

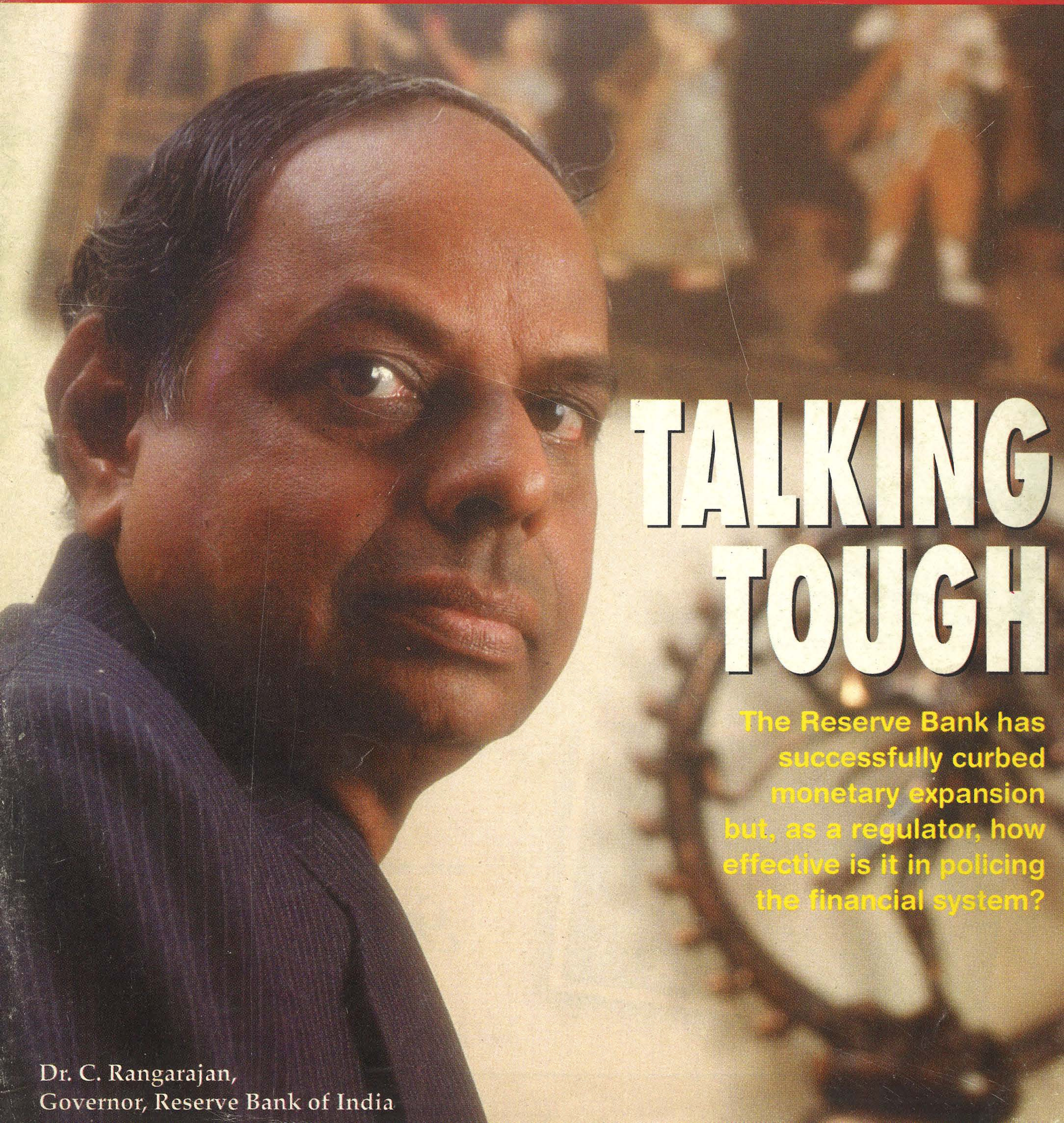
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TALKING TOUGH

The Reserve Bank has successfully curbed monetary expansion but, as a regulator, how effective is it in policing the financial system?

Dr. C. Rangarajan,
Governor, Reserve Bank of India

Racing ahead

Deep Anand wants to make his automobile components manufacturing group of companies 'biggest and best in Asia'

The Himachal hills are where he feels most at home. Every year, for a couple of months, Deep Chand Anand tucks himself away in Shimla to do what he likes best: spoil himself in nature. The 60-year-old chairman of the Anand group of companies, manufacturer of auto components, gives the world of shock absorbers, air filters and piston rings a quiet go-by, as he dons his riding breeches, oils his double barrel and rounds up his Labradors to go hunt for game. Occasionally, he trots down to Parwanoo in the foothills (70 km from Shimla) to visit the factories of Anand Engine Bearings (a division of Gabriel) and Purolator. Even then, most afternoons are spent sipping cool Camparis in the shade of his sprawling nursery.

