of cable industry is synonymous to the growth in overall electrical equipment sector. For unprecedented growth of the industry, it is inevitable to develop an uncompromising attitude with regard to quality. Manufacturers and contractors should be made to adhere to stringent BIS-PQ guidelines to ensure quality adherence and facilitate wire and cable industry to see a significant rise in efficiency.

On the other hand, rapidly escalating imports of electrical equipment, have resulted into under-utilisation of the manufacturing capacity for domestic players. Protecting and preference for Indian suppliers is one of the most important measures that the government

needs to take. Most countries impose as much as 25 per cent duty on import of cables, while there is hardly any duty levied on import of cables in our country.

Due to this, the international players are selling cheaper than the Indian manufacturers. In today's scenario, India imports majority of its requirement, while exports are very low. Appropriate government intervention is, therefore, crucial for the growth of the domestic business. To promote development and overall growth of local manufacturers within this sector, some entry barriers on international players are a must. For instance, instead of allowing free imports from other countries, the government can insist international players to manufacture locally either by collaborating with Indian players or investing in India.

Also, the onslaught of the slowdown in the country's power sector has hampered domestic demand. The main reason for this is rise in transmission and distribution losses, which are a result of poor infrastructure and lack of implementation of modern technology. The government needs to ensure effective implementation of tamper-proof meters, insulated conductor, and regular patrolling of lines.

The Indian wire and cable industry is now in dire need of a catalyst to spur growth. The SEBs can induce growth by strengthening the power network and reducing transmission and distribution losses, which will in turn lead to rise in demand for electrical equipment like cables. 



Contributed by Maadhav Digraskar, MD and CEO, Cable Corporation of India.