

Ashok Minda Group plans manufacturing unit in Uzbekistan

17 Apr 2009, 1821 hrs IST, Chanchal Pal Chauhan, ET Bureau

Published in Economic Times, India

NEW DELHI: Delhi-based auto component maker Ashok Minda Group, plans to set up a new manufacturing facility in Uzbekistan with an initial investment of \$25 mn (Rs 125 crore) to feed Russian and CIS markets, said the group chairman.

Ashok Minda Group currently supplies instrument cluster for cars (where speedometer and tachometer devices are fitted) and vehicle security system from its Indian operations to Russia and CIS markets. It generates revenues of Rs 70 crore revenue from these markets every year.

"The high logistic costs make us uncompetitive so we are changing our strategy as we believe local manufacturing will make us competitive," group chairman Ashok Minda said. He added that the group will be able to utilise tax-free trade within the CIS block and can become direct suppliers to various car makers as well as tier I auto component suppliers like Bosch and Johnson. It will fund the entire investment through internal accruals and the first phase of production in the proposed plant will start from July this year.

Ashok Minda Group has a string of privately held companies which operates 24 plants globally. It is separate from the NK Minda Group, which also operates in the auto component space with public listed Minda Industries as its flagship group firm.

The proposed unit in Uzbekistan will also expand the European manufacturing operations for the Ashok Minda group which already has one production facility at Czech Republic and three plants in Germany. Besides the units in India, the group also operates two plants in Indonesia and Vietnam which were set up to tap the South Eastern Asian markets.

The raw material for the Uzbekistan plant will be shipped from India to control input costs as key inputs like steel and plastic cost much less in India compared to overseas locations, said Mr Minda. He added, "We are targeting sales of around Rs 150 crore from the Russian markets next year. Sourcing raw materials from India will help us increase our profit margins and control quality."

Half of the group's total turnover of Rs 1,600 crore comes from overseas operations. It also plans to set up new facilities in other bigger markets like China and Brazil in the near future. Over the last six years, the group had made three acquisitions, including two companies in Germany -- Schenk Plastics and KTSN -- besides acquiring automotive wire making units of French component major Valeo in India in 2003.