



VECV MD and CEO, Siddhartha Lal says that quiet efficiencies and intelligent product development are key to VECV holding its own during trying times.

**Interview**  
Sridhar Chari

**‘The target is to reach 15 percent share over the next 5 years’**

### In your view, is the recovery seen in July and August sustainable?

We are proud of the fact that Volvo ushered in fully-built trucks in India. They were a game changer in a market that had until then not seen world-class offerings. Volvo brought in a high performing product that also reflected a concern for the environment.

We are seeing definite signs of improvement in terms of customer demand, finance availability as well as inventory holdings. Correspondingly, the pileup of repossessed vehicles with financiers has also come down. The improvement in MHCV sales has meant that the market is 'only' 10 percent now as opposed to 70 percent earlier. But, it is tough to say if this recovery is for the long term. We have not seen a full recovery as yet – so there may yet be some volatility left in the market.

The following few months can be expected to take up the cue thrown up by July. The current festive season and of course, the lead up to the end of the extended depreciation benefits has seen the momentum continuing until the end of September. We should then see a strong second half performance (Eicher follows a calendar year). The Eicher branded trucks have been closing the last few months on volumes of 2,000-

2,500 trucks each month. The Volvo Trucks brand adds another 80-90 units per month.

This is an improvement over numbers seen in the poor first half. But, it remains to be seen if this up-take in sales will be at the cost of sales over the next few months.



The 35.31, 8x2 rigid boasts of twin steered axles.

### How has VECV been trying to improve efficiencies during the slowdown?

We have succeeded in living with the slowdown, on account of adherence to disciplined operational and strategic practices. For instance, we made a cut in our production immediately after the slowdown struck. Therefore, though, there was a sharp fall in production, the recovery was faster. At VECV, dealers and vendors benefited from faster cash flows, albeit on lower volumes. Inventory levels too, which are normally at 15-25 days, were also reduced to a third in keeping with market trends. In contrast to this, some other companies were slow to reduce output and instead chose to push inventory onto dealers. And that, resulted in superficially high sales

in the beginning and then a huge inventory later.

On the strategic side, we prepared a strong balance sheet, in the aftermath of the alliance with Volvo in 2007-08. Those were boom times, but we foresaw the downward cycle kicking in very soon. We could not have guessed the magnitude of the slowdown – everyone expected flat sales. But still the preparations were in place. We repaid our loans, and did not borrow new money. That has allowed us to get the operating profits back on track.

As positive fallout of this, we are investing in all the right areas such as infrastructure, quality and new product development. The kitty is Rs 95 crore in the immediate future, with more to come over the next few years.

### What is VECV's HCV strategy going forward?

Currently, we do 250-300 Eicher branded HCVs a month, in addition to the 80-90 Volvo branded ones. On the exports side, the heavy duty models are performing well. Adjacent markets in Nepal, Sri Lanka and Bangladesh have compensated for the crashing Middle East market. Against this background, we are creating certain benchmarks for HCVs. The target is to do 1,000 units a month within three years. This will give us a 10 percent market share. At this →



VECV has a strong shout in the school bus segment.