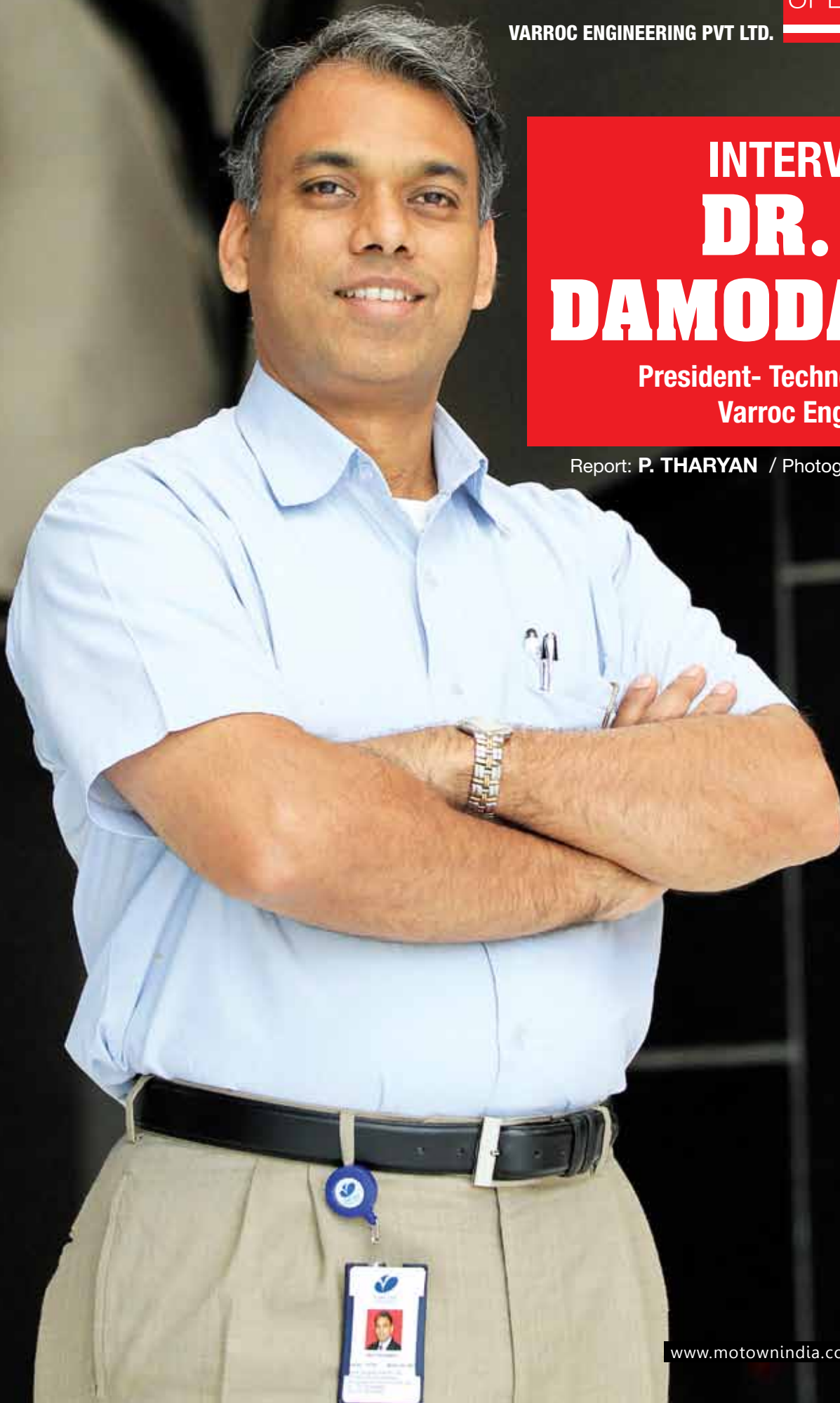


VARROC ENGINEERING PVT LTD.

**INTERVIEW WITH
DR. RAVI
DAMODARAN**

**President- Technology & Strategy,
Varroc Engineering Pvt Ltd.**

Report: P. THARYAN / Photography: MOHD. NASIR



Varroc makes a diversified portfolio of products for the two wheeler industry and is perhaps the largest supplier in the two wheeler industry. Is this portfolio more or less complete or is the company exploring newer products?

