

Bharat Forge to focus on reducing debt, costs to tackle downturn

INTERVIEW

Rasheeda Bhagat

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Bharat Forge Ltd, part of the Kalyani group with an annual turnover of Rs 12,000 crore, is surviving the economic downturn by striving to "reduce debts, costs and become efficient and lean", says Executive Director Amit Kalyani. But there are pockets of opportunities in oil and gas, rail and even passenger car segments for BFL, which has a presence in auto, power, oil and gas, rail, marine, construction and mining sectors, he says in an interview to *Business Line*. Excerpts.

These are tough times for businesses across the world. So how are you coping?

Tough times have always defined Bharat Forge. In the past we've gone through tough times and emerged stronger because we've developed new markets, technologies, capabilities, better cost structure and taken advantage of the slackening pace of the downturn. We are working internally on how to reposition ourselves to take advantage and accelerate our growth, because in a downturn some are more affected than others. If you, as a company, are strong with technology, balance-sheet, good people, have good relationships and respect of your customers, you have the ability and tools to leverage. That's what we're doing.

But this has been a really long phase...

Earlier, you thought of a recession as six months to one



Amit Kalyani, Executive Director

year. The problem this time is that is it a correction or a new normal? Taking the global backdrop, growth rates in Europe have slowed, China has come down from over 10 per cent to 7.5 per cent... Who knows what the real number is? India's growth used to be 8.5 per cent, we are now 4.7 per cent and that too aided by a good agricultural sector. On industry side, it'll be much worse than what these numbers show. And if you look at the impact of that on the hardcore industrial sector where we are really present, it is catastrophic.

The auto sector has been drastically hit; how has that affected you?

Truck sales are now at 54,000-55,000 a quarter; the peak that India did is 350,000-370,000 a year, so 90,000 a quarter. This is not a correction, it is a paradigm difference, it is like losing 10 years of growth and that is not a joke in a sector with three or more new entrants.

The same is true in the power sector. Everybody thought power sector investments in India will go from 15,000 MW added capacity a year to some

25,000; 15,000 has come to 7,000, forget 25,000 MW

So every sector is hurt. What is your strategy to survive and grow?

There are pockets of demand. We are not in a B to C kind of market, where I can advertise with Shah Rukh Khan or Amitabh Bachchan and somebody buys my product. My demand will come from new products, which have my products going into them, or by our getting into new businesses.

So where do you see new opportunities?

Oil and gas worldwide, especially in North America or US; the gasification of the US economy. They've moved away from imported oil to domestic gas.

This is going to be the major driver for 10-20 years. Their GDP growth is strong, at 2.5 to 3 per cent; an economy of that size growing at that number is huge.

Apart from oil and gas, what other areas in your business hold out hope?

Many countries are investing in mass transportation. Railways and other mode of transport are going to see a big push.

But Indian Railways is so behind that we have a long way to go. Now the dedicated private corridors are coming up, that is the right way because rail is the most efficient way of transporting large masses of people and goods.

We have no inland waterways, such as Germany and other European countries,

rasheeda.bhagat@thehindu.co.in