

Volvo, Eicher script new global plan

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The MD & CEO of Eicher Motors Siddhartha Lal has reason to be upbeat. His company and the Volvo group celebrated their fifth year partnership with the commissioning of the Euro 6-compliant diesel engine plant in Pithampur.

"We have totally leapfrogged every other Indian competitor. Our ability for enormous sophistication will be unsurpassed during the Euro 4 regime in India," he said here on Wednesday.

Set up at an investment of Rs 375 crore, the engines will be supplied to Volvo's facility in France where they will subsequently be assembled. It will meet the Swedish truck maker's needs of five and eight litre engines.

The initial plan is to produce 25,000 engines, which can be enhanced in phases to 100,000 units at an additional investment of Rs 125 crore. The same engine platform can cater to the requirements of the joint venture, VE Commercial Vehicles, both in India and the Asia-Pacific region.

As Lal said, it marked a coming together of Eicher's strengths in frugal engineering combined with Volvo's in global technologies. "We have set the platform with substantially better profits compared to our rivals. The real story is creating a base and assuring quality orientation of a different class," he added.

Thus far, the investments in VE Commercial Vehicles total Rs 1,300 crore with an additional Rs 1,200 crore planned over the next 2-3 years.

Lal said the benefits of this move would be evident when the recovery phase began. The



Siddhartha Lal

new product range, he added, would begin rolling out over the next two years where the idea was "to take Indian trucking to a different level".

VE Commercial Vehicles is keen on increasing its share in the heavy duty segment from the present five per cent to 15 per cent over the next couple of years.

"Our business model is lifetime ownership costs," said Lal, maintaining that a low vehicle price tag was not the answer to building market share.

From Volvo's point of view, the partnership with Eicher will help it grow in emerging markets in Asia-Pacific.

This region accounts for a third of the group's turnover today and is a critical growth lever.

Bertil Thoren, representing the Swedish group at the Pithampur meet, said business was looking up in North America. The company has a joint venture with Dongfeng in China which, like the alliance with Eicher, is expected to play a big role in other emerging markets such as Africa and Latin America.