

Motown

THE PULSE OF THE AUTOMOTIVE INDUSTRY

INDIA



VINOD AGGARWAL, CEO, VE Commercial Vehicles

**VE COMMERCIAL
VEHICLES (VECV)**

**READY
TO REAP**

**COMMERCIAL
VEHICLES SPECIAL**



WHEELZ & ROADZ



Volvo V40 Cross Country
Stunning Scandinavian

VECV Ready To Reap

Report **P. Tharyan**
Photography **Mohd. Nasir**

Like all truck and bus manufacturers in the country today, the sales of VE Commercial Vehicles Ltd. (VECV) are down. But at VECV, the top management, rather than being in a sombre mood, is unperturbed. They are busy going ahead with all their capex plans running into thousands of crores of rupees. The future according to them looks good. Recently, the company added a bright feather to its cap when it announced that VE Powertrain will be exporting Euro 6 base engines to Volvo's Venissieux plant in France where it would be assembled and fitted into trucks for the global markets. Also, during the first quarter of the current financial year, VECV set up a wholly owned subsidiary VECV Lanka (Pvt.) Ltd. in Sri Lanka for the purpose of expanding its commercial vehicles operations in Sri Lanka and invested ₹5.43 crore as part of capital expenditure. In Q1 2013, Eicher Motors Limited reported the best ever quarterly total income



VINOD AGGARWAL, CEO, VE Commercial Vehicles



A robot using smart cell technology.

Eicher-Polaris small passenger vehicle is ready

It need not be Datsun alone that could ruffle the small car market in India. So do we expect Eicher-Polaris joint venture to launch their small car too in 2014? Eicher and Polaris have completed making their first small personal vehicle. This was confirmed by Siddhartha Lal, MD & CEO of Eicher Motors Ltd. Speaking to Motown India at the Pithampur based VE Commercial Engine Euro 6 plant, Lal confirmed that the "Product development stage is over". He added that, "Distribution aspects are being worked out". Lal did not mention whether this small vehicle would be a quadricycle. He refrained from giving details of the vehicle.



Eicher Motors Limited had signed a strategic joint venture agreement with US based Polaris Industries Inc., a leader in all terrain vehicles, to set up a greenfield project in the automotive sector. The agreement was signed between Siddhartha Lal and Scott W. Wine, CEO, Polaris Industries Inc. This agreement envisaged the creation of a joint venture company with a 50-50 partnership between the two companies. The joint venture company will design, develop, manufacture and sell a full new range of personal vehicles suitable for India and other emerging markets. The expected start of production will be 2015.

from operations at ₹1,724.3 crore, an increase of 3.4pc over ₹1,668.2 crore in Q1 2012.

Says Vinod Aggarwal, CEO, VECV, "Till last financial year, we had invested around ₹1,300 crore. This year we have invested another ₹200 to ₹300 crore till now. Till 2014 end there will be further investments of around ₹1,000 crore. By 2014 end this joint venture would have invested ₹2,500 crore which includes the engine plant, cabin plant, new products, new test beds, etc. We have done various investments which will help us achieve our

aspirational targets. We have targets to grow our share in heavy duty trucks. It is a large potential area for us. In medium and light duty vehicles we have a 30+ pc market share. In the heavy duty segment we are around 4-5pc market share. Similarly in the bus segment we have a huge potential for growth. We have grown from 6pc market share in the beginning of the joint venture to around 14pc last month in our market share for buses".

VE Commercial Vehicles Limited is a 50:50 joint venture between the Volvo Group (Volvo) and

Eicher Motors Limited (EML). VECV comprises of several business verticals including VE Powertrain.

Siddhartha Lal, MD and CEO, Eicher Motors, notes, "It's been five year since the JV started (July 2008) and it's been an absolutely phenomenal five years for us. The way I want to look at it is that we have really set the platform. Our marketshare has grown every year for the last five years. Our profitability has overtaken that of our main competitors. Now we are on a structurally better position than them. Our growth has been

faster. But really, that has not been our story. The real story is what we have put as a base or platform. We shall now be reaping this in the next five years or so. The base has been quality orientation of a different class. Our parts distribution centre is world class. Our ability to serve our dealers and retailers of parts across the country is now at a very different level."

