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Varroc eyes acquisitions in 4-wheeler segment in India

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Pune, Apr 28: The Rs 2,000-crore Varroc Group, which manufactures a hosts of automotive components, wants to grow in the four-wheeler segment in the domestic market in addition to stepping up exports to Europe. "We will invest at least Rs. 500 crore in the next three years in the domestic market. There will be an increased focus on forming JVs in India in the four wheeler space especially for electrical/electronic components and assemblies. Locally, we would be interested in an acquisition especially in the four wheeler segment," Tarang Jain, MD, Varroc Group said. The target is to achieve a sales turnover of Rs. 4, 000 crore by 2012-13.

"A lot of four wheeler companies have come at the Chakan belt near Pune in the last few years. Majority of these companies is our customer. We already have electrical and injection moulding plant units at Chakan and hope for good growth here," he said.

By 2012 -13, the company

expects 25% rise in its sales in the four wheeler and earth moving sector, 70% in the two and three wheeler and 5% in non automotive segments, he said. This year, the group is investing Rs 150 crore towards capacity expansion. Varroc's JV with Plastic Omnium Auto Exterior of France has already begun operations at Chakan nearly four months ago. Presently,



the company supplies bumpers modules for General Motors Beat and Mahindra LCV. "We are absolutely on track and also hope to cater to Volkswagen soon," he said.

The Aurangabad based Varroc group has 18 plants including 3 JVs in India. The group has three business divisions – polymer, electrical

and metallic, which makes plastic parts, rear views mirror, catalytic converters, engine valves and handle bar assemblies among other products. Today around 80% of the company sales is to the two wheeler and three wheeler market. The two wheeler customers in India include Bajaj Auto, HMSI, Suzuki, Yamaha Royal Enfield, Ducati, MVAugusta, KTM and

Piaggio.

About 10% of the company's sales come from four wheeler segment mainly in injection moulded components, and assemblies for interiors, exteriors and engine valves. Tata Motors, Mahindra & Mahindra, Volkswagen, Skoda, General Motors, Fiat and Audi both in India and Europe are customers both

in India and abroad.

Varroc Group's overseas acquisition- IMES Spa, an Italian hot forgings company with facilities in Italy and Poland – contributed 10% to the company's sales in 2009-10. By 2012-13, this is expected to grow to Rs 350 crore.

"Due to recession in Europe, our sales have fallen 50%. However, we still have positive cash margins. We expect to reach normal capacity level within the next two years. We are not looking at acquisition outside India at present", he said. Jain said the company had earlier looked at the Chinese two wheeler segment for a JV in the electrical /electronic space and we were still working on it. The company's exports currently stand at Rs 100 crore, mainly engine valves to the European market. These are expected to rise 20% in 2010-11, he said. The company is also looking at exporting others components to Europe and Far East (Thailand and Indonesia) in the near future.

"Passion for me is working with intensity and caring more than anyone else."

- Tarang Jain, Managing Director (Varroc Group)