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Vinod Aggarwal,
CEO, VECV

"In combining the expertise of the two Groups, our Indian experts have come up with some fantastic, cost-effective solutions. And we are now going to re-import some of these solutions to other Volvo Group plants globally."

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Sr. VP, India Joint Ventures, Volvo Group

Game *changers*

The Eicher Group and the Volvo Group are together aiming to transform the Indian truck manufacturing business. **Vinod Aggarwal**, CEO, VECV, and **Philippe Divry**, Sr. VP, India Joint Ventures, Volvo Group, explain how

By Niranjan Mudholkar

The last two years have been quite tough for the Indian commercial vehicle (CV) industry. Yet, Vinod Aggarwal, Chief Executive Officer, VE Commercial Vehicles Ltd (VECV), a 50:50 joint venture between Eicher Motors and Volvo Group, says, these two years have actually been quite exciting for his company. Coming from a person known for his no-nonsense approach to things, you know that the statement holds solid ground. These two years, VECV has actually been working on plan to completely change Indian truck manufacturing and in the process challenge the duopoly in the CV market.

But first things first. Any good business plan requires the fundamentals to be strong. Obviously, VECV isn't immune to the market conditions. So how has the company managed to implement a robust strategy based on complete overhauling of the existing system during a slowdown? Aggarwal smiles, he is ready with the answer. "If you look at our financial performance, we are doing relatively much better than rest of the industry. Although our sales (40,550 units) for Eicher Trucks and Buses (ETB) have declined by about 16 percent in 2013 we have outperformed the industry, which saw a sharp de-growth of 25 percent. We have not only gained market share but have also been earning operating profits even in the downturn scenario. So, we have been in a good position to successfully implement our business strategies on the ground as we continue to improve our performance vis-à-vis the market conditions." (Of course, he doesn't forget to mention that Volvo Trucks, although small in volumes, has grown by 22 percent selling 700 units in 2013).

Extensive testing has been done not only in the labs and on the Volvo Group's torture track, but also with some of its customers in real world conditions.

The plan has seen fruition in the form of launching of what VECV calls the Pro Series, a completely new range of trucks and buses in the 5 to 49 ton segment. Now it's the turn of Philippe Divry, Senior Vice President, Trucks Joint Venture India, Volvo Group, to get into the conversation. "Actually, you have to go back more than two years to understand the genesis of this launch. The Volvo Group and Eicher have been working for more than five years now to develop new solutions for India. In the Indian CV industry,

VECV blends Volvo's technological excellence with Eicher's frugal engineering expertise

Manufacturing capabilities

Your editor has visited Pithampur to see first-hand VECV's manufacturing facility. The plant's machine shop has 17 horizontal machining centers and special purpose machines for critical operations like crank bore, cam bore, piston bore and joint face finish machining. The transmission assembly section has hydraulic press for pressing of bearings and a sound proof enclosure for checking abnormal noise in the transmission units. The plant also has robotic welding facilities for main body and under body welding. A pre-delivery automated inspection facility checks the speed and brake related parameters, turning angle as well as wheel alignment issues before delivery of the final product.

As a part of the product development process, VECV has a fully equipped vehicle and engine development centre with fatigue lab, complete virtual vehicle integration capability, different simulations, in-house competence for electrics and electronics integration, a complete bus structure and interior trim design capabilities.

fuel-efficiency is a major cost driver, and in this area, the Volvo Group's technology and Eicher's competence in frugal engineering have been very complementary," he explains. Divry believes the joint venture has created a strong foundation in the last five years for future growth and success by modernising the product range, the manufacturing footprint, and the ways of working throughout the company. "And as Vinod mentioned, our financials are very robust; we are a debt free company."

