

We Want to Bring the Best of Our Technology to India: PSA Chief

CK Birla, chairman of CK Birla Group, and **Carlos Tavares**, CEO at PSA Group, believe their shared vision and long-term partnership approach will help Peugeot and Citroen cars establish in Indian market despite their late entry. After signing two joint venture agreements – one for making cars and another for powertrain manufacturing – the two leaders spoke to **Nabeel A Khan** through video conference from the boardroom of PSA Group's headquarter in Paris. Edited excerpts:

Can you share the structure of the two JVs and what would be the CK Birla Group's contribution?

BIRLA: The vehicle JV will be about 80% PSA, and 20% CK Birla Group and this will be at our existing Hindustan Motor Finance Corporation (HMFL) facility in Thiruvallur where we make Mitsubishi vehicles. This facility will be taken over and PSA Group will bring their vehicles there. To start with, it will be in the form of a modular plant in the sense that we will keep on adding capacity, but the idea is to have a capacity of 1,00,000 units.

When do we expect the first product to roll out?

TAVARES: The first product to be launched from the Chennai plant will be in 2020, that's the plan. We are now making a lot of research to understand what the specific market needs are because it's very important to understand what the Indian consumer is looking for. We understand that the market is very demanding and value for money is a key expectation. So, the idea as a starter is that we will modify the products of our core model strategy to adapt the consumer expectations. But we also want to bring to India the best of our technology in fuel efficiency, connectivity, comfort, and safety. It's also important we should bring to India our global products so that consumers can enjoy the technology and state of the art performance.

CK Birla Group has a strong presence in the auto components space; do you think this JV will help you make a mark in the car market as well? How long do you plan to stay in this JV?

BIRLA: We are more into the components space. We want to make it big over there by adding capacities. There is huge opportunity there, and with PSA's expertise it is the right thing to partner with them. So, our strategy is



ON PSA EXPERTISE

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CK BIRLA

Chairman, CK Birla Group

more focused towards the components and powertrain side.

However, we are in the vehicle JV for the long run. The intention behind the JV is not to establish the company and then walk out. We believe that in a partnership, long-term relationship is very important. Short-term relationships do not create synergy. The kind of venture we are having will have a lot of benefits... the kind of technology Peugeot is bringing will be very helpful for India. So, we are looking at both as made in India.

India's passenger vehicle market has many big players. How are you going to deal with this late entry?

TAVARES: I wish my company was in India for the last 50 years. But that's not the reality and I have to accept it and make sure we have the capability to make Indian customers happy with my products. If we come to Chennai – it's an automotive hub in India – we will be having an opportunity of the supplier base already created by some of my competitors, which will make me much faster at the high localisation rate to be aligned in terms of market expectations and in terms of money.

This is not about being late; it is also about being smart and learning from what other people have done, including successes and mistakes which



ON KEY EXPECTATION

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CEO, PSA Group

I can properly evaluate. So, we just want to do things right. We just want to make a scalable JV where at each step we consolidate by making our customers happy. We will take our time. As Mr Birla mentioned, it is a long-term partnership. We are not in a rush.

What kind of investment you're looking in long and short term in this space?

BIRLA: See we have a lot of other ventures in the automotive and component space. I think it is going to form a very substantial part of our turnover. If I combine our powertrain business and other businesses we have in this space I would estimate it would come to about 30-35% of our turnover. I think in the next 4-5 years, we would be investing in automotive space somewhere about \$300 million, not just in this venture but in other ventures as well.

What happens to CK Birla Group's relationship with Mitsubishi?

BIRLA: Mitsubishi has different priorities now. We will still continue to produce Mitsubishi Pajero in our Chennai facility and we will keep distributing it through our existing dealerships in India. Mitsubishi had some challenges in Japan. So that's the reason why we couldn't expand that relationship any further than what it is today.