

Varroc Group plans expansion, de-risk business

■ T Murrall
Aurangabad

Aurangabad headquartered Varroc Group has set its priorities straight to not only record a turnover of ₹4,000 crore by 2012-13 but also to de-risk its business from the cyclical trend of the automotive industry. The company has reported sales of ₹2,500 crore in 2010-11. To augment its growth projections, the group will look at acquisitions both in India and abroad in automotive and non-automotive segments.

Commencing its operations in 1990 by supplying plastic injection moulded parts for Bajaj Auto and white goods manufacturer, Videocoin, the company, over a period of time, has evolved as a manufacturer of diversified portfolio of automotive components and sub-assemblies. Emergence of plastics as a raw material helped the company to broaden its product portfolio.

Today the group has 20 manufacturing facilities in India and abroad under two broad business divisions—Varroc Engineering (VE), which contributes 65 percent and Varroc Polymer (VP) that fetches 35 percent to the group sales. VP has one strategic business unit while VE has four strategic business units—machining and forging, electrical and electronics, engine valves and the Uttaranchal plant, which supplies several components for Bajaj Auto. This plant will soon commence supplies of a few components to Ashok Leyland. Besides, its subsidiary companies make few other forgings and catalytic converters. For catalytic converters the company currently has a technology license with

Umicore, which will be extended as a joint venture soon. The strategic business units manage their own marketing and R&D, while the HR, purchase and finance come under the group's corporate head.

About 70 percent of the business for the group comes from two and three wheeler customers including Bajaj Auto, HMSI, Suzuki, Yamaha, Enfield, Piaggio and few from overseas market including Ducati. Recently, it has added Harley Davidson to its clientele in India and it is currently in talks with the premium two-wheeler manufacturer to supply parts for its global operations.

About 25 percent of the revenue comes from four-wheeler, offroad vehicles and oil and gas from several customers including Tata Motors, Mahindra and Volkswagen. The rest comes from white goods. The polymer division primarily caters to two/three-wheelers and white goods, primarily catering to domestic market.

Elaborating on the strategy, the Managing Director of Varroc Group, Tarang Jain told *Auto Monitor* that the group has evolved a four-point agenda to help accomplish the set objectives. Listing out his priorities Jain said the quality is paramount and the group will be looking at achieving zero defects besides, reducing waste and containing internal rejections.

Secondly, it will focus on cost by making its operations lean and introduce need-based automation. It will also concentrate on efficient purchasing and outsourcing operations in the organisation.

Jain's third priority is innovation, which will be given



Tarang Jain, MD, Varroc Group

adequate push by strengthening the R&D centres to offer more value engineering ideas for their customers. 'Beyond a point, giving discounts is not an option; we must give value engineering proposals and also look at how to enhance performance with the existing technologies by offering light weight solutions,' he said.

Lastly, the group will focus on improving not only just-in-time deliveries but also execute the projects on time. Delivering products to customers will help enhance customer satisfaction while on-time project execution will not only contain the cost but also help achieve the return on investments faster.

Asked to elaborate on his plans to look in to new technologies, Jain said, the group is already well diversified and may not look at entering new product groups in the near future, unless it is a progression from the existing technologies and products. For instance, the CDI ignition system for two wheelers will be obsolete with the next emission norms and to sustain the demands, the vehi-

cle manufacturers will have to switch over to the fuel injection system. This requires electronic control units, which can be a natural progression for Varroc, he said.

Varroc group will also look at options where there is an entry barrier in terms of investments. The company has been manufacturing crankshafts for two wheelers and smaller engines and now it is setting up a new facility to make crankshafts for engines having up to six cylinders. 'We are looking at foraying in to manufacturing new products that fall within our scope where there are entry barriers in terms of investments and technology, so that the competition is less. Technology should be the real differentiator,' he said.

The group is predominantly catering to two and three-wheeler segments and it is looking at expanding its four-wheeler product portfolio for several reasons including better margins. However, it will be confined to automotive space only. 'We would like to leverage our core competence and our strategy is to not depend on the automotive segment alone.

Instead, we would like to look at non-automotive segments that synergise with our areas of competence, product range and technologies,' he said. This will help the group to strike a balance during the cyclical trend of the automotive industry. It has already begun this initiative in a small way in 2007 by acquiring oil and gas business overseas. 'We acquired the company because we wanted to have the balance. Eventually, it will be a good idea, if we get 65 percent of revenue from automotive

and the rest from non-automotive segments.

The strategy is to basically de-risk our business besides, seeking better margins. We recently bought a firm in Turin, Italy that makes components for special purpose vehicles for the US Army, which helps in de-risking our business,' he said.

As part of global sourcing initiatives, several multinational companies are eyeing India to buy components and Varroc group has become part of several two-wheeler manufacturers across the world. This is because of the fact that the company's products have already been proved as its customers had been exporting to several overseas destinations. This stature gives tremendous opportunities for the company to export to Far Eastern countries.

If the volumes are justified, the group will establish manufacturing facilities in the ASEAN region, he quipped. Since there is a greater response from global two-wheeler manufacturers, 'we are thinking of a strategy of having our offices in Japan and Thailand,' he said.

The idea is to leverage the prevailing setup as R&D centres of these companies are based out of Japan while sourcing centres operate from Thailand. 'We are looking at options on how to establish our network to support when the business comes. We will have some technical people, more as an interface for R&D, in Japan and marketing interface in Thailand,' he said.

The crankshaft facility being set up by the group in Waluj in Aurangabad will commence production from second quarter of 2012-13 and fetch about ₹225 crore to the group's turnover in three years. [ET](#)