According to Divry, the mammoth product development initiative for the Pro series range involved an investment of three million hours of engineering effort, 7.7 million km of testing and 50,000 hours of engine development. "The new range will deliver higher profitability over vehicle's lifecycle, leading to real productivity improvements through best-in-class fuel efficiency, good driver comfort, better drivability and higher up-time," he says. The Eicher Pro series range has undergone very stringent and gruelling test protocols to ensure superior up-time. Extensive testing has been done not only in the labs and on the Volvo Group's torture track, but also with some of its customers in real world conditions. "Indeed, the last five and half years have been a great success story in terms of joint ventures," adds Aggarwal. "As a result, the entire new range is a result of synergistic work between the two entities."

Aggarwal says that the VECV has incorporated a lot of Volvo technology as well as Volvo processes. "Whether it is the cabin, the engine or the use of technology in terms

Various in-line process checks ensure that no product moves ahead unless it is absolutely right

Ripple effect

Starting with a single location in Pithampur, VECV has now spread to seven industrial locations in Pithampur, Baggad and Dewas. Over the last five years, the Company has invested over Rs1,900 crore in the State of Madhya Pradesh (MP) in these facilities.

The setting up of the VECV plants has led to the mushrooming of the auto component industry in the region which has grown to a sizeable number now. This has created around 60 supplier and ancillary units around Indore/Pithampur. The large industrial base created by VECV along with its ancillaries has helped to provide direct and indirect employment to over 45,000 persons in the state. VECV is all set to deliver many more products from its manufacturing bases in Madhya Pradesh and in turn will not only contribute to the growth of the Indian CV sector but also towards the growth of the region in the coming years.

The modern plant in Pithampur has access to top notch manufacturing processes

Every product undergoes stringent and gruelling test protocols

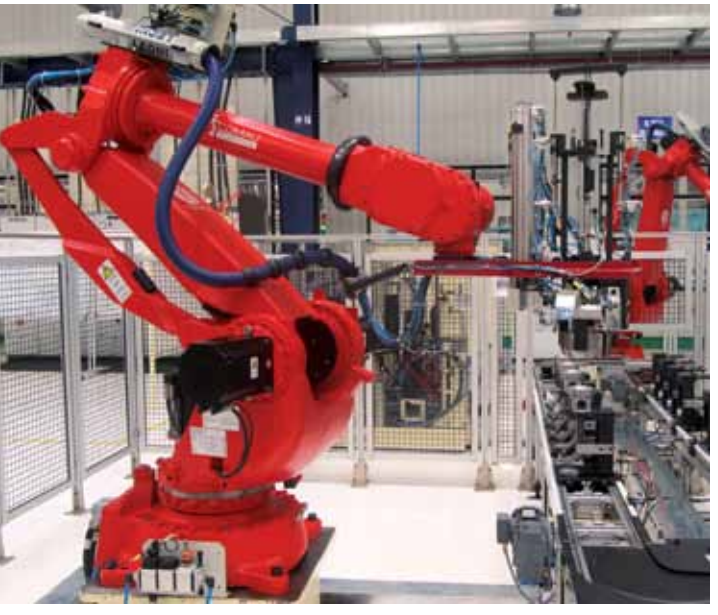
> It is for the first time that a global manufacturer like Volvo has started the production of its advanced engines in India, not in Europe or US. Right from the start, we intend this to be a global hub for engines."
>
> **Philippe Divry**

of EMS and telematics, we are bringing the best of European trucking standards to India. The modern plant in Pithampur has access to top notch manufacturing processes, which includes cab weld shop with robotic welding, CED paint shop, integrated testing facilities, 100 percent hot test facility for engines, and a lean and scalable manufacturing set up."

The new paint shop was inaugurated in November 2012. "This paint shop offers superior paint finish and delivers quality much superior to what we see in contemporary trucks in India. The top coat paint finish will be superior in terms of gloss, distinctness of image and corrosion resistance," says Aggarwal. Even UV protection will be two times more than the existing paint quality. The paint shop has an initial capacity of 72,000 units scalable to 100,000 units per annum. The plant has a new BIW line operated by robots. All lines have been re-laid to increase the efficiencies and capacities. "Various in-line process checks have been implemented to ensure that no product moves ahead unless it is

Three million

The numbers of hours of engineering effort in creating the Pro Series. It also required 7.7 million km of testing and 50,000 hours of engine development.



