

Philips set up a full-fledged electronic component manufacturing base in 1959, when electronic manufacturing was almost an unknown entity in India.

As a pioneer, it gave a definite direction to the growth of electronic industry in India. Currently, Philips is in the process of a major restructuring to provide renewed vigour and an aggressive advantage to its conventional passive component business. "We are in the process of ensuring greater focus, greater investment and greater technological inputs to this business," says

**R.G. Deshpande**, Sr. G.M., Philips in an interview with **G.P. Vinaybabu** and **Sreekanth R.** Excerpts:

## "Companies that can improve fast enough can only survive"

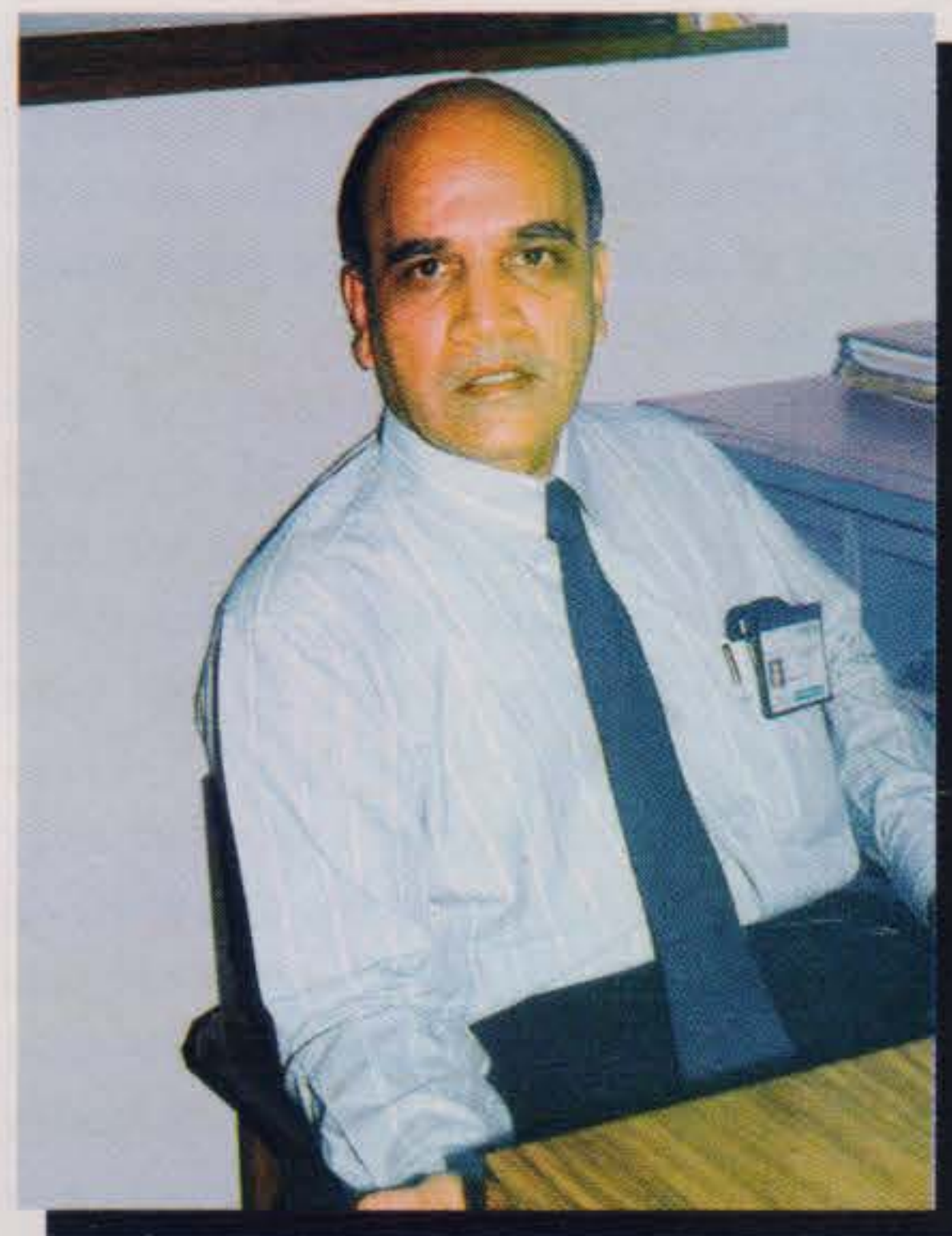
- R.G. DESHPANDE, SR. GM, PHILIPS

What is this restructuring of component business all about?

