

REVVING FOR



A TAKE-OFF

As India's aircraft maintenance, repair and overhaul business revs up for a major take-off, its oldest civil aviation service provider, Air Works India, aims to leverage its strengths by catering to global airlines. A report by **Anand Kumar.**

WITH many leading international airlines having flown into turbulence in recent years, the civil aviation industry is looking at ways of cutting costs and optimising the use of scarce resources. One of the major costs incurred by an airline is on the maintenance, repair and overhaul (MRO) of an aircraft and opportunities at scaling down these expenses are at the top of the agenda of many carriers.

Globally, there has been a gradual shift in the MRO business, with airlines increasingly outsourcing this crucial activity to third-party MROs. The US, once the global MRO hub, is seeing much of the business moving to Asia, as

'INDIA IS A LUCRATIVE MARKET FOR MRO ACTIVITIES'

An interview with **Fredrik Groth**, ceo, Air Works India Engineering Pvt Ltd:

Do you see India emerging as a regional aircraft maintenance and repair hub?

The maintenance, repairs and overhaul (MRO) industry in India is at a nascent stage and has tremendous growth opportunities. India is one of the fastest-growing aviation markets in the world and will continue to grow at a rapid pace for years to come. This translates into higher demand for aircraft over the years.

With aircraft being in various phases of their lifecycle, we see a huge demand for all types of aircraft MRO activities in India. Availability of a rich talent pool, in addition to the cost advantage, makes India a very lucrative market for MRO activities.

So far, one of the major hindrances in India evolving as an MRO destination was the lack of MRO companies having a globally recognised certification, such as those issued by the European Aviation Safety Agency (EASA) or the Federal Aviation Administration (FAA), to be able to service leased aircraft of domestic and international airlines.

We hope that with Air Works being the first Indian company to receive the EASA certification for airframe maintenance, domestic and international airlines will find value in what we offer. This marks the beginning of India emerging as an MRO hub.

What are the major advantages that India has in terms of skills and expertise, to enable it to emerge as an MRO hub?

India as a country is recognised the world over for its rich talent pool of engineers who work in different fields. This is applicable to the MRO industry as well. One of the major advantages that India offers to the world is the availability of highly-qualified engineers who can easily be trained for the job. Cost advantage is another key factor that puts India on the global map for MRO activities.

In addition to this, India offers the proximity advantage for countries like Singapore, Malaysia and the UAE, who can avail all the three major benefits of rich talent pool, cost competitiveness and faster turnaround time due to the geographical location.

What is the potential for growth for the Indian MRO industry? What is the current size of the MRO market in India?

The MRO industry in India is currently valued at US\$ 600



Fredrik Groth

million and is expected to grow to US\$ 1.06 billion by 2015. The size of the MRO industry is directly proportionate to the fleet size of airlines and that of passenger growth.

According to Airbus and Boeing forecasts, India will be amongst the high-growth markets for the aviation industry. The country currently has close to 350 aircraft, which demonstrates a huge demand for MRO activities in the country.

What kind of investments does your company plan to make across the country in infrastructure?

Air Works already has an impressive geographical presence in the country. The company has a presence at 10 airports in India and has hangar facilities at Mumbai, Hosur (Bengaluru) and Delhi. Air Works will continue to add capacity to the Hosur facility in order to be able to accommodate more aircraft.

We will invest US\$ 40 million to set up two hangars and component MRO services. The Hosur facility can currently accommodate two ATRs or a Boeing 737/Airbus 320. With the planned expansion, we will have a dedicated hangar for wide-body aircraft as well.

Are you also looking at MRO services for military aircraft, especially after you became a service partner for Sukhoi's Superjet in India?

Air Works started operations with general aviation MRO almost 60 years ago. In 2007, we started the airline MRO business. We continue to explore business opportunities and we are presently in the early stages of moving into the military sector as well, though the Superjet is a passenger aircraft and not a military one.

How about plans to expand abroad? Do you intend acquiring other firms, or setting up overseas operations?

For the moment, our primary focus is India, which is yet to be developed as a lucrative market for airlines for MRO services. We would like to invite international airlines for aircraft maintenance to come to India and benefit from the rich talent pool and avail the cost advantage.

The EASA approval further demonstrates that India is able and ready to compete with the world in this multi-billion dollar industry. We trust domestic and international airlines will find value in our maintenance services, and we look forward to lowering costs for airlines, while creating expertise and job opportunities in India within our field.



airlines now increasingly prefer to utilise the new hubs that are cropping up across the continent.

“Worldwide trends exhibit the gradual move towards third-party MROs,” said M Madhavan Nambiar, secretary, Ministry of Civil Aviation, while addressing the India-US Aviation Partnership Summit in Washington DC in December 2009. “Nearly 50 per cent of US-based airlines’ maintenance is outsourced to MROs and 45 per cent of military maintenance is outsourced to civilian MROs.”

According to Nambiar, the Indian aerospace industry is one of the fastest-growing aerospace markets in the world driven by continued economic growth, resulting in growing passenger traffic and domestic aircraft demand. “India is emerging as a potential international hub for manufacturing and MRO, on the back of the availability of talent and engineering workforce, manpower cost-competitiveness, fast-developing

The centre of gravity in the aviation industry is expected to shift to the Asia-Pacific region.

M Madhavan Nambiar,
secretary, Ministry of Civil Aviation

engineering services/R&D expertise and strategic position in South-east Asia,” pointed out Nambiar. “India’s MRO segment is estimated to grow at 10 per

cent, reaching US\$ 1.17 billion by 2010 and US\$ 2.6 billion by 2020.”