Hundred percent automation for critical operations

This paint shop offers superior paint finish compared to conventional paint shops

The plant also has robotic welding facilities for main body and under body welding

absolutely right. So the culture of 'first time right' has been implemented. Aggarwal also points out that the shopfloor uses a good blend of automation and manual operations to derive maximum operational efficiency and product quality. "We have fungible capacity, so we can produce any model on the line. While the current capacity is at 5,000 per month, we can jack it up to more than 7,500 per month very quickly depending on the market demand. In fact, we are at a take-off stage now. When the market starts growing, we would be in an advantages position to improve our standing," he says.

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Besides its technological proficiency, the Volvo Group also brings process expertise to the table in this JV. "I call it soft technology. Moreover, we also bring know-how in terms of developing new products and validation in terms of quality." Divry says. He also draws attention to the fact that the Volvo Group has stationed a team of Japanese quality experts at the Pithampur plant. "Coming from various Volvo Group plants around the world, this team's highly experienced members have been working very closely with the local team for the last five years. Our local team has been very enthusiastically learning from the Japanese team and has now adopted a lot of quality norms to suit the local requirements in terms of manufacturing quality and efficiency."

Reiterating the 'very good exchange of knowledge between the Volvo Group and Eicher', Divry points out that the Volvo Group's world-class technology has been adapted

The engine plant

Commemorating successful completion of five years of partnership between Volvo Group and Eicher Motors in July 2013, VECV started commercial production at its technologically advanced engine manufacturing plant in India. The plant located at Pithampur, Madhya Pradesh, with an initial capacity of 25,000 units per annum in Phase 1 at an investment of Rs375 crore. The capacity will increase step by step to 100,000 units per annum as per the market requirements with an additional investment of around Rs125 crore. According to Aggarwal, VECV has substantially enhanced its engineering design capabilities as well with a strong focus on R&D. "We are designing all our engines at Pithampur," he says.

The engine facility will be a global hub for meeting the medium-duty automotive engine requirements of Volvo Group globally for five- and eight-litre engines. The Euro 6-compliant diesel base engines will be supplied to Volvo Group plant in Venissieux, France where these engines will be assembled for the Volvo Group Euro 6 requirements. The same platform will be adapted to Euro 3 and 4 engine (BS3/BS4) technologies to meet the Eicher requirements in the new Pro range and other Volvo Group requirements for this type of engines in Asia.

The modern paint shop has an initial capacity of 72,000 units scalable to 100,000 units per annum.

to the Indian conditions to make it relevant. "This is where our Indian experts have come up with some fantastic, cost-effective solutions. And these have been so effective that we are now going to re-import some of these solutions to other Volvo Group plants globally. These will in fact become Volvo Group standards." Divry is also proud to note that it is for the first time that a global manufacturer like Volvo has started the production of its advanced engines in India, not in Europe or US. "Right from the start, we intend this to be a global hub for engines," he adds.

Divry further shares that the Eicher brand is now considered as the fifth brand in the competitive portfolio of Volvo Group brands. Volvo has a multi-brand strategy with each brand having a well identified role in the market. "The Eicher brand is an integral part of the Volvo Group's strategy to expand in Asia and other growth markets. With the launch of the Pro series of trucks by Eicher, our strategy in Asia gets further strengthened," he says.

Having a launched a superior range of products, VECV will now gradually phase out its existing products. "Everything will be done in a planned manner. We will introduce the new series in phases. We are introducing two models in February-March (Pro 1000 and Pro 3000) and will introduce a few more by June. Also, while we have been strong in the India-like markets in South Asia, we will now also be exploring other markets where the Volvo brand is strong."