Philips in India is the pioneer in the component industry. We were the first ones to start component manufacturing in India and over the years we have continuously brought in state-of-the-art technology to India. Philips has really taken the lead in establishing a manufacturing base in India for passive components, and has played a significant role in development of electronic industry in our country.

Although the initial start up was made primarily for captive consumption, we have moved far from that now making this a separate business. More than 80 to 85 per cent of our business comes from non-Philips customers. We have grown from full captive manufacturing to a sizeable third party, non-Philips, standalone business.

The recent change in structure is aimed at concentrating on core activities. Philips has a strategy to concentrate on EDP or digital technology much more in the future. Since component business has more opportunities in terms of its application, it was thought that this business should have a separate



**R.G. Deshpande, Sr. GM**  
Business Group-Components

identity. That is in fact, the entire basis for the restructuring plan. The reason is to make the business stronger. Without that this business wouldn't get enough investment, enough resources and enough focus for growth.

What was this plant conceived to be initially?

In 1959, there were hardly any electronic manufacturing companies other than Philips in India. So, automatically the end users happened to be one of the Philips companies. In those days, electronics was Philips and Philips was electronics in India. And because of the closed economy there were lot of restrictions on imports and exports. Because of the



**The Loni Kalbhor plant**



conditions and external environment the unit developed as a local-for-local manufacturing plant. Over the years, the plant has developed from being fully captive, down to other customers as well as and when the opportunities came in.

### Is this restructuring restricted to India alone?

Let me clarify, it is not the total Philips components which is separating. It is only the conventional passive components that is getting separated which includes electrolytic capacitors, film capacitors, resistors, potentiometers and variable components. Total Philips component business is much much wider. Only this business which is located at Loni is getting separated in India on a worldwide basis (including India). Hence this business in India will continue to be a part of the new MNC.

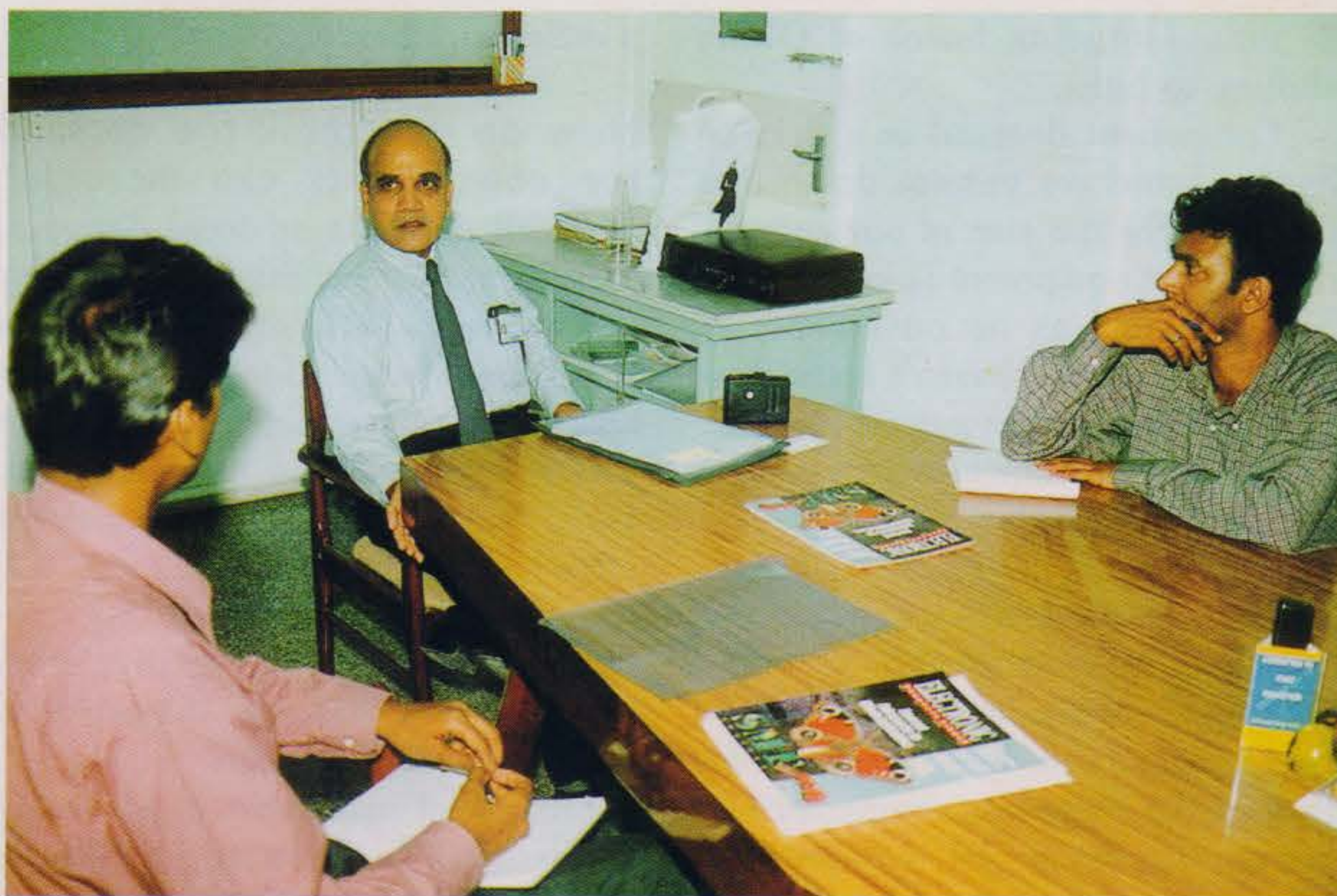
### How strong is the passive component business in Philips?

