

# 'We want to evolve from a component maker to a solutions provider'

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Bharat Forge Ltd has chalked out a two-level strategy to double its annual revenue by 2018 from around ₹3,500 crore now. Nearly half of this will come from non-auto businesses. The strategy essentially involves moving from components into systems, and then become a provider of complete solutions in both the auto sector and non-auto industries.

In a conversation with BusinessLine, Amit Kalyani, Executive

Director, spelt out the Pune-based forging company's plans. Edited excerpts:

**You plan to double revenue in a little over three years. How will you achieve this?**

We want to increase productivity, and also raise the share of value-added products (systems).

Essentially, we are turning our present model on its head. Earlier, our model would first set up capacity, develop products, get a customer and then start production and generate revenue.

So, the time from the investment to revenue generation was anywhere from 18 to 36 months.

Now we are the first creating the IPR – designing, engineering, manufacturing prototypes using our existing facility – and then getting customers. We want to evolve from being a components player into a provider of solutions at a global level. In some cases, we may even manufacture and supply globally.

**How soon you will roll out these products?**

We will start with the power sector, where, under a joint venture (JV) with (French multinational) Alstom, we begin making components as well as complete products.

**Which are the non-auto industrial verticals you propose to grow?**

Our aim is to take each of the five verticals – marine and rail, power, oil and gas, aerospace, construction and

mining – to a minimum component level business of \$100 million by 2020. To achieve critical mass, you need \$100 million revenue... Then you have enough knowledge, customers, depth and width to create a strategic business unit out of it and grow it.

In some of these sectors, we can evolve from a component player into a solutions provider. There is so much opportunity here that we haven't even scratched the tip of the iceberg.

**How big are these five businesses today?**

The non-auto component (turnover) is around ₹1,400 crore (40 per cent of the total revenue), with rail and aerospace accounting for less than ₹100 crore.

**Any investments lined up?**

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Executive Director, Bharat Forge

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We are also doubling our focus on R&D, and increasing spend from under 1 per cent to close to 2 per cent of sales. It will be based in Pune and also will happen globally through our tie-ups.

We won't be hiring many as we are setting up automated facilities and adding automation to the existing factories. We are, however, hiring knowledge workers on engineering, R&D and metallurgy side.

**How is the Alstom-Bharat Forge JV progressing? What happens to the land you have acquired in Mundra?**

We make components for the power business at Baramati and Pune (both in Maharashtra) and other products under the JV.

Investment in the nearly 50:50 JV is around ₹1,400 crore and the annual installed capacity is 5,000 MW.

Machine trials are starting this month and by February (2015), the plant at Sanand (Gujarat) will go into production.



We will begin making turbines and 660 MW plus generators.

We had started building a plant at Mundra (Gujarat), but abandoned the plan later due to delay and moved to Sanand. We still have 120 acres in Mundra and I am sure we will use it.

**Do you agree that the aerospace components venture has not taken off?**

No, that is a misconception. We are making some of the most complex, safety critical and technology-oriented parts in titanium, aluminium and nickel alloys that go into the engine and landing gear. I think we have achieved more than we had aimed for.

**The defence initiative of the group is under Kalyani Strategic Systems. Does Bharat Forge have any role in that?**

The focus is on the land systems and land mobility systems.

Metallurgical components that are required may be supplied by Bharat Forge. We can also supply aerospace components to the air force.

