

India's No. 1 Magazine for Automotive News, Views & Analysis

Auto Monitor

16-30 September 2009, Vol. 9 No. 17 48 Pages, Rs 30



INTERVIEW

Siddhartha Lal, MD &
Chief Executive Officer, VE
Commercial Vehicles

PAGE 8



PAGE 14-25



EVENT

IAA at Frankfurt to
showcase individual
mobility concepts

PAGE 40

'Our objective is to set the best standards in India, but at the right cost'

A 'strong' No 2 in the light and medium commercial vehicles segment, Eicher has been a perception leader in terms of products, engineering and service — a recipe for higher marketshare in years to come. The joint venture with Volvo Group too promises to open up a lot of business opportunities for the Indian major.

In this concluding part of our interview, Managing Director and CEO, VECV, Siddhartha Lal speaks about VECV's efforts to provide the best standards for engineering, service, product development and design that others in the industry will need to follow, but at the right cost. Excerpts:

Deepangshu Dev Sarmah

Q Considering the market complexities that exist today, what kind of volume growth do you see for Eicher in the truck and bus space?

The light and medium duty range would remain smaller, in the range of 60,000-80,000 units a year. In this segment, like we have been doing for the past 10 years or so, we would look to improve our marketshare by 0.5-1.5 percent year on year. We are looking at an incremental approach to growth. Moreover, we would look to keep improving our offerings in terms of products and services, among others, so that we get more penetration into geographies and segments.

The heavy duty segment is completely different. We are new entrants and are looking at making our mark in the long-term, for which we have big plans. We believe that in the long-term, the market can have at least five to six major players with about 15-20 percent marketshare. That would be a real solid market to compete in. I don't expect that to happen immediately. But, we are aiming to become one of the other real alternatives in the heavy duty segment.

The idea is not just to copy what others are doing, but offer value to our customers. Our first target would be to hit the 10

percent marketshare from the two-odd percent for Eicher and one percent for Volvo currently. We expect this to take us a few years. From there on, we would look at getting 15-20 percent of the market. But even the 10 percent marketshare would mean about 20,000 trucks.

Q What is your current market share in the L&MCV segment?

Till last year, we have had a 27-28 percent marketshare in this segment. This year, till date, we are below 25 percent marketshare, but are trying to catch up.

Q You talked about reaching 30 percent in this segment...

That is certainly where we would like to be, but there is no timeline set for that. This is a target that is certainly doable, nothing extraordinary. In this segment, we are a strong No 2, but we are perception leaders. We have the strongest perception in the market today. Perhaps we do not have as much financing strength or as much distribution reach, as our competition. Our brand strength should take us to higher market share in years to come.

Q Moving to your JV with Volvo, how has Eicher gone about integrating its business with Volvo, say in terms of technology and quality, etc?

Normally when people look at integration of a truck company, the first question they have on their minds is about the new products it would launch. Unfortunately, that is not how it happens.

In essence, we are keeping both the Volvo and Eicher brands separate. Of course, there would be a lot of integration in engines, cabins, etc. A lot of it is technology, say in terms of processes. For instance, how do we work on the validation process of a vehicle, how do we work on the early parts of a design process? At the end of the day, a lot of the integration is about how we design and validate the product and be in sync with all the other areas like manufacturing and service.

But our integration is a lot beyond that. There is a huge focus right now on distribution and service across the country, and I believe we have the strongest network today.

There is a lot of learning coming forward from both the sides. Eicher has since long been doing very low cost engineering and Volvo has its own strengths being the second largest truck maker in the world. They have been a technology leader globally.

Our effort now is to provide the best standards in the country and stretch what is currently available in the country. The current levels of standards available in the country are very poor. The idea is to set standards for service, product development and design that others in the industry will have to follow. But all of these would happen at the right cost.

Volvo can do this by itself, but we are helping them meet the cost targets. Eicher has been able to meet the cost targets, but somewhere in the heavy duty sector, we have not been able to get some of the integration of design, manufacturing and aftermarket fully together to give the right package to the customers.

The 50:50 JV has been a real benefit as there is no dominant player trying to push its approach. Both the companies came together because we believe both of us put together can do much more than either of us can do individually.

Q Under the JV, is engineering happening primarily in India, or you getting support from Volvo's overseas operations as well?

