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HANNOVER

GLOBAL COMMERCIAL VEHICLE INDUSTRY

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India remains key growth market

TATA DLT

Setting new trailer market standards

SCANIA

Metrolink success continues

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Ambitious growth plans

MERITOR

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MERITOR All set to power ahead in 2015

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all set to power ahead in 2015

New products development, the key growth driver

By N. Balasubramanian

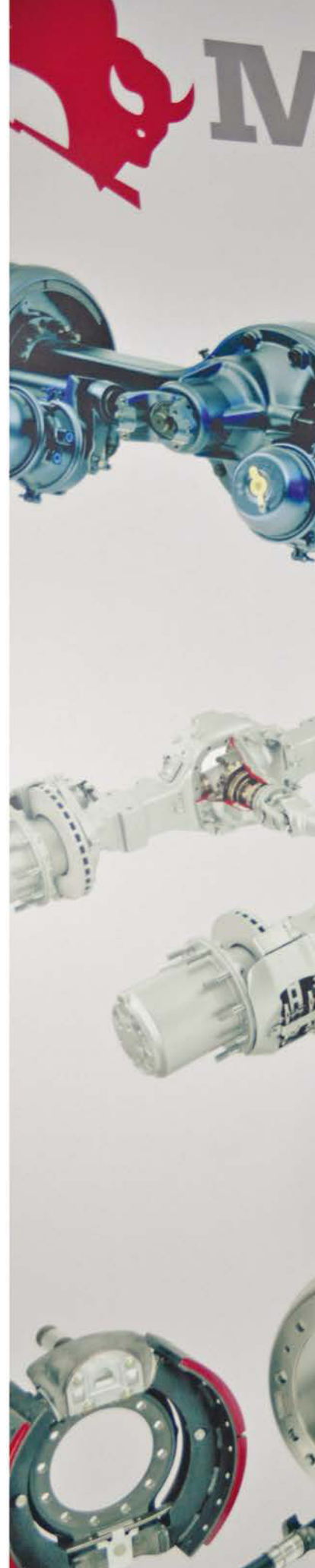
At the 2012 edition of Auto Expo, Meritor Commercial Vehicle India was out in full vigour, launching three new axles, much to the delight of its customers. The products delivering excellent field results were very well received in the market. But things soon took an adverse turn when the country's commercial vehicle market entered one of its worst phases in its history – a slowdown which is yet to loosen its feverish grip on the industry. Meritor was quick to switch gears as it embarked upon a challenging journey with focus on sustained growth in the extremely tough market conditions which saw CV sales volumes fall by over 50 per cent. Similar to the raging bull in its logo, Meritor has managed to emerge strong from the vicious slowdown, courtesy an efficient overall management by its resolute workforce, spearheaded by Mr. N.P. Thimmaiah, Managing Director & CEO, Meritor India. We spoke to Mr. Thimmaiah to know more about Meritor's strategy to buck the downtrend and what it has readied to offer the market in the foreseeable future.

Meritor India, operating as per an October to September financial year, expects to end the current year on a similar level to the last fiscal, though the latter was in itself a challenging one due to the sluggish market condition. However, buoyed by a change in the industry sentiment as a result of a positive general election outcome, Meritor anticipates a successful year ahead in 2015 when a slew of

its new products will hit the market which, in turn, will receive more response than in the last couple of years.

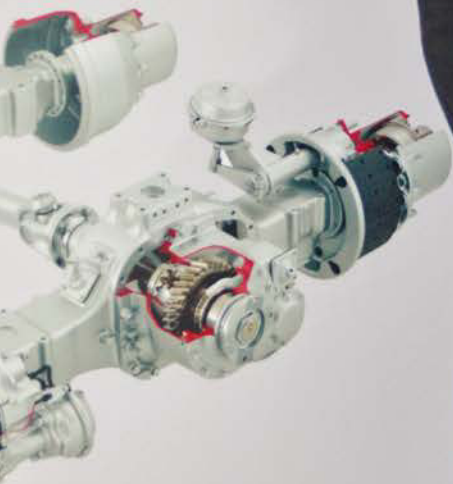
Says Mr. Thimmaiah: "We will be ending the current year on similar levels as last year, though the market has dropped considerably. We have been able to maintain our share by focusing on certain key areas – increasing our penetration with our existing customers and introducing new products

