

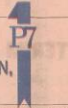


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**P2** ECONOMY  
TO BOOST DEFENCE, WE NEED TO  
INVEST MORE IN INDIGENISATION,  
SAYS BABA KALYANI



**P7** REFLECT  
At Auto Expo 2014,  
gloom takes a backseat



**P4** INTERNATIONAL  
BOE GOVERNOR MARK CARNEY FACES  
CHALLENGE SIMILAR TO ONE FACED  
BY US FED CHIEF ON RAISING RATES

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## We need to invest more in indigenisation to make our defence sector self-reliant

*Engineering and technology firms are reinventing themselves to stay afloat in this period of downturn. Pune-based business conglomerate Kalyani Group is going big on its diversification plans, making inroads into the lucrative railways and defence sectors. Group chairman (who also heads group entity Bharat Forge) Baba N Kalyani, however, says in defence, their entry is more to prove a point that a 100% indigenous weapon development programme is possible. The entity has already designed and developed the 155/52 caliber howitzer gun and another lightweight field gun. In an interview with Huma Siddiqui and Subhash Narayan, Kalyani shares his vision for active indigenisation of the Indian defence production segment and making India a manufacturing hub. Edited excerpts:*

**Do you think localisation should be the mantra to take the defence production segment in the country forward? What initiatives you have done in this regard?**

Indigenisation and innovation are the only ways that our country can become self-reliant in supporting the armed forces. The Kalyani Group has taken number of steps in the defence sector towards this end. We have been always supporting the defence forces by meeting emergent requirements of ammunition shells for all artillery equipment, road wheels and tracks for armored fighting vehicles and also developing rockets. However, we have in the past three years invested considerably in R&D for the defence sector through which we have been able to produce a totally indigenously designed and developed 155/52 caliber howitzer gun. We have also developed a lightweight field gun.

Further, we have developed indigenous unmanned ground vehicle and forayed in to electronics products that can be used by the defence forces. In addition, through collaborations, we are in into manufacturing mine-protected vehicles, soft-kill systems.

**Is the company's recent thrust on the defence sector a result of slow-**



**down in other areas that you operate? What kind of involvement you intend to maintain in defence?**

For a moment let us forget about any sector and take a look at our demography. India is a country of young people and by 2022 the average age of the nation would be 29 years. We need to engage this young population in useful nation-building activity. Manufacturing offers a perfect avenue for channelizing their energies. We need to give impetus to manufacturing. Defence and Aerospace are two sectors offering great opportunity. The question is whether we as a nation will take advantage of this opportunity.

**Could you please elaborate about your JV with Israeli defence major Elbit?**

The JV is a strategic partnership with Elbit Systems in the hi-technology area of artillery systems. We are partnering for number of programmes and we will be manufacturing these systems in India with our JV partner. The JV is aligned with the government regulations and is first such arrangement in this segment. Indian users trials are most challenging and among the toughest in the world. We are confident of fully meeting the user's operational requirements. It would be premature to com-

ment on the outcome of the tender but we are hopeful the best will come through.

**Do you think that the company has reached a scale where it can invest in R&D for weapons systems which the Indian armed forces want?**

Investment in R&D and scale is not directly linked. We are passionate about defence and that is what is driving our development effort. Our R&D is product-based and we are definitely investing in R&D in certain focus areas.

**Are you satisfied with the current cap on FDI in defence? And could you tell more about the MRO services you are offering for Indian Army vehicles.**

The current cap on FDI in defence is being debated at all levels. I do not want to add to the confusion. We are aligned with the current policy and believe that policy must keep the national interest in mind. Like I said earlier, we are definitely looking forward for joint productions of products and systems required for the Indian armed forces by manufacturing them in India. We have a joint venture with Meritor and we are currently supplying axles to all the leading manufacturers in the country for all

their heavy duty vehicles that are supplied to the forces.

**Your business model is heavily dependent on exports. Does this help the company in the present situation where domestic market is going through a sluggish phase or does it expose it to the problems being faced in European markets?**

Our business model is focused on both exports and domestic markets. We have a de-risked model that has withstood many ups and downs in the last few years.

**What is the right way to simulate manufacturing in India as this would hold the key to the next wave of high growth?**

Manufacturing in our country has always been least glamorous. We need to bring the focus back to manufacturing. This sector is important for the growth of the country. The country has laid out a target to increase the share of the manufacturing to 25% of the GDP, but we are nowhere near this target value. Defence and aerospace and correct use of offsets can help give the required impetus to manufacturing. What is sad to see that we continue to import rather than implement a very well-stated manufacturing policy announced two years back.

**Any areas of growth identified by you for the near future?**

We have devised our business into five verticals — energy, oil and gas, mining & construction, railways and aerospace — to generate the next wave of growth for the company. In oil and gas, we are largely focused on the North American market and are now looking at Europe. The mining and construction sector has taken a beating due to global downturn and shale gas explosion. The railways would bring us the growth in coming years. We are doing a lot of work on locomotives. In aerospace, we want to be a major supplier of components for jet engines and aircraft. We are already working with Airbus, Boeing and French company Safran.