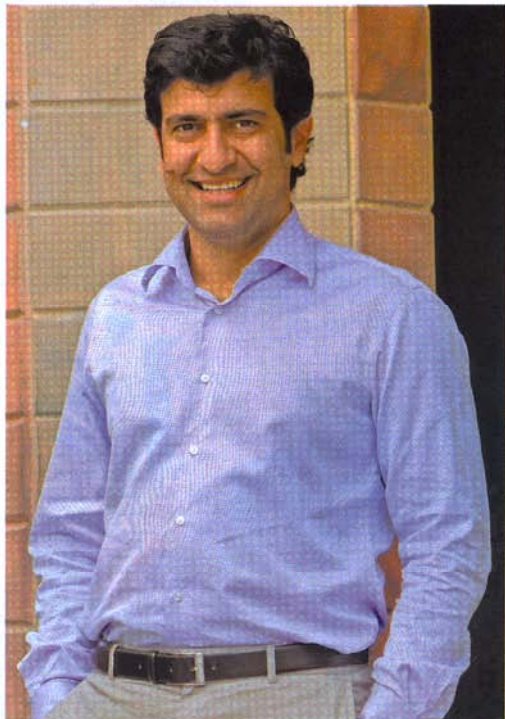
It's happening in a lot of different ways. We are working with Volvo engineers in different focussed projects and aggregates, and are also involved in design and development processes. We are currently working on a case-to-case basis with Volvo's product development team.

We have also got Fukuwa Takashi, who was heading plant quality at Nissan Diesel in Japan (Nissan Diesel is No 1 in Japan in quality), as the head of quality at VECV at our Pithampur plant. We have had to revamp the plant in accordance with our target of being the leader in quality, not just in the country but in other developing markets. We were quite strong in quality, but this would take us far ahead of others in quality parameters.

Q Would appreciate your comments on your supplier base — how have they geared up to serve the joint venture in the coming years?

Right now, 95 percent will be the organic process, which means a normal weeding out and induction of new suppliers. Over some time, we might see some more influence especially in the development of engine projects. At that time, we might work with joint vendors of both Eicher and Volvo.

Currently, we are exposing lot of our vendors to overseas vendors and to the Volvo Group. If they get keen on supplying to Volvo globally, they'll obviously need to meet Volvo's requirements, which are far stringent than any other manufacturer in India. That is a big challenge and opportunity for all our vendors.



Siddhartha Lal, MD & Chief Executive Officer, VECV Commercial Vehicles

Q Would it be safe to assume that going forward, we would see global sourcing for VECV?

Absolutely. Global sourcing from the VECV perspective is very clear. We are open to sourcing from anywhere possible. As of today, the proportion of parts we source from overseas is not very high, but sourcing from global companies is something we are actively pursuing. From the Indian perspective, it is always an issue of cost.

Q Is Volvo likely to use the services of Eicher Engineering Solutions (EES) for its global requirements?

That is precisely the reason why EES was folded into this joint venture. Volvo wanted to have EES' global engineering suppliers and we are working towards making EES a large supplier of engineering to the Volvo Group.

Q Are there specific areas defined for EES under this JV?

There are no specific areas defined for EES. We are present in the US and Chinese markets apart from India. We are not yet present in Europe, which is a large area of operation for the Volvo Group. We would be looking at supplying to the three geographies first, but Sweden and Europe would be the big markets for EES to crack in the coming time. Over time, we are certainly interested in supplying to the Volvo Group completely.

Q Have you set a time line for that?

There is already a lot of work going on. We need to scale up to meet Volvo's stringent requirements and reach. We expect to start supplies, whether in India or other geographies, in 2010.

Q How has Eicher Engineering Components performed in the past year?

We have made large invest-

ments in the component division in the last year and half, especially in Dewas and the new plant in Pithampur SEZ for gearbox assemblies. The component division has matured tremendously. The Rs 50-60 crore investment we made in Dewas has been in the right direction, and although Eicher Bus & Trucks is its biggest customer, we are also getting other customers. That is going to become one of the strongest hubs for gear manufacturing in the country.

The other big ambition is to supply to the Volvo Group. We are already supplying overseas, but the JV offers a huge opportunity for our EEC division as well. Having said that, EEC would need to independently meet all the quality standards and requirements to start business with the Volvo Group. That is a challenge. We are aware of the fact that once the Volvo gates open, it is going to be big business for EEC. We have the capacity and capability to take on larger business.

Q Do we see Eicher diversifying into manufacturing other components as well?

We categorise ourselves as driveline component makers. We don't manufacture the complete range of driveline components yet, but we surely have the capability to do that. We are earlier just a gear manufacturer, but have since moved to gearboxes and axles. Going forward, we would like to do complete gear assemblies. We do some training and development work in the exports market, but in the manufacturing domain, we are not keen to go anywhere beyond driveline components.

The US continues to be our biggest market for these components with 65-70 percent of our business coming from that market. We also have presence in some South-East Asian markets. **AD**

RUST-X™

REST WITHOUT RUST


T. A. C. Knoop, Australia

CORROSION PREVENTION SOLUTIONS

India's Largest VCI Range Manufacturer- 100+VCI Products servicing upto 5 years sea worthy protection.

VCI Papers. VCI Films. VCI Liquids.

Contact
9914732444



Hi Tech International
Unit 1 - 29, GAT 281/1, Kasarimboli, Tal. Malvi, Pirangut, Pune
Unit 2 - B 31 Opp Power House Jambapur, Chd Rd, Ludhiana
E: info@rustx.net. Website: www.rustx.net