

## AVTEC | RE-APPROACHING INORGANIC GROWTH

AVTEC Ltd, a manufacturer of powertrains with interest in the automotive and off-highway segments, has been undertaking a different direction to strengthen its technical prowess. For a company that began with modest technical capabilities in the 1980s, AVTEC has come a long way. Of late, the CK Birla Group company has been aggressively pursuing an inorganic route to growth – through technical collaborations and acquisition.

AVTEC's collaboration with Allison Transmission helped the company learn a lot about design processes, said **Prabhakar Kadapa, Managing Director & CEO, AVTEC Ltd.** This learning was later used to establish AVTEC's R&D set-up. Similarly, the license from PSA Peugeot Citroën has also helped the company understand new-age technologies in the area of engines.

The most recent development in this area has been the acquisition of ASSAG, a Swiss major in the area of crown gear (face gear) technology. The key reasons to acquire ASSAG were the global patents held by the company and its ability to carry out design to prototype development. Sec-

ondly, AVTEC finds great synergies with ASSAG, since designers are a key resource with the Swiss company.

For the crown gear technology, ASSAG has about seven global patents, which include manufacturing technology, tools, design and other related areas. Essentially, ASSAG has ensured its dominance in this technology area, a good thing for any acquiring company. ASSAG's technical capabilities aren't limited to the automotive arena as it has already developed and supplied gearboxes for applications such as monorail and equipments for medical technology.

It was interesting to understand the synergy between such an advanced technology supplier and a mass-market player like AVTEC. Kadapa said that due to the limited nature of advanced technology orders, ASSAG wasn't able to take orders involving mass production. In one instance, it had to license back the design portion of a product to Audi for manufacturing. With AVTEC in the picture now, ASSAG can look at volume orders too. AVTEC would directly benefit from access to

an entirely new customer base, Kadapa said.

In order to offer customers with an integrated approach, both companies have started collaborating on the R&D front – something both companies were missing out until now. In addition, the face gear technology of ASSAG has the potential to be applied across a wide spectrum of the industry. For example, the technology can be used to reduce the differential size of LCVs, tractors and passenger cars. Doing so will have the dual benefit of higher effective ground clearance and lower weight. Both companies have started working together and are already developing a transfer case for an undisclosed European customer. Going forward, the company expects significant progress in its ability to engineer advanced products to value.

A natural result of such collaborative effort would ideally translate into new business and additional production. Kadapa said the company is ready to meet the forthcoming increase in demand as their plants in Pithampur, Madhya Pradesh and Hosur, Tamil Nadu still have some room for expansion. If required, the company is open to setting up new plants as well.

The expansive efforts haven't halted with the acquisition of ASSAG as the company is actively looking for more M&A opportunities. The next 18-24 months could see a fresh announcement in this area. Kadapa, however, made it clear that technology is the defining parameter for AVTEC when looking at any acquisition. They may choose to buy a company with technical and manufacturing expertise but they'll not invest in a solely manufacturing unit.

While taking the acquisition path isn't a new strategy for an Indian company, what's different in the case of AVTEC is its follow-up action. The company is not trying to simply buy companies and use its production abilities to achieve scales of volume for niche technologies. Instead, the company is trying to form a two-way learning process, which will help AVTEC develop a more flexible business. It's these slight differences in approach, which help formulate a distinction among adopters and the adopters who learn to become developers.

TEXT: Arpit Mahendra

