

Harish Lakshman to steer Rane's global drive

Report: **Avishek Banerjee**, Photography: **Mohd Nasir**

The rise of third-generation entrepreneurs in the Indian automobile industry is by now well documented. As a corollary to this, a number of young and dynamic guns are making a mark in the auto component industry in order to take their company global. These young entrepreneurs have been to some of the best business schools and have become bosses of some of leading Indian companies. One among them has been given the onerous task to head the Auto Component Manufacturers Association of India (ACMA). He is Harish Lakshman who is also the Vice Chairman of Rane Engine Valve Ltd (REVL) and the Managing Director of Rane TRW Steering System Ltd.

In an exclusive interview with *Motown India* magazine, Lakshman said, "It is a moment of great pride for me to serve such a reputed association which has a long history. I am fortunate to head it at a young age. Even though I have been appointed at a challenging time, my objective would be to talk to all the stakeholders involved (with us) whether it is the government, vehicle manufacturers, suppliers, etc to ensure that during this difficult period we help each other out. We are trying to get the government to support our industry during difficult time. Similarly, we are trying to have some understanding with the



Harish Lakshman, Vice Chairman, Rane Engine Valve Ltd (REVL) & Managing Director, Rane TRW Steering System Ltd.

OEMs as they are also going through difficult times. We provide support to each other. For the membership, we are trying to help them improve their cost structure like cluster programmes. We are trying to help our members become more profitable and keep our head above water."

Harish Lakshman is an engineer from BITS Pilani and an MBA from the Purdue University. He has also been the ACMA Chairman for the Southern Region for the period 2009-11.

He acknowledged his company could have grown faster than the current CAGR. However, he was quick to elucidate that the companies (under the Rane umbrella) focussed on enhancing the quality of its product lines and bringing in world-class manufacturing practices rather than looking for quick bucks (read turnover).

He affirmed, "If you look at the Rane Group, we have a long history and have been one of the largest auto component manufacturers in the country. Between the year 2000-2010, what happened was that India opened up the economy and a lot of multinationals started coming in. At that time, we realised that we don't have the necessary quality and delivery parameters and customer satisfaction levels that a multinational can offer. We started on our Total Quality Measurement (TQM) journey in the year 2000. Between 2000 and 2010, a lot of emphasis has been on making sure that our quality and customer satisfaction levels is comparable to MNCs whether they are Japanese, German or American. There was a lot of focus on inward-looking aspects of the business. As the auto component market grew



Rane steering plant at Pantnagar

significantly, we also grew well. We grew by 15pc. But we could have grown at 20-21 pc or even more aggressively. But we consciously took a decision that rather than growing aggressively, we will focus on improving the fundamentals of our businesses through TQM which we achieved."

The confidence is exuded by a person who already had a stint with US-based TRW, which is also its JV partner in its steering business. At the Purdue University, they had a special programme for manufacturing management. From there, he decided to have a two-year stint at TRW wherein he got the opportunity to shuffle within the various businesses of TRW. After every 6 months, he was stationed at a different plant in different part of the US making different products.

"I worked in different areas of expertise like Operations, Strategy, and Supply Chain. I had a very comprehensive kind of a perspective of various kinds of TRW business.

So the advantage was that I got a very good insight into how a global company works and how global plants are run and how the various aspects are managed. That was a tremendous learning experience for me. What you learn at a business school in a classroom is one aspect and what you actually see physically in companies' plants is a very enriching experience. There were a lot of learnings that I was able to bring back at Rane like best-in-class practices, etc."

It is to be mentioned that the Rane Group has several group companies manufacturing auto parts such as Rane TRW (steering systems and seat belt systems), RBL (brake linings), REVL (valve train components), and RML (steering & suspension systems), Rane NSK (steering columns).

The globetrotter Lakshman is immensely inspired by Jack Welch (former GE CEO) when it comes to formulating business practices and ensuring corporate governance. "Jack



Welch inspired me to dream big at Rane. When he took over GE in 1981 and became the youngest CEO in GE's history, the legendary leader made a resolution to transform GE into the world's most competitive enterprise and he was successful in doing so. Welch is a strategic thinker, business teacher, corporate icon and management theorist. If leadership is a craft, then surely Welch could be called a wizard. With his unique leadership style and character, Welch made history during his two-decade journey at GE. While most leaders talk a good game on leadership, he actually lived it."

He stated that he has been credited with putting together the group's strategic planning process. "Before I joined Rane, the strategic planning was very rudimentary. After I came over there, I put together a proper structured planning process. We came up with a 5-year strategic plan and one year operating plan. We created a vision for the company. From the vision, we finalised our goals and based on the goals we did a SWOT analysis, Porter's Five

Forces Analysis. And then you use those models to analyse the issues in the business and the actions you can take. And then we arrived at strategies."

Shedding some light on that, he maintained, "What the company is doing or what the company is going to do over the next 5 years, which are the goals, and which are the strategies which we are going to achieve our goals. All that is very similar to the GE model (implemented by Jack Welch). So it was something new for many of our employees and we had to go through a lot of training programmes. We got some faculty to come in and walk us through. So it took two-three years to redefine it. Eventually, we came out with flying colours. I was heading hands-on Rane TRW Steering. At Rane TRW we got the first Deming' and were the first company in group to get the Japan quality medal. So it was under my leadership that we got that award."

