

Thursday, June 3<sup>rd</sup> 14:50

**Presiding Speech by Capt. Ganesh Karnik,**

**Hon'ble Dy Chairman,**

**NRI Forum, Government of Karnataka**

**On**

**“AEROSPACE OPPORTUNITIES IN KARNATAKA”**

**at Global Investors Meet 2010**

**Good evening ladies and gentlemen**

- Shri Murugesh Rudrappa Nirani, Hon'ble Minister for Large and Medium Industries, Government of Karnataka
- Dr K R Sridhara Murthy, Managing Director, Antrix Corporation Limited and Director, TT & IC, ISRO
- Mr. Ashok Nayak, Chairman, Hindustan Aeronautics Ltd
- Mr. Aravind Melligeri, President and CEO, QuEST Global SEZ

At the outset, I would like to thank everyone present here, for having accepted our invitation to attend this

Session on Aerospace Industries-Opportunities in Karnataka, this afternoon. May I take some of your time to share my thoughts on 'Aerospace sector in Karnataka'.

2. The Hon'ble Chief Minister has envisioned to transform Karnataka into a model State, with his Vision 2020, looking forward to Karnataka being a State of peace, progress and prosperity for all. We are glad to seek your support for the "Vision 2020", a dream of our beloved Chief Minister Sri. B.S. Yaddyurappa, for Karnataka. May I request you to partner with Karnataka in realizing our vision come true.

3. We are quite convinced that Aerospace Industry is constantly reshaping our world. Aviation is one of the most significant technological influences of our time, & empowers the nation. It is a major tool for economic development and plays a significant role in national security and international relations. Recognizing the business opportunities offered by the growth of civil

aviation, the Government of Karnataka has decided to focus its facilitation to potential aerospace industrial developers to areas in and around Bangalore. Karnataka stands uniquely poised today with over seven decades of aerospace history, we are well integrated to meet the demand and supply challenges in the global aviation arena. The proactive support and involvement of the Government has led to the development of a thriving aerospace ecosystem that is raking in investments from leading Global players. Bangalore is now considered to be the aerospace capital of India.

- Karnataka is already a home for many well known aerospace Industries. Hindustan Aeronautics Limited (HAL) located in Bangalore has over 60 years experience in design, development, manufacturing and maintenance of advanced Aircrafts, helicopters and associated aero engines, aircraft systems, equipment and avionics.

- Aero India event held regularly in Bangalore attracts almost every well known company in Aerospace Industry in the world.

The deep-seated foundation for Aerospace in Karnataka already exists in the form of suppliers, large and small, who supply to major players like HAL, DRDO and ISRO. These Public Sector Units with their cutting edge technology are not just making their mark in Global Aerospace arena, but are also nurturing the eco-system of our State.

4. Karnataka's enthusiasm in harnessing an engineering workforce and Research and Development capabilities makes it a vibrant base not only in India, but in the whole of South East Asia. We are poised to be a potential hub for Manufacturing and MRO. We already have several firms & Labs who have established themselves in Bangalore in the field of production, design and development.

5. Air India and Boeing MRO have selected Karnataka for the development of MRO facilities other companies like Jupiter Aerospace and Thaneja Aerospace manage their MRO centers in Bangalore. Karnataka is thus poised to be the MRO hub of the South East Asia in the coming years.

6. One of the shortcomings of MRO is the land. The State has effectively identified this problem and has endeavoured to establish a land bank. The Aerospace SEZ is operational and Karnataka has at its base to make the State an Aerospace Hub of Asia in the near future.

When it comes to MRO, maintenance is a major cost component of operating aircrafts and significantly affects the overall lifecycle cost. Karnataka can take advantage of the four segments of MRO namely -- Airframe and Modification, Engine Maintenance, Line Maintenance and Component maintenance.

7. A prominent focus area would be to explore the globalization of MRO services. The state can take

advantage of our human resource cost competitiveness, availability of talent, locational advantages and the presence of specialized capabilities to grab opportunities in this booming sector.

- Aerospace Industry in India appears to be on the verge of exciting times. The Aerospace component of the defence business globally exceeded USD 100 billion in 2009. This growth can only accelerate with time.
- As per recent research reports, ever-increasing passenger traffic and fleet expansion, particularly the arrival of low-cost airlines, in the Indian aviation sector have opened up a new world of opportunities for international aircraft companies in the MRO segment. World's leading aircraft manufactures are now eyeing India to set up their MRO facilities. Airbus, Boeing and the government of Singapore are considering setting up of MRO facilities in India.
- Further, the report highlights that growing passenger traffic will boost the demand of civil aircrafts in India.

