

2009 Indian Hot Investment Opportunity in the Aviation Suppliers Market**Samtel Display Systems**

The 2009 Frost & Sullivan Hot Investment Opportunity Award in the Indian aviation suppliers market is presented to Samtel Display Systems (SDS) for its outstanding business model, which leverages on the expertise of highly qualified and experienced professionals.

SDS qualifies for the 2009 Frost & Sullivan Hot Investment Opportunity Award due to certain criteria that include:

Company Core Competency**Company Positioning**

SDS is a fast growing Indian participant in both the Indian and foreign markets for the high-technology products for avionics and military applications. SDS operates across the value chain from the design stage to development, manufacturing, testing, qualification, repair and maintenance, and obsolescence management of avionics products and equipment for military and commercial aircraft.

Potential Challenges and Measures

- The major challenges faced by the Indian market participants are inconsistent order flow, long gestation period of the projects, and lack of competitive technology.
- SDS has addressed these challenges through some measures: -
 - SDS has signed long-term contracts with its customers in recent years for a period of eight years to a lifetime to ensure consistent supply.
 - The company has an in-house research and development (R&D) center driven by competent professionals. SDS has invested considerable amount of money in its R&D facilities to develop its product line.
 - It has forged partnerships with many large companies for development and supply of key parts, such as Hindustan Aeronautics Limited, Thales Aerospace, Honeywell Aerospace and Defence Research and Development Organisation.

- SDS is currently a tier 2 supplier to many global participants, and Tier 1 supplier to the only significant Indian player – HAL (Hindustan Aeronautics Limited)
- SDS offers a significant cost benefit to the customers as compared to its competitors from developed economies such as the United States and Europe.

Experience and Expertise of Existing Management Team

The management team of SDS has the right mix of relevant experience and the ability to make optimal decision. The management can leverage on their very successful track record, ability to execute, as well as rich industry experience.

Sustainability of Business Model

Production and Research Facilities

- The focus of the firm is on quality. Six Sigma is followed in all the factories. SDS is striving to incorporate changes in a drive to achieve zero product defects.
- SDS is currently operating with SAE/AS 9100 Rev-B quality standard. This standard encompasses ISO 9001:2000 and is specifically meant for the avionics segment. For the non-avionics industry, SDS operates with the ISO 9001:2000 quality system standards.
- The company has a differentiated product portfolio and commands a very high market share (more than 85.0 percent) in the segments it operates. According to the offset clause in the Defense Procurement Policy, companies that get a defense contract from the Indian Government will have to invest 30 percent back into the country, either by way of purchases from the local participants or as investment into the sector. The sales from offset clause, increases the potential market size of SDS. The efforts of global participants such as Boeing and Airbus to increase the level of sourcing from India will augment the sales potential further.
- The R&D expense accounts for 15 percent of the sales. The R&D cost as a percentage of sales is expected to decline substantially in the years to come due to surge in sales.

Product Portfolio Width

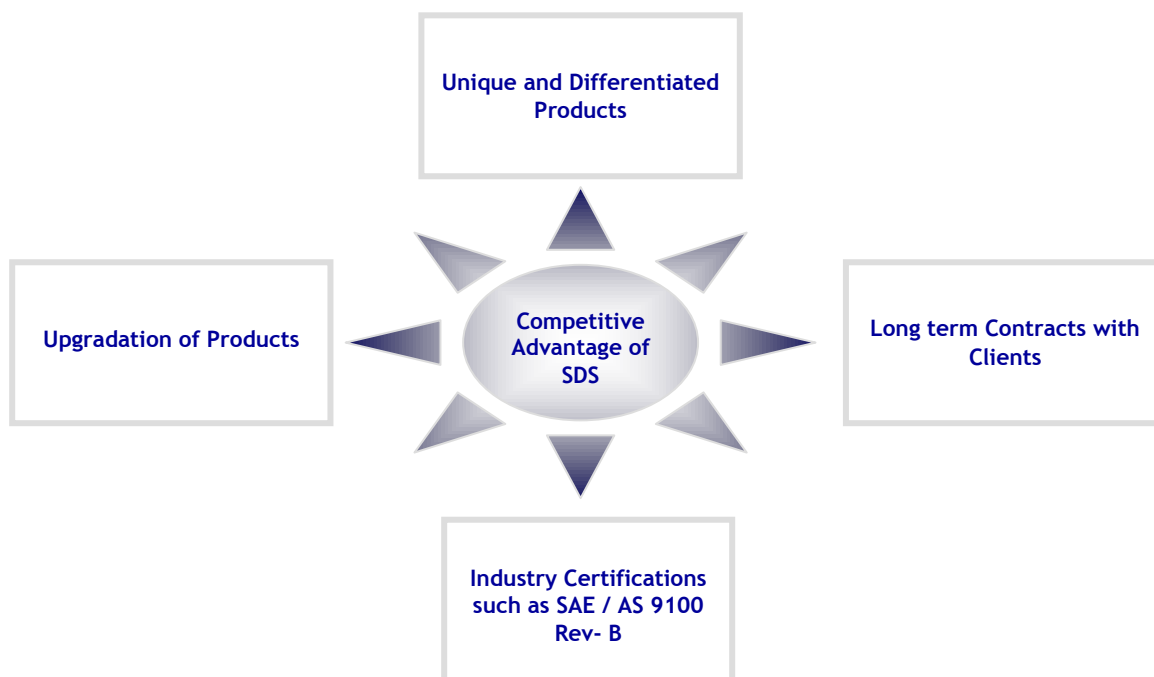
SDS's products include color avionic tubes (CAT), multi function displays (MFD), head up displays (HUD), helmet mounted displays (HMD), automated test equipment (ATE), Ruggedised LCD Screens, as well as control displays for armored military vehicles. SDS's portfolio also includes maintenance, repair, overhaul (MRO) of avionics products and equipment, Integrated Architecture Display Systems (IADS)/ Integrated Modular Avionics (IMA), Integration Testing of key LRUs like Radars, Electronic Warfare (EW), Mission Computers etc.

Customer Profile

The important customers/partners of SDS are:

- Hindustan Aeronautics Limited - SDS is developing next-generation avionic display systems for Hindustan Aeronautics Limited's star programs.
- Thales Aerospace - SDS has a contract to develop, produce, sell, and maintain the helmet mounted sight and display (HMSD) and other avionics systems for the Indian market. SDS also has signed a long-term contract with Thales for production of Full Colour Displays (FCD66 and FCD55) for Airbus.
- Honeywell Aerospace - SDS has a contract to supply EFIS40 (Electronic Flight Instrument Systems) to Honeywell for their Bendix/King range of avionics.
- Defence Research and Development Organisation (DRDO) - SDS intends to indigenize cockpit displays under the aegis of DRDO's Lab's DARE (Defense Avionics Research Establishment) program.

The below Chart shows the competitive advantages of SDS in the Indian Aviation Suppliers Market in 2009.



Source: Frost & Sullivan

Conclusion

The best practices of SDS include:

- Unique and differentiated products
- Upgradation of Systems
- Long-term contracts with clients
- Industry certifications such as SAE/AS 9100 Rev-B

These achievements make SDS the deserving recipient of the 2009 Frost & Sullivan Hot Investment Opportunity Award in the Indian Aviation Suppliers market.

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