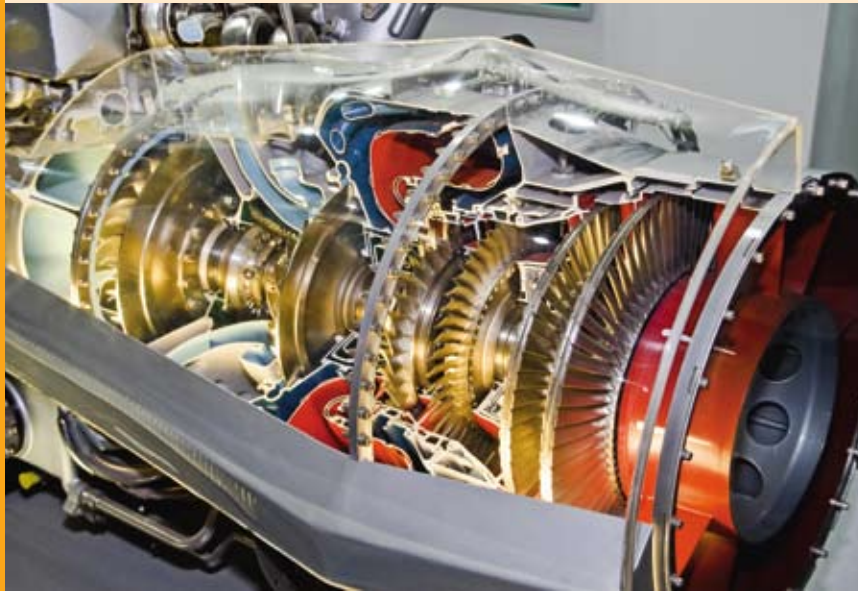
The MRO business in India took root way back in 1951, when Air Works India Engineering Pvt Ltd was established in Mumbai. Today, it is the largest independent general aviation and airline MRO company in India, with 450 professionals working at 10 airports across the country, providing comprehensive maintenance and management support services for fixed and rotary wing aircraft.

Says Fredrik Groth, ceo, Air Works India Engineering Pvt Ltd: “We will invest US\$ 40 million to set up two hangars and component MRO services.” The company, which set up the first dedicated third-party airline MRO centre in India at Hosur near Bengaluru, has hangar facilities in Mumbai, Hosur and Delhi. “Air Works will continue to add capacity to the Hosur facility in order to be able to accommodate more aircraft,” adds Groth. “The Hosur facility can currently accom-

MROs IN THE PIPELINE

Several maintenance, repair and overhaul (MRO) projects are in the pipeline. They include:

- Aerospace Special Economic Zone near Belgaum in Karnataka
- Aeropark for the global aerospace and aeronautics industry for the design, manufacture and maintenance of aircraft, Tamil Nadu
- Aerospace and precision engineering SEZ, Andhra Pradesh
- MRO being developed by Boeing and the National Aviation Company of India Ltd (NACIL) at Nagpur
- MRO being planned by Airbus near Delhi



modate two ATRs or a Boeing 737/Airbus 320. With the planned expansion, we will have a dedicated hangar for wide-body aircraft as well.”

Importantly, the company has acquired certification from the European Aviation Safety Agency (EASA) for airframe maintenance, which will draw in more domestic and international airlines. In the past, airlines outsourced major checks and servicing to hubs such as Singapore, Kuala Lumpur and Dubai.

According to a report by Frost & Sullivan, an international consultancy, the MRO business in India has the potential of creating 600,000 new jobs over the next decade. The domestic fleet size is expected to expand by more than 50 per cent over the next five years to about 600 aircraft.

Not surprisingly, major aviation industry players, including Boeing and Airbus, the two largest manufacturers, and airlines including Lufthansa, Singapore Airlines and Malaysian Airlines, have shown keen interest in setting up MRO operations in India.

Karnataka has established the first special economic zone (SEZ) dedicated to the aerospace industry near Belgaum. Tamil Nadu is planning to develop an aero park for the global aerospace and aeronautics industry for the design, manufacture





and maintenance of aircraft. Andhra Pradesh is developing an aerospace and precision engineering SEZ, while Boeing and state-owned National Aviation Company of India Ltd (NACIL) are developing an MRO facility at Nagpur in Maharashtra. Airbus is planning an MRO facility near Delhi.

According to Nambiar: "All these projects have seen huge investment and will significantly change the aviation landscape in the country. India will remain a major global player in international aviation and aerospace technology. Strategically located in the globe between major blocks of states in east/south east and western parts of the world, Indian airspace and airports are uniquely placed for providing a vital link for the smooth flow of traffic between these major blocks of airspace."

The Directorate-General of Civil



Aviation (DGCA) is also upgrading its certification process, bringing it at par with EASA. This would enable international carriers to increasingly send their aircraft to MROs located in India.

Moreover, India's civil aviation sector is poised for phenomenal growth over the coming years. According to Nambiar, the sector has the potential to absorb investments worth US\$ 120 billion by 2020. Domestic traffic could reach 160 million to 180 million by 2020, with international traffic in excess of 50 million.

"It is estimated that by 2020, three out of the top four economies in the world will be Asian," noted Nambiar. "The centre of gravity in the aviation industry is also expected to shift to the Asia-Pacific region. Considering the strategic position of India, hub-to-hub traffic out of Delhi and Mumbai will be a key part of future growth." ✈️