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# GLOBAL



## INDIA'S TRUE MULTINATIONALS

The first listing by overseas revenues, assets and employees

Plus: Six success stories, global insights and a roundtable with five sharp minds

## ECONOMY ► THE CHINESE THREAT

# GLOBAL

## INDIA INC'S WORLD

It was tough to put together the first true list of India's multinationals, but there is much to learn from the experiences of the Global 50 companies

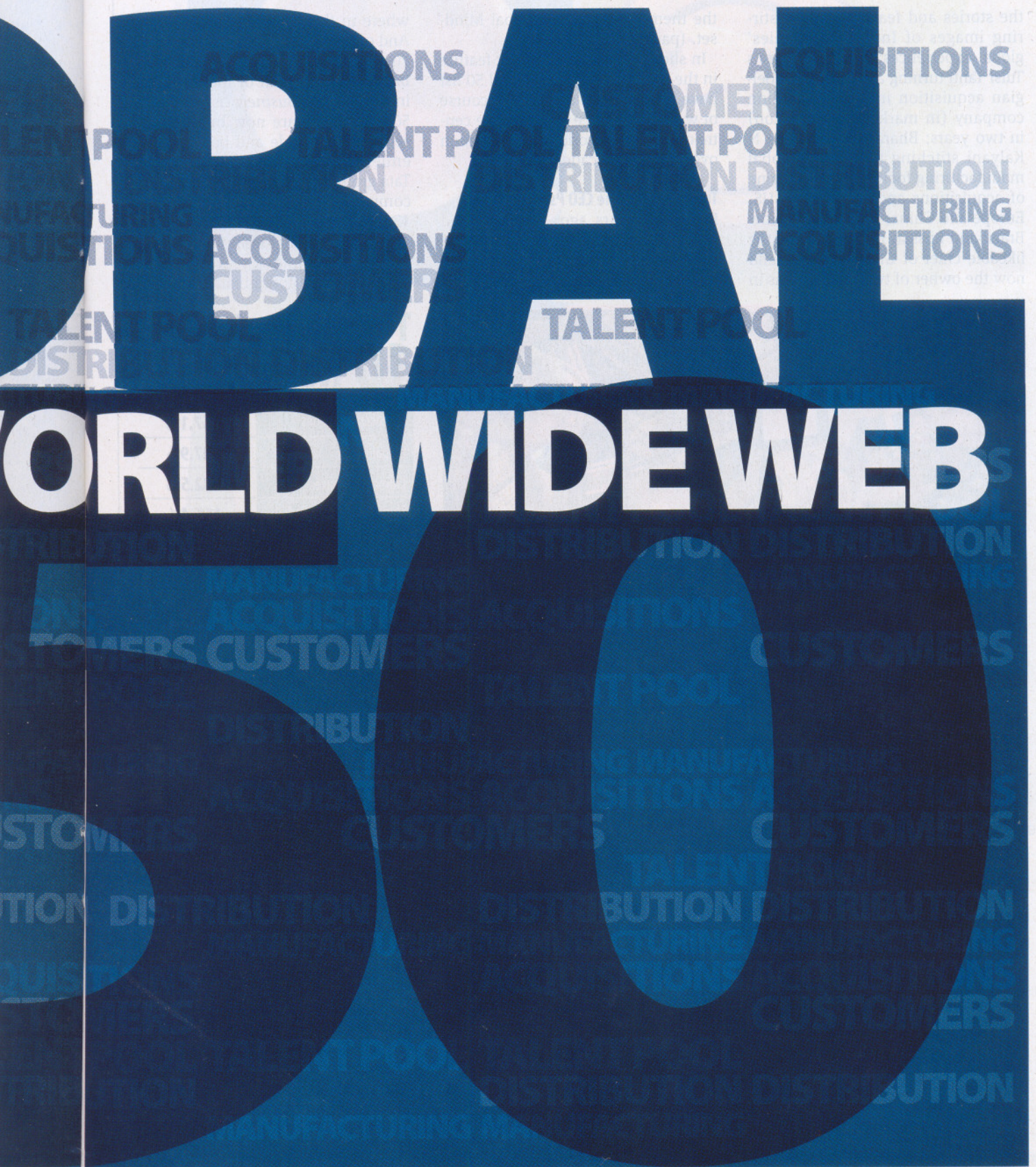
**M ANAND**

**M**EASURING THE span and the scale, the girth and the depth of India Inc's fledgling, yet sprawling, global empire is as painstaking as it is exhilarating.

