

“Our strength lies in providing solutions across the value chain”

In a candid conversation with PWI, Mr Sunil K Chaturvedi, Executive Director, Bharat Forge Limited, speaks about the current slowdown in the thermal sector, the company's expertise in the energy value chain, its JVs and future plans in CRGO and nuclear power...

As Executive Director of one of India's oldest and most respected companies in the power turbine and balance of plant (BoP) space, how has your journey been so far? Which verticals of the power and oil and gas business does Bharat Forge specialise in today?

Bharat Forge is quite upbeat about the power sector in our country. The power requirement in our country is huge and we have barely started to meet these requirements in a significant manner. We have been missing the Five Year Plan targets time and again. This makes achieving the remaining period's target more and more complicated. As a company focused on the power sector, we have been addressing some of the critical component requirements of the sector. In this regard, we are very happy to have a partnership with Alstom

wherein, we are engaged in manufacturing turbines. Our Gujarat plant is expected to be ready in another 14-15 months. In addition, we have bagged two big thermal power projects from NTPC. Like everybody else, we are also slightly disappointed with the current slowdown in the sector. But I think this is just a passing phase and the government is seriously looking at these issues.

Bharat Forge has its own component business and we have been supplying rotor forgings, generator forgings to various power sector businesses including thermal and wind business. We also supply forgings like Pelton wheels, etc. to hydro power equipment companies such as Alstom, BHEL and many more. In the wind business, we cater to Suzlon, Kenersys, Vestas, etc. As a component manufacturing company, we are involved in supplying to NTPC. In addition, we also manufacture high grade engineering steel. We have also formed a joint venture with Alstom wherein, we manufacture turbines and generators in the unit size of 300 to 800 MW. Beyond this, we also have the option of moving into nuclear turbines and generators.

What is your take on the prospects of CRGO steel manufacturing in India?

Nobody manufactures CRGO steel in India. There is just a very small, experimental manufacturing happening in Pune, but nothing is happening on large scale CRGO manufacturing. I believe once the sector comes around this time, we will see a number of CRGO players





ABOUT THE COMPANY

Bharat Forge is the world's second largest forgings manufacturer, after Germany's ThyssenKrupp. Founded in 1961 by entrepreneur Nilkanthrao Kalyani, the company is now led by his son, the current Chairman, Mr Babasaheb Neelkanth Kalyani.

A global company with 11 manufacturing facilities spread across India, USA, Germany, Sweden, and China, Bharat Forge has been one of the country's largest exporters of automotive and industrial equipment and components for years, with exports contributing almost 55% to net revenue (CY2012).

As part of the company's diversification into non-automotive business, Bharat Forge entered into a Joint Venture with ALSTOM Power and NTPC to manufacture equipment for super-critical power plants coming up in the country.

entering the market. Even now, India does not have the technology for CRGO. Also, since the sector is down, it does not allow us to set up that kind of a facility in the country. In the future, even Bharat Forge might look at manufacturing CRGO steel as a potential business.

There has been recent slowdown in the thermal power business, thanks to a degree of regulatory and policy apathy and coal linkage from CIL, besides land and other clearance issues – all of the rest made worse by the high cost of import of coal and lack of gas availability. Time and cost overruns are exerting huge pressures on companies' P&Ls and operating margins. In view of this rather bleak status of the industry, how prepared is Bharat Forge to handle the crisis? On a personal note, how do you see the space opening up to business in the near term, if at all?

I do not deny the fact that there has been a slowdown in terms of government decision making, but we need to look at certain fundamental inputs of the power sector before we reach a conclusion. There was a time when environmental clearances in this country were happening quite expeditiously, but the impact of this on the environment (in terms pollution levels) was not factored in. Suddenly, from that extreme, we have reached the other extreme where every clearance is related to the overall macro picture. Having said this, there definitely has come a sense of balance with regard to planning the environmental clearances.

Talking about coal, earlier, mines were allocated by the government following a particular process. I see the entire coal scenario as a cleansing process of the power sector, which holds a lot of promise for companies like us. Today, there is a strong likelihood that the coal mines which have been taken back by the government, they will ultimately move into the hands of genuine people, who can maximise the potential of these mines. India cannot endlessly depend on imported coal, it will ultimately have to improve the availability of domestic coal, which actually is in huge reserves in the country. In the future, we will also, hopefully, get to see scientific, deep coal mining happening in the country.