Varroc has probably the most diverse portfolio of products for the two wheeler industry ranging from plastics to electrical, electronics and metallic products for powertrains. We even make catalytic converters. We are in the process of transforming ourselves from a component supplier to a system supplier and this means two things. There will be a continuous churn of products as well as consolidation of products. For example we make electronic control systems for ignition as well as metallic transmission assemblies. The future belongs to electronically controlled transmissions for IC engines. With our control technologies and knowledge of transmission products, this would be a natural metamorphosis. Besides we are discussing future products based on the market trends and moves and these will add more product lines. Hybrid and electric vehicles will be very disruptive to existing suppliers to IC engine two wheelers and we are preparing for this changeover as well.

The Triom acquisition helped you both in India and overseas. What were the obvious rub-offs, post this acquisition?

The impact of Triom acquisition for both our Indian and overseas business has been very slow to take shape since we expect most of



the benefits to impact engineering capabilities in India and addition of Japanese OEM business in Vietnam. Both of these as you know are long lead items and these are taking shape. We should be able to see visible impacts in terms of customer wins or new product launches next year.

What is the current share of the two wheeler business in your total business pie?

Two wheeler business is roughly 35pc of our overall business and it has been so for the past two years as we continue to grow both our passenger car

and two wheeler business at the same rates, despite them being in different markets and regions.

In early 2015 you entered into a technical collaboration with Scorpion Automotive. What has been the progress till now, both for the two and four wheeler segments?

The technical collaboration with Scorpion Automotive was to develop security systems for the Indian market. As you know the Indian market has seen launches of bike locators by two OEMs

last quarter which is the first step to putting full-fledged security systems in a bike. It is interesting to understand this launch. Bike locators by themselves are of use in crowded parking areas, which is increasingly common in parking lots. These use pretty much the same wireless technologies as in an immobilizer. Normally bike locators are a feature on security systems. Bike thefts on the other hand are a common disease in India and surprisingly OEMs have not put a solution in

place although these exist in the passenger car market today. We have developed prototypes of full-fledged security systems with RFID immobilizers, alarms and bike locators for technology demonstrations and have already engaged with major OEMs to spread awareness on the utility of these systems. We would be focusing entirely on the two wheeler segment for this product since on the passenger cars, security is covered generally as part of other systems such as engine management system.

Your company has targetted an ambitious ₹20,000 crore turnover by 2020...up from around ₹8,000 crore....Has the company zeroed in on any targets for the inorganic route?

Our strategy for 2020 in terms of products, geographies we have to expand to are pretty much in place and we have been continuously evaluating targets. The broad areas to expand obviously are in the field of electronics, fuel efficient powertrains and exterior lighting. We have not narrowed down on any targets yet as the field is large and none meet our criteria in totality as of today. The process is slow and we are being cautious and choosy about it. World class technology acquisition in these fields is an element we do not want to compromise with and so we are prepared to wait for the right opportunity to come along.

In the two wheeler space, are you exploring business with the makers of superbikes? If yes, elaborate.

We do supply transmission gears to Harley Davidson in India and Ducati in Italy even today. Besides, we supply lighting to superbikes in Italy and are developing lighting solutions for superbikes in India also. So the thought process is very much there in our scheme of things. I talked about future products such as electric vehicles, hybrids, electronically control transmissions and products such



Automotive lighting products from Varroc



as security systems some of which are at a testing stage with many OEMs. Our penetration strategy for some of these may include superbikes as a natural entry point. This is something we are evaluating as we prefer to be a supplier to the mass market and a niche market entry is not alien to us.

Within your product portfolio, which are the ones where the company will see a lot of action in terms of technological challenges and also increased production?

I think the technology challenges are there in both our proprietary as well as the build to print parts such as polymer and metallic products. This is more so because of the aggressive targets we have set for ourselves to build technology capability ahead of market demands. Transitioning

from build to print parts to art to part is a challenge for polymer and metallic products. We have already moved along in air filters where we are not developing our own designs for production programs with major OEMs. Transmission and valvetrain designs are also on the block and these will be much longer lead times. For electric and electronic parts the challenges are driven by the disruption that we expect from the introduction of electric and hybrid vehicles driven by the newly launched FAME initiative. To be an indigenous supplier of control systems and motors to EVs and hybrids is a great opportunity for us, but the building of technology capability is not going to be easy. We are glad that we have started on that journey.

Are you on track to fulfilling the company 2020 vision plan?

Yes. On the revenue front we have grown two and a half times in the past 3 years and we have to repeat that in the next five years. On the financial front we continue to show healthy performance to enable consistent investments in all the regions of the world where we have operations. The major achievement of turning around our VLS operations in Mexico is a tribute to the way our teams handle our business. Having a strategy in place surely helps us prepare. The softer aspects of building the talent pool of skilled workers for automated production systems, engineering talent for building innovation factories and management bandwidth to handle the scale and complexities that come with the growth are something that we have recognized 4 years back and is quite challenging in the Indian businesses.