Painstaking because it took a crack team of *Outlook Business* correspondents four months to identify, interview and compile data on about 200 top-notch companies before putting together 'The Global 50' list and special issue. This is the first true and comprehensive listing of Indian multinationals based on their revenues and profits earned overseas, employees working abroad and assets owned beyond Indian shores. This listing is NOT a plain-vanilla compilation of India's leading exporters. That would be an outdated expression of global Indian enterprise. Rather, this list captures every dimension of India Inc's complex web of global interests.

But the exercise was equally exhilarating because the results gave us compelling data on India Inc's global march, data that no one has ever accumulated before. Sample this: India's top 50 multinationals employ about 124,000 people abroad and earn almost Rs 1,15,284 crore in revenues overseas. Those figures reflect the size of India Inc as on March 31, 2007 (the cut off date for the Global 50 survey.) But if you take into account acquisitions done after that, Indian multinationals may be on course to earning almost Rs 2,50,000 crore in revenues abroad and employing over 200,000 people overseas by the end of this financial year. (You will find a wealth of such information on individual companies in the data section on pages 52 and 53)

But beyond the numbers, there was the sheer thrill of hearing and writing



the stories and feasting on the stirring images of Indian companies' global experiences: Suzlon Energy's Tulsi Tanti turning a €371 million Belgian acquisition into a €2.5 billion company (in market capitalisation) in two years; Bharat Forge's Baba N Kalyani stitching together a global manufacturing footprint with a string of acquisitions and alliances in US, Europe and China; (he is eyeing now Brazil and Russia) Mehul Choksi, the likeable chief of Gitanjali Gems and now the owner of two retail chains in

the theme: Building A Global Mindset. (page 94)

In short, the companies that feature in the *Outlook Business* Global 50 list have the potential to alter the course of world commerce and shift the centre of gravity of world wealth creation over the next decade.

## Transforming The CEO Psyche

Even five years ago, exports (read precious foreign exchange earnings) were the primary metric of measuring the global influence of an Indian cor-

where in the globe it was available. And of course, seek and satisfy global customers. But today, that mindset has changed. Much of the top brass in the *Outlook Business* list of Global 50 companies are now building assets, hiring people and booking revenues abroad—about 60% of the Tata group's revenues will come from companies located abroad, roughly 47% of Bharat Forge's employees, 24% of Asian Paint's employees, over a third of Crompton Greaves employees are either foreign nationals or



**BOURSE REALITY:** As far as stock performance is concerned, Indian multinationals are yet to attract a higher premium over domestic-minded companies

## TOP 10 Shareholder Returns

Videocon Industries	367.1%
Indian Hotels	207.9%
Crompton Greaves	182.5%
Sterlite Industries (India)	155.4%
Hindalco Industries	137.4%
Dabur India	97.7%
Larsen & Toubro	92.2%
Mahindra & Mahindra	87.9%
Bharat Forge	86.0%
Satyam Computer Services	68.6%

the US that have almost 150 outlets and about \$180 million in combined revenues; Tata Consultancy Services' 'global village', an orientation event in which many of its 9,000-odd international employees have been put through the paces (the company manages a truly global talent pool) and Ranbaxy's pluck in taking on Big pharma in their home turf.

In the next few pages, you will find riveting stories of how Indian companies are managing acquisitions, distribution chains, talent pools and customers globally.

You will also read first-person accounts of how Indian CEOs are building businesses in China, Russia, South America, Africa, and Eastern Europe. Last, you will find a group of India's thought leaders engaging with each other in a panel discussion on

poration. Yes, Tata Tea had executed the landmark \$407 million buy out of Tetley in 2000. But the psyche of the Indian CEO was still not oriented towards building a truly transnational business model—produce where it is cheap to produce or produce where the customer is located; hire talent where it is available and needed; mop up natural resources irrespective of

are Indians located abroad. In fact, almost 10% of the workforce of the Global 50 firms is international, either in origin or location. That is the true test of transnational businesses.

This re-orientation of what is global and what is not—it started happening sometime during the early part of this decade—was perhaps the biggest step Indian CEOs took towards building a global mindset. A few thought leaders deserve credit for this.

First, led by chairman Ratan Tata, the Tata group made a few bold global buyouts in 2004 and 2005—Tata Motors' \$102 million acquisition of Daewoo's commercial vehicles unit, Tata Steel's \$484 million acquisition of NatSteel and the \$404 buyout of Millenium Steel set other companies thinking, desiring and eventually initiating a few global moves.

**In 2007-08, Indian MNCs are on course to double their overseas revenues to Rs 2,50,000 crore**

and deftness in managing the potentially explosive acquisition of Hansen Transmissions (see story on page 58)

This has helped in two ways—first it has made the task of integration easier, even though returns may have been slower coming. More importantly, it has helped India Inc build a reputation for being benign acquirers. In a world market that has an abundance of distressed assets, this gives Indian companies an edge over other bidders. Nothing illustrates this better than Ford's attempts to sell its twin icons Jaguar and Land Rover. The Ford management, the unions of these two divisions, and most other stakeholders are as keen to be acquired by the Tatas, as they were shunning One Equity Partners, the PE firm that was also in the race. PE firms have a reputation of being ruthless in extracting value from the firms they buyout. Not so the Indians.

