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HM bids to grow SCV play

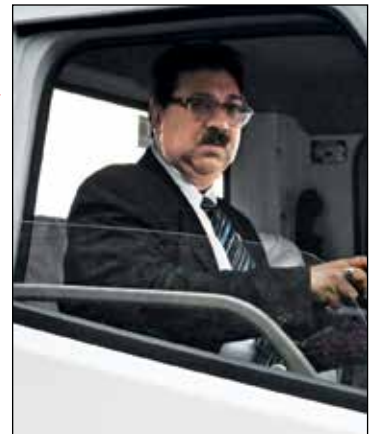
The Kolkata-based automotive major seems determined to turn a new leaf.

Story: T Murralli

Financially-troubled Hindustan Motors (HM) posted a net profit of Rs 20.36 crore in the third quarter of fiscal 2012-13, against a net loss of Rs 42.81 crore for the corresponding period in the previous year. This is no flash in the pan occurrence. The flagship company of the CK Birla Group is looking at registering cash profits by the end of the second quarter

of FY 2014. Towards this end, the company has adopted a slew of initiatives in both passenger and commercial vehicle domains. A visible manifestation of this new thinking is the upcoming launch of the 0.75 tonne payload younger sibling to the 1.1 tonne payload commercial vehicle Winner. Uttam Bose, Managing Director and CEO of Hindustan Motors

HM's MD and CEO, Uttam Bose informs us that his company is looking at registering cash profits by the second quarter of FY14.



informs us that the new mini-truck will be launched in June under a different name. Bose adds that while the Winner bears a price tag of Rs 4.6 lakh, its younger sibling will be available for under Rs 4 lakh. Among other specifications, the new vehicle will bear a 1.5-litre BS-IV compliant CNG engine, since it is primarily targeted at markets in northern and western India. The mini-truck will feature a body that will be locally fabricated by Hindustan Motors. At the moment, the Winner's body is still being imported in CKD form from Shandong Industries, China. The new vehicle is also expected to tout safety as a key selling point. Thanks to the intelligently developed body contours and robust build quality, the vehicle, according to Bose has demonstrated its mettle during crash tests. Besides, softer materials used in the dashboard help minimise injuries to occupants in the event of an accident. The mini-truck aims to go beyond functional appeal. Bose reckons that the better specified and aesthetic cabin coupled with a factory-fitted music system will be key motivators for 'first-time owner-drivers'. In the build up to product launch, HM will initiate a marketing campaign inclusive of road shows at small commercial vehicle terminals and autonagars. The customer outreach will be boosted by an enabling environment towards financing. To this end, HM has tied up with United Bank of India, Allahabad Bank and the Indian Overseas Bank. The company already works with UCO Bank and State Bank of India. Another critical area is the distribution and service footprint. HM plans to ramp up this network in sync with its plan to roll out the new mini-truck in North India

followed by West and South India. Currently HM has 89 dealers with 3S (sales, service, spares) facilities under its fold. Going forward, HM plans to appoint about 40 micro-dealers who can supplement the small sales area with a leased workshop for servicing. HM believes that such micro dealers can help penetrate rural areas and tier-II markets in a more cost-effective manner.

Tying up loose ends

Bose says that sales revenues have increased on the back of successful efforts to reduce quality issues with the Winner. The HM Shifeng Winner, originally powered by the 1.5 litre BS-III compliant diesel engine was launched about three years ago. But, vehicle sales had to be curtailed within six months. The rear axle was a major concern due to its inability to take on the abuse thrown up by Indian operating conditions. Besides,

the engine was found less than capable in being able to allow the fully laden vehicle to navigate sharp gradients. HM realised that these issues stemmed from the vehicle not being customised enough for tough operating conditions in India. After all, major aggregates including the engine, axles and even body kits were being imported from Shangdong Industries in China.

In response to these concerns, HM has embarked on a major localisation exercise, the culmination of which has resulted in the vehicle being relaunched last November. The Winner is now hauled by Hindustan Motors' 2-litre BS-IV compliant diesel engine. This engine is an upgrade of the 1.8 litre Isuzu engine which powers the Ambassador car. The powerhouse can produce peak power of 50HP at 4200 rpm churning out maximum torque of 106Nm at 2,200 rpm. The engine is mated with the 5-speed >>>

↓ **HM has introduced a clutch of applications on the Winner platform.**





← The company has undertaken a number of efforts to boost productivity at the Uttarpara plant.

MSG5H gearbox (manufactured by Avtec in Pithampur).

At the moment, HM sells around 50 Winners per month. Improved gradeability has helped boost sales. Bose informs us that HM gets a significant chunk of its sales from the hilly North East. Capitalising on the surge in the Winner's sales, the company has also introduced a slew of applications based on it. They include a 13+1 seater bus based on the Winner platform as well as a garbage tipper. HM also plans to offer a refrigerated van and ambulance on the same platform. In order to further expand the commercial vehicle family, HM is examining options to bring out a 9-seater commercial vehicle. Similar to HM's old workhorse Trekker, this new vehicle promises HM decent numbers in rural markets. Even while growing its product portfolio, HM has also been ironing out inefficiencies at its Uttarpara (near Kolkata) manufacturing



← The Winner's interiors have been revamped in order to boost its appeal among a new class of owner drivers.



facility. Bose admits that one of the most immediate priorities for HM has been to improve the productivity of a workforce that had seen little or no work for a year or so. The other aspect that has occupied attention on the part of HM is cost reduction through a fine-tuning of manufacturing and inventory management processes. Hindustan Motors has also decided to demerge and transfer its Chennai Car Plant (CCP) as a going concern to its fully-owned subsidiary organisation Hindustan Motor Finance Corporation Limited (HMFCL).

There are two reasons for the demerger. For one, the Chennai and Uttarpara plants are different when it comes to the nature of operations. Secondly, as Bose states, 'Contract manufacturing opportunities may be leveraged more easily if the operations of the Chennai plant were to be more independent in nature.' It is easy to reason that if such an

↑ **The upcoming 0.75 tonne payload LCV could replace the Veer pick up truck.**

opportunity were to materialise, HM's turnover would spike very rapidly. Currently, HM derives around 15 percent of total revenues from commercial vehicles, while 30 percent comes from Mitsubishi SUVs and the rest from Ambassadors. Going forward, the company sees the contribution from the commercial vehicle segment growing in step with new

launches. In 2011-12, M reported a turnover of Rs 111 crore. On the back of the expected expansion in product portfolio, improvement in productivity and freeing up of capacity for contract manufacture, HM expects revenues in FY 12-13 to touch Rs 300 crore. Continuing in the same vein, the company hopes to register a turnover of Rs 460 crore within three years. ●●●

The new LCV → will feature a localised body. At the moment, the Winner's body comes in from China in CKD form.

