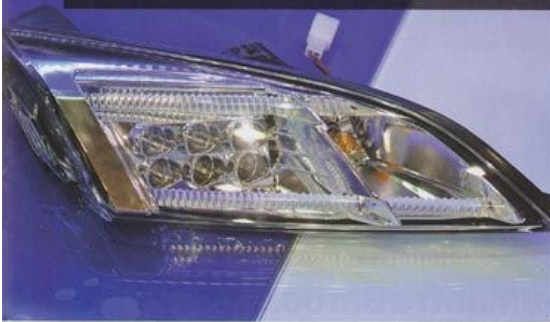


After acquiring Italian company Triom, Varroc is working on another deal in the electrical components space.



been developed in-house, in line with the company's focus on "increasing brain power and reducing muscle power at the shopfloor". "The market has started going down since a last couple of years, so the imported Chinese systems have not worked for us, and the market has not grown for the electric vehicle but this is what we would like to pursue. We have just displayed some concepts but it is an area of interest for us," says Jain.

The electric two-wheeler has not caught the Indian customer's fancy yet, but OEMs are doing R&D work in this area. The Hero Group recently bought out its electric two-wheeler joint venture partner Ultra Motors of the UK, which reflects its outlook for the electric two-wheeler market.

Another buyout in the pipeline

Even as electric vehicle technology work continues apace in the laboratory, Varroc's M&A is on the lookout for an acquisition in the automotive electronics space to enhance its engineering capabilities in that area and acquire new clients as well. Last December, Varroc acquired Europe's leading two-wheeler lighting solutions supplier, Triom. This acquisition gave it a leg-up in the European market. With Triom, which is setting up a production base in Vietnam by mid-2012, Varroc hopes to gain a foothold in the Far East too. If current negotiations are successful, another acquisition deal may be announced in the first half of this year. ■

Preparing for the future: Varroc wants to be ready with products like battery management system once the electric 2-wheeler market grows in India.



INTERVIEW TARANG JAIN, MD, VARROC GROUP



Varroc displayed certain software components at the Auto Expo like battery management systems. Is that a new focus area?

Our core focus area is two-wheeler products. That is where we started. These battery management systems was something we began two years ago; there were some efforts in that direction and what we have achieved is preliminary. This is only for a two-wheeler. This is, at present, very low volume but definitely an area of interest.

You said earlier that you may look at acquisition in electric components etc?

We are pursuing two to three opportunities at the moment. We did a strategic acquisition of Triom in December. It has a two-third market share in Europe and is building a plant in Vietnam where production will start by mid-2012. Triom is a very strong two-wheeler lighting technology company. If all goes well, we may have a deal in three to six months.

Why did the company decide to introduce the six-cylinder crankshaft?

That's another area of focus for us because there are not many players for the six-cylinder crankshaft, just one

"There aren't too many players making six-cylinder crankshafts. Entry barriers in terms of investment and technology are high, so it's a more profitable segment to enter."

or two players. Entry barriers in terms of investment and tech are high and so it is a more profitable segment to enter.

Who will you supply this to initially?

Varroc is targeting the entire market -- Ashok Leyland, Tata, Cummins and so on. We still see a good scope in the commercial vehicle segment. We will also look at exports in Europe.

Any plan to list any of the Varroc entities in the bourses?

We have a 20 percent organic growth every year, so we don't require funds because we have a good mix of internal accruals and debt. We would be open to those private equity deals in the future for our inorganic-kind of growth and investments.

Is Varroc on track to reach Rs 4,000 crore in annual turnover by 2012-13?

Last year we clocked Rs

2,450 crore in turnover. This financial year we will touch the Rs 3,000 mark and Rs 4,000 crore next year because that will include more inorganic growth. We are not sure about the market, it may grow the same way. The motorcycle segment should grow 15-16 percent.

What is the split between two- and four-wheelers for Varroc in India?

Probably 80 percent for two- and three-wheelers and 20 percent for cars and trucks. The operations abroad are largely non-auto as we don't consider supplies to Caterpillar as auto. That turnover is about at least 15-17 percent of the total turnover.

Are you focusing on non-auto to balance the risk?

Abroad yes, we are doing non-auto but it is in the forging and machining space. We are successful and our EBIDTA margins are much higher than we do in India. We are definitely growing there.

Varroc's new plant to target CV segment

Tier I supplier gets ready to add truck OEMs as clients from its new Waluj plant even as it adds 2-wheeler business with order for KTM Duke, reports **Sumantra Barooah**.



Six-cylinder crankshaft (left) will be the main component at the new Waluj plant; KTM Duke has over 20 parts sourced from Varroc.



From supplying connecting rods that weigh a maximum of 15kg to supplying crankshafts weighing a quintal, Varroc is ready to take a big leap through its metallic business division. Trial production at its new plant at Waluj, Maharashtra, will start by July. This plant will have an annual production capacity of up to 200,000 crankshafts for six-cylinder engines for commercial vehicles. "We are used to producing components up to 300kg in our European operations. But in India, this is something new and for the first time we would do such parts," says Tarang Jain, MD, Varroc Group.

The Rs 150-crore plant

will also produce front axle beams, another new component in Varroc's portfolio. With the current commercial vehicle expected to grow in tandem with the economy, Jain expects the plant to hit peak capacity in three to four years.

While the plans for big components begin, Varroc's two-wheeler department has bagged the mandate to supply over 20 components for the first KTM bike, the 200 Duke, launched in India by Bajaj Auto last month. These parts range from the front mask carrier to the rear fender. About 2,000 units of the KTM 200 are expected to be sold every month. With more models in the pipeline, KTM



expects India to emerge as its biggest market in 2013. This will translate into a new wave of business for Varroc.

The focus of Varroc as a major supplier for two-wheelers will continue, even as it ventures into a new territory of heavy components such as six-cylinder crankshafts and front axle beams. Currently, 80 percent of Varroc's local revenues come from two- and three-wheeler customers. With the increasing focus on green technology, Varroc is working on electric vehicle (EV) technology to be future-ready. It has developed a battery management system (BMS) for electric two-wheelers. The BMS has