

INTERVIEW / C K BIRLA

'It's a question of riding out the storm'

HINDUSTAN Motors, maker of the once- iconic Ambassador car, is now better known for its Mitsubishi range. Chairman CK Birla, perhaps the most media shy auto boss in India, talked to Nandini Sen Gupta about HM, the fate of the loss-making and near-redundant Uttarpara plant, working in West Bengal in the wake of the Singur crisis and the global liquidity crunch and its impact on Indian auto companies. Excerpts:

A number of Asian auto companies are sniffing around for partnership opportunities. Has any of them approached HM? Particularly since Proton, at one point, was talking to you... Proton has not approached us this time round. We did meet them a year ago but I am told they have signed up with someone else. We did have advanced talks with them but that was seven or eight years ago which led to a memorandum of understanding. But there has been nothing afterwards and we are not looking for anything there either.

Your relationship with Mitsubishi has entered its tenth year. Are you looking to take to the next level with equity partnerships or a deeper, more strategic alliance?

Our relationship with Mitsubishi has been very successful and we will continue with the way it is right now. Why change things when they are happy and we are happy. In fact, it is the only global-local alliance that has managed to survive in the Indian auto industry. All the rest have come apart. We have five products from the Mitsubishi stable right now—the Lancer, Cedia, Pajero, Montero and now the Outlander. Next year there will be some more launches and product upgrades like the Montero 2009 model so we are doing all right.

What about your component business Avtec, which is the most profitable part of your portfolio? Have any of the newer OEMs like Volkswagen or Nissan-Renault approached you?

We have a very good component business. We are making engines for General Motors and Ford and other customers are coming in too. As for the new lot of MNC auto companies, we are talking to them. We are in serious dialogue but there's nothing concrete as of now. Avtec is not just looking at the local market but also targeting the from-India sourcing business. We have started exporting to US and Europe and we will look to grow that part of the business as well.

Are you doing any work for the Nano?

Yes we are supplying gearbox items from our plant



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in Kharagpur not just to the Nano project but to other Tata Motors products as well.

The agitation in Singur forced the Tatas to move out. You have had a long history of working in West Bengal. What is your take on the state and its business environment?

Personally I am very impressed with the Buddhadev Bhattacharjee government. The CM and his ministers seem to be really committed to change and are eager to make things happen.

What about Uttarpara, your original mother plant? At one point you had plans to turn that

into a component hub using the excess capacity to make forging and casting components both for HM's internal use as well as for business outside. What is the status of those plans right now? We are going ahead with those plans in Uttarpara. Uttarpara is specialising in forging, casting and stamping components. We are picking up more business steadily and the strategy seems to be working out.

When you decided to convert part of your land in Uttarpara into an IT park there was widespread consternation that you were looking to unlock the land value and that the plant itself was doomed...

Uttarpara is here to stay. The IT park is part of our wider strategy. We still have a lot of land left with the facility itself and we are 100% committed to making our business strategy for the plant work.

You also had plans to turn your Lancer plant in Chennai into a contract manufacturing facility to use its excess capacity. What happened to those plans?

That will no longer be necessary. With volumes picking up and more variety in the model line up, there won't be enough capacity left over in Chennai. Currently Chennai's capacity is 12,000 cars per annum. But since we have as many as three SUVs in our portfolio and on the assembly line one SUV works out to be 1.5 times a car, we simply don't have any capacity left for licensed manufacturing.

The liquidity crisis is making it difficult to not only raise funds for capex but also working capital. How do you see the next couple of quarters panning out for the industry?

This quarter will be difficult but by next year things should get better. The fundamentals of the economy are strong and inflation is under control so there's no reason why we shouldn't bounce back. It's just a question of riding out the storm. Of course, we have had to become conservative on the capex front. If we were spending Rs 100 before, now its down to Rs 70-75 due to the tight money market. Also the liquidity crisis is hitting the end product because people take loans to buy cars. So the intermediary, that's the car manufacturer, is taking a hit on both counts.

The problem is that this time round the slowdown in India has coincided with a global recession. In Avtec, for instance, both Indian and overseas orders are down. So if one was trying to hedge home orders with exports, that strategy too will come unstuck in a situation like this.