in the market, especially to fill up the gap in the product range. Our exports also grew significantly during this period. Overall, we feel we have hit the bottom and expect to see some growth after the turn of the year. Though the market sentiments are better, we will see the actual offtake only when projects for infrastructure development start, which is when people will go for new trucks. For us, Oct. '14



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Mr. N.P. Thimmaiah, Managing Director & CEO, India, Meritor CVS India Pvt. Ltd.

to Sept. '15 will be the real growth phase, and we look forward to it.”

Tackling the slowdown

Despite the CV market taking a nose-dive, Meritor has sustained the period with an intelligent operating strategy and cutting costs during the process, though not holding back investments for new product development and R&D. In line with its global reputation, Meritor’s Indian arm has remained steadfast when it comes to innovating and developing new products which now form the backbone of its market plans for the coming years.

“During the lean period, we have done a lot of work on cost reduction. We started an initiative called ‘Score 100’, an end-to-end cost optimization project with a view of maintaining costs and optimizing and streamlining our processes and systems. We had around 20 people dedicated exclusively for the project, and the overall effort helped us a lot in managing the downturn. And, on the developmental front, we have not cut down on any of our investments on resources, new product development and factory optimization. We are ready with our second medium-sized plant at Jamshedpur which will be inaugurated soon. The facility will manufacture brakes, trailer axles and tag axles and a few other products and can be expanded in future”, he adds.

As part of its footprint optimization drive, Meritor & its joint venture partner

Automotive Axles has closed down operations at one of its brakes facilities in Mysore and integrated it with its other facility in the same location. It is also shifting all the operations from its Noida factory to its plants at Jamshedpur and Mysore to keep the fixed costs low. The company has established a capacity to produce 140,000 drive axles annually, though the current

utilization level is only around 40

to 50 per cent of the market due to slack market, leading to the overall market size going down to nearly 190,000 units which is nearly half of the 360,000-unit mark registered in 2011.

New product development

Meritor has been continuously investing and focusing on the design and development of new products at its facilities in Bangalore and Mysore, in collaboration with its global R&D team. Being a multinational powerhouse, the company's approach in this regard is a clear reflection of the importance of innovation and technology enhancement to stay ahead of competition and remain insulated from challenging market situations.

"We have invested a lot into new product development in the last few years. We follow a policy wherein if we are developing five products at a

time we will always have five products in the line-up. Once a new product is out, another new development starts. New product development is very important, or else we will just keep going up and down as per the market conditions", quips Mr. Thimmaiah.

As a result of its consistent efforts over the last few years to come up with ground-breaking products and technology, the company has developed an armory of new axles – LCV axle, twin-speed axle, hub-reduction axle – which are already running successfully in the market.

Giving his views on the new products, he says: "The twin-speed axle had created a lot of buzz when it was launched, and though the market had

collapsed around that time, our customers are extremely happy with the performance of the product. Our new LCV axle will help strengthen our presence in the LCV/ICV segment. Also, our new hub-reduction axle will be a significant revenue earner for customers and is something which all vehicle OEMs are looking forward to."

Apart from the three drive axles & new brakes, Meritor has one more new product up its sleeve. The company is working on a new trailer axle which is likely to be launched sometime in the next two quarters. The trailer axle will be 100 per cent locally developed and manufactured, similar to most of its other products, and is one which the company is betting big on, considering the firepower it would add to Meritor's thrust

in the trailer segment.

