

Innovation is the ability to see change as an opportunity - not a threat
– CS Shilpa Dixit, Partner MRM Associates, Pune.

When we think about the word “Innovation” so many thoughts peep in our minds, the word means differently to the different people and we can say that, it’s a relative term. Some may think about it with the perspective of finding out Ways & Means and bringing out new ideas for the smooth functioning and for better performance. To a working woman like me, all appliances in my kitchen which help me in managing my daily routine and house keeping more efficiently and effectively are all Great Innovations and really priceless. However, whenever it comes to the ‘Business’ the word makes a difference. Business means Marketing and Innovations.

In the recent past, I have come across the success story of Bharat Forge Limited (BFL) backed by significant organic & in-organic growth. I was curious to know, how the company has grown from mere a domestic company to MNC and now one of the largest forging company in the world.

Bharat Forge Limited (BFL), the flagship company of USD 2.4 billion Kalyani Group, manufactures various forged and machined components for the automotive and non-automotive sector.

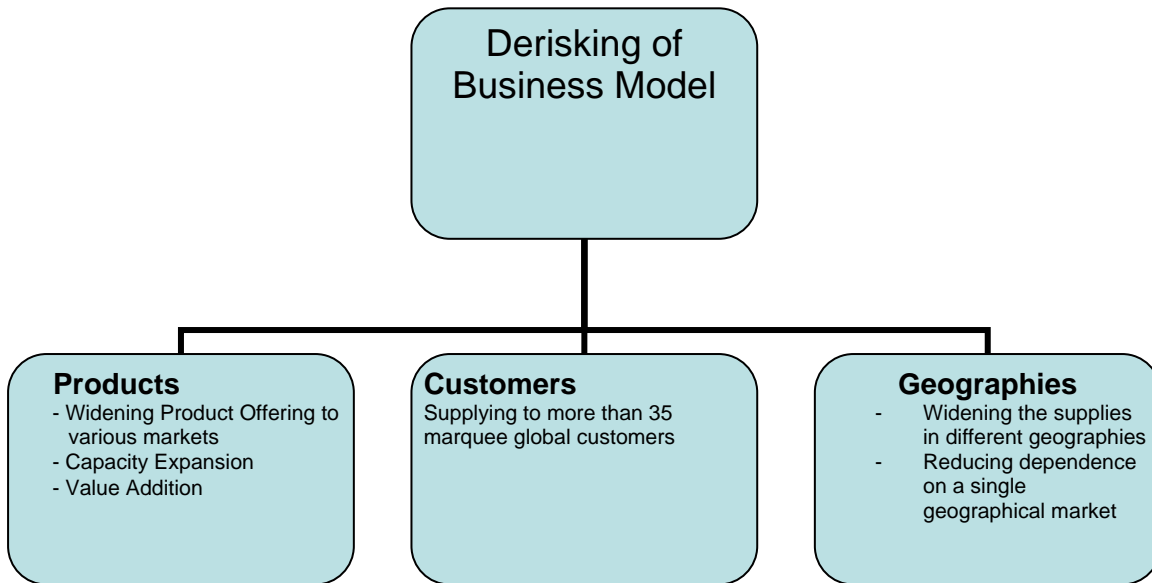
The Indian Automotive Industry in the 50’s was more like the story of imported kits. Ancillaries were nominal and infrastructure was scarce and inadequate. In 1961, the company was incorporated in Pune, Maharashtra, to cater the forging needs of the Indian Automotive Industry. Since commencement of operations in 1966, BFL has achieved several milestones and is today among the largest and technologically most advanced manufacturer of Forged & Machined components.

“Without change there is no innovation, creativity, or incentive for improvement. Those who initiate change will have a better opportunity to manage the change that is inevitable.”

Till early 90’s the company was more of a domestic player catering mainly to the automotive industry in India. The company started making investments in facilities, technology and automation. Hammers were replaced by presses with more thrust on better quality with reduced cost. In fact, in the year 1989, the company invested Rs. 100 crores in the first forging line of the company, when the turnover of the company was about Rs. 125 crores. Critics, then, even criticized the project as a ‘White Elephant’. However, as it is rightly said that ‘Innovation distinguishes between a leader and a follower’, the management had its own opinion and views. Since then, the company has made lot of organic growth and has invested in state of the art technology. As a part of long term growth strategy of expanding organically as well as in-organically, the company has made several acquisition across the globe.

The company was predominantly oriented towards the Commercial Vehicles segment, mainly in India & the Exports Market in a small way. Commercial Vehicles used to constitute major portion of sales and exports was primarily one – dimensional in terms of segments addressed, Customer served & product. It was the time for review and to decide about some innovative measures for growth & expansion.

