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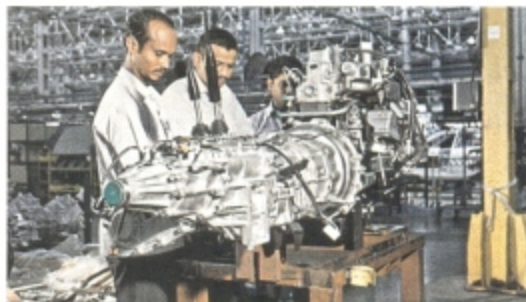
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EXCLUSIVE

HM's make or break turnaround strategy



Hindustan Motors wants to rediscover success and has several initiatives designed to revive its own and partner Mitsubishi's fortunes in the hugely competitive Indian market **Page 8**

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EXCLUSIVE

HM's turnaround strategy revealed

Hindustan Motors wants to rediscover success and has several initiatives up its sleeve. **Sumantra Barooah** spills the beans on the company's product-led revival gameplan.



Sixty-eight-year-old Hindustan Motors (HM) is set to don a new image. After decades of manufacturing and selling the Ambassador, the company now plans to enter the compact car space.

A new offering, which could be less than four metres long and hence qualify as a small car, is in the making. This project is in line with HM's strategy to be present in multiple segments of the passenger car market together with Japanese partner Mitsubishi.

Speaking exclusively to *Autocar Professional*, Manoj Jha, managing director, Hindustan Motors, says that is one of the key strategies he is working on. "Nowadays, people

are spoilt for choice. For every Rs 25,000 to 50,000, there is a new segment altogether. So, consumers have choices. Therefore, it is important to have many variants in India for Mitsubishi-HM combined also. While the lower and mid-end will be handled by the HM portfolio, the premium end upwards will be the Mitsubishi brand," he says.

As part of this strategy, HM will launch an entry level model in its portfolio for about Rs 4 lakh for the fully loaded version. That offering will sport a new brand name as Jha feels the Ambassador's brand equity will get "diluted" if it is used across many segments. The new model is expected to hit showrooms in the April-June quarter of 2011 and will be one of four variant

HM-Mitsubishi plans to launch the BS IV Pajero this month; Montero to be the next model to be locally assembled.



Outlander will go to the next level of CKD assembly.



HM has re-opened its Indore plant to produce Winner LCV.

launches from HM.

The entry-level car is based on the Ambassador platform. This product will be crucial for HM as it will fall in the compact car segment which accounted for 73 percent of the total passenger car sales in the April-October 2010 period.

Charting territories

On the upper band, HM will look at having its most premium model priced at around Rs 7 lakh. With all the new launches, the company expects its annual passenger car sales to double to 24,000 units in over a year or so. Beyond the price band of HM's cars, Mitsubishi will address the segments with its models.

The Japanese major, on its part, is gaining some traction with its premium SUVs. The Outlander is

gaining customers while the Pajero's volume grew from 889 in April-October 2009 to 1617 units during the same period this year. With the overall luxury SUV segment expected to cross 17,500 units this year, the HM-Mitsubishi combine is planning multiple introductions in this space.

The Outlander will see a seven-seater version (mid-2011) and a diesel variant late next year, while the Pajero BS IV version is slated for a December launch. With these additions, the Outlander range is expected to sell around 400 units per month, which currently is Mitsubishi's total monthly sales in the luxury SUV segment.

Jha says, "With the premium SUV segment growing, we see our

What are your top priorities?

We are working on a three-pronged strategy. One area is increasing the product portfolio because the days are long gone when you had only one model in your stable. Today people are spoilt for choice.

Our strategy is to first increase our product portfolio, and then market presence. Today B and C town residents are as rich as those in the A cities and they are as aspirational. Many Outlanders, Pajeros and Monteros sell in B and C cities. So we are increasing our presence in these markets, both in premium cars as well as the economy section.

Your Chennai plant represents a good opportunity for contract manufacturing due to unused capacity and land.

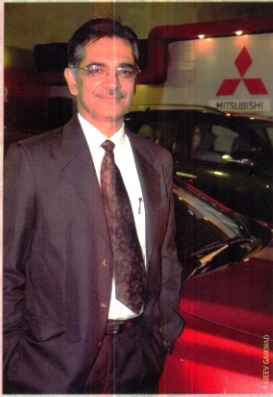
We would like to fill the unused capacity with our own products and variants. However, as

the variants between HM and Mitsubishi increase, I do not see the need for contract manufacturing.

There have been lots of negotiations between HM and Mitsubishi to take things to the next level in which you may have an equity partnership. Can you elaborate?

We are definitely strengthening the bond but in terms of equity participation, I think the time has not come. These talks have been on and off for quite some time and we both are very keen to take it to the next level of engagement. But the things have to happen at an appropriate time and the time has not come. Having said that, both companies are very keen to increase the Mitsubishi brand presence in India and that's why all these actions are in place.

You say the low end and mid segment will be catered to



by HM. Are you looking at a model at the lower end?

There will definitely be coverage of the lower end as well and going slightly higher as well.

We understand that HM has roped in a foreign partner for engineering inputs for its first significant launch in the Ambassador line-up. What kind of foreign collaboration you are looking at?

They will not only give us the styling but will work with us on designing, engineering and also the suspension.

How far are you away from this first launch?

This significant launch will take time. When you are working on a new suspension system, a major restyling takes a year, or a year and a half from now.

When will HM's entry level model roll out?

In the first quarter of the next financial year.

volumes growing by at least 50 percent from this level, once the BS IV Pajero hits the market."

However, while the volumes may be growing, the appreciating Yen is affecting HM-Mitsubishi's margins. "The Yen has affected us very adversely. This is where we and Mitsubishi Motor Corporation are working together on how to mitigate the Yen's appreciation by way of localisation among other activities so that the impact is not felt by anyone of us and we are able to meet the product requirement in the market as per the market price," says Jha.

Towards that goal, HM-Mitsubishi is now planning to start local assembly of the Montero which is currently sold as a fully imported model. The Outlander is also being planned to go to the next level of Completely Knocked Down (CKD)



assembly to have increased local content and be more price-competitive.

The company is also trying to revive its business in the saloon segment. The Cedia, which is currently trailing competition, is set to be re-introduced. Jha

Warhorse Ambassador struggles on but will lend its platform for HM's new model.

admits that the Cedia has not managed to play to its full potential yet. He says, "Refreshment will happen, we will reposition it and market it well and we are quite confident that the Cedia will reach the place it is ought to be in."

Mitsubishi plans to have at least one major variant or a new model launch every two years in India. Its latest launch – the Rs 50 lakh Evo X – is more of a brand image builder than a volume getter.

Aiming to be a Winner

Apart from the passenger vehicle business, HM is ramping up its commercial vehicles vertical. Eyeing the fast-growing small LCV market, the company has re-opened its Indore plant to produce around 1,000 units of its Winner LCV per month. It recently launched 1.5-litre diesel and a 1.8-litre CNG variants of the Winner in Kolkata. Jha says it has been a test marketing phase thus far and the Winner's real-world sales performance will start now.

With all these new ambitious plans lined up, HM is expecting to turn profitable by the end of 2011-12. ■