

Getting Personal

With Sudhir Rao, Chief Executive Officer, AVTEC Limited



Illustration: Sachin Pandit

Q If not in the auto industry, where would Mr Sudhir Rao be?
An exasperated politician.

Q What car do you drive? What do you dream of driving?
A Mitsubishi Lancer Cedia. An emission-free vehicle.

Q Your most recent indulgence ...
Putting on 3 kilos in one week!

Q What are you currently reading?
Making Globalization Work by Joseph Stiglitz

Q What is Mr Sudhir Rao doing when not talking cars?
Eat, sleep, breathe sports of any kind.

Q Outdoor activity you would miss office for...
An elusive round of golf.

Q Where did you go for your last holiday?
Hiking in Uttarkhand.

Q You get angry when...
People have no civic sense.

Q What is the one thing you would like to change about you?
My idealistic striving for perfection.

Q Best thing to have happened to you...
Living in multiple cultures.

An experience I won't forget...

School Cricket

I am absolutely crazy about cricket, but obviously my skills did not match my passion, as my playing days essentially ended when I finished school at Lawrence School, Lovedale (Tamil Nadu). There was, however, one extremely memorable day while playing inter-house cricket. I went in as the second-last batsman with about ten runs to be scored for a win. Almost immediately the other batsman got out, and in came my friend and fellow Hindi movie fanatic, Shirish, to join me in the middle.

Somehow, the two of us scratched around and we got to within 4 runs of a win. I will never forget the cover drive that I executed with my heart in my mouth that finally got us those last runs and won the match for the House! As a Class IX kid, I was at the bottom end of the power spectrum in High School. That evening, however, was sheer magic, with handshakes and friendship from all the seniors and celebrations in the dorm.

I am a great believer in team sports, especially at the school and college level, for the pure, unalloyed passion that it generates and for the camaraderie that it creates among the team members. I have always encouraged youngsters to play a team sport before they get caught up in the personal rivalries and hidden agendas of the professional world – so that they can experience teamwork as it really should be and hopefully, some day can transfer that sense of pure purpose to leading teams in whatever profession they choose.

BITS Pilani Union Gen Sec

Pilani was the place of several of my formative experiences. Not sure how it all started, but I ended up running for the post of General Secretary of the Students' Union. Once the decision was made among a few of us, we bounced it off our various friends in the different 'Bhawans' across

campus to assess our chances of winning the elections, and we decided to go for it.

It was actually quite an interesting year, starting from the campaign itself, where we learnt the art of building coalitions with people with common set of values; choosing the people who would run at the level of each Bhawan without upsetting those who were not 'selected'; building up logical arguments as to why I was a better choice than my opponent, and then trying to convince a bunch of intelligent people in late night sessions that our plank was well thought through and could be delivered.

I will never forget the night the elections were over – not sure of the number of glasses of various combinations of illicit intoxicants that went into me, but the net result was that I was completely hung over and could not keep any food down for over 48 hours. Till today, the only liquor I can drink is beer and wine!

Due to an unfortunate set of circumstances and bad judgement, we were constrained to ask the President to resign half way through his term – and I ended up with the dubious honour of being, to the best of my knowledge, the only person who was simultaneously the President and the Gen Sec for the remainder of my term. This distraction was a convenient excuse for me to get a bunch of Es that year, but unlike some of my more ingenious classmates, I never did succeed in convincing my parents that E stood for Excellent! So I ended up repeating a bunch of classes and graduating in the First Division only by the skin of my teeth.

Till today, when my children goof off in their classes, I show them my Pilani transcripts to explain that the difference between success and failure is not intelligence, but application and hard work (and an inspiring professor named Dr GC Mishra).

Corsa Launch

My experience of developing the Purchasing team at GM India (along with my colleague Greg Todd) and then being part of the management team that executed and developed the Corsa and Tavera projects respectively stands out in my mind as one of the toughest but most rewarding periods of my professional life.

One incident that particularly stands out happened the evening before the pilot production of the Corsa. About 15 minutes before the end of the regular day, a member of our team reported that they could not find two of the hundreds of parts that were required for the next day. I had these horrible images of the whole department failing the organisation after 15 months of very dedicated and intense effort. We instantly and collectively made a decision that none of us in Purchasing would go home until we could trace the parts – even my secretary, who was in advanced stages of her pregnancy, insisted on being part of the 'search party'.