Lal further notes that the products that his company shall be rolling out this year, in 2014 and 2015 will take Indian trucking to an "absolutely new level". He claims that all of that

has been done on a foundation his company has created. "The last one and a half years have been extremely depressed. We have not cut one rupee on our capex. We have continued to meet investments on all fronts particularly technology, products, quality, distribution and aftermarket. When the industry comes out of the downtrend we would be the ones who would have invested tremendously and that will help us grow. The minus 20pc and minus 30pc growth rates which we have been seeing will flatten out first. Downturns are part of industry

and our industry is cyclical. We feel that the markets will come around in three months to six months," he says.

"In the last five years we have done tremendous progress. When we started this joint venture in 2008 we were selling around 25,000 trucks and buses. Within a year we increased that to 48,000 trucks and buses. Due to recession, 2012 was a flat year, and 2013 will also likely close with a low growth. At the same time if you were to compare with the industry, we are doing relatively much better and we are improving our marketshare continuously.



L to R: Vinod Aggarwal, CEO, VECV, Bertil Thoren of Volvo Group, Siddhartha Lal, MD and CEO, Eicher Motors and Rajesh Mittal, Senior Vice President & Head – Operations, VECV

Apart from the engines, we have a technology partnership in the cabin business. We are coming out with a whole new range of products by the year end. For all the initiatives we have been making investments," says Aggarwal.

According to Aggarwal, in the last five years his company has made tremendous progress. "The investments we have made are for our future. This will take us to the next level of growth. This is a very solid foundation. We have been able to create tremendous trust between the two partners. The Euro 6 engine project that has been awarded to us, is a result of this trust. We have benefitted in the hardcore technology area. The engine technology we shall be adopting for our own applications. The engines will be put in Eicher trucks. We have got cabin technology from the Volvo group. We have benefitted both in the software as well as hardware

areas," he maintains.

LEAPFROGGING EVERY COMPETITOR

The Pithampur VE Powertrain plant is technologically the most advanced engine manufacturing plant in India. The plant was set up at Pithampur, Madhya Pradesh with an initial capacity of 25,000 units per annum in Phase I at an investment of ₹375 crore. The capacity will increase step by step to 100,000 units per annum as per the market requirements with an additional investment of round ₹125 crore. Lal told journalists at Pithampur that VECV will be manufacturing Euro 6 compliant base engines for meeting automotive requirements of medium duty engines of Volvo Group globally.

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 VECV requirements and other Volvo Group requirements for this type of engines in Asia.

"With this new Euro 6 engines, we totally leapfrog every other competitor. While we would be making hundreds and thousands of Euro 6 engines, even when Euro 4 comes to force all over India, our capability to make these engines at the right quality, at the right cost, with enormous sophistication, is unsurpassed. This is an extreme case of leapfrogging. It plays back to our core theme and our vision at VECV which is 'driving modernisation' in

commercial transportation," says Lal.

Bertil Thoren, representing Volvo Group on VECV Board of Directors and who was present on the occasion says, "The global manufacturing hub at VECV is truly a win-win situation for both Volvo group and VECV. While on one hand it will help Volvo Group reduce costs by sourcing engines from this plant, on the other hand, it will help VECV to source best in class Euro III and Euro IV engines based on latest Euro VI Volvo Group technology. The manufacturing plant is based on Volvo Group global manufacturing systems and processes and is one of the most modern plants. The setup

has passed the most stringent global quality norms of Volvo Group and is now equipped to produce highest quality engines meeting Volvo Group global standards for Euro 6 engines. There is a high level of relevant automation with in process verification on all the critical work stations. Additionally this is the first plant which has most flexible final engine assembly line using automatic guided vehicles and smart cell technology. Since the same engines are being adopted for Euro III and Euro IV for Indian Customers, it will benefit the Indian customers in terms of the most advanced technology engines with best in

class performance".

