

Aviation boom engineers offset boom

A Major Chunk Of The Offshoring Contracts Worth \$10 Billion Will Come To Bangalore

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Bangalore: The Central government's offset policy is expected to bring aviation offshoring deals worth over \$10 billion to the country in the next couple of years.

The government has already committed to acquire commercial and defence aviation products, aircraft, components, services and equipment worth \$40 billion, with an offset component ranging from 30% to 50%.

Under the offset policy, the government holds back a minimum 30% of the invoice value of any civil or defence aviation related purchase over a mutually agreed period of time, till the seller outsources services equivalent to that of the offset share. The policy is aimed at helping to build an eco-system to support the growth and upkeep of the industry. Some of the deals

cleared include: 68 aircraft from Boeing for Air-India at \$6.7 billion (with an offset share of 30%), 43 aircraft from Airbus for Indian at \$2.7 billion (40%), 200 helicopters from Eurocopter for defence at around \$20 billion (50%), and 126 MRCA (multi-role combat aircraft) from multiple vendors for defence at \$10 billion (50%).

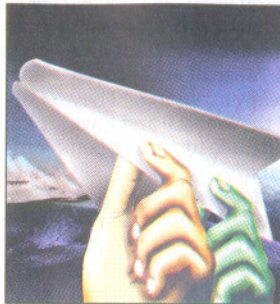
"In fact, the orderbook for commercial aircraft alone would cross \$80 billion by 2020," says Kapil Kaul, CEO (India) of Centre for Asia Pacific Aviation (CAPA).

The major chunk of these offshoring deals are expected to land in Bangalore. Currently, no other location in the country has a comparable aviation ecosystem.

"Bangalore will get over 70% of these offshoring deals. Most of these engagements will be IT support solutions, software development, avionics and engineering areas," Kaul said. C G Krishnadas

PARTNERSHIP IN THE PIPELINE

- Airbus parent EADS and Jupiter Aviation and Logistics to collaborate with Indian to set up an MRO.
- Lockheed Martin in talks for a partnership with the Tata Group
- Boeing in talks with L&T
- HCL Technologies is partnering with Britain's Smiths Group's aerospace unit to set up an engineering services centre
- Satyam Computer in talks for an alliance with US defence major Northrop Grumman
- Raytheon has tied up with Tata Power's strategic electronics division for defence related technologies
- CFM International and Indian JV for setting up an MRO facility



Nair, president of Society of Indian Aerospace Technologies and Industries (SIATI) and former chairman of HAL, says the offset policy opens up a huge business opportunity for the entire country. "Bangalore will have a special advantage

as it has an active aviation landscape supported by R&D activities. Companies that operate in the aviation space should adhere to stringent quality standards, corporate policies and transparent audit/accounting methods to at-

tract foreign collaborations," Nair said.

According to Dataram Mishra, CEO of engineering services company Cades, "capacity, capability, cost and compulsion" will be the drivers of this emerging space. "Global enterprises are under severe pressure to scale up their capacity and capability without incurring any additional cost. At the same time, they are under regulatory frameworks like offset policy that makes it mandatory for them to outsource work to India," he says.

The aviation engineering business alone is expected to be over \$4 billion by 2020. The space will include developing sub systems, intelligence for landing gear, structural body frames for aircraft, interiors, cockpit, and entertainment systems. "The offset arrangement will trigger a number of acquisitions and joint ventures by foreign and domestic players in the engineering space,"

says Prakash Krishnaswamy, president of product engineering company EASi, an Al-egis Group company.

An army of players are waiting to cash in on the aviation opportunity. They include public sector giants like HAL and BEL; private sector manufacturing majors like L&T, Godrej, Mahindra & Mahindra, Tata, Ashok Leyland, Kirloskar; product engineering firms like Cades, Quest, IT firms TCS, Wipro, Infosys, HCL and other avionics, equipment, component and hydraulic manufacturing firms like Dynamics Technologies, Taneja Aerospace, Triveni, Cimtool, Maini, Titan and Accord Software.

"We are gearing up to be part of the multi-crore offset market," said Gautam Maini, MD of Maini Precision Products, which manufactures engine, hydraulic and filtration components.