

MOTORINDIA

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Bullish on Indian market prospects



Aftermarket outreach continues



Strengthening customer connect

ASHOK LEYLAND

Sustained leadership in bus business



Bazaar Talk **MUMBAI AFTERMARKET**

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MAHINDRA TRANSPORT EXCELLENCE AWARDS

Transport industry stars honored for fourth year running

Meritor extremely hopeful of Indian business prospects

By N. Balasubramanian

Meritor has been one of the most reputed brands in the Tier-1 component supplier industry globally. The US-based company is a leading global supplier of drivetrain, mobility and braking and aftermarket solutions for commercial vehicle and industrial markets. With more than a 100-year legacy of providing innovative products that offer superior performance, efficiency and reliability, the company serves commercial trucks, trailers, off-highway, defence, specialty and aftermarket customers all over the world.

MOTORINDIA recently had an opportunity to visit Meritor's headquarters at Troy, Michigan, and interact with the trio of senior executives at the company – Mr. Ike Evans, Chairman and CEO, Meritor Inc., Mr. Chris Villavarayan, President, Americas, Meritor, Inc., and Mr. Thimmaiah N.P., Managing Director & CEO, Meritor CVS India Pvt. Ltd. – on Meritor's focus on the Indian market, plans to take India as an export hub, first-mover advantage in the country, and more.

Despite the slowdown in the commercial vehicle market in India for over two years, Meritor had been investing on new products and technologies, a move well reflected in its strong business performance during the period. With the CV segment and the overall automotive industry in India showing signs of growth of late, Meritor expects things to get even better for its Indian operations.

Says Mr. Ike Evans: "We are very bullish about the Indian market which is critical not just for us but also from a global perspective. We continued to invest even when the market was down and, as a result, have been gaining ground. We will continue investing and expect our Indian business to grow significantly

over time. Over the last few years, the market has been quite disappointing, but that has not made us less enthusiastic. We are really happy over the new Government's initiatives for growth and over the rising GDP trend."

Meritor employs over 9,000 diverse persons, and has manufacturing facilities, engineering centers, joint ventures, distribution centers and global offices in 18 countries across the world, of which India is one of its most important strategic markets for more than one reason. With India emerging as one of the fastest growing CV markets, Meritor has developed it as an integral market for global sourcing.

"We have built a base in India for the past 30+ years and for quite some time have been one of the top three tier-1 suppliers exporting out of the country. Our global purchase from Indian suppliers amounts to \$200+ million and our partnership with Bharat Forge, from whom we get a significant amount of our forgings for the past 35 years, has been quite successful", reveals Mr. Chris Villavarayan who was heading Meritor's Indian operations until three years back before moving to the US.

He adds: "India is very



Mr. Ike Evans, Chairman and CEO, Meritor Inc.

critical from a supplier standpoint like, for instance, we get most of our forgings from India. We have a large market share in the US and South America, but India is a different market offering a lot more scope for growth and where we can work on developing products and expanding market share."

Expressing his views on India's growth potential, Mr. Thimmaiah, who is heading Meritor's Indian operations, observes: "If we compare India's population, its infrastructure standard and the number of trucks being sold in the country, we find there is a huge gap which needs to be bridged. If we develop the infrastructure to global standards, which might take the next 20 years, there will



Mr. Chris Villavarayan, President, Americas, Meritor, Inc.

be massive growth in vehicle sales during the period.”

Think global, act local

Having entered the Indian market over three decades ago, Meritor has created a very strong brand in the country, bringing out products to suit the local conditions, constantly innovating and coming up with new technologies such as the twin-speed axle, also called green axle, and covering different geographies within the country with a strong team for sales and aftersales support. Being a major global player has certainly been an advantage for Meritor, but to succeed in a challenging market like India, it takes a little more effort which the Troy-based powerhouse has managed to do and has executed the cliché ‘Think global, act local’ to perfection.

“Meritor is a global company with excellent know-how, right from engineering to manufacturing. We know how to compete in the global market place and also to play in emerging markets. We have a huge degree of confidence in

our Indian business and also our people in India who have been running the business so successfully all these years”, says Mr. Evans.

Mr. Villavarayan is quick to add: “We have been in India for almost 35 years and have been the leading independent axle provider for a really long time. We have a massive footprint in the US, South America, Europe, China and India. This gives us the operational fortitude and the engineering presence needed to succeed.”

For any foreign company to enter the Indian market, it requires quite a lot of planning and execution, simply because of the challenges and complexities en route to success, and not to forget, the cyclicality of the industry.

Sharing his views on handling the high levels of uncertainty in a market like India, Mr. Evans says: “Of course it is not easy. But we don’t react to short-term ups and downs in the market; our focus is on the long term. Just look at the capability India has as a nation. There is no reason why the country would not realize its potential, and we want to be a part of that growth.”

Over the years, Meritor has developed unmatched and globally-competent capabilities in India. This has proved its major asset and growth driver in the country.

“What differentiates us from others in the Indian market is mainly our engineering and manufacturing capability,” says Mr. Thimmaiah.

As a result of its focus on new product develop-

ment, Meritor has been able to come up with some groundbreaking products made in India which are being considered for use in developed markets. The new 10X drive axle and the 8x8 which were presented at the IAA Commercial Vehicle show last year was a perfect example of the same. India also supports the global engineering activities.

“India is an important strategic market which any global player has to be part of. We do a lot of development in India, starting with our lightweight axles which were developed for Ashok Leyland, which we are now trying to export to overseas markets. The Indian market is more than just about selling products; it is a platform which OEMs can use to develop products for the world markets. Our India-made products are already sold in other Asian and African countries, while we send some of our components to Europe as well”, says Mr. Villavarayan.

M2016 Vision

Meritor remains focused on M2016, its three-year plan for achieving margin, debt reduction and revenue growth targets through driving operational excellence, focusing on customer value, reducing product costs and investing in a high-performing team. It aims to achieve a 10 per cent



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

adjusted EBITDA margin for 2015-16, reduce its net debt by \$400 million to less than \$1.5 billion, and achieve a book incremental revenue of \$500 million per year (at run-rate) by the end of fiscal 2016 from new products or new customers.

Thanks to its M2016 vision, the company has already started realising significant changes at different levels – cultural, financial and motivational – which is reflected in its solid growth in business in the last six straight quarters. “We are going through a transformational phase at Meritor, because of which I truly think that in the next few years we will leave behind a legacy for our entire industry”, concludes Mr. Villavarayan.