So, rather than getting disheartened by these incidents which make us feel that the government is not doing anything, we should be optimistic that things will move in the right direction.

Bharat Forge has two joint ventures with NTPC Limited and Alstom India – BF-NTPC Energy Systems Limited (BFNESL) and Alstom Bharat Forge Power Ltd. (ABFPL). How has the company's experience been as a JV partner?

The experience with both the companies has been very good. Under the joint venture with Alstom, we are setting up a manufacturing facility and are very upbeat

about the sector. I believe that India needs half a dozen BHELs, operating for 20 to 30 years, to bring about some sanity over power availability.

With BF-NTPC, we are looking at some other components such as high pressure pumps, high pressure piping and castings. However, the plans have to be aligned with the market situation. Unfortunately, the current market situation does not warrant Bharat Forge or NTPC to make that kind of a huge investment. For manufacturing, both the partners have taken a 100 acre land at Sholapur. We have an office and people have been deployed over there. There is an open dialogue with all technology partners for all the four products. It is only a matter of time as to when we will invest.

We have already made an investment of about Rs 1,800 crore for the manufacturing plant in JV with Alstom. The plant will be commissioned by 2015. The turbine manufacturing capacity at this plant will be 5,000 MW per annum. This would be the largest capacity of power equipment manufacturing in the private sector of the country. This venture also represents the largest foreign direct investment (FDI) in the power sector in the country.

You also mentioned the possibility of getting into equipment manufacturing within nuclear energy. Could you shed some light on this?

As a company, we share the government's perception on the subject of nuclear. There is a strong need to move towards clean and sustainable energy, and nuclear definitely stands a place. Unfortunately, the Fukushima incident has changed the perception of a lot of people. Globally, there was an emotional outburst and demand to close down nuclear plants. However, people are realising that it is illogical to shut down plants. They have to be made more secure owing to the risks involved with nuclear. As a company, we are quite upbeat and share the government's enthusiasm that the nuclear sector will come back sooner or later.

As far as venturing into the space is concerned, we have had a dialogue with Areva of France and signed an MoU with them, wherein, we would look at partnering with each other in terms of making the forgings for Areva. It is to be noted that each nuclear reactor requires 8-9 forgings. And, as far as turbines are concerned, we are already partners with Alstom.

The BTG and BoP business vertical has multiple entities today, besides incumbent player Bharat Heavy Electricals Limited (BHEL). You probably face competition also from BGR-Hitachi, L&T-Mitsubishi Heavy Industries, JSW-Toshiba, and Ansaldo Caldaie. What are the key differentiators between Bharat Forge and these players? What are the USPs of your products and services?

I think every company has its strengths and weaknesses.



Incumbent BHEL has been around for a long time and they have fantastic domain knowledge. But as far as competition is concerned, there would be very few players in India who are so well integrated across horizons. Our strength lies in providing solutions across the value chain and if a power plant generally takes 5 years for completion, we target to do so in three to four years. For instance, if, the typical supply schedule for a 660 MW turbine generator island for an NTPC project is about 60 months, we are already looking at 48 months and wish to bring it down to 42 months. This is an example of how an integrated player can bring value to the customer.

ABFPL has recently bagged an order for the engineering, manufacturing, supply, erection and commissioning of 3x660 MW coal-fired, supercritical turbine generator islands (TGI), a project worth Rs 2,251 crores from NTPC, for the upcoming thermal project at Nabinagar, Bihar. What is the degree of Bharat Forge's involvement in this project? How is the company funding the project? What is the expected commissioning schedule?

We have bagged two orders – one in Sholapur which was awarded in April 2012 and the other is a three-turbine order for Nabinagar, which we bagged in March 2013. The work is already in progress and I can happily share that we are meeting all our milestones as per the schedule. The manufacturing has begun, while the turbines have to come from outside. For these projects, we are doing the entire engineering, design, erection, commissioning, manufacturing, etc. The commissioning of our plant will be done by February-March 2015, after which the manufacturing will begin for the project. The investment for both these plants has been made by NTPC, while we are investing in the equipment manufacturing facility, where the total investment is Rs 1,800 crore.