



Cranking Up Dad's Business

Already in charge day to day at Bharat Forge, Amit Kalyani is blazing a path for the Indian family group to become an industrial titan.

BY ANURADHA RAGHUNATHAN



Amit and his father, Baba Kalyani, at Bharat Forge's Pune headquarters.

Amit Kalyani had helped his father nearly triple sales in his three-plus years as executive director of Bharat Forge, the listed flagship of India's \$2.5 billion-in-revenues Kalyani Group. It was the dawn of 2008, and its industrial customers at home and in northern Europe were churning along.

Then the financial crisis flattened the order book. Capacity utilization, at 80% in fiscal 2008, troughed at 30% in early 2009. The world shook. At Bharat it meant a lot of half-shifts and hundreds of layoffs. By fiscal 2010 revenues had fallen nearly 40%, to \$740 million, and it reported a loss of \$14 million.

But for Amit and his father, Managing Director and Chairman Baba Kalyani, it wasn't cause for panic, just shifting and diversification.

"Our customers were in ICU—we caught a cold, that's all," says Amit, now 38. And today? The Indian industrial sector is still shaking off the slowdown, as well as Bharat's core market, the domestic and global heavy truck segment, but the Kalyanis are cranking it up again. Offers Amit: "I believe we are on a fast-growth wicket. We are looking at supercharged growth leading up to 2020. The foundation has been laid."

The 48-year-old Pune company, which makes engine and chassis components like crankshafts and steering knuckles for passenger vehicles, went into forgings for the oil and gas and power industries. It went from selling to the private sec-

tor—including marquee clients like Tata, Mahindra, Daimler and Volvo—to roping in government customers. A nearly \$100 million cap-ex plan included new plants to broaden the line.

The result? In the last two years Bharat Forge has started supplying crankshafts to Indian Railways, components for U.S. shale gas drilling and turbine shafts to power plant manufacturers. Revenue rebounded to \$1.1 billion for the fiscal year that ended in March, and net profit hit \$83 million.

Father and son's confidence in their enterprise and in each other reflects an enduring if not always lockstep partnership between the two. As in many Indian households they, with family, even share the same house.

Amit oversees finance, strategy, acquisitions and h.r. at Bharat Forge and also runs other companies held by the unlisted family group (see chart, p. 94). As the only child he has no rivals for control and no confusion about his role or position. Baba Kalyani and his family own 47% of Bharat Forge and with other holdings in the group commanded a net worth of \$1.6 billion as of mid-May.

The patriarch, who is 65, has no firm retirement date set yet. He's still hands-on, traveling 20 days a month and keeping himself abreast of the latest technology.

"Amit's role is changing and deepening," acknowledges Kalyani Sr. "But my activity level hasn't come down, simply because the business is also getting bigger and more complex."

FORBES ASIA

NEXT TYCOONS — AMIT KALYANI

Since about two-thirds of Bharat Forge's sales are overseas, the competition is global forging majors like Germany's ThyssenKrupp. Meanwhile, Amit must build out its ventures into oil and gas, power, railways, aerospace and mining.

"These are five segments that could generate \$100 million each—maybe one of these segments even has the potential to bring in \$1 billion in business over the next few years," declares Amit.

"Building capacity is one thing, but they've been building revenues in totally new segments—and that, too, in segments where it's not that easy to get customer validation for supply of new products," says Kapil Singh, auto analyst at the Mumbai office of Nomura Securities. "The diversification has helped them maintain their growth in these tough times. And it's only going to get better once the auto market comes back." He projects compounded growth of 29% in Bharat's net over the next two years, spurred by higher revenues and better margins.

That would be one more big business leap for the little boy who'd tag along with his father every Saturday to the original Pune factory, where the corporate offices remain.

"We used to live just five minutes from here," recalls Amit. "I'd just hang around, have lunch with my dad and leave."

That was also the only way he could spend time with his workaholic father. Amit also used to accompany his father on monthly trips to Mysore, where a plant was being set up.

Amit says it's his earliest memory: "A factory building... the size of a football field. One little corner had machines—I used to play football at the other end. I must have been 6 then."

Amit was Jesuit-schooled in Pune and got a mechanical engineering degree from Bucknell in Pennsylvania. After that he worked in steel with Carpenter for a year, coming back to join the family business in 1999 as its chief technology officer, handling everything from axle beams to enterprise software.

Meanwhile, Bharat Forge was globalizing, with father and son buying a series of European specialty manufacturers.

"As part of the due diligence for acquisitions I'd walk the shop floor. Just from that I could tell how efficiently a plant was run," recalls Amit.

On broad strategy the Kalyanis were one. But on the specifics, not always.

"It's not that we agree with each other all the time. It should never be that way," says Dad.

For instance, they differed on China strategy: The father wanted to persist while Amit lobbied to quit. (Just recently, Bharat Forge ended its eight-year joint venture with China's FAW, almost recovering its investment of \$28 million.)

"We could have done so much more instead of putting all

TOWERING TARGET

THE KALYANI GROUP, AN INDUSTRIAL LOT RANGING FROM AUTO PARTS TO WIND ENERGY TO SPECIALTY CHEMICALS, AND INCLUDING SEVEN PUBLICLY LISTED UNITS, BENCHMARKS ITSELF TO INDIAN GIANT LARSEN & TOUBRO.



that time and effort into that market," rues Amit. "It's the time value of money."

Similarly, Baba Kalyani recalls when his son, who had just come back from the U.S. at the height of the dot-com boom, wanted to get into IT and started a nongroup company.

"Even though I told him that I didn't agree with him, I allowed him to do that," he remembers. It was shut down in two years.

"I give strong advice, but I don't expect it to be followed," says Kalyani matter-of-factly.

While the father is a hard-core engineer ("I am an analog, slide-rule kind of guy"), Amit is more into systems and the marketplace, looking to build the brand of Bharat Forge and the Kalyani Group.

"We run our businesses very well, but they are run in a very industrial way," says Amit. "The shop floor, the manufacturing and the technology are all in place. We have the substance—but we need to learn to package it."

The difference in approaches also stems from the two generations having dealt with two different Indias. In many ways Baba Kalyani, who holds a master's in mechanical engineering from MIT, was a typical first-generation entrepreneur, though he actually took over what was a much smaller entity from his own father in 1972. Two decades followed of preliberalization India, marked by the License Raj.

"We manufactured whatever we could get a license for," he says.

Amit, however, entered a well-established business.

"His role has always been about how do we take what we have and make it much, much bigger," says the senior Kalyani. "It's about how we apply it across many different sectors."

As part of this challenge Amit recently worked with Gautam Ahuja, a strategy professor at the University of Michigan's business school, to identify products and markets that could provide revenue leaps.

"Amit combines strong technical expertise with strategic vision," says Ahuja. "He quickly sees multiple aspects of a complex problem, and he identifies the key issues in a very cogent way. That helps cut through the clutter."

Amit, while helping to rear three young children, clears his mind by running for a minimum of 45 minutes daily, whatever part of the world he's in.

"If it means that I have to get up 5 a.m. to get my exercise, I'll do it," he says.

A similar resolve has seen Bharat Forge through its ups and downs. "Being an entrepreneur is all about being able to handle pressure," says Amit. "Ups and downs are going to come. If you get emotional you'll never be able to take risks."