While the Indian approach is more palatable and humane, it is still too early to say whether it will be more profitable in the long run. Though the boat is yet to be rocked in any of India Inc's major global acquisitions, much work still remains in integration process and creating value.

One indication of this can be had from the stock market performance of the Global 50 companies. Companies on the list rewarded shareholders with a return of 38.76% (annualised return for the three-year period ended March 31, 2007.) This is only slightly better than the Sensex return of 33.11%. This suggests that Indian multinationals are yet to attract a higher premium over mostly domestic-minded companies.

In fact, a few Global 50 companies like Tata Steel, Ranbaxy and Tata Tea have lagged behind the Sensex. But this is unlikely to halt their global



SOUMIK KAR

run. It must be said that many Indian CEOs have demonstrated a vision that analysts focused on the next quarter numbers have failed to catch.

#### Better Than Emerging Peers

But India is not the only emerging economy that is giving birth to new multinationals. Mexican cement manufacturer Cemex, Brazilian mineral maker CVRD and jet company Embraer, China's Lenovo are all now on par with the world's largest companies in their respective sectors. Brazil, Russia, India and China account for 35 of the world's 500 largest corporations.

When The Boston Consulting Group put out its 2007 edition of 100 global challengers from 14 rapidly develop-

## TOP 10 Overseas Employees

	Overseas Employees	As % Of Total Employees
GHCL	3,712	58.0
Aditya Birla Nuvo	10,914	57.1
Bharat Forge	3,307	47.2
Crompton Greaves	2,905	36.3
Ranbaxy Laboratories	3,600	31.7
Asian Paints	1,500	28.3
Suzlon Energy	2,913	25.9
Videsh Sanchar Nigam	1,064	24.9
Apollo Tyres	3,000	23.1
Infosys Technologies	16,000	22.1

**SHRINKING WORLD:** TCS employees in the company's Mumbai office

ing countries, it caught the attention of General Electric CEO Jeff Immelt. He is said to have used the report to help GE understand which of the 100 challengers were its customers, suppliers or challengers. That list had 20 Indian companies, next only to China, which had 41. The anecdote drives home an important point—the world wants to know more about emerging multinationals and it wants to be prepared to meet them.

Like India, emerging giants from all these economies have several things going for them. Low asset prices in the developed world, excess liquidity in world financial markets and low interest rates on dollar funds and the sliding greenback has made the world a happy hunting ground. Strong domestic growth in an economic cycle that is peaking is producing cash needed for global expansion. Finally, stock markets are maturing and global money flowing into emerging markets is keen to fund the global plans of these companies. Still, Indian CEOs have shown a bit more verve and vision than their peers in other emerging markets. That has perhaps put India Inc in the pole position in the global grand prix. ■

**Its soft-touch model of integration has helped India build a reputation for being benign acquirers**

# Overseas Exposure

Being global is less about exports and more about overseas presence—in terms of revenues, assets and employees. Presenting India's 50 truly global companies