Passive component business has always been stronger not only in India but in other parts of the world. That is the reason why we don't want to forego the business, we want to hold on to that position. In this competitive environment, the advantage can be kept up only if we concentrate on that business fully.

### Who will manage the new business?

The entire management and team worldwide and in India will remain the same. That is really our strength. The restructuring will ensure stronger focus, continuity of business, better customer service and better quality of products with state-of-the-art technology. These will remain the basic tenets of making the business stronger. We'll continue to enjoy the access to worldwide know-how and the R&D which will be an added advantage.

### What do you think about the



Mr. Deshpande in discussion with EPF team.

### state of component industry in India?

In India, the electronic component industry is by far the first industry facing global competition, more so the passive components because of two reasons -

- 1) The duty barriers have crashed. There is no protection to this industry, because of our open economy.
- 2) Transportability is also not an issue, which is an issue for components like picture tubes, etc.

Because of these two reasons this industry is probably the first one facing the challenge of global competition. That has resulted in price erosion. Import duties which used to be up to 80 per cent at one time is now only 15 per cent.

On the other hand, there are still some handicaps in terms of availability of raw materials. So, for material inputs, we still have to largely depend on imports. Demand within the country is not viable for economies of scale.

On the cost side, there is a cost push up and on the price side there is a price erosion. So, this industry is caught in a sandwich. Cost push up is due to -

- High dependence on imports for raw

materials;

- No advantage of economies of scale and
- High investment and capital cost. And the industry is witnessing a heavy price erosion every year. This is only a transition phase. Only thing is it is lasting a little longer.

To face up to the challenge, we should quickly be ready for exports. Emergence of demand will come out of production base of OEMs shifting to India.

In equipment manufacturing, there is no real export happening. The entire electronic export is dominated by software. That has resulted in stagnated demand limited to the local market. To boost exports, we should be better in terms of performance to compete with global companies. We are still not ready, to have that level of performance to compete internationally.

### Is this due to a lack of technological competence, manpower or of initiative?

We don't have such limitations in Philips. The problem is we really don't have volume of demand. We should get that kind of volumes either -

- 1) by exports or



2) manufacturing bases of OEMs shifting to India.

Component demand is a derived demand and we cannot drive this demand. For the size of our country, demand for equipment is rather poor. Since there was no possibility of export, companies haven't learnt how to export and are not geared up for it. Export requires much more stringent performance levels.

**Why this separate identity for passive components?**

When you handle a basket of 100 components, you don't get focus for those 8-10 (passive) components of yours. If those 10 components becomes your business and survival, then they get a different priority and

a different attention.

**How do you think the demand for components can increase?**

It all depends on local demand. Take for example: China, no company can ignore the local demand of China which is so huge. Hardware demand and hardware manufacturing has to be driven by a sizeable local demand. Only then you'll get companies attracted towards India.

**Isn't technical manpower, which India has in abundance, an important factor?**

Technical manpower is not really the deciding factor for any company's plans in today's world. Infrastructure, duties and power are the deciding

factors rather than low wages. Manpower is only an added advantage.

