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Mahindra Navistar guns for its rivals

With Mahindra Navistar undercutting its CV peers with the MN 25, Mahindra & Mahindra has made its intentions clear, says **Sumantra Barooah.**

Mahindra Navistar, the 51:49 joint venture between Mahindra & Mahindra and Navistar of the US, has straightaway attacked the meatiest territory of the Indian commercial vehicle market with its first truck – the MN 25. At Rs 14.99 lakh (ex-showroom, Pune), the MN 25 is priced aggressively compared to its peers from Tata Motors, Ashok Leyland and Volvo Eicher Commercial Vehicles which are available in the Rs 14-16 lakh range. Sales of the MN25 will start by September.

The company's new plant at Chakan, Pune, currently rolls out six to eight trucks a day. Given the market potential, Mahindra Navistar doesn't expect too long a time before hitting peak capacity. Rakesh Kalra, managing director, Mahindra Navistar, says: "The full capacity that we are talking about is 50,000 units in this plant. We might reach there in two to three years' time."

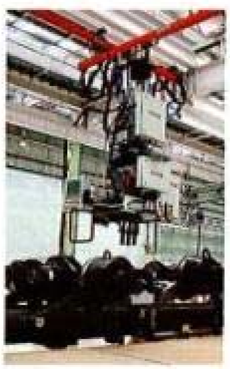
By the end of this fiscal, Mahindra Navistar plans to roll out multiple models to

At Rs 14.99 lakh (ex-showroom, Pune), the MN 25 is priced aggressively compared to its peers from Tata Motors, Ashok Leyland and VECV.

fill all segments of up to 49 tonnes in the market. As the joint venture works around the clock to prepare those products, the American partner is also ramping up sourcing of components through it.

Navistar will source components worth 10 million US$ from India during this year. Sourcing is only part of the Indo-American JV's three-pronged strategy. Manufacturing and selling CVs is the bigger part of the play.

"We designed a cab-forward version for the world and domestic markets, which Navistar doesn't have. Secondly, we do some engineering services for them because when they sleep, we work so that we can enhance/shorten product development cycle for them. And the third one was sourcing components for them. All the three things are going on," says Kalra. ■



INTERVIEW RAKESH KALRA, MD, MAHINDRA NAVISTAR

At what rate is the 25-30 tonne market growing? Do you see it as the mainstream segment, going forward?
If you see the complexion of the M&HCV market, 25 tonne and upwards which consists of rigid multi-axle trucks and also tractor trailers, last year the market was 90,000 for rigids – a growth of 30 percent this year. But I don't think this growth will be as hectic going forward as the base keeps growing during the second half. But yes, we'll see good growth. But if you go beyond the 25- and 31-tonne rigid axle trucks, even though the volumes are small, the growth rates are very high.

So, as people have committed loads and as people see infrastructure improving and they can afford better turnaround, they are going for higher value vehicles. Initially, your focus is primarily on gaining customer confidence.

As you add volume, how much of market share do you see for yourself in the next five years?
Considering the 50,000 capacity which we'll reach in about three years' time and the current LCV business (11,000 units in 2009), we would have a reasonably good number.

The next progression of the JV will be the bus segment. Between intra-city and inter-city, which one will be the priority for you?
We would have a similar kind of a strategy like the trucks. When we designed our trucks, we looked at the entire range and we have a very modular design. We would do a similar job with the bus. We'll look at the entire segment and decide where we want to prioritise.

What do you expect the entire CV market to be in five years?
I think it'll be quite big. Even if you take eight to 10 percent growth, it will be somewhere in the range of 400,000-500,000 numbers.

INTERVIEW RAMESH IYER, MD, MAHINDRA FINANCIAL SERVICES

What made you to return to the CV finance business?
The CV business is currently a fast-growing one. It's made a comeback. We have targeted that at least 15-20 percent of our balance sheet should come from the CV finance business. This means Rs 1,500-2,000 crore. That's the opportunity we want to explore in six months to a year. Accordingly, we will proportion our resources. We are currently averaging 1,000 vehicles a month. I think we've got our act together. Now, it's a question of moving in that direction.

How many players are there in the CV finance business after the economic crisis?
If you do CV finance like any another vehicle finance, then you will not be able to sustain. For CVs, it's like project finance or a relationship business. You've to live with it through the good and bad times because it will go through that. If you look at the traditional players, I don't see anyone who has been in this industry for more than 10 or 10 years exiting the market. You can't be vacating the market in every difficult time!

Any hardening of rates expected? The recent 3G spectrum auction sucked out a lot of money from the system.
While funds could become difficult, if money is getting utilised for alternate purposes, I would also see how the capex has come back in various industries. Therefore, banks and others would like to lend big money to big corporates. Therefore, it is likely that availability of retail support for these vehicles may slow down. But that's where NBFCs have a role to play.

While liquidity in itself may become difficult, for good companies to raise money may not be difficult. We are not able to see that rates are moving up immediately. Money is getting utilised elsewhere, but there's also flow of money coming in from other sources. Even if rates go up by 25 or 50 basis points, it will not affect retail sales in a big way. People will buy CVs based on demand, not on loan rates.