Thanks to him, most of the companies under the Group have

evolved over the years and now its JV partner are into reverse engineering when it comes to seeking design and technical inputs. "Our joint venture with TRW is more than 25 years old and there is a lot of engineering capabilities in the JV. Of course the original technology came from the JV and we have learnt the expertise from them. But I must say that the technology has been fully absorbed in India. Today, we are developing a lot of new technologies on our own in the steering market for commercial vehicles etc. There have been examples of where TRW has used our engineers to develop some low-cost designs for the North American market. Rane TRW is supplying worth ₹100 crore to Renault (for the Duster brand) in Europe. The product was developed in close collaboration between an engineering centre in Europe along with our engineering centre in Chennai. We are one of the largest steering suppliers to them. We are a 100pc engine valve supplier to them. Now we are also developing a lot of products for the CV market where we are launching next-generation hydraulic steering systems."

GROWTH PLANS

If TQM or operational excellence was the hallmark of ₹3,000 crore Rane Group during 2000-10, the current decade is all about accelerated growth. "Having streamlined our operations in the last decade, we are confident that our capabilities are as good as the multinational giants. So the next 10-20 years we want to focus aggressively on growth. So that is why we have laid the vision of aggressive growth over the coming decade. In the last decade or so, we have achieved a

model of operational excellence through TQM and many of our locations are now world class. Going forward, we want to accelerate our growth rate. In order to achieve this objective, we are now focussing on creating an environment which will not only encourage an innovative culture, but also trying to create an exciting workplace, which will be both challenging and learning opportunity for our employees."

Rane Group, which clocked ₹2,700 crore last year in revenues, is expecting to grow to ₹3,000 crore this year. In his pursuit to grow the company's topline, he indicated that the Rane Group would explore multiple options such as taking over assets abroad, diversifying its portfolio, stepping up direct exports to OEMs, taking the partner's route to boost overseas sales, expediting its presence in the global replacement markets. And he maintained that all its investment plans remain on track despite the ongoing market turbulence. The Group, as a whole, was initially planning to pump in ₹550 crore for the next 3 years. "In the FY 2013-14, we were supposed to invest ₹250 crore out of the ₹550 crore. However, that ₹250 crore we have scaled back to ₹125 crore by 50pc. Based on the market scenario, we will redraw our capex plans," said Lakshman.

EXPORTS THRUST

Just like its OEMs, Rane is also training its guns on the export market to take advantage of Rupee Depreciation and domestic market slowdown. It is to be noted that Rane, through TRW, supplies to Ford, Chrysler, VW and is on course to make dispatches to General Motors.

In Europe, it is currently supplying to VW, Deutz. It is infact one of the largest supplier of the complete steering systems for Renault in Europe and South America.

"Of late, exports have been a focus area for us given the current market situation. Exports account for nearly 17-18pc of our total business and are primarily catering to North American and European markets. So we are now trying to increase that to about 25pc in the next 24 months for the Rane Group. Out of our total exports, North American accounts for 55pc of the business and 45pc is derived Europe, mainly OEs."

PRODUCT DIVERSIFICATION

As far as portfolio diversification is concerned, Lakshman said that Rane TRW Steering Systems Ltd (RTSSL), a 50:50 joint venture Company of Rane Group and TRW Automotive (NYSE: TRW) has already announced that it will expand RTSSL to include manufacture of airbags at its plant which currently manufactures seat belt systems in Singaperumal Koil near Chennai. This expanded Joint Venture further strengthens RTSSL's position in providing state of the art occupant safety solutions to its customers, meeting its objective to help protect people.

The investment is a proactive step to prepare for the trend of increased vehicle safety. This expanded Joint Venture will meet TRW's global manufacturing standards and will make 3.2lakh units per annum initially, with a ramp up of manufacturing capacity to 8.1lakh units in three to five years' time. The total investment is around ₹35crore in the next five years to manufacture both airbags and seat

belts. The manufacturing facility will utilise driver and passenger airbag technology developed by TRW in Germany. The airbags will be assembled out of the Chennai Plant; and the intention is to leverage the Rane Group supplier network in a phased manner.

"We have already been making seatbelts for the last 15 years and if you see even in the Indian market it took a time to gain adoption. But now it's standard in every vehicle. The next generation of safety technology will be airbags. It is something which is legislated everywhere else in the world whether it is the US, or even China. In India, it is offered in a vehicle in any car that is ₹8-9 lakh. That's a small percentage of the overall pie. But at some point of time, the Indian government will consider this because of the safety standards and the increasing awareness of the safety, some form of legislation will come in which will ensure airbags are fitted in all cars. When that happens, there will be a huge increase in the market size for opportunities. We have partnered with TRW who are the global leader for airbags. So when the market is ready for airbags, we will be ready to supply them," affirmed by Lakshman.

As he takes the company global, Lakshman signs off, "We want this to be a decade of accelerated growth. We want to grow profitably too. We continue to focus on our profitability. Hopefully, our portfolio mix of international sales to domestic sales will increase in the coming years. As of today, it is only exports. But in the future we will even have some manufacturing footprint outside India. That could be through acquisitions."