Technical skills is OK, but we should create business out of it. To create business out of it, there should be a sizeable demand.

**Isn't Philips affected by the downtrend in component demand?**

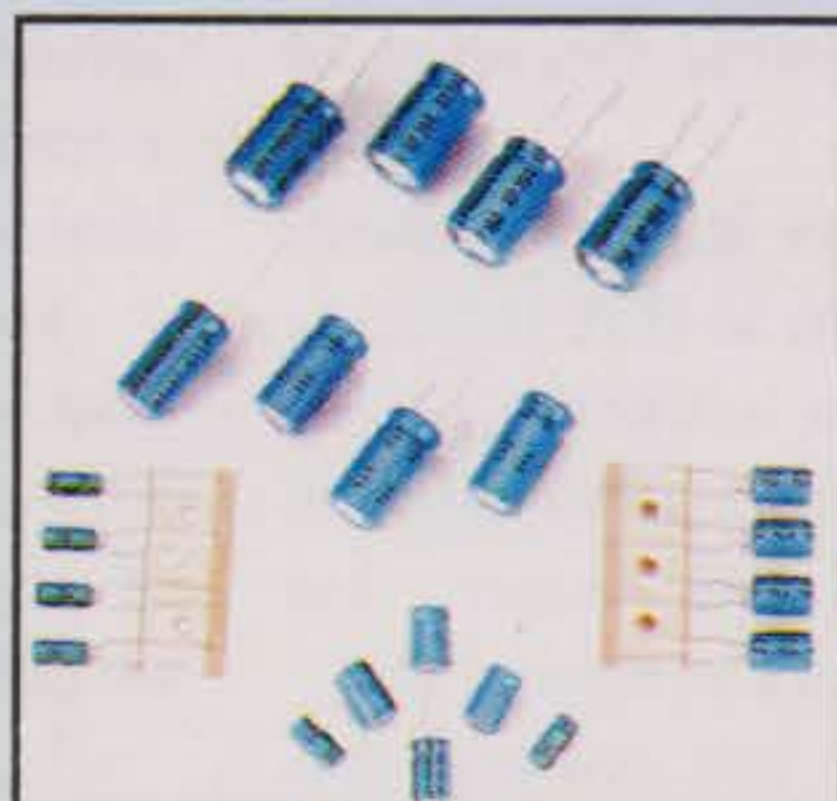
We are affected definitely. Our problems cannot be different from others being in the same environment. But we are taking measures to improve faster. Industries which will improve fast enough and come to international level can survive. Others will have a problem.

## PHILIPS COMPONENT RANGE

### ELECTROLYTIC CAPACITORS

#### Features

- Miniature and small types
- Single-ended or snap-in versions
- Low leakage current
- High ripple current capability
- Very high CV product per unit volume
- 2000 hours endurance



### ELECTROLYTIC CAPACITORS FOR SMPS

#### Features

- Polarised aluminium electrolytic capacitors, non-solid
- Pressure relief on the rubber disc
- Charge and discharge proof
- Long useful life
- High ripple current capability



### FILM CAPACITORS

#### Features

- High capacitance per unit volume
- High frequency/high voltage application
- Self extinguishing capability
- Miniature version

- Epoxy coating for climatic protection
- Surge current capability (MKP 313) of 130A @ 400 V/ 400 Hzs to suit the automotives capacitor discharge ignition (CDI) system for two wheelers.



### STANDARD/METAL FILM RESISTORS

#### Features

- Low noise
- High stability
- Close tolerance
- 26mm/52mm tape versions
- CACT/LCSO approved



### LOUDSPEAKERS

#### Features

- Wide choice of size, shape and application
- High quality sound reproduction with high efficiency
- Manufactured as per IEC - 268





### What are the indigenous products developed by Philips?

Our basic focus is not indigenisation. It has been done as a part of our business strategy. Excellent products have been developed locally which are not a part of our global portfolio because their application is predominantly in India. Film capacitors and variable capacitors for automotive electronics and portable audios respectively are developed only by us for Indian application needs.

### Who are your competitors?

Most of the companies listed in ELCINA directory as passive component manufacturers are our competitors. But no company has the

kind of product range we have. That way we are leaders in the country.

### What is Philips' contribution to exports?

We have approximately 25 per cent of passive components market share in India. We have been exporting regularly and our export performance has been consistently good though not really the major exports. We have been exporting resistors and potentiometers. We'll do that now more aggressively in the changed environment.