	Revenues				Exports				Net profit				Assets				Employees				Shareholder returns	
	Overseas	Total	Overseas as % of total	Rank	Exports from India	% of total revenues	Rank	Overseas	Total	Overseas as % of total	Rank	Overseas	Total	Overseas as % of total	Rank	Overseas	Total	Overseas as % of total	Rank	3-year returns (CAGR)	Rank	
Aditya Birla Nuvo*	1,632.8	8,258.0	19.8	25	483.2	5.9	34	-87.2	281.2	NA		629.3	13,039.7	4.8	32	10,914	19,111	57.1	2	62.5%	13	
Amtek Auto	1,449.1	2,645.1	54.8	9	270.3	10.2	27	NP	256.4	NA	NP	3,141.7	NA	NA	761	5,000	15.2	23	42.1%	20		
Apollo Tyres	1,004.7	4,299.2	23.4	24	41.7	1.0	43	19.0	117.0	16.2	732.5	2,790.8	26.2	11	3,000	13,000	23.1	9	5.9%	38		
Asian Paints	656.2	3,699.9	17.7	27	22.4	0.6	44	NP	281.0	NA	100.5	479.3	21.0	14	1,500	5,300	28.3	6	25.1%	27		
Aurobindo Pharma	620.9	2,250.2	27.6	22	1,096.8	48.7	10	-18.5	200.9	NA	274.0	1,371.9	20.0	17	1,065	5,674	18.8	17	35.5%	23		
Bank of Baroda	1,756.4	10,812.8	16.2	31	0.0	0.0	NA	NP	1,128.9	NA	30,468.4	1,46,871.6	20.7	16	971	38,086	2.5	35	7.1%	36		
Bank of India	1,779.6	10,729.4	16.6	30	0.0	0.0	NA	NP	1,123.2	NA	30,288.8	1,39,982.8	21.6	13	398	42,206	0.9	40	17.5%	29		
Bharat Forge	2,329.9	4,275.2	54.5	10	803.5	18.8	23	49.7	290.6	17.1	580.4	3,412.6	17.0	20	3,307	7,000	47.2	3	86.0%	9		
Canara Bank	262.2	13,033.7	2.0	46	0.0	0.0	NA	NP	1,528.4	NA	4,793.7	1,64,299.2	2.9	33	NP	46,359	NA	NA	-1.0%	43		
Chambal Fertilisers^	77.5	2,980.6	2.6	45	103.7	3.5	38	-46.1	113.7	NA	357.6	3,382.5	10.6	27	NP	2,452	NA	NA	2.4%	41		
Crompton Greaves	2,399.3	5,744.8	41.8	16	567.5	9.9	28	89.5	286.5	31.2	985.5	1,901.7	51.8	3	2,905	7,994	36.3	4	182.5%	3		
Dabur India	291.7	2,233.7	13.1	34	69.2	3.1	41	19.8	283.0	7.0	147.2	595.9	24.7	12	545	3,500	15.6	22	97.7%	6		
Dr. Reddy's Laboratories	4,474.7	6,418.5	69.7	5	3,053.6	47.6	11	388.6	932.7	41.7	223.6	1,242.8	18.0	19	1,717	9,229	18.6	18	62.8%	12		
Essar Steel	1,013.7	10,336.0	9.8	37	2,915.5	28.2	17	NP	433.9	NA	660.7	23,758.3	2.8	34	460	3,460	13.3	25	14.7%	32		
GHCL	1,741.8	2,825.1	61.7	7	213.7	7.6	33	NP	287.1	NA	473.7	1,432.7	33.1	8	3,712	6,398	58.0	1	58.0%	14		
Gitanjali Gems*	452.5	3,467.4	13.1	35	1,283.1	37.0	15	NP	91.8	NA	NP	2,490.9	NA	NA	1,250	10,000	12.5	28	NA	NA		
HCL Technologies	NP	6,068.0	NA	NA	2,994.2	49.3	9	NP	1,318.0	NA	NP	5,231.0	NA	NA	5,519	42,017	13.1	26	48.1%	19		
Hindalco Industries*	1,589.1	19,338.1	8.2	38	6,973.2	36.1	16	8.3	2,658.8	0.3	2,304.9	23,402.7	9.8	28	NP	20,366	NA	NA	137.4%	5		
ICICI Bank*	1,388.7	41,363.8	3.4	43	0.0	0.0	NA	162.0	2,517.1	6.4	81,886.9	3,94,334.7	20.8	15	824	33,754	2.4	36	38.4%	21		
i-Flex Solutions	NP	2,060.9	NA	NA	1,495.0	72.5	4	NP	372.3	NA	NP	2,402.2	NA	NA	1,510	9,068	16.7	21	57.8%	15		
Indian Hotels	640.0	2,666.0	24.0	23	714.0	26.8	19	NP	322.4	NA	NP	3,352.3	NA	NA	4,583	22,144	20.7	12	207.9%	2		
Indian Oil Corporation	1,849.8	2,03,078.9	0.9	48	7,722.7	3.8	37	-21.7	7,498.6	NA	1,002.4	1,02,640.6	1.0	35	50	29,862	0.2	43	-3.1%	44		
Infosys Technologies	7,535.0	13,893.0	54.2	11	12,143.0	87.4	2	NP	3,856.0	NA	NP	11,259.0	NA	NA	16,000	72,241	22.1	10	54.4%	16		
Jindal Stainless	726.0	5,267.8	13.8	33	2,262.0	42.9	12	19.8	773.8	2.6	485.6	3,954.7	12.3	25	NP	5,000	NA	NA	17.2%	30		
KEC International	990.3	2,075.7	47.7	14	NP	NP	NA	60.1	104.6	57.5	58.9	691.9	8.5	29	181	1,698	10.7	30	-49.1%	45		
Larsen & Toubro	1,159.4	21,342.2	5.4	41	3,714.7	17.4	24	143.1	2,240.1	6.4	1,530.7	14,274.2	10.7	26	500	35,000	1.4	38	92.2%	7		
Lupin	355.8	2,071.7	17.2	29	1,051.2	50.7	7	8.2	308.6	2.7	257.5	1,840.8	14.0	23	150	6,500	2.3	37	63.7%	11		
Mahindra & Mahindra	2,461.5	19,436.8	12.7	36	615.0	3.2	40	22.7	1,638.2	1.4	3,958.3	19,863.4	19.9	18	2,325	46,285	5.0	32	87.9%	8		
Nicholas Piramal India	1,120.0	2,472.0	45.3	15	286.6	11.6	26	NP	188.3	NA	374.0	1,323.0	28.3	10	800	7,200	11.1	29	7.8%	35		
ONGC	3,381.3	56,904.0	5.9	40	2,981.4	5.2	35	1,052.6	15,642.9	6.7	18,919.3	1,36,872.5	13.8	24	36	34,000	0.1	44	30.8%	25		

