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HOW BABA KALYANI, CMD, BHARAT FORGE LIMITED,
TRANSFORMED 'MADE IN INDIA' INTO A BRAND TO RECKON WITH



Brand Ambassador of Indian Manufacturing

Today, as India stands on the verge of a manufacturing revolution with our PM's call for 'Make in India', Kalyani has already laid the foundation by making 'Made in India' a brand to reckon with in the global market place.

By Niranjan Mudholkar

The year was 1989. India hadn't yet opened the doors to globalisation. And his company's worth was about Rs1.5 billion. But he believed in something that others didn't. He envisaged an industrial revolution in India when others couldn't. So he went ahead and invested Rs one billion for technologically upgrading the Bharat Forge plant. It was a gamble; one of the biggest in Indian industries.

His own father Neelkanth – who had turned to manufacturing in the 1960s after being a farmer – almost thought that his son Baba Kalyani was about to destroy a lifetime's achievement. And industry experts too were ruthless in their criticism. They believed Baba Kalyani had lost his mind with the decision to double the company's capacity in a sluggish domestic market. "He was creating a white elephant," they said. They had a reason to say so. It was a time, when most of his rivals were getting battered by the domestic recession. But he was actually multiplying his capacities in anticipation of a global surge. And he was right. The decision transformed Bharat Forge Ltd (BFL) into a manufacturing powerhouse. And it is this vision that has made Baba Neelkanth Kalyani, Chairman & Managing Director of Bharat Forge Limited, the 'Brand Ambassador of Indian Manufacturing'.

"Recessions are always cyclical in nature in the sense that they affect certain sectors and geographies at a time. That's the reason you need to keep your business interests diversified," he once told your editor. It is this wisdom that has helped him tide over several downturns. "Well, every automotive supplier

Three-pronged strategy

During FY 2013-14, Bharat Forge followed a three pronged-strategy to continue on a growth oriented model for the export markets:

- Growing the business by leveraging technology. The focus for the year remained on partnering customers on product improvements which included lightweighting, enhanced durability and a combination of the two.
- Growing business with existing customers by broadening the product base and offering superior value addition by enhancing metallurgy and developing better processes which led to growth in market share.
- Enhancing the product portfolio by creating capabilities and achieving necessary internationally acclaimed certifications such as NADCAP to serve the aerospace industry.

"Going forward, challenges are expected to surface given the volatility of markets, increasing competition and greater demand for superior products from OEMs. In order to address these challenges, Bharat Forge intends to strengthen its focus on innovation which will enhance value perception of its products on a global scale. Additionally, it will seek newer opportunities in key geographies while continuing to support existing customers through a range of value added, technologically superior product portfolio," says Kalyani.



has to deal with the cyclical downturn. Our strategy is to diversify into the non-automotive business and expand into supplying for large infrastructure projects in the field of railways, shipping and aircraft,” he said.

And that’s the reason why BFL has always looked at replicating its success in the automotive business in other verticals. “We are exploring further opportunities in high value, high growth sectors, such as Power, Oil & Gas, Rail & Marine, Construction & Mining and Aerospace, among others. The financial resilience of a company signifies the organisation’s ability to take advantage of growth and development opportunities as they appear and also to weather economic turbulence,” he says.

Of course, this does not mean taking away focus from the automotive business. In fact, far from it. Today, BFL has a more than 35 percent share of the world market for certain products in the auto components segment. All of its 2,000 products are proudly displayed at the Pune headquarters. The range of global customers includes the who’s who automotive industry with names like DaimlerChrysler, Ford, General Motors, Volkswagen, Toyota, Volvo, Renault, Dana, ArvinMeritor, Caterpillar, Cummins, and Iveco.

When he took that big decision in 1989, Baba Kalyani’s confidence stemmed from the fact that he was looking beyond the Indian market. “People thought I was nuts. Articles were written about this so-called white elephant... In the late 1980s,

before liberalisation, I realised we needed to do something different and bring in technology to drive our business forward. It required huge investment, but it was that one decision that took our company from being a non-entity to where we are today,” he explains. His father – who retired in 1994 and died in 2013 – could always look back with pride. He knew that his son had not just changed Bharat Forge but had also transformed Indian manufacturing.

