

In the last few years, you've built a global operation by acquiring companies. What's next on your radar?

Over the next five years, we would like to have a capacity of million tonnes. (Currently, 700,000 tonnes, counting expansion projects.) The question is, where is this incremental capacity going to come up? Very little is going to come up in Europe. But it could come up in any of the other regions—in India or China, or the US and the Nafta region. I feel, it will happen in all the three regions. We also want to be in South America. We want to be in every BRIC economy. We are only in India and China. We need to be in Brazil and Russia as well.

What's exciting about Brazil?

We have just started work in Brazil... two months back, in fact. So, these are only the initial days. The fastest way to enter the country is to create a strategic alliance. The second option is to see if we can build a plant there. We are looking at both. Brazil is a large market. Its truck market is much larger than India's. Its proximity to North America creates some unique opportunities. Almost all the world's auto players are there, plus Brazil exports a lot. There are a lot of North American manufacturers present in Brazil. A lot of them are building in Brazil and shipping to North America. There is a lot of trade between North and South America. The entry barriers are much smaller if you are trading between Brazil and North America. Brazil is also part of the Mercosur bloc, so working with countries like

Argentina and Chile becomes easier. It also has a two-way trade treaty with Mexico. We have just started our work in Brazil. We are beginning to understand the economics and the cost structures, the operating systems and the socio-political side. There is a lot for us to learn before we take the plunge. It could take a while.

And acquisitions in Brazil are also a possibility?

That's the easiest thing to do, provided you find the right company. But it is not always easy to find one.

What about Russia?

It is one of the fastest growing markets in the world today. There is a buzz about Russia these days. We are definitely looking at it. The market is growing at an amazing speed, and it is moving towards a market economy. There are many challenges there, yes...but this is the right time to get into that market. We are trying to build relationship with Russian customers. We are trying to start supplying products from here to Russia. We would like to see whether we can have a plant there, but again, we are at an investigative stage. If the four BRIC nations are growing at the fastest rates in the world, having a presence in all the four markets has to be of help to you...

You hardly have spoken about Russia before. How recent is the interest in this country?

The point is, we couldn't go into Brazil and Russia before

In the past three years, Bharat Forge has made a string of acquisitions in Germany, Sweden, Scotland and the US.

Chairman and Managing Director **Baba Kalyani** tells **M Anand** that he is now eyeing South America and Russia

**"We want to be
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going into Europe. The nucleus of the auto industry is in Europe. You need to be there, you need to be known to all the major players and they need to look at you as a company that is global and that can deliver products everywhere.... Once you have covered Europe, which we have now, then it becomes logical to expand. Besides, there is much money in Russia. Most billionaires in London seem to be Russians. (laughs)

How mature is the Russian auto component market?

The Russian automotive market had a vertically-integrated structure for long. Then it got dismantled when the Russian economy started moving from a centrally-planned one to a market economy. Now it is again getting reassembled... newer plants and modern technology are coming in.

You have acquired several companies in Europe. Does any of them have relationship with Russian customers?

The companies we supply to in Europe are the ones who are going to be in Russia. The Russian auto industry is global... there is hardly any Russian vehicle maker left. Global auto majors are taking over plants and signing joint ventures there. Our relationship automatically comes in. That is why our strategy was to be in Europe first... to build relationships and bonds and then use them across the world.

Most of your global acquisitions have seen one full year of operation under your management. What gains have you seen in these companies?

Our European business is fully consolidated and is performing extremely well. The US operations have turned around, and have been consolidated. But it still needs to see a lot of growth. The synergy of our global business will generate a lot of business for the US in the next few years. Our Chinese business has turned around and is no longer making losses. Things are happening the way we had planned it. From 2006 till now, we have kind of taken the time to get this consolidation in place... get all the restructuring that was needed in place. The next phase is to use synergy... take technology, knowledge and connectivity with customers from one market and use it in other markets.

For example, CDP (the German company it acquired in 2004) is now helping Bharat Forge America launch aluminium products. Similarly, we are using India and Sweden to improve manufacturing productivity and efficiency in China. That is the next phase. We will keep doing these things for the next one to one-and-a-half years. That itself will generate enough growth.

A bird tells us that you are also trying to consolidate steel sourcing globally...

We are already seeing benefits there, but the steel market has been difficult. Prices have been going up.

Looking back at these acquisitions, what were the key changes that you had implemented?

The fundamental change we brought in all these companies was increasing performance, using the lever of cost and the lever of expanding markets by using Bharat Forge's connectivity with customers. That was the first thing. This somewhat aligned all companies to our company.... We can't have companies thinking in their own direction and going all over the place. So, we focused on alignment in the first six to eight months after each acquisition.

The second phase was to bring alignment in all the business processes. Now we have a common continuous improvement process that is our own creation. You could call



"We have created a common continuous improvement process. You can call it the BFL system (like the Toyota system)"

it the BFL system (like the Toyota system). This system has been rolled out in all plants. One derivative of this is our manufacturing council. This is where global best practices are shared. We also have the global innovation council. We have a common marketing organisation. There are only 40 companies that make automobiles in the world. All our companies deal with the same customers. We have key account managers who manage day-to-day interactions with global customers. We are no longer an Indian company in the eyes of the customer. Whether, he (the global customer) is going to China or Russia, he wants us to follow him.

How has all this impacted the financial performance of the acquired companies?

All of these companies except Sweden were making losses when we acquired them. Now all of these are making profits. In fact, we have even doubled profits in Sweden. ■