Aggarwal adds, "These engine platforms have a power range of 180 to 350HP which will provide highest power to weight ratio in the Indian commercial vehicle space".

"We have completed five years and at the same time we have inaugurated the state of the art Euro 6 technology engine plant. Eicher customers in India will get the benefit of the same technology (the base engine will be the same), only the peripherals and fuel injection system will be different. This is a big step for us," says Aggarwal.

Aggarwal informs that the Eicher engines that the company



A view of the VECV engine plant at Pithampur, Madhya Pradesh

“With this new Euro 6 engines, we totally leapfrog every other competitor. While we would be making hundreds and thousands of Euro 6 engines, even when Euro 4 comes to force all over India, our capability to make these engines at the right quality, at the right cost, with enormous sophistication, is unsurpassed,” says Siddhartha Lal

is currently using are from 80HP to 150HP. “The four cylinder two valve engines are being upgraded. We are upgrading to four valve engines. We have an option of existing Eicher engines, and this new engine. We can meet demand from different types of segments and for different applications. We would likely launch the new engines in the first quarter of 2014. The engine technology belongs to Volvo. We are manufacturing them according to their specifications. Their team is working with ours to

indigenise this engine. Around 88pc of parts of this engine are made in India,” he says.

Talking of the joint venture plant, Rajesh Mittal, Senior Vice President & Head – Operations, VECV, says, “It’s a unique combination of two companies’ strengths. Volvo has global expertise and world class

systems and technologies. On the other hand Eicher has its approach of frugal and lean manufacturing, then there is a wide after sales network and we are very cost effective in our thinking. It is the best engine plant in the country. We follow Volvo manufacturing processes. It has a flexible line and different types of engines can be manufactured on the assembly line.

We have a smart cell technology where you can assemble 166 parts in two minutes. Every part is bar coded and every part



carefully assembled. Every engine produced will have zero defects”.

VECV BUSINESS VERTICALS READY TO REAP

VECV comprises of five business verticals, namely: Eicher Trucks and Buses, Volvo Trucks India, Eicher Engineering Products, Eicher Engineering Solutions and VE Powertrain. The JV has five different business areas and seven manufacturing units in and around Indore. While the company manufactures trucks and buses at Pithampur, engines too are made in the same area. It has a bus body building factory in Dhar which is 27km from the Pithampur engine plant. The company will be making its own bus bodies here. “We shall make high quality buses here based on the requirements of our vendors. The initial capacity is 7,500 units per annum which can be expanded to 15,000 units per annum. It will go in production in a month or so,” says Rajesh Mittal.

“In Dewas we have two plants for transmission components. We also have a plant in the SEZ area for export of gear box assemblies. VE Power Distribution Centre situated near the engine plant is for the aftermarket. It is a 9,000sq metre distribution centre. It can handle 150,000 part lines. At Eicher engineering Centre we can make gearboxes and components. The engines that are made at the powertrain plant will get their gearboxes from here. Volvo

File photo of Volvo Tipper



group is looking at this plant for sourcing parts globally. We came to Pithampur in 1986 with a capacity of 12,000 per month. Our current capacity is 66,000 units per annum. We can expand this capacity to 100,000 in a short period of time. The Eicher Trucks and Buses plant is the most lean and productive plant in the industry. This is a 75 acre plant where we can produce 100,000 trucks and buses,” informs Mittal.

Despite the industrial gloom, at VECV the spirits are high. Says Bertil Thoren, “I don’t feel desperate

at all. We have kept up very good profitability all through this period. We are eagerly waiting for the market to turn around. Hopefully, then our products will fit perfectly well.”

Aggarwal too holds the view that the CV industry has very big potential to grow in the medium to long term. “We are not worried. We focus on reducing wastages. Our price managements are good; it helps us to get good margins,” he says. The company, in short, is now ready to reap!