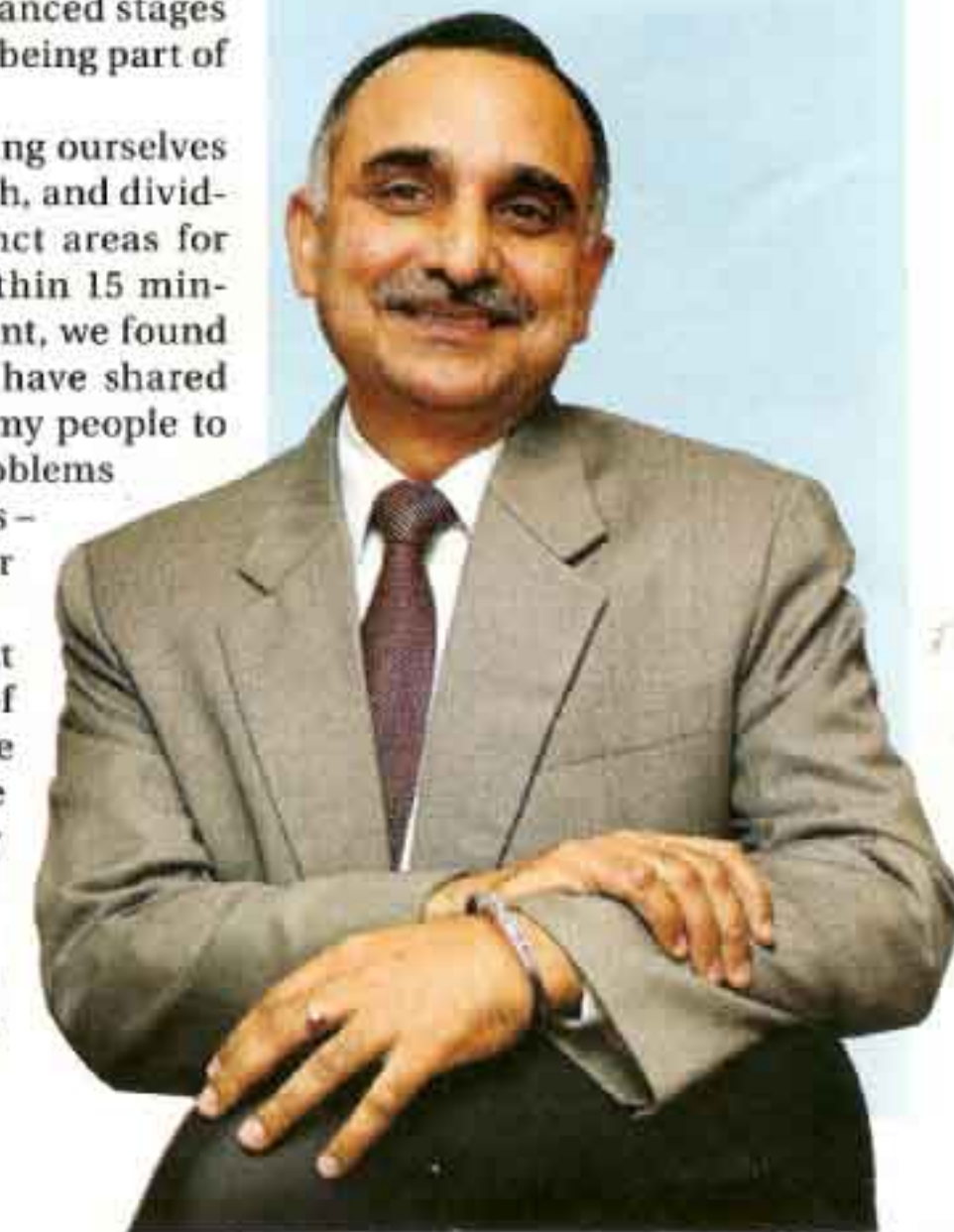
We spent an hour organising ourselves into groups of two people each, and divided the shop floor into distinct areas for each team. Unbelievably, within 15 minutes of starting the actual hunt, we found the parts. Over the years, I have shared this experience to motivate my people to convert critical individual problems into bite-sized team problems – and then depend on the power of teams to achieve success.