### What are your future plans?

Grow and dominate and continue to be a market leader. Grow much faster in export, make much more

stronger business.

We want to double our turnover in the next 3-4 years. Whatever is required for such growth will be taken care of like more accelerated investment than in the past and mobilising more resources.

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Mr. Ramachandra G. Deshpande holds a Bachelors Degree in Mechanical Engineering. He joined Philips India Ltd. in 1971 and has handled different functions in Engineering Department in various capacities as the Technical Manager, General Manager and Plant Manager. During his leadership the components division has earned the All India ELCINA award for excellence in quality and Philips Quality Award in 1996. In the new structure, he is a member of worldwide management team of the new company.

- Key components manufactured in-house allowing easy and fast design adaptation to meet specific requirements
- Latest innovation in coil and diaphragm design developed by our modern R&D department supported by Philips Research Laboratories worldwide

### FILM DIELECTRIC VARIABLE CAPACITORS (Gang Condenser)

#### Features

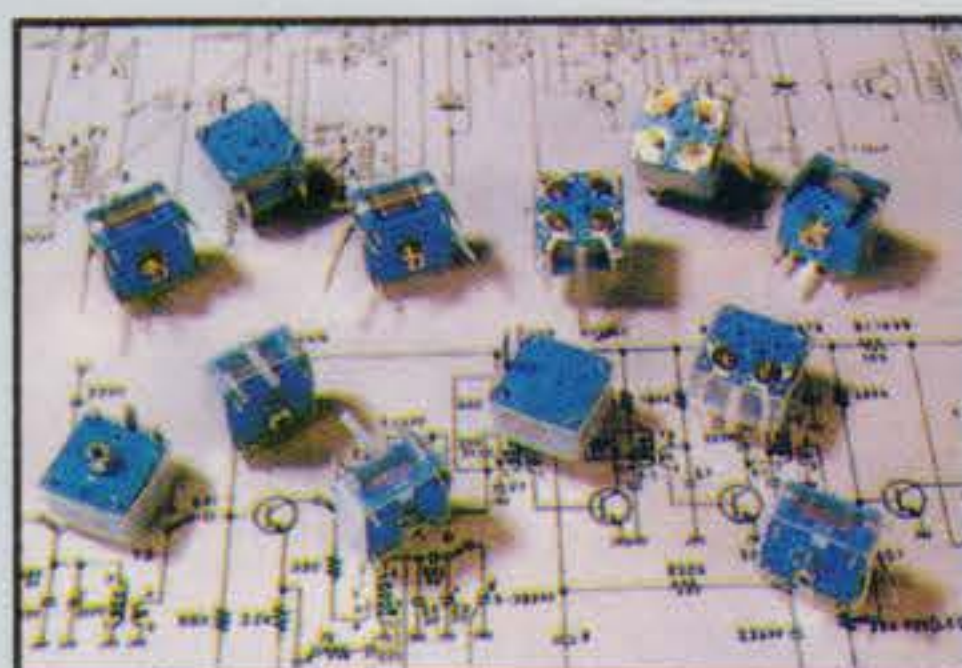
- Suitable for AM, AM/FM Radio receivers
- Miniature size
- Low temperature coefficient
- High stability
- Uniform torque
- Direct mounting on PCB



### FILM DIELECTRIC VARIABLE CAPACITORS (Gang Condenser) AM/FM & Only FM

#### Features

- Robust design and choice of trimmers can help design engineers to product cost effective solutions
- The wide range of Philips miniature 'Gang Condensers' are suitable for AM/FM and only FM Radio receivers/ recorders/cordless



headphones etc.

- The uniform torque, low temperature coefficient and long-term capacitance stability, lead to pin point accuracy in radio reception.

### POTENTIOMETERS

#### Features

- Small size with wide range of spindles
- Available in various versions like horizontal, vertical, centre click and with switch (SPST)
- PCB mounting and solderable types
- Suitable for audio, video, cassette recorders, stereo amplifiers, MTV electronic equipments.



### POWER MAINS SWITCH PUSH PUSH (SPST & DPST)

#### Features

- Robust design available in PCB mounting and solderable versions
- SPST & DPST versions available
- Meet International safety standards
- Applications in CTV, monitors, audio/electronic instruments, domestic and office equipments
- Available in different pitches to suit your application

