

THE MACHINIST

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INTERVIEW

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INDUSTRY 4.0

CASE STUDY

OLD WAYS FOR
A BETTER FUTURE

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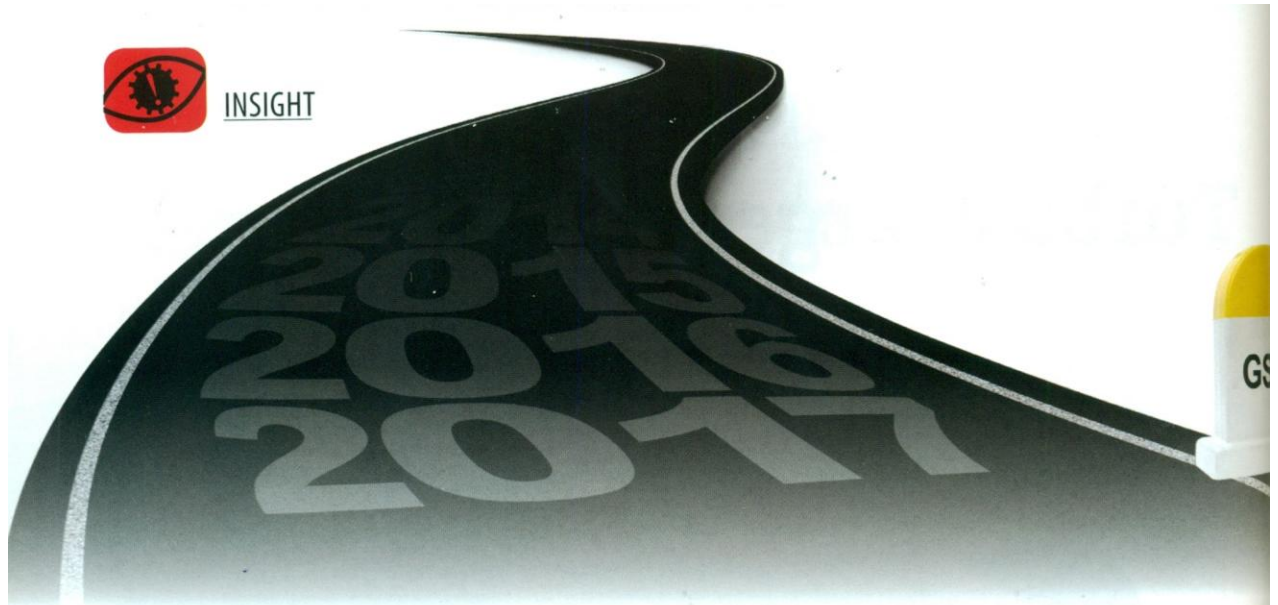
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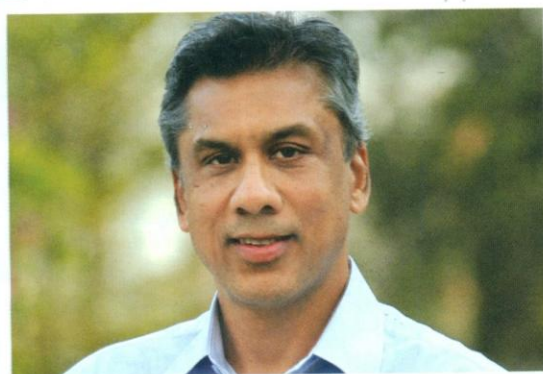


New year, new hopes

The year 2016 has been satisfying for the industry. However, the industry is optimistic about the time to come and ready embrace GST.

By Swati Deshpande

After the sluggish business environment faced in the previous year, the industry seems to be satisfied with its performance in 2016. Speaking on the same Tarang Jain, Managing Director, Varroc Group says, "2016 was a turning point for the Indian automotive industry as



"In India cross selling of our diverse portfolio to our key growth customers is yielding good results. The negative effects of demonetisation in the current quarter and the implementation of GST may dampen results a bit towards the end of the year, however, overall our strategy seems to be paying off."