Today, we are working at creating the same spirit of togetherness and collective purpose at AVTEC. We have achieved a lot and won many battles, but have a lot more to do, and miles to go before we can declare a World Cup victory. We are confident our dreams will be fulfilled. *AV*

In Person

Sudhir Rao is an Engineering Graduate from BITS Pilani and obtained his MBA from the University of Michigan, Ann Arbor. He has spent virtually all his working life in the global automotive industry. His 20-year career with General Motors Corporation began in 1985 in GM's World Headquarters, and took him through several aspects of the industry, including Marketing, Planning, Manufacturing and Purchasing, and assignments in GM's North American, European and Asian operations.

Sudhir returned to India in September 2005 as the CEO of AVTEC, based in Delhi.



We would any day compromise growth for customer satisfaction

AVTEC, one of the largest players in powertrain (engine and transmission) manufacturing and part of the CK Birla group, seems to be doing the right things to ensure it is on the right track of growth. The company's performance in terms of revenue this year would be smaller as compared to the last year. But, Chief Executive Officer, Sudhir Rao is not complaining. The de-growth is primarily because of certain changes the company has made in its value chain. In an tête-à-tête with Auto Monitor, Rao explains the way forward for AVTEC, and says the company would never compromise customer satisfaction with breakneck growth. Excerpts:

Deepangshu Dev Sarmah

Q I believe AVTEC is well on track in terms of growth projections and business. How do you look back at the past year?

I think I am very pleased. Two years back when we spoke, I had talked about focussing on operational excellence. In fact that was the most important focus area. Our adherence to customers and our quality performance with customers has improved dramatically. We have been awarded the Ford Q1 Certification as a recognition of that.

We have been operating in '0' PPM for another of our customer for about six months now. To supply the entire aggregate of engine and transmission, and to accomplish a 0 PPM level is something we are very proud of. It is a long journey, and we have had traction. Our rate of improvement has also substantially accelerated.

Q Are you satisfied with the 15 percent growth you have had in the first year? Is there scope to grow even faster?

With the orders we have in hand, we should this year with about Rs 500 crore, which is slightly lower than our last year's revenue, primarily because of certain changes we have made in the value chain. But adjusting for that is basically a flat growth. Today, we are in the process of executing Rs 300 crore of orders and that would represent a 60 percent growth. These orders will be launched in the next 18 months or so.

Given all that, I think we have the right balance as of now in terms of the improvement of our current operations as well as getting new businesses to grow and keep ourselves healthy in the future.

Q You closed the last fiscal with Rs 570 crore?

Yes, that was at the close of March 31, 2007. The financial year ending March 2009 should show significant growth for us. There are two major projects that will contribute to that – one is our supplies to the Tata small car, and secondly supplies to the Tata World Truck project. In fact, we got the best development project award from HVTL, and they are very pleased with the development of components for their products.

That plant in Jamshedpur is about three months away from commissioning and that revenue will clearly impact the next year. We will also be on a steady state on two other major projects

for customers in North America. Between those two, that should contribute about Rs 75 crore.

Q Is your Kharagpur plant going to service the Jamshedpur business?

