

RSB TRANSMISSIONS | EYEING SUSTAINABLE FUTURE GROWTH

Challenges of the economic slowdown, resulting in slack business over the last year, hasn't dented the Pune-based RSB Group, one of India's fastest growing global engineering companies. As a philosophy, the group looks at such cyclical occurrences as opportunities of growth, ensuring steady investments in building capabilities, and hence preparing for future market opportunities.

Nonetheless, the downturn in the last fiscal was pretty severe, acknowledged Rajnikant Behera, Vice President – Corporate Strategy and Finance and Member of the Board, RSB. And the commercial vehicles sector, on which depends the group's larger share of business, was hit the hardest. Although FY14 doesn't look too promising either, it still should be marginally better than FY13, he noted.

To secure itself from any uncertain market excitement, RSB is now looking at de-risking its business in two ways – one at the entire business level, and the other with existing products. Historically, RSB's exposure to CVs, especially the medium and heavy duty segments, has been

higher. It has moved on to passenger cars in recent years, and is also supply gears to tractors. Secondly, the products will be hedged against different series of vehicles, different customers and markets, explained Nishit Behera, Vice President – Corporate Planning, RSB. "Our experience tells us that during a slowdown, not every series of vehicles get affected," he said.

There are gaps that exist within the CV sector, where the group needs to find its foothold in. The idea, as RSB executives explain, is to reduce its dependency on CVs as a ratio, not as a value. While these would remain RSB's primary focus areas, all four quadrants of the BCG Matrix – existing product-existing customer, existing product-new customer, new product-existing customer and new product-new customer – would be adhered to.

"While talking about de-risking, we need to appreciate the fact that we never had that sort of an opportunity in the past. Although the economy is very bad, it is a question of how you sustain your business and manage your cash,"

said Nishant Behera, M&A Head and Member of the Board, RSB. It is all about being smart in these tough times. The entry of several new multinational manufacturers into the Indian market means a lot more opportunities. While the level of growth one witnessed three to four years back may not materialise again, but the window is still quite large. The company has learnt its lessons, and are better prepared for such cyclical downturns in the future.

GROWTH MEASURES

With businesses ranging from manufacturing of aggregates and systems to design and validation, the group has no dearth of possibilities it can create for itself, both in India as well as overseas markets. Currently, RSB is present in two verticals – automotive and construction machinery and aggregates, with around 70-75 % of group revenues accounted for by the automotive business. In terms of products, the focus is on three lines: axles, propeller shafts and gears & shafts.



RK Behera, Chairman (seated) flanked by Rajnikant Behera, Nishit Behera and Nishant Behera

There is no plan yet to enter into new product lines, unless it is inorganic. Organically though, the company is extending its strength in propeller shafts, for instance. Completely designed in-house, efforts are currently underway to win over new customers. The same strategy holds true for axles as well.

The challenge lies in moving up the value chain, and towards that the company is looking at extending the component know-how to get into more acceptable global products. As an example, the propeller shaft has been accepted well in India, and the company feels it has a good design to take the product to markets like Mexico and Brazil, if not the US. In fact, reverse innovation would be one of RSB's future strategies.

Moving up the value chain would also mean the group upping its capabilities from being a component maker to an aggregate maker. For someone making gears for over two decades, the next logical step would be to make gearboxes. RSB is looking for opportunities in this area, and is also investing in creating capabilities.

Growth could also come through the inorganic route for all the businesses verticals it is present in. RSB is exploring opportunities in Europe as well as other developing markets, and if someone comes by with ready knowledge of the product and capability, it could help the group cut down its time to market. The focus currently is on products, but Rajnikant Behera said the group would also look at any such possibility that may come about in the component level with synergies to its core business.

ENGINEERING CAPABILITIES

RSB has been constantly building up its human resources to meet future engineering and technical challenges. It is now setting up a technology centre for new products, but refused to divulge any further details on the same. "The investment would be a challenge for us now. But to be future-ready, we'll need to keep investing in products and processes," said RK Behera, Chairman, RSB.

Over the next seven to 10 years, RSB wishes to become a full-fledged Tier I company capable of developing self-designed products, and supplying to the OEMs. While such capabilities are routine with manufacturers in western markets, Indian companies are still to get there. Nishit Behera sounded a word of caution, saying, "We'll need to ramp up quickly, else we will be left out of the race and end up becoming Tier II suppliers

to larger product makers like Getrag, American Axles or Meritor."

The group's expertise as an axle manufacturer is well-recognised, even in global shores. It has received interests from OEMs outside India to set up plants in their markets, but the management isn't sure yet if this is the right time to invest in plants abroad.

MEETING FUTURE DEMANDS

Two core areas of focus for every manufacturer today are that of being light and efficient. In the area of propeller shafts, for example, a lot of experiments are being undertaken globally with aluminium or composite materials to replace iron. That's one area RSB too has been working on, and over the next three to four years, it expects such lightweight and efficient products to come to India as well.

In terms of gears, one of the very attractive technologies right now is the DCT (Double Clutch Transmission), which are being well-accepted in the US and European markets. In India though, the preference for manual transmissions outnumbers automatics by a huge margin. RSB sees a gradual shift from manual to automatic, and then to DCT. However, there is an opportunity for the industry to leapfrog to DCTs, Nishit Behera feels. But it would still take seven to eight years for DCTs to come into India, he said.

"There is a belief within the organisation that if we are getting into gearboxes, we need to get into DCTs as well. That may not be immediate, but that's the thought within the core group. We are seeking opportunities in that area. Right now, our focus is to build on the manual transmission market, but we do need to start developing our thoughts and capabilities on DCTs," Nishit Behera said.

On lightweighting, RSB doesn't follow a standard procedure and practice of cutting out extra flesh from the products. There are two other ways lightweighting could be achieved – one, by changing the material composition, and second by packing more features into the same product. SS Udgata, Director, I-Design Engineering Solutions Ltd, a RSB group company said the group made products lighter by changing material composition, where from within the same packaging space or from the same volume of material, the product strength could be enhanced. Also, a lot of allied parts were eliminated in one instance by packing in more features into the same product.



SS Udgata, Director, i-Design

I-Design in fact, is the R&D wing of RSB group, spun out in 2002 as a separate company to provide engineering service solutions to clients other than its parent companies. Over 150 engineers work on the full cycle product development, including designing, prototyping and testing. "For us, I-Design is a knowledge bank, and that is something we will strive to build," Udgata said.

Over its decade-long existence, I-Design has been a single entity, but different divisions are now being created as per product lines. Naturally, that will help focus more attention on each product. The company also realised that it is not always a mechanical engineering product, but an inter-disciplinary approach, and it is now working on acquiring knowledge in such areas.

"Tribology for instance, is one such new area we are working on. The other area is polymers. We have acquired considerable knowledge in the NVH of polymers, for instance. We are also working on carbon fibre. We have reached a certain stage, and need to start making the real fibre now. The idea is not to make carbon fibre products, but to familiarise ourselves with the technology and characteristics of the product, and thereby innovating areas where it can be used in a limited, specific manner," Udgata explained.

For the group, it is not about volumes, but more sustainable growth in the long run. In the next three to five years, the vision is to become a \$ 1 bn company. Barring FY13, the group has been growing at a staggering CAGR of 25-30 % in the previous four to five years. "Market conditions are challenging, but we would want to maintain that sort of growth," summed up the Chairman.

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