

cover story | MAHINDRA

Q&A | HEMANT LUTHRA,
PRESIDENT, SYSTECH

"We will ensure value appreciation"

How do you plan to achieve the \$1-billion target? Tell us about the \$1 billion x \$1 billion x 2010 strategy?

In the automotive components industry, scale is the key factor for success. But adding scale without adding to profitability (and consequently market value) make little sense. The \$1 billion x \$1 billion x 2010 strategy is to achieve \$1 billion in revenue as well as market cap by

2010. We are already at Rs 3,500 crore revenue

(around \$800 million). So it will not be very difficult to surpass the revenue figure in the next three years. We will ensure appropriate value creation through the integration and consolidation of group companies and necessary strategic investment (both organic and inorganic).

Tell us about your plans for the engineering division?

Mahindra Engineering is one of the most promising enterprises in Systech group companies. It has very healthy EBITDA margins. We are in the process of growing this business organically through new customer acquisitions and scaling up of services. When we reach critical mass, we will see how to take it forward—one choice obviously would be floating an initial public offering.

SAMEER JOSHI/FOTOCORP

capacity of 50,000 cars should not be too difficult.

"India sells 11-12 lakh cars per year. We expect that figure to cross the 20-lakh mark in about three years' time," says Umesh Karne, auto analyst at Emkay Shares. But Ambrish Mishra of Man Financial sees a risk: "The challenge for Logan will be to deliver on fuel efficiency and to establish a service network."

The other significant development is the MoU signed by M&M, Nissan and Renault to establish a joint manufacturing facility near Chennai for passenger cars and SUVs.

Commercial vehicles is the other big story. M&M, through its joint venture with ITEC, plans a capacity build-

Q&A | ULHAS YARGOP, PRESIDENT,
TECH MAHINDRA

"Tech Mahindra was developed in 3 phases"

When did the group first decide to get into technology?

The relationship with British Telecom (BT) started 20 years back. We first entered into a joint venture (JV) with BT to provide communication services, but the project was not feasible. But since our partnership was working well, we decided to get into software. The first contract was a 50 man-year contract. We recruited 50 people, who worked for a year and that's how it all started. Tech Mahindra evolved in three phases. In the beginning, the focus was on technology and R&D. The second stage was dedicated to rolling out flawless delivery to customers. The third or the current phase is customer-centric, when business to customers other than BT has increased significantly—from a ratio of 80:20 earlier to 65:35 now.

Will you integrate the tech companies in the group?

Tech Mahindra is focused on the telecom sector. There are other companies—Bristlecone, focused on supply chain management, Logisoft, concentrating on dealership management systems and Mahindra Special Services Group, providing consultancy on information security. If we bunch all of them, they may not be able to get the attention required during this period of growth.

up to 2.5 lakh units, expected to go on stream in 2009.

A key business that might see demand growth pangs initially could be the group's aerospace venture. But Anand Mahindra is not perturbed. He is quite sanguine when it comes to the question of the business' take-off. And while he's toying with new ideas in the technology space such as animation ventures, he is not ready to writeoff the retail opportunity either, say insiders. It appears that Anand Mahindra will make his move only after seeing greater clarity on the foreign direct investment front. And if this (the retail foray) could make the brand more consumer-centric, why not! □