

Interview | Neeraj Gupta

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—Managing director, MKU Pvt. Ltd, Neeraj Gupta

What are your thoughts on the new government's proposal of increasing FDI in defence? How do you think you will benefit?

This is a very welcome move from the government. I would say the government should certainly increase Foreign Direct Investment (FDI) from 26 to 49 per cent as a start. This would help bring in foreign capital by way of private equity and immensely benefit small and medium scale companies like ours which are not yet public.

This would make more funds available to the defence sector, which is a new sector in India but a very mature sector in Europe, the US and UK. There are international firms, which understand this market and are willing to invest in India but have so far been deterred by the 26 per cent cap.

But would you prefer the FDI to be 100 per cent?

Hundred per cent FDI is certainly a good move, but we should proceed with caution. It should be allowed in sectors where we do not have the requisite technology in India. It can either be for components or final products. Hundred per cent FDI in the defence sector in India will help create jobs and provide a boost to the manufacturing sector. India could become a part of the global supply chain. This will boost exports and create more employment. More Indians will get trained by these companies, raising their skill levels which ultimately will lead to better absorption of technology and sooner or later, the technology will percolate into the country.

The areas where the FDI will be permitted should be well defined and documented avoiding any ambiguity and confusion like we face in the current defence industrial policy.

Do you prefer the protections systems market to be under 100 per cent FDI?

As this capability already exists in India, this sector should not be included under the 100 per cent FDI. For example, in F-INSAS the government has issued tenders under Buy (India) pro-



urement procedure, where only Indian companies can participate. This implies that Indian companies already have what the Indian government desires. So, there is no requirement for 100 per cent FDI in this sector. But 49 per cent is very welcome as that would help in the R&D efforts of the indigenous companies by making more funds available.

FDI apart, what other expectations do you have from the new government?

Among the several issues in this important sector, there is an urgent need to streamline the procurement procedure. Currently, there is often confusion in Request for Proposals (RFP) issued. This generally leads to scrapping or withdrawal of the RFPs within a year or two. For example, five years ago a tender for light armoured vehicle was issued. Two years after issuing the tender, and after several trials, the government scrapped it without giving any proper reason. The tender hasn't come again and all the effort, time and money put in by the participating companies have gone waste.

Unmanned Aerial Vehicle (UAV) is another example. There was talk about the RFP for the last seven-eight years. We have also developed the UAV but there

were no tenders from the government. All the effort and money that we put in to that division went waste.

What are the changes that you want to see in the defence procurements?

My suggestion for the defence ministry is to bring clarity in the procurement process. The government should also interact more with the vendors to make it a faster process. The most important drawback is that the government buys everything in big chunks, accumulating the requirements for five years and coming up with one tender. I would suggest that the government should come up with regular requirements on a yearly or half-yearly basis. This will create more than one option for each and every tender and regularity of supplies. Besides, they would also not be deprived of upgrades in the product and other technological developments. Half-yearly procurement would also mean soldiers are not deprived of the critical systems.

The government is planning to move into e-procurements. What are your thoughts on this?

It is an excellent move. A very transparent system and I would welcome that. Various state police forces including Gujarat are doing it already. It has

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been very successful before.

What defence programmes are you currently participating in?

There are two big programmes that are currently underway with the defence forces. The first major programme is for procurement of 150,000 ballistic helmets for the Indian Army. MKU is a frontrunner in this programme. We expect the decision to be taken soon in this matter. The second major programme is for body armour, which is a part of F-INSAS programme. We are ready with our samples and are ready to develop the body armour for the Indian Army when asked. Apart from these, procurement of night vision devices (NVD) is another area which promises a lot. We have invested in the programme and are ready with a very unique technology. When RFIs or RFPs comes out, we will respond to them.

What surveillance systems do you have in the market?

In the surveillance systems, we are more into image intensifiers which are NVD. We are now getting into thermal systems as well.

What paramilitary procurement are you focusing on?

We hear that RFP for helmets and body armour for the paramilitary forces is expected soon. Technologically, we are a very advanced company and we are in a position to participate in all the paramilitary programmes.

Is there anything specific you have for the paramilitary?

MKU's technology is positioned in such a way that we can provide the lightest possible and the most comfortable armour to our soldiers.

World over the trend is to move towards lightweight armours as these reduce stress on the soldiers. We would like to make our light-weight armours solutions available for the paramilitary forces.

The new government has plans to focus a lot on the internal security. Did you hear from ministry of home affairs (MHA) on their plans of procurements?

Looking at the new government's approach of making fast and firm decisions, we expect they would make their announcements very soon, and technologically we are ready with the solutions. We hope to be notified soon.

Do you have any navy programmes currently?

After 26/11, there were procurements for some patrol boats with the armour systems. The protection panels for all these boats have been supplied by MKU. Besides Indian Navy is also procuring 80 patrol boats from a Sri Lankan company and MKU is supplying the armour systems for them.

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How do you foresee the requirements in the Indian market?

In the larger picture, I see a huge requirement. With the emphasis on internal security we see the market for protection systems for the police and paramilitary growing.

We are looking forward to these requirements coming up and also participating in them. However, our business model is such that we are not wholly dependent on the domestic requirement. Eighty per cent of MKU's business is international and 20 per cent is in India. We will continue to be very strong in the international market. However, we do look forward to the domestic procurement programmes and offering our state-of-the-art protection solutions to the Indian forces.

You do more business outside the country than in India. Do you think doing business in India is very difficult?

Our business model is largely dependent on the international market. This has helped sustain our R&D and enabled us to stay ahead of the curve technologically.

We continue to be the leader in this sector. Indian procurements are sporadic and it is important that we look at the international market space to sustain our R&D efforts as well as our team of highly skilled engineers. This also allows us to offer the best to India as and when there is a requirement.

Do you have any expansion plans in India?

Currently, we are setting up a state-of-the-art facility for the night vision devices and thermal imagers in Kanpur. We are setting up an Export Oriented Unit (EOU) because we believe that most of the production will be for the international market.

What plans do you have in your international expansion plans?

We take pride in the fact that we have protected 1.5 million soldiers globally till date. We have sold our products to 230 forces in 100 countries and protected more than 1,700 platforms including 200 helicopters, 1,000 land vehicles and 500 ships and boats globally. I would say that is a big achievement. We are trying to reinforce our brand and image in the international market. We continue to give the lightest and most comfortable armour to the soldiers. We also participate in almost 30 international exhibitions a year. MKU is recognised as one of the most trusted brands in the armour industry internationally, which makes me feel very proud.

What are your immediate plans in India and also outside the country?

As a company we would continue to strengthen our corporate ideology — 'saving lives and earning smiles'. Internationally, we are trying to get into newer markets by participating in various international exhibitions. We have entered into new markets like Kazakhstan, Ukraine, Nigeria, Chile, Uruguay and Peru. We would like to further strengthen our position in these markets.

In India, we are ready with the technology and as and when the RFI and RFPs come up, we will respond to them.

What are your suggestions to the defence ministry for the exports?

Promoting exports would develop the technology within the country; otherwise based only on the Indian requirements, no company can sustain the amount of expenditure and the effort that is required to develop technology and capability.

In case of UAVs, more than 30 companies have taken industrial license to manufacture. But neither every company would get the offer to make UAVs, nor is there is so much of requirement from the Indian forces. Unless there is a favourable environment for exports, the expertise of these companies would go waste. ||