Parallel to its new product launches, the company is also in the process of upgrading a few of its existing axles, including C100, MS120, MS160 and MT160. In addition, as part of its strategy of reducing its dependence on the cyclical commercial vehicle segment, it has developed new axles in the off-highway and defence segments for 4x4, 6x6, 8x8, 10x10 and 12x12 applications. "Many of the new vehicles showcased at the Defence Expo earlier this year, were fitted with our axles. Once the orders start coming in, this will be a big growth area for us, and it is also to derisk our business from the automotive sector into industrial and defence area", reveals the MD & CEO. In the brakes segment too, Meritor has new developments in the form of a range of smaller ICV brakes in 325 mm and 360 mm diameter to cater to growing market



Meritor hub-reduction axle is a perfect fit for heavy-duty applications

requirements.

Aftermarket & exports

The independent aftermarket (IAM) has been another major revenue earner for the company, though its OES business has fallen due to unhealthy market conditions. The company has been growing strongly in the replacement market and is planning to enter new product lines as well in future. “We have grown by a minimum of 10 per cent in the IAM in the last two years. We offer our standard products such as axles and brakes in the aftermarket and are also expanding into other products exclusively for the aftermarket. We are discussing with some of the leading Tier-I & II manufacturers of clutches, drivelines and transmissions for promoting their products in the aftermarket. Meritor as a brand is very well recognized in the market, so we would like to leverage on our brand strength in the aftermarket”, he says.

Meritor has a central warehouse and distribution centre for the aftermarket located at Pune. The company currently has a network of more than 50 distribution centres in the country. In the last two



LCV axle

quarters, it has added seven distribution units under its belt covering Gujarat, Uttar Pradesh, Madhya Pradesh, Andhra Pradesh and Himachal Pradesh and is planning to add more outlets in Tamil Nadu and Karnataka in the near future.

Exports are another important focus area for Meritor. The company exports back into its overseas facilities while also eyeing aftermarket opportunities in markets like Nepal, Bangladesh, Sri Lanka and other SAARC countries.

Eye on 2015

Meritor has been working on a focused three-pronged strategy to leap into a new growth phase in the Indian market. Sharing key aspects of the strategy, Mr. Thimmaiah states: “In the recent past, we have developed an organization-wide strategy to take the company to the next level. The first step was to address growth through three routes – new customer acquisition, increased penetration with existing customers

and new product development. Secondly, we focused on creating world-class manufacturing operations, as part of which we have taken a drive to improve the manufacturing processes and performed necessary footprint optimization in order to bring down costs. Two other major initiatives taken as part of the operation are ‘Zero COC’ – transforming the factory to zero chips, oil & coolant leakage and BIQ – Build In Quality, through employee engagement and Kaizen. The third major strategic initiative was around people development.”

Being one of the first movers in the Indian market, Meritor is on track towards consolidating its position as the market leader when it comes to drive axles. The fact that it has been increasing its penetration with existing customers, despite growing competition from other players in the industry, goes to show the company’s dominance in the market.

Asked about Meritor’s continuous growth and penetration in the market, Mr.

Thimmaiah responds: “The ability to handle complexity and the ability to develop new products ahead of time are our major strengths. Our versatile product range is another plus – we have axles for the entire range of trucks from 3½ to 41 ton. We work on very fast turnaround times. So, if our customers want product changes and modifications to be done, we can fine tune our products and get them done very quickly. We are also very strong in day-to-day processes with a strong capacity to invest in new product development. Our strength is handling complexity & turn around the new customer requirements in record time.”

Come 2015 and it will be time for Meritor to reap the benefits of its dedicated hard work and perseverance over the last few years. The company has taken the right steps and decisions during both exciting and quiet market conditions and is all set for an upswing once the new year arrives. “We are going to improve our market share in the next few years with our range of new products. Next year, if the market grows by 10 per cent, we are targeting a 20 per cent growth. We are confident of growing at double the market growth mainly because of our new products”, Mr. Thimmaiah concludes on an optimistic note. ♦



Twin-speed axle