

# An ecosystem state of mind: Fueling the A&D sector in India



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The most aerospace manufacturers are gradually making inroads into emerging markets such as India. Indian A&D market presents an attractive and significant opportunity for Indian and foreign companies across the supply chain. The author deliberates on growth of A&D sector in India.

**T**he world in recent decades has witnessed a growing interdependence among countries and across borders. This kind of globalization has touched every industry and sector imaginable, and aerospace manufacturing is no exception. The aerospace industry continues to be characterized by increasing competition and cost pressures as well as high cost of energy and raw materials. To face these challenges, OEMs and Tier 1 suppliers are turning to globalization of the supply chain. What we are witnessing today is an unprecedented move by OEMs and Tier 1 suppliers into nascent markets in the east such as India. It is important to understand the reasons why such a transition is occurring and also the potential benefits it can help stakeholders reap.

includes HAL and its supply chain. The Indian A&D market presents an attractive and significant opportunity for Indian and foreign companies across the supply chain. The government opened this sector to private and foreign investment in 2001, seeking to build a domestic industrial base and setting a challenging target of achieving 70% indigenisation. Lately, Tier II and tier III suppliers have started making components for the global commercial aerospace market in India. To fully exploit this opportunity and fulfil offset obligations, original equipment manufacturers (OEMs) and their suppliers should leverage India's competitive advantages in manufacturing and information technology by setting up units in India, partnering with private manufacturers.



Economic growth has slowed in mature markets and, as a result, their A&D budgets do not show robust growth as they used to formerly. This has led many aerospace manufacturers to look for new foreign markets to drive growth. In fact, many major aerospace manufacturers are gradually making inroads into emerging geographic markets such as India. India's indigenous aerospace manufacturing is still in its nascent stage and it is traditionally dominated by defence-related manufacturing which

## Challenges & opportunities of indigenous manufacturing

So far, the path to be a part of the global aerospace supply chain hasn't been a smooth one. Any entrant in the aerospace manufacturing industry faces a number of challenges due to the nature of the sector. The requirement of high technical prowess is just one of them. The industry is capital intensive and it is further characterized by a long project life cycle which includes research

and development (R&D), engineering, designing, manufacturing and assembly along with maintenance, repair and overhaul (MRO). Added to this, aerospace manufacturing demands the highest safety certifications as even the slightest shortcoming in the products can prove to be fatal. These high requirements of the market often act as entry barriers in the sector.

Fortunately, due to changing dynamics of the industry mentioned

### The ecosystem advantage in aerospace manufacturing

Aequus Aerospace, headquartered in Aequus Special Economic Zone (SEZ), Belagavi, Karnataka, India, has succeeded in building a “Global Aerospace Ecosystem” that encapsulates the best practices of the aerospace manufacturing industry. It has set up facilities that cater to multiple stages of the supply chain all in one location. This setup, spanning over 250 acres of industrial



earlier, OEMs are looking to lessen costs and have reduced time-to-market on final products. They want advantages in terms of capacity too. They want suppliers to absorb and produce larger volumes of orders, seeking to have economies of scale. At the same time, OEMs want to mitigate the risks of having a globalized supply chain. For instance, what Airbus has done in recent years can be taken as an indicator of things to come in the global aerospace industry. They have started working more often with non-traditional players around the globe.

The growth and scalability is needed for a company to move up the value chain and become an industry leader, it is equally important to work on a strategy that helps the company maintain sustainability.

land, enables Aequus to carry out forging, precision machining of structural and performance critical parts, surface treatment, assemblies, warehousing and much more in the SEZ, saving logistics costs and reducing time to market. The ultimate aim of Aequus is to create a holistic and integrated aerospace ecosystem which enables customers to meet all their requirements at one place through vertical integration.

Aequus' pioneering global aerospace ecosystem was built through strategic partnerships with industry leaders Aubert & Duval for forging, Magellan aerospace for surface treatment and Saab for aero assemblies. Acquisitions in other geographic locations too have helped tap global customers by bringing more capabilities in-house. Acquisition of France's SiRA Groupe and USA's T&K Machines are building blocks of this ecosystem, infusing and integrating latest technology and domain expertise of industry leaders. Airbus, too, has recognized Aequus' unique ecosystem by conferring the Airbus Innovation Award in 2016. Aequus Aerospace is also the only Indian Detailed Parts Partner (D2P) of Airbus in Class 'B' category since 2016, one of the top partners globally.

A large number of Indian private companies and publicly funded research laboratories are looking for international partners. India has emerged as a global R&D hub with 150 of the Fortune 500 setting up R&D labs in India. A liberal special economic zone (SEZ) policy has helped create a competitive ecosystem for exports of aerospace parts by providing attractive fiscal incentives. Such a strategy allow companies to fully participate in the Indian market, using India's competitive advantages to create a low-cost regional or global manufacturing hub, as has been done successfully in the auto sector.

In essence, what Aequs has done is taking global know-how and administering it locally. In doing so, it has successfully contributed to the development of the region and significantly increased in-country value, stimulating the country's economy by increasing exports almost by 80% for some parts manufactured in the SEZ and generating employment. Aequs has built a supply chain experience for its clients that brings the best of globalization and mitigates all the risks of being globalized.

The ecosystem model that Aequs operates on has successfully steered the company towards sustainability, subsequently making India a valuable part of the aerospace supply chain. The company has always endeavoured to provide a scheme and scale that would make a difference for its customers. Aequs Aerospace has made machining its core business while building an ecosystem of capabilities around this core to drive maximum value on a global scale. This way, the company ensures time to market for its global customers while reducing logistics costs.



### **Sustainability is core to the business**

While growth and scalability is needed for a company to move up the value chain and become an industry leader, it is equally important to work on a strategy that helps the company maintain sustainability. Staying sustainable is core to the strategy of Aequs, a private player that forayed into a nascent sector in India a decade ago where everything had to be established from scratch building processes, the whole organisation and the culture where none existed.

The aerospace industry has gathered momentum in India, but this can be turned into a long-term benefit when private players get the right impetus from the government through policies and timely access to funds. Aequs, as an industry leader, will continue to break barriers through business innovations and right partnerships that will make India's aerospace industry to be reckoned with globally.

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