Of course, the gamble had paid off handsomely. But for Baba Kalyani, it was just the beginning. He was now geared up to challenge the biggest and the best in the world of manufacturing. And it was only natural that he set his eyes on the North American shores. In 1992, he bagged his first order worth US\$ 5 million from ArvinMeritor. Bharat Forge sealed the deal with the guarantee of competitive pricing and high quality.

With the automotive industry going through a bad patch both in India and the US in the mid-1990s, the time was ripe for Bharat Forge to venture into other productive world markets. Europe was beckoning; however it was not going to be easy and Kalyani knew it. But he was ready with a plan – dual shoring. A key reason why this concept of dual shoring worked for him is his very own integration technique – something rooted in his home country’s culture. Rather than focusing on integration of business processes in two different continents and time zones, Kalyani used the masterstroke of having a people-

focused approach. His logic has been simple - the business side would naturally fall into place if he gets the people side of the operations right. And it works.

After every acquisition, while retaining the local management he starts off a 100-day integration programme during which the top management from both countries meet up and discuss things. This includes even the basics like how to say hello and how to reply to an email! This takes care of any cultural differences that could lead to barriers or mistrust in the future. A regular three-day company integration meeting every year in November, to which managers come with their partners to participate in team-building activities in an informal environment makes the picture complete.

There is indeed a unique Indian approach that Baba Kalyani brings to his global operations and he takes great pride in his Indian roots: “Indians tend to work with very people-led sensibilities. I am pretty sure a very structured and formal business set-up does not have the right effect. An India-led operation has two things going for it: one, by nature Indians are people focused and two, Indians have a tremendous sense of dealing with diversity. We deal with it on a daily basis.”

Kalyani’s open-door policy at the Mundhawa factory located just outside Pune not only instils confidence in his employees but also keeps him in the know of the day-to-day operations. When your editor visited the factory some time

“BFL has won 14 new orders in FY 2013-14 across automotive and non-automotive sectors. On the automotive front, BFL has added one new customer on the passenger vehicle front while the rest of the orders have come from the traditional clients on the commercial vehicle side.”

back, he could feel the strong work ethic on the shopfloor of this very Indian factory that has a global edge to it. In fact, there is an army cantonment like feel due to the discipline, the camaraderie, the focus and the determination on the shop-floor. And why not? Baba Kalyani did his schooling at the King George Royal Military Academy at Belgaum, a boarding school. And his vacations were spent at the Pune plant getting his hands dirty in the family business.

Later he graduated from BITS Pilani and did his MSc at MIT in Boston. But the boarding school discipline has stayed with him. “When you are in a military school, there is very little room to manoeuvre the system and I think that discipline has stood me in good stead all my life. It has made me a very simple, straightforward kind of person. That also gets me into trouble sometimes as I am too candid, but by and large I think people appreciate the openness and integrity behind it. And as for machines, I was somehow always very mechanically minded. I liked machines right from my childhood, their feel, to be around them.”

“Baba Kalyani started his journey to global ascendancy in 2003 with the acquisition of the German company Carl Dan Peddinghaus (CDP) – a bold step at that time for an Indian entrepreneur.”

Strong global performance

The Company’s wholly-owned global subsidiaries have recorded a strong performance on the back of productivity, cost control and introduction of new and innovative products. The total income recorded a growth of 31.7 percent while EBITDA grew by 84 percent. The EBITDA margins also witnessed growth over the previous year, clocking a rise of 190 bps over the previous year. PAT stood at Rs1,167 Million as compared to the previous year when it recorded a loss of Rs370 Million. The discontinuation of operations in China has added positively to the profitability. BFL’s global subsidiaries have helped the Company increase its access to new geographies, increased customer penetration and proximity to the customer and enhanced ability to cater to the customers through a dual-shore based model which will reduce any customer’s dependency on the number of suppliers for different components, and facilitate exchange of best practices and technology.



The legacy

Baba Kalyani expects his son and heir apparent, Amit Kalyani, to follow the same lesson of working your way up that he himself has followed. Amit has to prove himself worthy if he has to step into his father’s shoes; there are no guarantees. And Amit understands this well. An engineer from the Bucknell University, he started working on the shop floor in 2000. Today, he has risen through the ranks to a board-level position becoming Executive Director. Of course, business hierarchy apart, father and son share a healthy relationship and a passion for cars. They love manufacturing and it even becomes the main course at the dinner table many times with both engrossed in discussions and debates. Of course, Amit’s wife Deeksha isn’t really amused about it although she understands their zeal. Such dinner times and other family times bring out a family well entrenched in Indian values. And Baba Kalyani counts his family as one of his biggest strengths. “They are my support system and I greatly value their love, care, and understanding, without which I would not have achieved even a measure of the success that has come my way,” he says.