The Outlook Business Global 50 is a listing of India's premier multinationals. It defines global presence on four parameters: revenues earned overseas (not exports), employees working overseas, assets owned overseas and profits earned overseas. All data is from company sources or from CMIE Prowess as on March 31, 2007. This is an alphabetical listing. There's no overall ranking, but parameter-wise ranks have been given, except on net profit, where there wasn't a critical mass.

We looked at only listed companies with revenues of over Rs 2,000 crore. Being a listing of 'Indian' multinationals, companies with significant foreign shareholding were excluded. As were companies that did not have significant exports or foreign subsidiaries, or a significant 'global mindset' (the last being the only subjective aspect in the study).

The following were considered while calculating global revenues:

- Revenues of all subsidiaries and offices abroad (including that of dealerships assembling CKD kits)

- For IT companies, onsite revenues

- For engineering and construction companies, revenues booked from projects abroad

All companies were given ample time to respond -- over two months, in most cases. For companies that didn't share details, international revenues are limited to revenues of international subsidiaries mentioned in the annual reports (the only information in the public domain). Likewise for overseas assets, profits and employees. Big acquisitions like Tata Steel-Corus and Hindalco-Novelis, which are not reflected in their parent's balance sheets as on March 31, 2007, were not considered. For assets, total assets, and not just fixed assets, was considered. A few companies that may have big global operations may be missing from this list because they chose not to respond. In spite of our best efforts, it is possible we may have missed a company. If yours is one of them, please write to [global50@outlookindia.com](mailto:global50@outlookindia.com). We will make sure you are featured in next year's list.

