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 high market share 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:

Siddhartha Lal, CEO & MD, VECV:

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

S: The light and medium duty range would remain smaller. In the range of 60,000-80,000 units a year, like we have been doing for the past 10 years or so, we would look to improve our market share 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 be at least five to six major players with about 15-20 percent market share.

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 key players in the heavy duty segment.

M: How do you 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- to three percent for tractors and one percent for Volvo currently. We expect this to take us a few years.

S: 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.

M: Moving to your JV with Volvo, how has Eicher gone about integrating its business with Volvo, say in terms of technology manufactory, etc.?

S: 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 Eicher and Volvo brands separate. Of course, there would be a lot of integration in engines, cabs, etc. A lot of it is technology, say in terms of processes. For instance, how 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 to two design groups, and we have to make the product and then sync with all the other areas like manufacturing and service.

M: With your JV with Volvo, do you feel like you have been getting support from Volvo’s overseas operations as well?

S: We are in a very different situation compared to Volvo’s overseas operations as well.

M: Under the JV, is engineering the area you want to continue getting support from Volvo’s overseas operations as well?

S: From the perspective of India, it 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.

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

S: We are processing some enquiries. EES was folded into this joint venture. Volvo wanted to have EES’s global engineering suppliers and we are working towards making EES a large supplier of engineering to the Volvo Group.

M: Are there any specific areas defined for EES under this JV?

S: 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.

M: How has Eicher Engineering Solutions performed in the past year?

S: We have absolutely put in a lot of effort in integrating the two companies. We have been able to create a strong infrastructure which can work together. We have been able to meet Volvo’s stringent requirements and reach. We expect to start supplies, whether in India or other geographies, in 2019.

M: How has Eicher Engineering Solutions performed in the past year?

S: We have made large investments in the past year, including the division that we started in the last year and half, especially in Dyna and the new plant in Pitampura SEZ for gearboxes assembly. The component division has matured tremendously. The Rs 50-60 cr investment we made in Dyna has been in the right direction, and although Eicher has a huge customer base, 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 to the JV, it offers a huge opportunity for our EES division.

S: Having said that, EES would need to independently meet all the quality standards and requirements of Volvo Group for business with the Volvo Group. That is a challenge.

We are aware of the fact that once we make the Volvo gears, it is going to be a big business for EES. We have the capability and capacity to take on larger business.

S: We categorise ourselves as driveline component makers. We don’t manufacture the complete range of driveline components, but we do have the capability to do that. We are still new in the gearboxes and axles. Going forward, we would like to do complete gear assemblies. We do some training and development work in the exporting 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 over 50 percent of our business coming from that market. We also have presence in some South-East Asian markets.