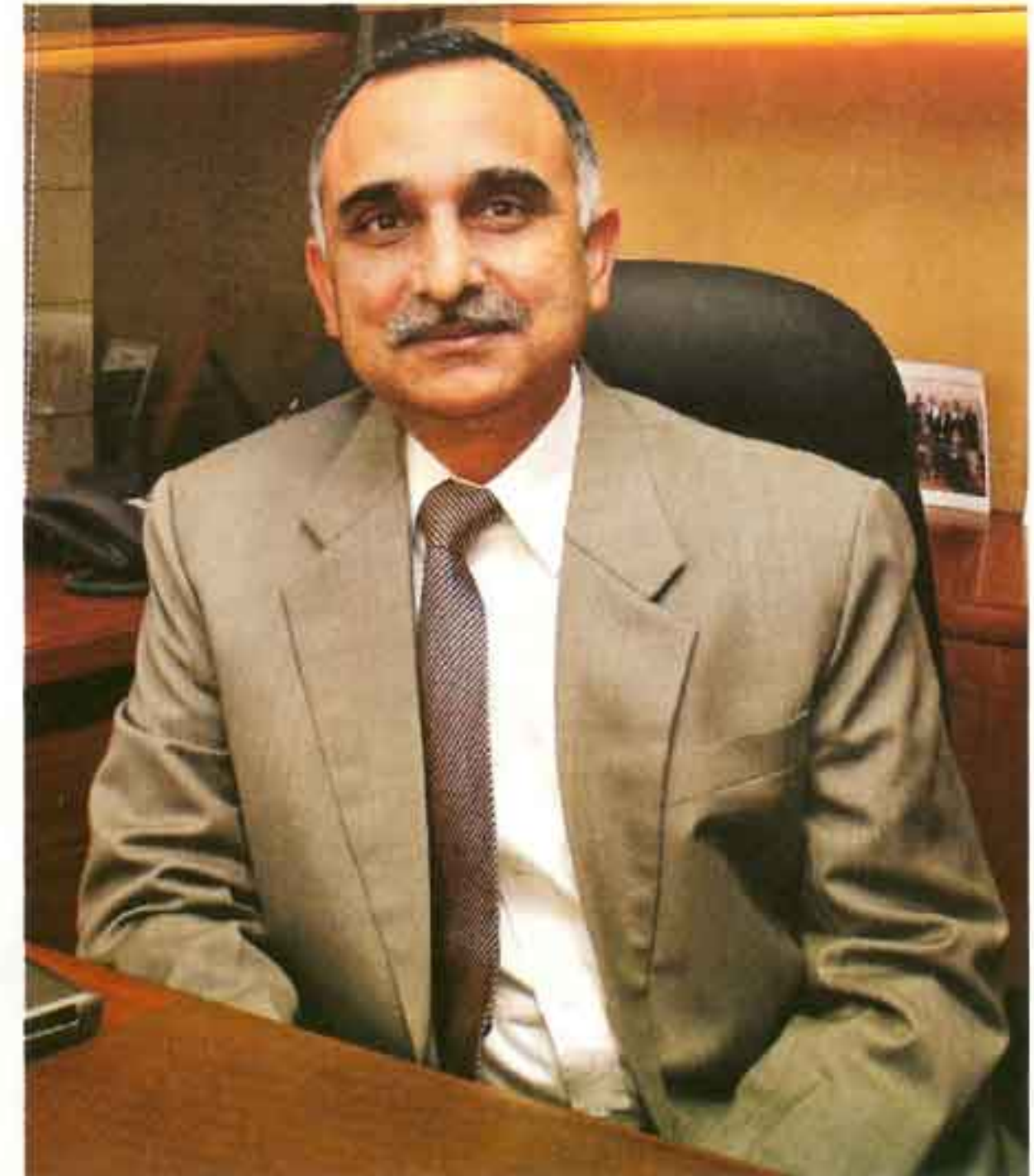
Yes, the Kharagpur plant is going to service both the Singur as well as Jamshedpur plants.

Q You had talked about a mantra – 200 in 2 and 500 in 5. Is that on track?

I will probably miss my 200 in 2 target, and make it 200 in 3. That is a failure for me. As far as the 500 in 5 target is concerned, there is some chance that we could hit it. Like I said, we have about Rs 300 crore of orders, and if we continue to succeed at that rate, we could grow quite substantially. It is a little bit of a long shot; probably I'll miss that goal as well. But it is a company that has changed. I am not disappointed at all. In fact, I am quite pleased with the way we are progressing.

Q Does the transition for AVTEC and the process changes you have brought in lead to what you wanted the company to be in the long run – truly world class to compete with global suppliers. Have you reached there yet?

We have actually won a business recently against stiff competition from, what we understand, is a South East Asian company, probably Korean or Chinese. We competed with multi nationals or non-Indian type of structures, and we won the business. We don't quite know whether we won the business purely on price or on a combination of qual-



Chief Executive Officer, AVTEC, Sudhir Rao hopes to attract customers rather than approach them

ity, service, technology and price. In fact, I will never know.

But clearly it shows that we are providing value for money to the customers at decent or very good quality levels. So, you got to look at competition in its totality. The fact that we won against regional competition is a healthy indication for us. It is not to say that we have not lost other businesses; we clearly have lost businesses, especially to Chinese competitors. That is an area of competitiveness we got to figure out way to bridge.

To answer your question, I don't think we are globally competitive yet on cost, but are certainly competitive on some other dimensions like quality and value for money. We want to be in a position where we are recognised for the core values of quality, cost, delivery and right value. We want customers to come to us, rather than we going to them.