	Revenues				Exports			Net profit			Assets			Employees				Shareholder returns		
	Overseas	Total	Overseas as % of total	Rank	Exports from India	% of total revenues	Rank	Overseas	Total	Overseas as % of total	Overseas	Total	Overseas as % of total	Overseas	Total	Overseas as % of total	Rank	3-year returns (CAGR)	Rank	
Patni Computer Systems	2,391.7	2,667.6	89.7	1	990.1	37.1	14	NP	244.8	NA	1,099.8	2,897.8	38.0	6	2,546	12,804	19.9	16	4.9%	40
Punj Lloyd	3,514.5	5,205.9	67.5	6	761.0	14.6	25	171.2	196.9	86.9	416.0	1,332.9	31.2	9	2,305	10,740	21.5	11	NA	NA
Ranbaxy Laboratories	4,959.9	6,199.8	80.0	2	2,622.8	42.3	13	NP	515.4	NA	NP	6,738.5	NA	NA	3,600	11,343	31.7	5	12.1%	33
Raymond	91.0	2,144.1	4.2	42	208.5	9.7	29	0.4	138.8	0.3	80.2	1,482.6	5.4	31	NP	20,000	NA	NA	1.9%	42
Reliance Communications*	3,072.2	17,440.3	17.6	28	1,687.7	9.7	30	-23.8	3,526.0	NA	7,972.2	56,525.4	14.1	22	400	40,000	1.0	39	NA	NA
Reliance Industries**	1,917.6	118,354.0	1.6	47	58,531.3	49.5	8	NP	12,074.8	NA	NP	1,12,283.1	NA	NA	5,000	24,696	20.2	13	35.8%	22
Satyam Computer Services	3,504.1	6,611.6	53.0	12	4,728.6	71.5	5	NP	1,350.4	NA	NP	7,349.2	NA	NA	6,110	30,552	20.0	15	68.6%	10
State Bank of India	4,507.9	68,376.8	6.6	39	0.0	0.0	NA	411.0	6,619.8	6.2	94,582.9	5,66,565.0	16.7	21	1,584	1,85,388	0.9	41	14.8%	31
Sterlite Industries (India)	889.0	26,875.0	3.3	44	7,216.4	26.9	18	292.5	6,327.0	4.6	582.6	9,717.6	6.0	30	100	16,000	0.6	42	155.4%	4
Sun Pharmaceutical	769.1	2,374.5	32.4	19	480.6	20.2	21	159.7	784.3	20.4	2,053.5	4,020.5	51.1	4	1,300	7,000	18.6	19	32.4%	24
Suzlon Energy	2,274.3	7,985.7	28.5	21	1,770.0	22.2	20	NP	864.0	NA	5,806.6	12,541.3	46.3	5	2,913	11,250	25.9	7	NA	NA
Tata Chemicals	1,831.0	5,907.0	31.0	20	77.9	1.3	42	NP	444.2	NA	NP	4,785.3	NA	NA	840	4,150	20.2	14	10.9%	34
Tata Consultancy Services	11,336.3	18,914.3	59.9	8	13,767.2	72.8	3	400.4	4,212.6	9.5	5,644.1	9,640.4	58.5	1	11,315	89,419	12.7	27	51.9%	17
Tata Motors	5,837.0	32,580.0	17.9	26	2,687.3	8.2	31	NP	1,913.5	NA	NP	19,204.8	NA	NA	857	29,385	2.9	33	23.3%	28
Tata Steel	9,128.0	25,651.0	35.6	17	1,957.8	7.6	32	NP	4,222.2	NA	NP	32,095.7	NA	NA	3,681	45,365	8.1	31	5.6%	39
Tata Tea	3,031.0	4,103.0	73.9	3	162.4	4.0	36	NP	306.6	NA	NP	2,723.5	NA	NA	1,056	40,984	2.6	34	6.8%	37
Tech Mahindra	439.7	2,929.0	15.0	32	2,730.7	93.2	1	16.8	121.5	13.9	547.7	1,592.6	34.4	7	3,850	22,101	17.4	20	NA	NA
Videocon Industries	4,272.9	13,085.5	32.7	18	429.2	3.3	39	-63.7	792.3	NA	7,191.1	12,953.3	55.5	2	NP	10,000	NA	NA	367.1%	1
Videsh Sanchar Nigam	6,377.0	8,857.0	72.0	4	1,739.1	19.6	22	NP	468.6	NA	NP	8,669.3	NA	NA	1,064	4,265	24.9	8	29.0%	26
Wipro*	7,340.9	15,000.8	48.9	13	9,489.6	63.3	6	NP	2,942.1	NA	NP	14,608.4	NA	NA	10,876	75,000	14.5	24	51.1%	18
TOTAL	1,15,284	8,83,311	13.1		1,65,914	18.8		3,234	92,199	3.5	307,471	21,04,756	14.6		1,24,380	12,80,346	9.7			

Notes: \*Data limited to overseas subsidiaries as company refused to share information

\*\* International figure relate to the acquisition of Trivara

Wherever required, US\$ has been converted at Rs 45.25 (Average for 2006-07)

^ Data limited to subsidiaries as company could not be contacted in time

NA: Not Applicable

All financials in Rs cr

Compiled by Rajiv Bhuva

How Baba N Kalyani has joined eight factories in six countries to build a global manufacturing chain

## MANAND

**I**T COULD be said that Baba N Kalyani built his global empire in the years 2004 and 2005. He had been planning it out for more than a year prior to that and he has been working on consolidating it in the two years that have passed since. But all of the actual empire-building took place in those two years. As if by clockwork, his first global acquisition happened in January 2004 and the last (a joint venture in China) happened in December 2005. In all he made acquisitions in Germany, Sweden, Scotland and the US and also forged a joint venture in China—investing a total of about \$140 million.

Of course, there was the thrill of the global hunt in the first two years. But what ensued in the next two years was the hard, and sometimes dull, job of hammering out the processes required to integrate these companies to create a global manufacturing footprint. Kalyani has managed the latter with as much flair as the first. Four of these global companies were loss-making to begin with. But they are making profits now. In the fifth acquisition, which was profitable from day one, the profits have since doubled. “The financial parameter that best demonstrates the success of our (integration) strategy would be the 30% return on investment these acquisitions earn,” says Kalyani.

Bulks of these gains have come from one source: the synergy that comes from managing all these factories as one global manufacturing chain. Although most of these companies were individually making losses, they soon turned to profitability when they were bound together.

