

Expansion, new products to fuel growth: UCAL CMD

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UCAL Fuel Systems, a leading OE supplier to two wheeler and four wheeler vehicle manufacturers, posted a turnaround in 2009-10 fuelled by the robust recovery in the auto sector. It also marked the first full year of operation after the exit of its technical and equity partner, Mikuni Corporation, Japan. The year saw its US subsidiary, AMTEC Precision products stabilising operations. In an interview to ET, UCAL's CMD, Jayakar Krishnamurthy shared the business plans and the company's focus on R&D for developing new products. Excerpts:



JAYAKAR KRISHNAMURTHY CMD, UCAL

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domestic and export markets) and Continental (for export market). Similarly, we have developed a two stroke diesel injection system for three wheelers of Bajaj Auto. We are also looking at supplying to Nissan, BMW and Ford. In view of the increasing application of plastics in automobiles, we are developing special plastic and rubber products. This will see expanding the activities of UCAL's subsidiary, UCAL Polymers. Instead of remaining a captive unit, it will supply the products to OEMs.

Do you have plans for having new foreign collaborations?

Yes. We are talking to global technology leaders to establish strategic alliances for making power train products for four wheelers. We will team up with them to promote joint ventures under UCAL. All our Board members over the years have been supportive of forming JV's as well as investing in R&D.

What is your capex programme?

This year, our capex will be Rs 30 crore for existing operations. In addition, we will step up an outlay

of Rs 15 crore for the R&D centre. Plus, we plan to invest Rs 15 cr on the two new facilities at Bawal near Gurgaon and in Mahindra city SEZ near Chennai. The Bawal plant will be supplying to Maruti Udyog and Hero Honda. The facility in Mahindra city will be ready in a year's to the export market.

How will the capex be funded?

We intend to raise debt only for the new facilities and the rest will be met out of internal accruals. We want to strengthen our balance sheet by brining down working capital to zero in two years.

We have a long-term debt of Rs 200 crore and in five years, we want to make UCAL debt free.

UCAL had joined other Indian component players in acquiring AMTEC Precision products in the US. Has it impacted your operations?

It was a good buy. UCAL had invested Rs 150 crore in AMTEC besides advancing a loan of Rs 25 crore. When the recession in the US affected the auto sector, we continued the operations on a moderate scale and serviced the debt.

How do you see the business prospects this year?

It is quite good. We are targeting to sustain the 25% growth in sales. In addition to consolidating our business in the two wheeler segment, we plan to introduce new technologies/products for the four wheeler segment. We are also gearing up to become a global supplier in vacuum pumps & oil pumps. While we expect exports to account for 25% of sales, we want at least 12 to 15% of total sales to come from products developed in house.

How did the company manage the exit of Mikuni considering it was its partner for long?

We learnt a lot from Mikuni. We found that it was a smooth exit with the promoters acquiring Mikuni's 26% stake. It did not have any impact on our business as we had a good relationship with Mikuni and the customers. Not only we retained all our customers but added more products and new customers. After three years of flat growth, we reported a 25% rise in net sales at Rs 373.74 crore in 2009-10 and a net profit of Rs 6.42 crore.

How is the company able to add new products and win customers without a technology partner?

In 2002, UCAL had set up an R&D centre at Ambattur in Chennai. We have been investing an average of Rs 10 crore every year on the centre covering futuristic fuel injection systems and other products. It has turned a big centre now with 100 engineers. We have tied-up with IIT-Madras for sponsoring our engineers to do their PhD and working closely with their labs. This is the result of our belief that even while having foreign tie-ups, it is better for Indian component units to invest in R&D to develop their own products and file patents. This will help them to secure their interest in the future.

For instance, we have now come out with water, oil and vacuum pumps for four wheelers. We will be supplying them to Fiat (for

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Possibilities open when you open your mind.

That's why our solutions make sure our customers get the best return-on-technology-investment.

Opening your mind also involves opening your mind to your customer's problems. This is even more relevant now than before. After all, the world economy is at a crucial juncture and businesses want to take measured steps. That's why we offer the best solutions at the best price points to each tier of the market, without compromising on quality. No wonder, for most of our customers we continue to be the solution integrator of choice for ensuring the best return-on-technology-investment (ROTI) to them.

Openness also encourages us to relook at things afresh. It is indeed this approach that helped us review our own identity and our business. However, with the change in our identity one thing that remains unchanged is our unwavering commitment to add more possibilities to your business.