Q There have been impediments in the form of increased input costs a

We would any day compromise...

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well as hardening of interest rates in the first half of the year. How do you see a correction coming about in cost?

I think it is going to be very difficult and almost irreversible. Recently, even the Prime Minister spoke of rising food prices. When these inflationary factors are going to feed through the various sectors of the economy, fortunately or unfortunately, we are not planning on being able to operate in an environment where commodity prices are going to go down. I think they are going to remain stable at best. If our forecast is wrong and commodity prices do go down, than obviously it is going to be good for us.

▶▶ You had talked about the possible acquisition of two companies

▶▶ Does that mean you could look at some kind of diversification in terms of products?

There is one diversification aspect we are working at, but unfortunately I am not quite ready to talk about it. This will represent a significantly different product from what we currently manufacture. In all of these, I would like to reassure that we want to grow and diversify at a pace we can handle. I don't want to be in a race car because the risk of failure for us and the customer is way too high. To me customer satisfaction is of paramount importance, even if that means sacrificing breakneck growth.

in the West. Have you firmed up on that plan?

We actually looked at three companies very closely, out of which we have definitely dropped one. It was a good fit for us, but couldn't agree upon the valuation. The other two are still alive. There are valuation issues surrounding them, but we are critically evaluating or negotiating them. These companies are in Europe.

▶▶ You have always talked about acquiring capabilities in technology rather than facilities.

The companies we are looking at currently are based on the same belief, where they can offer us not just manufacturing power, but also technology. That has not changed.

▶▶ Is it also time for you to consider

▶▶ On the investments front, is the Rs 100 crore you are putting in at Kharagpur the only significant investment currently?

There are other commitments that we have just made. I told you about winning GM's business for the Talegaon facility. There would be some investments going in there as well. So there will be investments beyond the committed Rs 100 crore.

an engineering centre in India?

We have actually made a breakthrough into one major customer. It is a small start with 15 people on site and 10 other in the office. But it is a start nonetheless. The idea is now to amplify it significantly.

▶▶ How is your export programme shaping up?

We have stabilised two of our export contracts fairly well. We are in the launch phase for three other contracts now, and that is keeping us busy.

▶▶ Any new markets that you are exploring for exports?

Not really. Right now, it is pretty much North America and Western Europe.

▶▶ How has your association with Allison Transmission helped in explor-

▶▶ Would you look at investing in a new manufacturing plant close to GM's Talegaon plant?

We are constantly looking at increasing our manufacturing footprint, and if that means setting up plants close to our customers, we would do that. But as of now the plan is to service Talegaon out of our Indore facility. However, we could look at fresh investments depending on future businesses. Under the right circumstances, we would like to be closer to the customer. **AM**

ing export opportunities?

It doesn't help us in exploring new markets, per se. We are a beachhead for Allison in India. They have their own plans for markets elsewhere and so, from the markets perspective it does not help us much. However, it does help us from a product perspective. We have a strong relationship with them. Allison transmissions are actually in the DTC buses that Tata Motors are going to supply, as part of the fleet up gradation ahead of the Commonwealth Games in 2010.

From that point of view, we are very much part of the process because we are the front end for Allison in terms of adaptation parts as well as engineering inputs going in to the customers for the on-highway automatic transmissions. We are also talking extensively to them for

export opportunities to their existing operations.

▶▶ Overall, how does the Indian market look like for the future?

I think it looks very interesting, and I believe it is going to be extremely dynamic in the next three years. I think we are going to see a lot of upheavals. Our way of reacting to that is to be able to collaborate with as many OEMs as possible. There are going to be some winners and losers, so one has to be flexible in terms of capacity planning, and minimising risks. That is a challenge for us.

New relationships are always interesting, and that is going to be exciting for us. I am particularly excited about the next three years. We have bagged orders for a major aggregate for General Motors' Talegaon facility. We are participating in the growth and are also talking to new entrants as well.

▶▶ Do we see more tie-ups happening for AVTEC going forward?

We are actively talking on two major projects with global OEMs, but nothing that I can talk about now. The one interesting thing happening at AVTEC is that we have successfully moved into the components space as well. That is bearing us fruit because components are a much lower margin business. Doing those projects have helped us a lot and we definitely intend to compete in the component space as well, but components that provide high value. We would not look at run-of-the-mill components, but highly engineered components.