There are three ingredients in the glue that holds this assorted bunch together: Kalyani’s global vision, the uniform manufacturing culture and



# The Magic

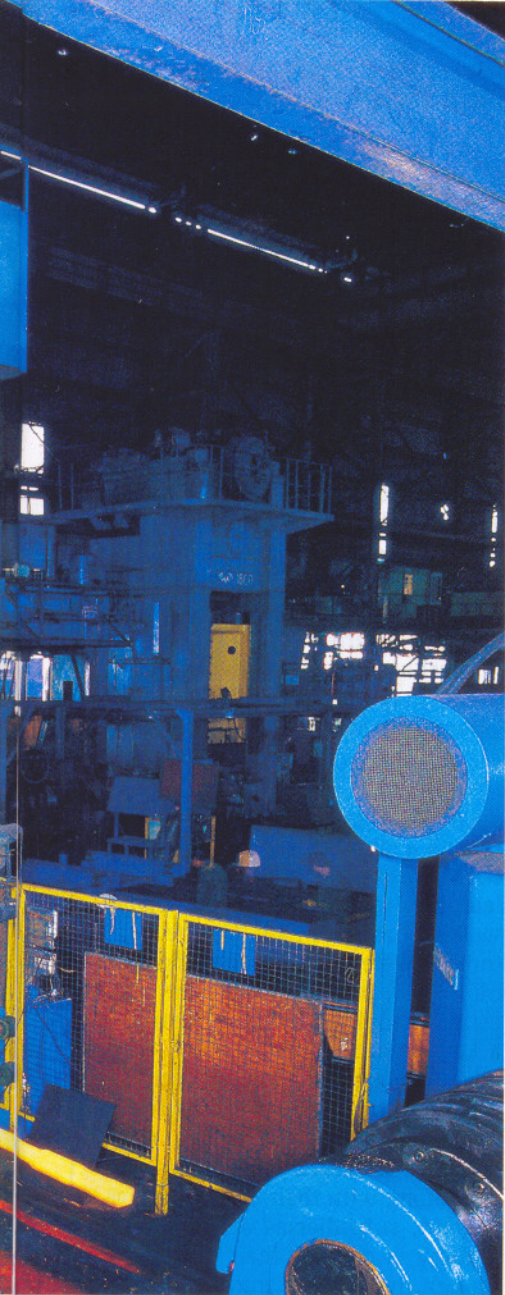
processes, and the common marketing organisation created by the group. This glue works well, though Bharat Forge’s global manufacturing footprint is complex and far-flung—it spans eight companies, and as many manufacturing plants and 3,300 employees in six countries.

## Forging Ties

Before plunging into how Kalyani manages Bharat Forge’s global

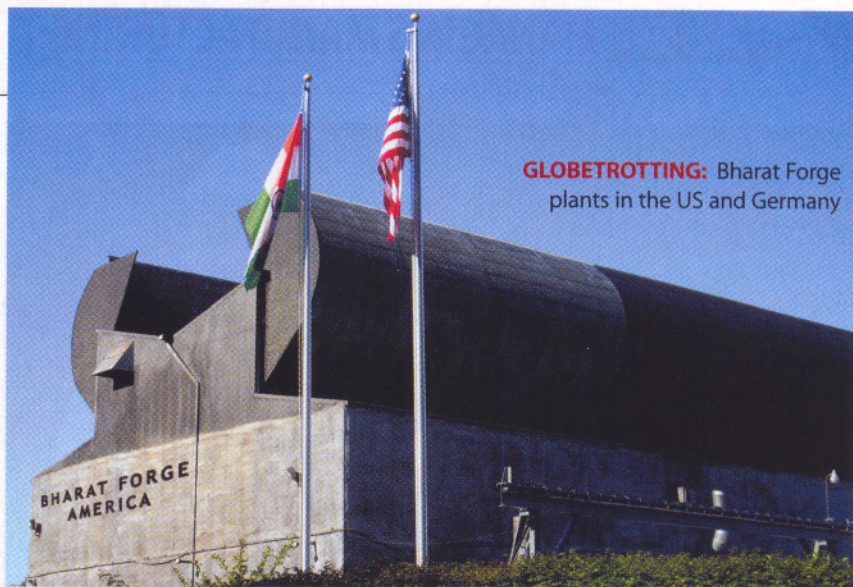
manufacturing, one question begs an answer: why did he build one in the first place? Especially since India is supposed to be a low-cost global manufacturing destination, even more so when it comes to engineered products like auto components.

Early this decade, at a time when the Indian auto-component industry was obsessed with exports, Kalyani moved one step ahead. He proposed the thesis of ‘dual shoring’. Even



# Glue

though vehicle manufacturers were keen on India's low-cost advantage, they still weren't sure if Indian companies had the capability to deliver on time, day after day, week after week. Even the shortage of one component could bring the entire assembly line to a grinding halt, leading to millions of dollars in losses. Therefore, to win bigger and more meaningful component contracts from global vehicle manufacturers, Indian



**GLOBETROTTING:** Bharat Forge plants in the US and Germany

## Forging A Global Manufacturing Footprint

Today, Bharat Forge has a distinctly global build. Its components are...

