

How Indian suppliers can build a competitive edge



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THE AUTOMOTIVE WORLD, especially the passenger car market, has changed significantly in the last 15 years. Many changes have happened, but my emphasis is on the structural changes. One of the biggest changes is the global nature of business.

Consolidation of car companies – through mergers and acquisitions and alliances – has further paved the way for globalisation. Fiat acquiring Chrysler, Renault and Nissan forming an alliance, and Tata Motors buying Jaguar-Land Rover are just some examples.

Of course, acquisitions and alliances are not the only things aiding globalisation.

In order to reduce costs and improve efficiency, car companies are designing common platforms to launch across several countries. The basic engineering of the car – body and chassis – will be common (and hence the parts) across the countries with only some features and interiors being customised for local market requirements.

WHAT DOES THIS MEAN FOR SUPPLIERS?

Suppliers wanting to have a long-term sustainable strategy for the passenger car and utility vehicle market need to think, act and behave global.

- **Technology:** Need to have the necessary technology that customers will value.
- **Tech centres:** Need to have engineering tech centres or interfaces to interact with engineering centres of car companies across the world. US, Germany, China and Japan are countries where most global companies have tech centres / interfaces.
- **Footprint:** Need to have manufacturing capability in multiple countries to efficiently deliver products on a daily basis.

These are extremely difficult requirements that all Indian companies must aspire to achieve. Companies like Bharat Forge and Motherson Sumi Systems are examples of suppliers which have achieved this.

Companies that choose to become global need to decide their path. Acquisition is one approach, but it definitely has its risks. There are companies that have succeeded as well as failed.

The other approach is to gradually expand your exports to an overseas presence by investing in tech centres and manufacturing plants as greenfield. These investments can be tailored to one or two customers that a supplier decides to focus on. This approach is probably less riskier but slower.

Indian suppliers have excellent engineering talent with a frugal mindset. Combining this strength with globalisation as a strategy can make many Indian companies a global force to reckon with.

I would like to conclude with a famous quote by Ratan Tata in a 2005 magazine interview – “Our businesses have become global. It is inevitable that global companies will come to India and compete against us. It is therefore inevitable that we go outside India to compete against them.” ■

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Samvardhana Motherson Group is among Indian companies which think, act and behave global.