

Ambassador pulls Hindustan Motors back from the brink

Boosted by its demand, sales jumped 166 per cent in February. The company is now planning a massive facelift for its cars to keep the momentum going

PROBAL BASAK
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The 14th-floor office of Hindustan Motors at Birla Building in Kolkata wears a deserted look. Save a handful of staff and security guards, the place is an empty shell. But for the company it's "early signs of recovery".

In contrast to the emptiness of the building is the din and bustle of the company's factory in Uttarpara, 15 kms from Kolkata. Brand new Ambassadors keep rolling off the assembly line here. Its new managing director and chief executive officer, Uttam Bose, too, has shifted his office to the plant as he "wanted to be close to the action".

The move has worked well. At a time when passenger car sales plunged to a 12-year low in February, Hindustan Motors has clocked sales growth of 166 per cent, year-on-year. It sold 826 units in February, as against 310 in the corresponding month last year, bulk of it coming from the Ambassador (544 units in February compared to 159 units same month last year). In January 2013, Hindustan Motors doubled year-on-year monthly sales with 748 units.

It wasn't always so bright a picture for the company. The oldest face of the Indian automobile industry began to lose its appeal just as India became a hotspot for the global automobile industry. Prior to 1995, it sold about 18,000 Ambassador cars annually and then the sales began to ebb.

Shifting gears

It reached its lowest in 2011-12 at about 2,500 units. At that point, the company decided to shift focus to commercial vehicles to drive growth.

So came its 0.8-tonne small commercial vehicle, the Veer. The idea was to grab half the market of commercial vehicles in a couple of years. But the plan met with little success.

The company is now scripting a different story. Its new management has shifted gears back to what it is known best for: the Ambassador.

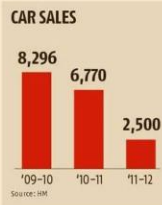
"We are trying to encash this, taking the model deep inside the country. This along with an emphasis on sales and marketing has resulted in good numbers in recent times," says Bose, who joined in April last year from Hero Motors.

So, in the last six months, Hindustan Motors has added



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UTTAM BOSE
CMD, Hindustan Motors



20 new dealers, mostly in small towns in Bihar, Orissa and the North-east, taking its total sale points to 70. At the same time, it is also roping in banks to provide easy loan options.

However, Hindustan Motors' comeback is also partly the work of the West Bengal government, although the company would not like to believe so. It lists out all the possible factors of revival other than the West Bengal government's decision to defer the phasing out of the BS III emission norms by another year. BS-IV compliant engines were made mandatory in 13 cities from April 2010, but the West Bengal government postponed that deadline several times as Hindustan Motors' BS-IV engines are only expected by June next year.

In April 2011, a year after the BS IV norms were rolled out, the government allowed the company to sell its BS-III taxis in the replacement market for another 12 months. Then again, in August 2012, it extended the phase-out deadline by six more months.

There is no denying that the move helped Hindustan Motors sell the diesel variant of its cars

to Kolkata's taxi operators, which makes for its strongest customer base. In the first four months of 2012-13, only 542 Ambassadors were sold, but sales rose rapidly after that, reaching a peak in the last months of the financial year. It sold 497 cars in January and 544 in February. The spike in sales is reflected in its balance sheet. It turned a profit of ₹20.36 crore in the December quarter after losses in three consecutive quarters.

The West Bengal government, of course, is still standing guard to its interest. In February, it issued a notification to allow replacement of 15-year-old metered taxis by BS-III-compliant metered taxis for three more months. The extension will be valid till May.

Growth path

The company, however, refuses to link the spike in sales to the government's initiative. "It is, of course, a breather. But retail and institutional sales have also gone up," says Bose, adding that the company has reduced its dependence on the taxi market. From 40 per cent, the taxi segment now makes up for just 25 per cent of its total sales. The government is candid in its support for Hindustan Motors. "It was a special case as taxi owners prefer the Ambassador as their vehicle. Also, many people are dependent on the Uttarpara plant," says West Bengal Transport Minister Madan Mitra.

Whatever the reasons for the revival, the company is using the breather to chart out an ambitious plan to launch a number of products on the Ambassador platform. The first in the queue is a smaller variant of the Ambassador, which will be rolled out later this year. Then, by the end of the next financial year, it hopes to launch what the company believes has the potential to be a game-changer—a hatchback Ambassador aimed at the young, upwardly-mobile buyer.

"There is a need to attract the new-age customer. We will be making some investment to upgrade technology at the Uttarpara plant for this car," Bose says.

This is not the first time that the company is contemplating giving the Ambassador a facelift. In 2010, it had taken up a similar project for a new-look Ambassador, which never saw the light of the day.

However, analysts say

things finally seem to be moving in the right direction for the company. "The plan to focus on commercial vehicle was disastrous. It is good that Hindustan Motors realised it needs to nurture its strength. Also, I believe, it is starting to export the Ambassador to Bangladesh. Given the comparatively sound performance, the company should be able to



READY FOR ROAD A car gets the finishing touch at the company's Uttarpara plant

the demerger, the company hopes to rope in more foreign players for the plant. It has already initiated talks with Japan's Isuzu Motors to manufacture pick-up trucks at the plant. A tie-up with Isuzu can be a big boost for Hindustan Motors. "It can be of serious competition to Mahindra & Mahindra, which is a leading player in the pick-up segment," says another analyst.

take forward its plan this time," says an analyst.

The company is also making progress on some long-pending work. It has finally taken forward its plan to demerge the Chennai plant and transfer

it to its fully-owned subsidiary, Hindustan Motor Finance Corporation. The demerger plan has been approved by the board and is expected to be completed in 10 months. The company uses the Chennai

plant to manufacture the Cedia, Outlander, Pajero and Montero in technical collaboration with Japan's Mitsubishi. It has an installed capacity of 12,000 but only 40 per cent of the capacity is being used currently. After

the demerger, however, could still stumble and the challenge for it would be to sustain its momentum in a sluggish economy. But for now, the balance of expectation is in its favour as Ambassadors keep coming off the assembly line.

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