CDP Bharat Forge	Ennepetal, Germany
Bharat Forge Daun	Daun, Germany
Bharat Forge Aluminiumtechnik	Brand-Erbisdorf, Germany
Bharat Forge Kilsta	Karlskoga, Sweden
Bharat Forge Scottish Stampings	Ayr, Scotland
Bharat Forge America	Lansing, US
FAW Bharat Forge (Changchun)	Changchun, China
Bharat Forge	Pune, India

companies had to establish a manufacturing beachhead close to the customer. "Managing risk is the biggest impediment of moving production to low-cost countries," says Kalyani. "But dual shoring reduces risk dramatically and gives the customer a greater sense of comfort."

That's what set Kalyani on his global hunt. He wanted to have a manufacturing presence in close proximity to almost every customer location. Initially, the plan was to have at least 20% of production close to client locations and the balance 80% in India. But the dual-shoring plan has rolled out so well that well over 50% of Bharat Forge's consolidated revenues is now earned from its subsidiaries abroad.



## Cranking It Up

But buying up plants all over the globe was only the first part of the job. The second, and perhaps more difficult, task was to ensure that all these plants functioned in unison as part of a large global manufacturing footprint, without losing out on any of their uniqueness. "The next phase is to use synergy," says Kalyani. "How can we take knowledge, technology and connectivity with customers in one acquisition, and use it in the other companies we own."

Aluminium is a good example of such relationships. CDP, Bharat Forge's German acquisition, has strong skills in components built out of aluminium. And while the US market is showing strong demand for



SC/ANK KAP

aluminium products (it brings down vehicle weight and improves fuel-efficiency, among other things), its US acquisition does not have aluminium products in its portfolio. "Our German friends are now helping our US friends," says Kalyani.

Crankshafts are another example. When CDP, Germany, was acquired, it hardly made any crankshafts. But Bharat Forge, which is a world leader in the product, passed on the skills to CDP. By 2009, CDP will be selling about one million crankshafts. At any given point, almost every plant is extending some such help to all the other plants worldwide.

In order to squeeze the most out of a global manufacturing chain, Bharat Forge is working on synergies at three levels. First is customer synergy. For example, if the German acquisition is supplying to Volkswagen and the US acquisition is not, there is a potential for growth. "We believe that the synergies in global business will generate growth in our US business," says Kalyani. Second is cost savings. Specific manufacturing processes that are done more efficiently in one plant are being injected into other plants worldwide. Bharat Forge is in the middle of implementing a plan to save Rs 100 crore in costs every year over three years. Third is procurement synergy. Bharat Forge today

## "The next phase is about synergies: how to take knowledge, technology and relationships from a buyout to our other companies"

**Baba Kalyani**

CHAIRMAN AND MANAGING DIRECTOR, BHARAT FORGE

has one steel purchase manager who sources steel for all the companies in six countries. This has helped manage steel costs better.

But on the shop floor, how are these synergies being identified and implemented? The manufacturing heads of all the plants meet at least once every three months, but there are also people going from one plant to another all the time. All the manufacturing heads are also part of a synergy management team. Besides regular interactions, this team also sits through an annual integration meet in which specific synergy targets are identified and pursued. Then, there is also the manufacturing council and the innovation council, both of which have representatives from all five countries.

### Moving In Tandem

This constant flow of talent and ideas from one plant to another, from one end of the world to another, has also

created a sense of healthy competition among various locations. For example, most Bharat Forge plants across the globe have similar equipment to make the same product. There is always healthy competition among the plants to see who can produce the maximum from the same equipment. First, one plant sets a benchmark. Then another matches it, and a third will soon better it. "This positive benchmarking is a never ending cycle," says Subodh Tandale, Executive Director and Head of International Business. "In products like crankshafts and steering knuckles, production has gone up by 15-20%."

Over the past two years, Bharat Forge has done much work and squeezed out much savings and efficiency out of the global chain. Although a lot more work still remains, Kalyani is in a position to offer key learnings to other Indian companies walking the same path. He spells out three key steps that have worked for him. First, people integration, especially cultural and organisational, is a key determinant of success, even when you are talking about bundling factories together. For example, all of Bharat Forge's international CEOs and business heads get together every year along with their entire families. Second, subsidiaries are given autonomy in running their operations, though the strategy may be defined and driven at the group level. Individual location specific nuances, technology and processes are allowed to remain as long as they meet the overall company objectives. Third, cross-fertilisation of product and process knowledge, and post-benchmarking of best practices, is promoted.

Signals coming from the group headquarters in Pune suggest that this process of integrating the global manufacturing footprint is almost complete. After two years of consolidation, preparation for the next wave of global moves is underway. Russia and Brazil are on Kalyani's radar now. Acquisitions and joint ventures are being considered. Kalyani sums it up well: "We are confident we will not face any difficulty in integrating new subsidiaries in the future." ■