

# No Small Players

Defence vendors rue the lack of support from the government

By **Dipankar Chakraborty**

**T**hirty years ago when Naresh Aggarwal, the founder of the Applied Electro-Magnetics (AEM) Pvt Ltd decided to take a plunge in the public sector dominated defence production industry, it was an easy decision. But the difficulties started soon after. What with the over-dominance of quota regime and red-tape at every step, it took his company nearly three decades to consolidate its position as a specialist in a wide array of software and hardware development capabilities and a dependable solution provider to both defence and civil industries.

Today, the company has among its top clients Indian Air Force, Bharat Sanchar Nigam Ltd, Siemens Ltd, just to name a few but it, according to Managing Director Naresh Aggarwal, has been suffering from a stifled growth perpetuated by a maze of obsolete procedural project clearance norms, being applied by the finance and technical departments in the Ministry of Defence (MoD) which has more often denied rather than created opportunities for the growth of the domestic industry.

"But despite all the past set-backs it has been a learning process, something which we would have never known or learnt from the available set of knowledge banks or books. It is only by working and interacting with our clients that we have managed to add to our knowledge base and developed our capabilities. I think the last three years has been the best of the times for us", says Aggarwal, a technocrat. Ironically, shrouded in this expression of satisfaction and happiness is an oblique disapproval of all that is plaguing the 'system' and harming the interests of the Indian private defence enterprises. "There is a total system failure", he quips.

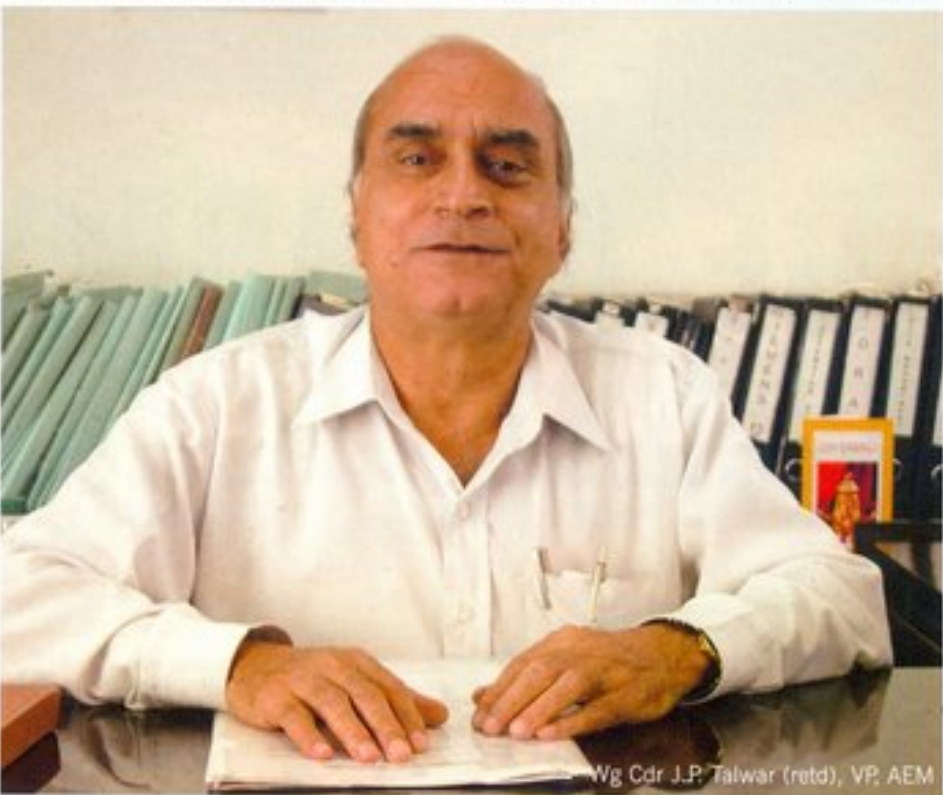
The company bosses feel that after having provided flight data acquisition and analysis system and a whole gamut of high-tech electronic defence gadgets directly to Indian Air Force and Indian Army in capacity as secondary vendors they have developed adequate capabilities to become a reliable product and service provider. But lack of opportunities is harming the Indian domestic industry where things have by

and large remained in a limbo. "So the only difference in the work environ today is that unlike in the past we are talking globally now. If today our users in the Indian defence set-up are unwilling to do business with us than I am sure sooner or later they are going to buy the same product from a foreign company which incidentally gets the know-how from us and sells it at a price 100 times more than us. India is not the only country with a fleet of Mirage aircraft, there are 100 countries with similar fleet to do business with", Aggarwal asserts.