Much as he would hate it, such lazy afternoons may soon become a thing of the past. With an automobile boom hovering in the horizon, Anand has suddenly realised that the time to grow is now or never. Shrugging off the slumber, he is now trying to take his Rs350-crore (1994-95) group past the Rs2,000-crore mark by the year 2000. Says he: "I want to be the biggest and best in Asia." For an ex-employee of the Mahindras, who set up his first company (Gabriel India Ltd at Mulund, Bombay) 35 years ago, this might sound ambitious, but not really impossible. For, it means not just restructuring the way of doing business in his companies, but, at 60, changing a few of his business philosophies as well.

Still, aided by his council of advisers, most of whom are influential former civil servants, Anand is willing to give it a sincere try. Over the next five years, he wants to make his present businesses, comprising six companies (Gabriel, Purolator, Perfect Circle Victor,

Anchemco, Anfilco and Degremont) grow by 300 per cent to reach Rs1,400 crore. Spicer India, a new joint venture with the US-based Dana Corporation, to make axles and drive shafts, should bring in another Rs300 crore. The rest will come out of the recent joint venture with Total Lubricants of France, manufacturing braking systems and catalytic

filters, commanding marketshares of more than 50 per cent. Even Perfect Circle Victor (PCV), which manufactures piston rings and gaskets, is a number two player in the game.

But soon, with foreign car manufacturers emerging on the scene, the Rs6,000-crore auto component market, fears Anand, could change drastically. In the last decade, Maruti had given a boost to the organised sector of auto-component manufacturers and business grew



Anand has suddenly realised that the time to grow is now or never

converters in greenfield ventures and acquiring an auto-lighting company. The last deviates from his style but, now, Anand is in a hurry. "It's more fun building a business brick by brick. But, where is the time?" he asks.

It isn't as if Anand is falling behind in the rat race. In fact, he should, for now at least, have very little to worry about. Two of the three big companies in his group, Gabriel and Purolator, are unchallenged market-leaders in their respective businesses of shock absorbers and air and oil

mostly in tandem with Maruti sales. In such a scenario, Anand had an advantage in the fact that he had long-standing joint ventures with well-known foreign companies like Gabriel Ride Control Products, Purolator Products (now Mark IV) and Dana Corporation (with Perfect Circle Victor). These foreign names gave his products an inherently strong brand equity and, in the three years between 1990 and 1993, despite a recession in the auto industry, his companies grew at a modest rate of 15 to 20 per cent every

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year. Anand was quite content.

But lately, he's been a trifle restless. In the last year, the automobile industry has undergone a virtual metamorphosis. A whole host of foreign car companies have emerged on the scene and, even before they've started rolling out their models, automobile sales have shot through the roof. The boom in the industry should be good news to Anand. Gabriel and Purolator are still way ahead of their nearest rivals Armstrong and Elofic, which have just about 15 per cent each. So what is prompting Anand to cry 'Action stations?'

The reason is that once the foreign

Peugeot and the rest don't feel the need to look at overseas vendors. Or even if they do, he is automatically the first choice for a tie-up, on the basis of his quality and size. To ensure that, he has given each company an export target of 30 per cent of sales, which they have to meet in the next five years. "You have to produce better quality to export," says Anand. "and this tends to have a rub-off effect on your other products as well."

Anand has recently signed an agreement with Mercedes and Piaggio in Indonesia, to supply them with Gabriel shock absorbers and front forks. Purola-

has not figured too prominently in either the products or the companies.

Anand now wants to change that. He has recently tied up with the US-based Federal Mogul Corporation, to form a trading company called Anand Federal Mogul India, which will act as an export-oriented trading house. AFMI will not only source products from the Anand companies but also from other domestic players for supplying overseas customers.

Regional offices of the Anand group companies are being replaced by Anand Business Centres. These will act as a common office for all group companies and ensure faster deliveries to customers. Soon, an Anand Technology Park will come up at Bangalore and Anand shops (one-stop shops for Anand products) will dot the metros. And Anand employees will have a chance to retrain and study courses in engineering and management at a proposed Anand University in Parwanoo.

Anand wants his name to start figuring on his products as well. At present, none of the products made by the Anand companies carry the Anand brand name except engine bearings. But soon, every company, in addition to their regular brands, will have an Anand brand. And the surprising bit is that the Anand products will be positioned higher than the existing brands. So, Gabriel India will continue making Gabriel shock absorbers, but

will also introduce a separate line for a higher grade called Anand.