Since early 2000, the company started following de-risked business model. The Company developed a plan & models which were then implemented in order to grow & expand. The Plan was executed by considering following areas;



The Company

- Developed & implemented plan for diversified product portfolio.
- Invested in design, engineering and testing and validation facilities
- Made Manpower Rationalization through gradual elimination of non value add jobs and also increased productivity per employee over the same period.
- Worked upon the Rationalization of fixed costs
- Managed Fund Raising through capital in the form of Equity & Debt (both Foreign & Domestic)

As a part of long term growth strategy of expanding organically as well as in-organically, the company has made several acquisition across the globe.

In 2004, it acquired Carl Dan Peddinghaus (CDP), one of the largest forging company in Germany that is mainly engaged in the manufacture of passenger car components, followed by CDP Aluminiumtechnik, a company in Germany that manufactures aluminium components for automotive applications.

In 2005, it acquired Federal Forge now known as Bharat Forge America Inc., which provided BFL with a manufacturing presence in USA – one of its largest markets, followed by the acquisition of Imatra Kilsta, AB, Sweden along with its wholly owned subsidiary Scottish Stampings, Scotland (together called as Imatra Forging Group).

In December 2005 the company signed a JV with FAW Corporation - the largest automotive group in China. Through this JV, the Company made a powerful entry into the large and fast growing Chinese automotive market. Eventually, the company became the largest forging company in China.

These acquisitions have provided the company access to customers in new geographies, enhanced technological capabilities and enlarged the company's product range

Strategic Significance to the growth strategy of the company

Acquisitions	Result
Acquisition of assets of CDP (Germany):	Manufacturing footprint in Europe, complementary product portfolio, addition of new prestigious customers, deepening relationship with existing customers and enhanced technological capabilities.
Acquisition of CDP AT (Germany)	Entry into hi-end and fast growing aluminum auto-component business, strengthening company's position in global passenger car & chassis component business, enlarge the product offering to customers
Acquisition of assets of Federal Forge (USA)	Manufacturing footprint in North America – one of the important global auto market, strengthen global design and manufacturing capabilities, deeper penetration & broad base for passenger car market. Increase in the Foreign Revenue
Acquisition of Imatra Kilsta & Scottish Stamping (Sweden & Scotland):	Strengthen the dual shore manufacturing capabilities across engine & chassis components to passenger car as well as commercial vehicle market, addition of new customer and geographies, access to design & development capabilities
JV in China (FAW Corporation)	Access to fastest growing Chinese automotive market, completion of dual shore model strategy

In a nut shell

- ✓ The company migrated from just being a supplier of components to a development partner of choice through Joint Ventures and collaborations.
- ✓ The company entered into new markets with the wide range of products and by reducing dependence on any particular customer.
- ✓ Robust growth in Export performance on the backdrop of leveraging subsidiaries' relationship with the customers
- ✓ Move up the value chain by becoming a full service provider
- ✓ Dual shore manufacturing model with technological front end close to customers and manufacturing in low cost countries
- ✓ Robust financial performance

GLOBAL CORPORATE

Today the company has emerged as one amongst the first in the Indian automotive component industry to have adapted inorganic growth as a means to establish a global manufacturing footprint.

As one of India's emerging multinationals, the company has manufacturing facilities spread over 12 locations and 6 countries, 4 in India, 3 in Germany, 1 each in Sweden, Scotland, North America and 2 in China, Bharat Forge Limited, today is a global corporation with world-class engineering capabilities, state-of-the-art manufacturing facilities, high levels of service and a global customer base.

Its customer base includes virtually every global automotive OEM and Tier I supplier. Daimler Chrysler, Toyota, BMW, General Motors, Volkswagen, Audi, Renault, Ford, Volvo, Caterpillar -

Perkins, Iveco, Arvin Meritor, Detroit Diesel, Cummins, Dana Corporation, Honda, Scania and several others source their complex forging requirements including machined crankshafts, front axle beams and steering knuckles from the company.

GLOBAL CORPORATE



Future Plans:

Having established and stabilized itself as a global leader in automotive forging business, the company has decided to aggressively pursue non-automotive business for the markets such as wind energy, railways, marine, oil & gas, aerospace and power sector. The foray into non-automotive component business is again based on two strategic objectives:

1. To significantly enhance the addressable market size by entering a domain that has significant global opportunities and
2. To further de-risk revenue model.

As it is rightly said, "just as energy is the basis of life itself, and ideas the source of innovation so is innovation the vital spark of all human change improvement and progress."

The overview of the Success story of the company concludes that, "Innovation is a journey and not a destination."

(Source: Company Website & Annual Report)