

# Tatas make first defence purchase

## Acquire Hyderabad-Based HBL Elta, Eye \$5 Bn Opportunity In Sector

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**Mumbai:** The \$72-billion Tata Group has made its first acquisition in the defence business. Tata Advanced Systems (TAS), a company set up in 2006 to tap the enormous opportunities in India's defence sector, has bought a 74% stake in Hyderabad-based HBL Elta Avionics for an undisclosed amount.

The remaining 26% continues to be held by its foreign partner ELTA Systems, a unit of Israel Aerospace Industries (IAI). TAS has bought controlling interest in HBL Elta from HBL Power Systems, a company listed on the BSE, and the transaction was sealed a few weeks ago, said a Tata group source. The

South-based outfit manufactures parts and accessories for defence-related aerospace applications. Mape Advisory, a boutique investment banking firm, advised Tatas on the transaction.

This will be the group's second JV with IAI. It already has a 74:26 partnership to manufacture unmanned aerial vehicles, electronic warfare systems, missiles, radars and homeland security systems. IAI chief executive Itzhak Nissan and Tata Sons chairman Ratan Tata have ambitious plans to build a multi-billion dollar enterprise in the defence sector.

The Indian government has been modernizing the manufacturing of defence equipment, opening up the area for private players. It,

### ALL GUNS BLAZING

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however, has capped foreign direct investment to 26% and debates have been on to raise it to 49%. For the Tata Group, the acquisition underscores its huge interest in defence—identified as a key business area to its existing portfolio of salt-to-software and tea-to-telecom. The group expects defence to be more than \$5 billion business in the near future. And for that,

TAS has struck a few partnerships with foreign companies for technology, among other things.

It has a joint venture with US-based helicopter manufacturer Sikorsky to manufacture cabins for Sikorsky S-92 helicopters. And recently, the company unveiled its first cabin, rolled out from the Hyderabad facility. TAS also has a joint venture with AGT International to provide integrated solutions for homeland security market. Another partnership is with Lockheed Martin, makers of the legendary F-16 fighter jet, to make aircraft parts for the overseas market. "We are in discussions to sign a couple of more partnerships with foreign companies," said the Tata group source.

The group has been present in defence, homeland security and disaster management space for several years but in a small way. One of the group companies that laid the foundation for this business was Nelco—a company where group chairman Ratan Tata cut his teeth in business in the '70s. Today there are several group companies such as Tata Communications, CMC and Titan Industries which cater to defence and aerospace. Tata Power Strategic Electronic Division was a successful bidder for the Indian Air Force project involving the upgrade of 30 IAF airfields. Early this year, Tata Motors launched combat vehicles to enhance its participation in the defence sector.