

INTERVIEW

MR VK MATHEW

CEO, AVI OIL INDIA

In an exclusive interview with South Asia Defence & Strategic Review (Defstrat) Mr VK Matthen, CEO, AVI Oil India (VKM) gave us an insight into the company's role and the challenges that the industry faces. Excerpts:-



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Defstrat: Every enterprise has a reason behind its evolution. How did Avi-Oil come into being and what were the stated aims of the company?

VKM: Aircraft and military equipment are the backbone of the Defence Services. To be dependent on foreign supplies for its critical consumables can be disastrous in times of need - and such supplies could be governed by international strategies and political interest rather than purely business.

To give you a brief background, during the 1971 war, India faced a lot of political arm-twisting by original equipment manufacturers (OEMs). Certain very critical lubricants were not made available to the Indian Defence forces, which meant that the countries to which the OEMs belonged could manipulate which equipment we use during the war. Given this scenario, the Ministry of Defence gave a mandate to the oil companies to develop self-reliance in this area.

While most of the lubricants required for the land/sea based equipment were successfully indigenized within the next decade, there were many hurdles, when it came to developing products for the airborne equipment. No aircraft operator would accept a product unless the aircraft designer approved it. The methods to test and evaluate candidate products were relatively unknown and the certification process in India was still in its infancy. To further complicate the situation, the prime requisite of the user was to have a 'Qualification Document' for the product from the governing specification design agency, which would be from the military authority of the country from where the aircraft design has originated. Attempts at obtaining such documents from Western countries for 'ab-initio' developed formulations were proving to be too time consuming and costly, and for the products of the erstwhile Soviet Union and other COMECON countries, even the

knowledge of evaluation procedures and test methods were difficult to obtain. The final crunch came in the mid 1980's when the western countries took a policy decision, not to issue the 'Qualification Documents' to the oil companies from non-NATO countries.

It is in this scenario that the concept of a joint venture involving technology transfer was born, so that the products with requisite approvals could be made available in the shortest possible time.

Thus after the necessary approvals from the Government, AVI-OIL was created as a joint venture company of Indian Oil Corporation Ltd., Balmer Lawrie & Co. Ltd. (both PSUs) and NYCO, France, the latter having a full range of products for the Western and Russian equipment.

The objective of the company at its formation was to indigenously produce and supply the complete range of Aviation Lubricants required by the Defence Forces thus ensuring Self Reliance in this crucial area of Aviation Lubricants.

Defstrat: Since its inception in 1993 Avi-Oil has won many accolades. Which of these would you like to highlight and what in your opinion has been the company's biggest achievement?

VKM: Our stated mission is to ensure the nation's self-reliance in the strategic area of Aviation Lubricants. Towards this end, we are proud to have set up the first (and probably still only) Aviation Lubricants plant in India. The plant, located at Faridabad includes a blending unit for aviation oils, an ester manufacturing unit for production of synthetic base-stocks, Quality Assurance, filling and packaging facilities.

Avi-Oil has always laid emphasis on the quality of its products. To achieve this, we have established a modern state-of-the art laboratory for Quality Assurance. This lab also provides technical support to customers for evaluation and re-inspection of the products. The Quality Management System of AVI-OIL is certified to comply with the International Standards ISO:9001 and SAE AS 9100 Rev B. This enhances the reliability of operation of the aircraft and provides confidence to the users. The company provides technical support on lubricant applications and usage and assists the Defence forces on all fronts in this strategic area.

At the time of its inception, the knowledge levels within the Defence forces on Aviation Lubricants was at best rudimentary. Avi-Oil has played a major part in disseminating its knowledge on Aviation Lubricants and its usage for the various aircrafts operated by the Defence. Avi-Oil was key in developing the entire Lubricants Approval process and procedures within the existing eco-system of the Defence forces and the emergence of key regulatory and approving bodies like the Centre for Military Airworthiness & Certification (CEMILAC) and Directorate General of Aeronautical Quality Assurance (DGAQA)

Avi-Oil has also indigenously developed a few products under the brand names of Avilube, Avifluid, Aviprotec etc for specialty applications.