But, in the process of building the Anand name, will Anand not run the risk of cannibalising his existing brands and their marketshares? Also, why should customers buy Anand shock absorbers or Anand air filters at a premium, when they would be perfectly happy with the tried and tested Gabriel and Purolator products? Anand is still searching for a convincing answer. He says he is really playing for the long term and that, eventually, such a move will give the group a



Purolator is the unchallenged market-leader in air and oil filters

players start manufacturing in India, they could bring in their vendors to ensure the right quality and specification of the parts. If that happens, competition for Anand will come not from within but from across the seas. And once foreign auto component makers start tying up with Indian partners, Anand will lose the edge he so far has had over domestic competition.

Anand's strategy, therefore, is to immediately upgrade the quality of his products to ensure that companies like Mercedes, GM, Ford, Volkswagen,

tor already has a contract manufacturing agreement with Bosch. Now, along with quality, Anand is also focusing sharply on building his group up, by initiating a programme that, he hopes, will make the Anand group the undisputed leader in the auto component business.

As a first step, Anand is making himself more visible as a businessman for the first time since 1961. More importantly, he is now doing his best to build a brand equity for the Anand name. So far, it has always been his collaborators' names that have been on the labels. The Anand name

solid and brand image like, say, Bosch of Germany. "It's a big risk," says Ravi Chawla, group-in-charge for business development. "But the gains could be enormous."

Long term goals aside, Anand is now widening his horizon, to add more products to his range. Though he won't spell out the details yet, this year he intends putting up greenfield ventures either near Pune or Gurgaon, to manufacture brake and exhaust systems. And he is also negotiating the acquisition of a company manufacturing auto lighting products.

But the project that could eventually turn out to be as big as the flagship Gabriel (which is expected to grow from today's Rs100 crore to Rs400 crore), is the one that he started last year, in collaboration with Spicer — a division of the US-based \$6 billion Dana Corporation. Dana has a 74.9 per cent stake in Spicer India, but Anand has effective management control of the company. Located in Pune (but with factories in Hosur, Hubli and Jamshedpur as well as Pune), Spicer India will manufacture sophisticated axle assembly cores and drive shafts with Spicer's technology. The total project will cost Rs100 crore and be completed in the next 3 to 5 years. Says Spicer India managing director C.S. Patel: "Our target is the new generation vehicles."

In that, Patel already has an advantage. Most of the new vehicles he is eyeing are already customers of Spicer abroad. Also, existing manufacturers, like Automotive Axle and Axle India, make only medium and heavy axles, whereas most of the new cars require a light axle, which Spicer will make. In addition to this, Patel is also hoping that he can, over time, convince heavy- and medium-vehicle makers like Telco and Ashok Leyland, to stop making a part of the axle in-house and source the complete axle from Spicer instead. Construction of the Pune plant is under way and Patel hopes to start selling by next year.

Spicer isn't the only company with a

large investment budget. Even at Gabriel, Purolator and Perfect Circle Victor, expansion programmes are being chalked out, which will increase capacity 2 to 3 times in the next three years. Gabriel, which already has five plants, is setting up three more — at Pune, Hosur and Khandsa (near Delhi). This will create an additional capacity of 3.5 million struts, shock absorbers and front-forks and cost Gabriel Rs75 crore.

Purolator, which registered a 25 per cent growth last year with sales of Rs60 crore, has a relatively modest budget, though. Over the next two years,

Agarwal says he'll double those numbers at a cost of Rs50 crore, to reach a turnover of Rs110 crore by the year 2000.

Target 2000, though, is not where Anand intends to call it a day. He is now forming a foundation called the Anand Foundation Trust, which will manage and run his companies after him. He will hold 51 per cent of the foundation, which would ensure his total control over the group during his lifetime. At present, the group companies are held through investment companies, which are, in turn, controlled by a holding company called Anand Automobiles. The three Anand brothers — Deep, Jagdish and



Chairman with various company heads: widening the horizon

Purolator's vice-president Deepak Chopra intends spending about Rs10 crore, to increase the present capacity of 24 million filters to 55 million per year. Chopra will introduce a whole range of new filters, including a panel-type air filter for the new cars in a new factory near Pune.

Perfect Circle Victor, which closed 1994-95 with sales of Rs40 crore, has a more ambitious plan. At its three plants in Nashik, PCV now makes about 1.4 million piston rings and Rs19 crore worth of gaskets; but general manager A.K.

K.C. — have equal holding in Anand Automobiles, but Anand now wants the holding company to be controlled by the foundation in which he will have a majority.

In the coming months, Anand clearly has a lot of brainstorming to do. He has to figure out how best to transfer the shares to the foundation, without incurring huge capital gains; how to convince his brothers into giving him a majority; and how to reach Target 2000, while still sipping cool Camparis.

■ INDRANIL GHOSH