Tarang Jain, Managing Director, Varroc Group

we saw signs of a sustainable revival in demand for the first time in five years." Seconding the same, D C Sharma, Group Chief Financial Officer, Minda Corporation says, "I am quite pleased to say that we exceeded our internal business targets both in terms of the operational and financial performance. For six month ending September 2016, the consolidated topline grew by 29.1 percent y-o-y to Rs. 1,477 crore and our operating profit expanded by 29.2 percent y-o-y to Rs. 147 crore. This growth was broad based across all the business divisions, including wiring harness, safety and security business and after-market."

Racold Thermo as well registered a double digit growth in the year. Speaking on the same, Anil Bhamre, Head- Marketing, Racold Thermo notes, "The year 2016 was full of challenging opportunities for us. Our industry is still at a very nascent stage in terms of penetration compared to other consumer durable goods. We continue to focus on innovation, people, distribution, reach and consumer insights which have helped us at a double digit growth in 2016."

For Varroc Group, 2016 was a great year for business growth and the company may reach a milestone of INR 100 Billion this financial year. "Our international exterior lighting business continued its momentum from last year and our Indian businesses have benefited from the market revival in India. Some of our key customers continue to outperform the market both in India and abroad resulting in sustained growth. The shift in exterior lighting technologies to LED for headlamps have favoured our technology strategy to position affordable LED headlamps as a viable alternative to Xenon



lamps,” Jain shares.

Effects of demonetisation

“Recent demonetisation drive by Government has become an alarming challenge for the automotive industry in the short term. The overall automotive sales volumes are expected to be adversely impacted on the account of demonetisation in the third and fourth quarter of FY2016-17. Impact is likely to be seen across segments including two wheelers, tractors industry, Passenger Vehicles (on account of deferment), luxury cars & SUV and commercial vehicles. With the on-going demonetisation drive, interest rates are expected to soften in the coming months and should benefit the overall automotive industry,” Sharma projects.

Even after the negative effect of the demonetisation on the businesses, the industry is hopeful about the future. “It remains to be seen how long the cash crunch due to the demonetisation will continue, however the long term outlook continues to be positive,” Jain thinks.

“We are closely watching the developments with respect to the full roll out of the Good & Services Tax (GST) and continue to be hopeful of its positive implications for the automotive and automotive component industries in mid to long term,” Sharma adds.

GST: A welcomed change

Elaborating on the business environment, Jain comments, “The positive sentiment created by the Modi government’s business-like approach to running the government has been a shot in the arm for the industry. Also, the announcement of various initiatives such as Make in India and Skill India, besides the announcement of GST implementation in April 2017 will continue to boost market sentiments in the medium and long term.” Bhamre adds, “2017 will see a sea of changes being done in manufacturing industry due to change in taxation to GST. There will be changes in way organisations operate while working with their vendors, agencies, suppliers and

customers. It will call in for more judicious and in fact invoice wise working, tracking and following. Every organisation will have to be more judicious, systems oriented and have tight filing/monitoring / control systems to cope up with GST. There will be innovations in the way the manufacturing is conducted Vs future requirements.”

“In India cross selling of our diverse portfolio to our key growth customers is yielding good results. The negative effects of demonetisation in the current quarter and the implementation of GST may dampen results a bit towards the end of the year, however, overall our strategy seems to be paying off,” Jain says.

Plans for the coming year

Elaborating on the plans for the next calendar year, Sharma says, “We are in the process of setting up first manufacturing plant in North America (Mexico), which is likely to commence commercial production by the end of FY2017. Additionally, the Spark Minda Technical Center in Pune which is close to being fully constructed and is expected to be operational in early 2017.” Moreover, the company’s JV in China is expected to start production in 2017 and also the company is setting up greenfield capacity in Pune for Die Casting. On the other

hand Racold Thermo plans to continue to invest in R&D, innovations, brand, distribution reach and people. “2017 is full of challenges due to recent demonetisation (leading to consumers holding money not spending), GST implementation, and trend of increasing hot weather months across the globe and so on. We believe in our brand, innovation and people which we have been doing in last so many years which should help us tide over in 2017 too,” states Bhamre.

Looking at the future optimistically, Jain mentions, “The global and domestic shift to LED technologies in exterior lighting will drive growth in our international business. At home in India, there are significant opportunities created by the future safety and emission norms for our Electrical and Lighting divisions and we plan to make the most of it.”



