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Indian Investments Flourish in the East

Indian investors are learning that Eastern Germany is a place where business can thrive.

A number of Indian projects in Germany's new federal states highlight Eastern Germany's strength in combining the benefits of western and eastern Europe in a unique way. The recent opening of a wind turbine production plant in the state of Mecklenburg-Vorpommern provides an excellent example. Last November, Kalyani Group subsidiary Kenersys inaugurated its first European plant in the port city of Wismar.

At the time, Kenersys spokesman Jochen Weick told reporters that the decision to invest at least EUR 7 million to build in the 800-year-old harbor town was all about "location, location, location." Weick said that the port facilities meant wind power generators could easily be shipped from Wismar to other European countries or the rest of the world.

Moreover, Mecklenburg-Vorpommern provided plenty of space for the testing and demonstration of wind turbines and ready access to a highly qualified labor pool. Studies indicate that compared to Western Germany, labor costs are some 30 percent lower, though the training and educational level of the workforce is high. There also exist a number of incentive programs for investing in new and existing businesses in the east.



A Kenersys spokesman added that in the mid-term, the company expected to employ as many as 100 people at the plant which should eventually produce some 180 turbines annually. The new complex features two assembly bays that are 18 meters in height and equipped with crane bridges that can lift up to 100 tons. According to Weick, the plant built nine turbines destined for Sweden and Germany at the end of 2010, and 30 more were expected to be finished this year.

Speaking in an interview with Manager Magazin, the head of the Kalyani Group's flagship company Bharat Forge, Baba Kalyani, explained the motivation for India's investment in Germany succinctly: "We want to grow with high technology, and to do that, we need Germany." The company's activities reflect this. Bharat Forge has manufacturing operations in 11 locations in five countries: four in India, three in Germany, and the rest in the UK, the USA, Sweden, and China.

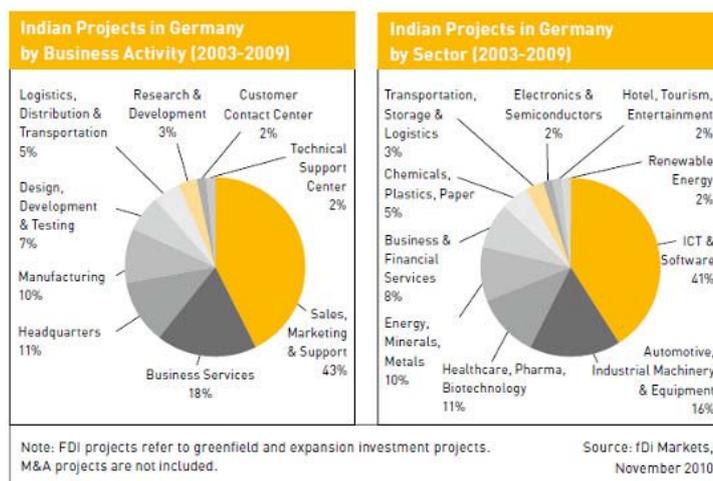
Perfect Timing

Some of the attraction has to do with timing. India's growing economy is expanding abroad, particularly in the areas of renewable energies, microelectronics, machinery and equipment, and the automotive sector. The best-performing industries in Eastern Germany at present are renewable energies, microelectronics, machinery and equipment, and the automotive sector. Eastern German growth areas match well with Indian expansion plans. Rajnish Tiwari confirms this assessment.

At the Hamburg University of Technology, the researcher has been studying the investment behavior of Indian companies in Germany for years. In a 2010 study of Indo-German investment and cooperation, he noted that Indian firms prefer to invest in developed western countries. The report says that "the largest economy in Europe provides not only attractive market opportunities - but with its established technological prowess, high-quality infrastructure and reliable institutional set up, Germany is considered an excellent investment target by many Indian firms in their pursuit of the newest technologies and commercially viable cutting-edge innovations."

The story of Bharat Forge Aluminum Technik GmbH (BFAT) reflects not only India's need for German high-tech and engineering; it also illustrates the increasing tendency among Indian investors to expand into firms that can cover specialized niches in areas where the parent firm wants to grow. Many Indian investors have done this by acquiring struggling and obsolete German plants. BFAT is located in Brand-Erbisdorf, near Dresden. The company says its acquisition of CDP Aluminiumtechnik in 2004 marked the entry of Bharat Forge into the aluminum auto component business.

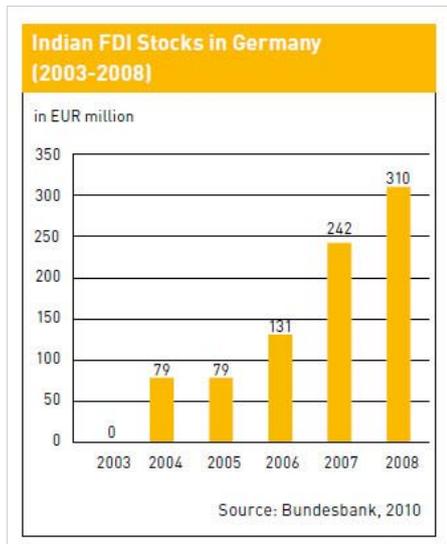
The plant now supplies parts for car manufacturers such as BMW, Audi, Volkswagen, and Ford. BFAT describes itself as a significant player in Europe in the area of high-end aluminum forged components used in passenger cars and other automotive applications. The operation employs some 100 people in the town, has an annual turnover of EUR 30 million, and is considered one of the most important employers in the area. It produces 1.7 million aluminum parts annually. Almost all of the people who work at the plant are local.



Long-term Aims

BFAT plant manager Peter Hopp believes it was a major stroke of luck that Baba Kalyani bought the company six years ago, after its predecessor CDP Aluminiumtechnik went into insolvency. In an interview with the Frankfurter Allgemeine Zeitung, Hopp explained, "He [Kalyani] didn't come as a profiteer, he came with long-term aims. He wants us to earn our money here and reinvest it." Hopp added that "Baba" can produce better parts at a lower cost in Brand-Erbisdorf than he can in India, and that is why he chose to locate and keep the operation running in the region.

Another specialized automotive supplier and Indian subsidiary in the east is Eisenwerk Erla, of Schwarzenberg. A German foundry with a history of more than six centuries, it was taken over by Sanmar Metals Corporation, a Chennai-based group, just over four years ago.



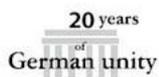
The operation employs more than 250 highly skilled workers. Among its customers are Borg Warner, IHI, Audi, BMW, Honeywell, MAN, and Liebherr. The plant's annual capacity is 21,000 tons of castings.

Dietmar Hahn is the senior managing director of Eisenwerk Erla. Speaking to the engineering publication VDI Nachrichten two years ago, he talked about Sanmar's investment in the plant. He explained that Sanmar was not working on a specific time frame, and explained the division of labor between the Sanmar's foundries in Chennai and the plant in Germany. The investment may come from India, but the benefits of the cooperation go both ways.

"Here in Saxony we planned a new foundry in India. It will carry out some of the finishing that would previously have been done at Erla, leaving the

eastern German operation to focus more strongly on strategic, high-value products, for which the know-how is local," said Hahn. Since then, Sanmar's Ferrotech Ltd. Plant has been built in Chennai. It serves both the German automotive industry and India's emerging market.

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