The AEM, an ISO 9001:2000 company, has special expertise in the field of Microprocessor based embedded systems. The AEM Research and Development (R&D) Centre has been recognised by the government of India as a registered R&D Laboratory. In the 20 years of its association with the Indian Air Force the company has undertaken a large number of important projects such as development of Automated Air Traffic Control System, Remote Radar Data Display, Emulated Disc Drive for Aircraft maintenance System, Digital MUX/VFT, Voice Digitiser etc. The

company has also supplied missile check-out system to the DRDO for its Trishul missile project. All the achievements are in conformity with the organisation's mission: "To be a market leader and global player in the field of Microprocessor based Embedded Solutions' and 'provide customised solution at a competitive and appropriate price in stipulated time.' But somehow all these proclamations do not seem to impress the authorities in the ministry of defence.

People having first hand experience of dealing with the concerned departments in the MOD say that the basic problem is that they are suspicious of each other. The worst part is that while assessing the viability of any particular project, mostly all the technical questions are being decided by the finance department while the finance related questions are being asked from the technical department. The problem lies in the inherent anomalies in approach. A majority of present anomaly in procurement delays also stems from the government's rather ambivalent approach in dealing with single tender procurements.



Wg Cdr J.P. Talwar (retd), VP, AEM

Naresh Aggarwal, MD, AEM



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Explains Naresh Aggarwal: "As a person I would like to do a thing or two different from the crowd and create a niche for myself. For instance, I am capable of providing the air force with the smartest aircraft tester. But the moment I apply for the tender, being the only maker of the product I am the only player in the fray and hence the entire tendering system comes to a grinding halt. What they look for are 40-50 tenders to select from. And this search for additional makers of the product causes unnecessary delays as there are very few who are actually into high-end specific products. I have been waiting for the last four years for clearance of one of my projects. At least the authorities can come out with a clear cut policy on how to handle the issue of single tender. I want to create my own product/identity but that opportunity is not being given to me".

Part of the problem has also its roots in the indifference of the authorities towards the Indian vendors. Many of the entrepreneurs that FORCE spoke with complain of abject apathy with which they are being treated while being considered for the supply of specific defence products. "In the United States, they treat vendors with the highest level of respect. No wonder the private defence industry has been able to make so many strides there", says Wg Cdr (retd) J.P.

Tahwar, vice president AEM. He says let there be a group of secretaries to look into delays in project clearance and come out with suggestions on how to clear all the pending proposals with the MoD in a time bound manner. "After the technical bid clearance (within a stipulated time frame) the Price Negotiation Committee and Technical Evaluation Committee should be in a position to decide on a project within a maximum time-frame of nine months. Even after taking into account another one-two months as bidding time a project approval should not take more than a year".

The government's move to make it mandatory for private companies to demonstrate their products before bidding for a tender has been welcomed by the industry. "It is a good step and discourages non-serious participants from entering the bidding process. But here also the entire process starting from evaluation and then the demonstration of the product needs to be expedited. At present everything is carried with a rather slow pace. On the issue of re-tendering, Tahwar feels that ideally it should be avoided as it is generally understood that all evaluation and specifications have been done before the start of the tender process.

Naresh Aggarwal says that he does not have an iota of doubt that the government

is serious about going ahead with the indigenisation of the defence sector. "But the government has to first put its house in order", he maintains. He says he is surprised to hear and read forces chiefs talking about modernisation and not even making a passing mention to the role of private vendors in India. Even the foreign companies are suffering due to inordinate delays in project approval. There is no value for time and often minor project delays by private companies are punished with penalties. This is not the case when it comes to similar delays by the PSUs, he regrets.

What is the way out of all the problems then? The AEM head has a few suggestions to make for the government's consideration. To begin with, he says, let there be a procurement deadline set to cut down on inordinate delays in the sanctioning of a project. "Let the government come out with a clear cut policy with regard to the issue of single tender", he says. If the government is willing the domestic defence industry is ready to do a proof of their concept, he says. "We will prove it at our own cost", he says. The government should start recognising that the vendors are an important player in the indigenisation of Indian defence industry. Speaking from his own experience in dealing with the air force, he says he has found that often the users in their anxiety to procure a certain product tend to overlook other easily available, high quality cheaper options within the country. An independent inspection agency can easily look into project specifications and its quality thus lessening the burden on the users. The user cannot both procure and inspect. The MoD gives no consideration to post-purchase support while procuring from foreign vendors. There should be a clause included in the procurement policy on post procurement support. "How could important equipments lay in a state of no-use after a few years of use?" Aggarwal asks.

The fact is that a partnership between the users in the Indian defence forces and private defence vendors is still non-existent. It is therefore imperative that steps are initiated for first evolving a working relationship between the industry and the users, minus any suspicion. This relationship can then be developed into a partnership based on mutual respect for each others' capabilities. If Indian industry can do business with other countries why can't they do it here? However to expect all that to happen soon will be self-eluding. But sooner it happens the better it will be for Indian forces and the domestic defence industry. •