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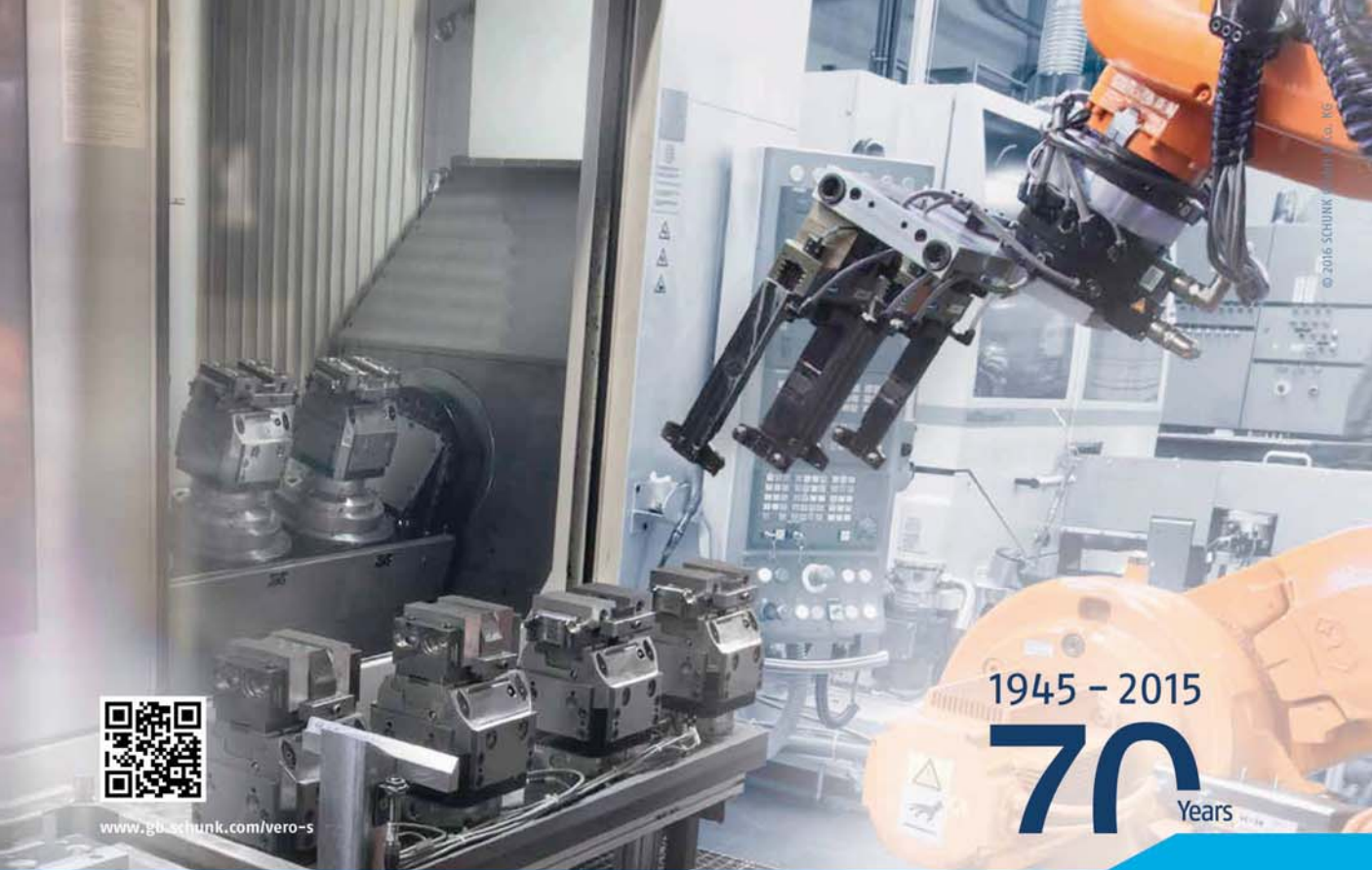
D C Sharma, Group Chief Financial Officer, Minda Corporation



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Anil Bhamre, Head- Marketing, Racold Thermo



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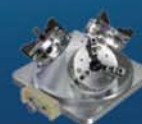
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