Domestic passenger traffic is anticipated to surge by more than 75% to over 52 Million passengers by 2016-17, while the international air passenger traffic is estimated to rise to 33 Million passengers during the same period, With such high growth projections, India is expected to take the delivery of more than 1,000 aircrafts in coming 20 years, thereby emerging as one of the fastest growing aviation market in the world.

- Almost every major Western aerospace firm wants to establish a presence in our country, which is one of the largest markets for both civil and military aircraft.
- Since 2005, air traffic has grown by 18%, the cargo market has increased by 14% and overall passenger movement by 20%. Despite the down turn., international and domestic aircraft movements could grow by 13% and 14% respectively over the next seven years. Passenger growth is projected to be 20% domestically and 16% in the international segment, while cargo expansion of 12%

and 10% is expected in the domestic and international markets.

- When we look at global opportunities, Boeing has projected a demand for 900-1,000 commercial aircraft worth \$100 billion over the next 20 years. In the near term, there will be 25 billion \$ spent on commercial aircraft and \$ 100 billion on defence aircraft by 2014. All these factors will drive the growth in the aerospace sector.
- Apart from Government support, India's advantages are its relatively lower costs, the availability of talent, the capabilities of its information technology firms and its location between the major markets in east Asia, the Middle East and Europe.
- Before 2000, state-owned firms such as Hindustan Aeronautics dominated the local market. These companies also helped the development of an indigenous aerospace industry by subcontracting much of their work to other firms in the country. As a result,

private sector firms such as Larsen & Toubro, Mahindra & Mahindra and the Tata Group began to acquire the capabilities in the market as well.

- The doors opened in 2001, when the Government allowed 100% domestic private investment in the defence sector upon obtaining an industrial license and foreign direct investment up to 26% with conditions were permitted. The rules have been further relaxed over the past three years in the defence sector, with the private sector now allowed to become Tier 1 suppliers in military contracts and giving foreign firms greater flexibility in their choice of local partners.

8. The Government has taken prompt measures for the development of the Aerospace industry. The State has played a crucial role in encouraging the development of a critical mass of resources capabilities, technologies and suppliers. We have our own policy for procurement contracts in the aerospace industry for our Defence needs. This policy anticipates the suppliers to infuse 30%

of the contract value in India by establishing local facilities or partnering with one of the local manufacturers. This has created a huge potential for investors and entrepreneurs in Aerospace Industry.

9. In an effort to facilitate the growth of Aerospace industry in Karnataka, we have identified over 1000 Acres for an Aerospace SEZ. The proposed SEZ is adjacent to the existing Technology and Software Park, where knowledge sharing will result in moving higher up in the value chain.

10. The defense unit at Chitradurga, where it is proposed to establish a manufacturing facility for unarmed air crafts, shall be another step towards major support from the Government.

11. Strong economic growth, liberalization of policies, cost competitiveness, a research and development hub, well educated knowledge pool, Information Technology competitiveness and liberal special economic zones are

major contributory factors for the development of Karnataka as a manufacturing hub. We assure you of quality and value added facilitation in Karnataka.

12. A close look at the trends in the manufacturing suggests that Research and Development capabilities available in Karnataka are being recognized, since large aerospace majors are forming academic partnerships and establishing captive research centers in Karnataka.

13. As a result of our technical capabilities and skilled man power, companies like Boeing, Airbus, EADS, Lockheed Martin, Honeywell, BAE, Rolls Royce and Dassault have opened their Engineering centers in India. Boeing has entered into strategic partnerships with the Indian Institute of Science, Bangalore. Mahindra and Mahindra have signed a joint pact with NAL. Several such initiatives are already in the Pipeline.

14. One of the trends in manufacturing is the evolution of Engineering Services Outsourcing (EOS) and Karnataka

has evolved from low-end BPO into high-end Design services. Software companies like Wipro, Infosys, HCL and Tata Consultancy Services have been active in the aerospace industry for several years. IT application, calls for a hub in Avionics and Karnataka is poised to be the leader in Asia for Avionics in the coming years.

15. Karnataka is determined to continue to establish itself as an aerospace engineering leader. I am sure you would now be convinced that Karnataka is the State that is all set to take the lead in investing for the future. With these remarks, I would like to conclude once again by welcoming everyone to the Advantage Karnataka – Global Investors Meet 2010. I look forward to deliberations on the challenges and potential for the aerospace industry from our eminent group of speakers in the next session. Let us unite to make Karnataka an industrial hub, an Aerospace hub and we shall work together to make Karnataka the most user friendly State in India to do business with. Let us practice unity in diversity.

16. "To most people the sky is the limit. To those of you who love aviation, the sky is the home. We at Karnataka provide you the sky"

Thank you.