



#Auto Components #Vivek Chand Sehgal #Tata Motors #Rane Group #Motherson Sumi #Harish Lakshman #Bharat Forge #Bajaj Auto #Baba Kalyani

This component maker ropes in its successful rivals to learn the tricks of the trade

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WRITTEN BY [Ketan Thakkar](#) | ET Bureau

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MUMBAI: Rane Group, the South-based auto component group is changing gears.

Its ambitions were made apparent when the top brass invited Vivek Chand Sehgal, founder chairman of [Motherson Sumi](#), a company that has grown from ground-up to give its employees a pep talk on his experiences.

Motherson Sumi has been expanding its businesses globally and has gained a reputation in the automobile industry as a leading global auto component maker from India, a path which Rane Group is aspiring for now.

[Sehgal](#) is not the only evangelist for the component maker from the South to get an insight from. In the past, they've had Baba Kalyani, chairman of Bharat Forge to give pep talks to the employees and who have generously shared experiences of working in globalised world.

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About two years ago, McKinsey & Co., the global consulting group was engaged to help the conservative \$550 million group to define its 2020 strategy.

Post the Sehgal talk and the McKinsey insight, the [Rane Group acquired Precision Die Casting](#) in United States of America, about six months ago. Rane officials say this was on the recommendation of its leading customer, a strategy adopted by Motherson Sumi to grow rapidly minus the risks, as orders are secured from the OEMs.

With an eye on global markets, Rane Group has set up an office in US to be closer to its customers in an era, where global procurement by OEMs from India is gaining momentum. Rane Group will soon set up an office in Europe and may look at acquiring a company, if its customer demands.

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The aim is to corner a fourth of its business from global markets in three to four years, the Rane group official said. That's a huge challenge as it means a growth of over 70%, as against the CAGR of 12-13%, it has seen in domestic market in recent years.

Harish Lakshman, MD, Rane TRW Steering Systems and one of the key leaders of the group says, there is an "internal conviction" that Rane Group needs to "grow faster" than what it has and strive to make Rane, a global company.



"You can no longer be an India based company, it can only take you so far, given our aspiration and vision, we want to be a global auto component player, that is a broad strategy and framework," said Lakshman.

To be sure, Rane Group's international sales, two years ago was 14%, which increased to 16% in FY-16. In the FY 17, it is targeting about 20% and the idea is to take it to about 25% by 2018-19.

This is a departure from a conservative sure-footed approach that the Group had adopted over the years. It is no longer satisfied with domestic compounded annual growth of 12%, instead it is eyeing 15-20% of CAGR in the coming three to four years and a turnover of \$1 billion, before the end of decade.

This might be an uphill task and many believe could be beyond the group's reach. But many believe that Indian companies need to set ambitious targets.

The key pillars to the strategy is expand overseas business, bring in incremental business - eyeing 25% airbags market by 2020, develop integrated aftermarket and hold on to the number 1 or 2 position in steering and suspension segment

"It's time for Indian auto component companies to dream big. India has only 1 company in the Global Top 50 auto components supplier by revenues," said VG Ramakrishnan, managing director at consulting firm Avanteum Advisors, who advises automobile firms on strategy.

"For companies that aspire to be counted in the big league transformation is required on every aspect but more importantly on leadership, management and people in addition to winning customer trust and deep pockets. People make all the difference," Ramakrishnan added.

The key pillars to the strategy is expand overseas business, participate in new regulation changes in India and bring in incremental business - eyeing 25% airbags market by 2020, develop integrated aftermarket business strategy and hold on to the number 1 or 2 position in the existing segment of steering and suspension, valve train components amongst others.

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The company has set aside investment of about \$100 million or Rs 650 crore for the next three years, which will go in new factories and global expansion. But this expansion will not come at the cost of the profitability assures the management.



Rane Group is calling this period as a decade of profitability, says Lakshman, in an interview recently. There is a big focus on return on capital employed and it is executing the strategies decided with McKinsey to achieve the goal.

Unlike others, Rane Group will not proliferate factories everywhere; instead it will have larger factories at fewer locations.

L Ganesh, the chairman of the Rane Group and the veteran at the company with over three decades of presence is mentoring Rane to bring out the best of both family run business with professional approach.

While the likes of Bajaj Auto, Tata Motors and Mahindra & Mahindra has branched outside and have become known names globally, but there are very few examples on auto component sphere - with only Motherson Sumi and Bharat Forge to name a few enjoying a certain size and scale.

The global expansion happens at a time, when the likes of Bharat Forge, Sona Koyo and Mahindra's Auto-components struggled and have right-sized their investment globally.

Ganesh says he is aware of challenges of managing cross-culture issues and high cost base. However asserts, "Clearly just following the Indian growth and exporting from outside, will not take us there. I think the Indian companies will have to make a move, where they are already good in technologies, which may not be really high end but medium technologies."

Ramakrishnan concurs but adds that Indian companies have an edge. "Home grown companies in India have an advantage over their counterparts in other countries as far as working with a wide range of OEM's from US, Europe, Japan, Korea and India. This could be critical in their global expansion as they understand manufacturing, quality and customer perspectives rather," he said.

For Rane group, the coming years will decide whether shedding conservatism and crossing the seas paid off.

<http://auto.economictimes.indiatimes.com/news/auto-components/this-component-maker-ropes-in-its-successful-rival-to-learn-the-trick-of-the-trade/53177805>