This love for machines has made him a hands-on leader right from 1972 when he first took to the factory's shopfloor. At that time, it was a small company struggling with labour-intensive operations and primitive technology. Although, he was given the charge of sales, Baba Kalyani's foresight told him that unless BFL adopted advanced technology, procuring new sales orders would be going down the drain. So he turned his focus to manufacturing and that is when it all started. Always

At the forefront of aluminium components

Bharat Forge Aluminumtechnik GmbH & Co KG (BFAT) has won a prestigious multiyear contract approximately worth Euro 250 Million from a German OEM for supply of suspension components based on unique technology industrialised by BFAT over the past few years. The industrialisation of this unique technology has put BFAT at the forefront of aluminium component industry witnessing huge demand globally. To create capacity for this additional Business, BFAT is increasing its capacity by adding a new press line with all auxiliary equipment including melting which will be commissioned in January 2015. This plant is being set up at a cost of Euro 31 Million funded by way of internal accruals, debt and state subsidies. Going forward, the European subsidiaries will focus on developing more customers and products.

to be seen the first and last on the shopfloor, Baba Kalyani propelled a struggling business into a global manufacturing giant. By the way, don't be surprised if you see him on the shopfloor even today in the company uniform just like any other employee.

It is this passion that has enabled Kalyani to take Indian manufacturing to great heights. Today, as India stands on the verge of a manufacturing revolution with our PM's call for 'Make in India', Kalyani has already laid the foundation by making 'Made in India' a brand to reckon with in the global market place. Bharat Forge is today amongst the world's largest forging companies with manufacturing facilities spread across India, Germany and Sweden. It manufactures a wide range of high performance, critical and safety components. In fact, the Mundhawa factory is the world's largest and most technologically advanced forging facility, with a capacity of 365,000 tonnes.

A technology-driven global leader in metal forming with its presence across eight manufacturing locations, the Company has expanded its product offerings across both the automotive and the industrial sectors. The company's global expansion reflects India's increasing manufacturing clout across international borders. "Venturing into new processes and technologies, while experimenting constantly, has been our core strength," he says. The Company has the largest repository of metallurgical knowledge in the region and offers

full-service supply capability to its customers from concept to product design, engineering, manufacturing, testing and validation.

While consolidating the Company's manufacturing reach, Baba Kalyani is equally focused on strengthening its balance sheet. For example, he divested 51.85 percent stake in his Chinese JV operations for US\$ 28.208 million and reduced net financial debt, both at the consolidated and the standalone levels. "A strong and robust balance sheet has enabled us to invest in capacities and create full service supply capability, at the same time enabling us to withstand two synchronised down cycles across geographies and segments in the past five years. Diversification and focus on excellence, innovation and customers, have all contributed to our growth and performance," he says.

Today the nation's economic scenario is fast changing thanks to the new government's slew of reforms. "BFL is optimistic of the growth coming in the CV side and an improvement in the industrial capex by the end of the current fiscal year. This would provide a big driver for growth in the Indian revenues. BFL's focus going forward is to increase the content per vehicle by developing new products for the commercial vehicle sector and new customer wins on the passenger vehicles front. This should result in the domestic sales growing faster

Focus on education

Baba Kalyani has a strong belief in the power of education and he strives to bring it to the grass root level. A large amount of his time is devoted to Pratham Pune Education Foundation, an educational charity that he founded and chairs. Pratham's aim is to provide primary education to needy children in the local community. Education, he believes, holds the key to the country's future. And that's why he also has set up his own engineering school in Pune to develop human capital. Moreover, he has a tie-up with Warwick University in the UK for a master's program, through which over 100 engineers graduate every year.

than the underlying market growth," Kalyani says with certain confidence, now gearing up his organisation for the next phase of growth.

But then, whether it is recession or revival, Baba Kalyani is quite used to it. Perhaps it's got to do with the obsession with machinery and a habit he seems to have developed ever since he was a six-year old. Then, he would pull apart his bicycle only to put it back together again. Now, he is restructuring and transforming organisations and industries. 

