We are confident of being a sought-after partner for OEMs in India

Auto components and engineering solutions business of VE Commercial Vehicles (VECV) has had a rough ride this year due to the major downturn in key market segments. Not only was its domestic business in the commercial vehicle (CV) segment badly hit, but also its key market for engineering solutions in North America took a severe beating. Auto Monitor caught up with Chief Executive, Eicher Engineering Components and Richer Engineering Solutions, VECV, PK Kapre to understand the implications of downsizing on the component business and the ensuing opportunities emanating from the Volvon post-venture. 

PK Kapre, Chief Executive, Eicher Engineering Components and Eicher Engineering Solutions

What is the current scenario in the CV sector and what are the implications for your company?

We cater to different market segments and the scenario for each segment of the market is very different. There is a significant recovery in the domestic CV market over the last six months and the current scenario looks positive. Though the scenario in the medium and heavy commercial vehicle (M&HCV) segment in the domestic market is looking up but it is likely to take a while before it regains its former momentum. The LCV segment has been growing with a double-digit growth rate and outlook for the segment appears very positive at the moment.

We have a major presence in the OEM and the aftermarket segments, mainly catering to the CV sector. We have maintained our business under the brand name ‘Derrn’ in the aftermarket, while catering to the OEM segment as Eicher Engineering Components. Due to persistent overloading across whole categories and applications, the life of transmissions and drive-line is reduced and replacement demand for such transmission is reasonably stable irrespective of OEM demand.

In heavy-duty applications like mining and infrastructure, the volume and type of components is very high, a scenario that creates significant demand for components in the aftermarket. For instance, the axles and transmissions are replaced as frequently as three to four days in tippers deployed for mining activities. Through the replacement market is not lucrative for us, it is a steady business. We have around 25 percent business from international markets, 36 percent from in-house within the Eicher Group, 30 percent from OEMs and the remaining from the aftermarket.

How does the Volvo JV impact the component business of Eicher group?

The JV has come at an opportune time when the entire market of trucks priced from Rs 15 lakh to Rs 70 lakh is there for taking and there are likely to be multiple introductions of different tonnages from different manufacturers in coming months. The domestic CV business is likely to undergo massive changes in terms of product offerings as well as volumes. That would certainly create new opportunities for us. Volvo Trucks will be a strong portfolio, with Volvo’s support and assistance, will be in a position to bring in presence in the domestic market and that is how we will benefit. More importantly, Volvo has a presence in developed and developing countries through its four brands. There are several markets where its high-end trucks and buses are not competitive, or have very low volumes and it makes sense to have lower-end CVs in these developing markets. The potential growth opportunity for us is to supply parts to Volvo to meet their component demands in these developing markets. So, not only will the domestic production grow as far as Eicher-made trucks and buses are concerned, but also the demand for components from Volvo is also likely to go up and create new opportunities for us.

Initial feedback has been positive and we are expecting major demand mainly for manual transmissions. Generally speaking, evolving supplier in a sourcing arrangement is a long-drawn process but we are expecting a major handholding from Volvo, since it is a JV partner.

How is the engineering solutions business faring?

Eicher Engineering Solutions business gets almost 90 percent of its revenues from North America and that business has been badly affected in the downturn. We had acquired two engineering and design entities in the US earlier and we have consolidated the operations (here to) Eicher Engineering Solutions in Michigan. Major customers include key passenger car manufacturers in the US like General Motors (GM), Ford, Toyota and Nissan, among others, and we have been advisedly affected as the passenger car market has shrunk by almost 50 percent in North America. We have been gradually growing business in India and China in the engineering solutions. We have diversified from catering mainly to passenger car manufacturers to providing solutions for electric cars, hybrids, farm equipment and CVs to mitigate the impact of downturn. But we have not been able to escape unscathed because the passenger car development process has also slowed down significantly and is only likely to pick up once OEMs get their cashflows in place and conceptualise new product introductions. We were operating at around $18 million in North America and that has come down to less than $10 million last year. We hope that things will improve from early next year onwards.

How is domestic market developing in terms of trucks and buses manufactured locally?

We are seeing a major awareness from customers who are beginning to appreciate a truck as a value proposition in terms of its entire lifecycle as opposed to just initial cost. This will lead to range of offerings getting more varied and suit customers’ requirements and affordability brackets.

There are only three-four component suppliers in India who can effectively design, develop, test and supply parts for most vehicles in India and we are confident of being a sought-after partner for all OEMs in India.

We clocked a turnover of around Rs 140 crore in the component business last year and aiming for a turnover of around Rs 250 crore next year. We are in talks with John Deere, Caterpillar and other CV and farm equipment manufacturers in North America and Europe and are confident of getting higher share of business from these three segments. In some of these businesses we are likely to be a single source supplier as well.

We have the capacity to manufacture around 60,000 transmission units per month at our Dewas, Madhya Pradesh, facility currently and will be moving up to around 120,000 transmission units per month by next year at Dewas. Our capacity at the Thane, Maharashtra, facility and Dewas is running at 300 tons of components per month, while the facility coming up in the SEZ at Pithampur in Madhya Pradesh is much larger and would more than double our existing business. So we are unlikely to have any capacity constraints in the near-to-medium-term.

AutoMonitor

is an ideal medium to advertise.

You can reach to the right audience through the vast reader-base of Auto Monitor.

www.zygoelastickey.com | sales@zygoelastickey.com

Celebrating 25 years of serving the automotive industry | CHENNAI PLANT - JANUARY 2010

2000 SERIES

"Celebrating 25 years of serving the automotive industry" | 1984 - 2009