Today, looking back at the last quarter of a century, we can proudly say that we have been contributing highly to the country's quest for self-reliance by indigenising these highly sophisticated products in this strategic area.

Defstrat: Given the boom in the civil aviation industry and the rapid modernization of the IAF, how has the scenario changed for Avi-Oil and how do you see the road ahead?

VKM: While there is a general boom in the Aviation industry, the scenarios are vastly different in the Military and the Civil Aviation sectors.

With the induction of so many types of new aircraft being planned, the fleet of the IAF could change totally in the next five years. We are proactively working with these OEMs to get our products approved so that when these aircrafts are inducted we would be ready with their lubricants. Apart from getting our products approved for the new inductions, we also need to get these products approved by the 'Centre for Military Airworthiness and Certification' (CEMILAC) before supply to IAF.

A hurdle we face is that under pressure from the foreign aircraft suppliers, the services are reverting back to sourcing the lubricants from their country of origin, even though the indigenous analogs have provided satisfactory services for the last couple of decades.

In the Civil Aviation sector India has already become the third largest market in the world having the potential to become the second largest by 2020. The

number of aircraft expected to be in operation in India by 2020 is around 800. This opens up many opportunities for us. Although traditionally we focussed on the military sector now is the ideal time for us to focus on this sector. We already have most of the products/approvals in place. It is a question of projecting ourselves as an ideal partner for the commercial airlines with a superior customer value proposition. However, we expect this to take a little time as changing existing Supply Chains for commercial airlines include high level decisions. Watch this space for more news on our progress in this sector.

Defstrat: Many establishments in the Civil and Military sectors still import a large number of lubricants. Can Indian lubricants match foreign rivals in terms of quality and endurance?

VKM: In the Military sector, the Defence forces have largely indigenized their requirement of Aviation Lubricants and are currently being serviced by Avi-Oil. However, there are a few instances when the Defence forces do import mainly for aircrafts under warranty or under specific instructions from the foreign OEM.

It is safe to say that today the Defence forces are getting used to the fact that products manufactured in India are as good as, if not better than products manufactured globally. We are now trying to replicate our success with the Defence forces in the Civil Aviation sector as well.

Defstrat: Recently Avi-Oil celebrated its 25th Anniversary. Having achieved so much in such a short time, what are the future plans of Avi-Oil?

VKM: Yes, we have achieved a lot in the last 25 years. While our initial objective of ensuring the nation's self-reliance in the strategic area of Aviation Lubricants has largely been met, we have to now look forward to the future. In this dynamic scenario, while our mission continues to ensure the Defence forces requirement of Aviation Lubricants are met locally. we have other sectors opening up as well.

Having a majority share for lubricants in the Defence sector, our thrust for the future is on Civil Aviation and the Industrial & Automotive segments.

In Civil Aviation the market is expanding rapidly, and we would like to take benefit of the growing opportunities arising out of this.

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In the Civil Aviation sector however the scenario is different with the bulk of their requirements being met by imports.

Aviation lubricants per se have to conform to the same governing specifications and approval procedures irrespective of the country in which they are produced. There cannot be any compromise on Quality and Quality Assurance. AVI-OIL has laid emphasis on these issues from day one, and today its Quality Assurance organization is approved by the Directorate General of Aeronautical Quality Assurance (DGAQA) and the Director General of Civil Aviation (DGCA) for the military and Civil aircraft respectively. Thus no distinction can be made on the quality of its products vis-a-vis those of its global competitors. In addition, AVI-OIL provides other technical services and logistics support which result in several intangible benefits to the user.

In the Industrial & automotive sector, the use of synthetics in lubricants is currently very low. This is an evolving market and we expect to play a major part in this arena as and when the industry develops into a market with a higher share of synthetics. The industry is certainly changing and we have seen this happen globally and it is only a question of time when this happens in India too.

Our short-term plans are to consolidate our existing business with the Defence forces in India and drive up the financial indicators of Turnover and profitability. In the medium term we hope to become a bigger player in the Civil Aviation market and in the long term we hope to become a major player in the Industrial & Automotive sector making us one of the leading synthetic players in the country. SA