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MINDA DEMERGED

Uno Minda and Spark Minda are charting separate courses in the aftermarket with the aim of building their respective independent brand identities in a growing market. Moving away from a synergistic approach through a common entity for the aftermarket segment, the Minda brothers are set to prove that parts can be larger than the whole. **Nabeel A Khan** explores the plans and possibilities of both the groups and what lies ahead.

IN a relatively uncommon instance, Uno Minda Group (erstwhile NK Minda Group) and Spark Minda, (erstwhile Ashok Minda Group) are looking to chart separate courses as a part of re-structuring of their respective aftermarket businesses. The erstwhile joint trading company Minda Autocare Ltd (MACL) has now split into two separate entities—Minda Distribution Services Ltd (MDSL) and Minda Automotive Solutions Ltd (MASL).

Post separation, MDSL would undertake automotive spare parts trading solely for components and systems manufactured by the various group companies of Uno Minda Group in the aftermarket, while MASL will be the nodal aftermarket trading entity of the Spark Minda Group. The erstwhile partners insist that the split is an opportunity to focus on building up the brands of their respective group entities with the aim of achieving

higher growth.

With the demerger, both the companies are taking aggressive measures to doubling their respective turnover over the next two to three years. After the split, both the companies will focus on new approaches of sales and marketing and have deeper penetration.

“Aftermarket has huge potential. The demerger will give more focus to each product line for optimum utilisation of capabilities,” said Group Chief Executive Officer, Spark Minda Group, Ashok Minda.

“The demerger has been done in such a manner that rather than competing with each other, it should give impetus to the growth of both the groups,” said Chief Executive Officer, Uno Minda Aftermarket, Arun Nagpal.

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The two groups have signed a ‘no competition’ agreement. “By and large, what we are looking at is to sell only products that are produced within the Uno Minda Group in the aftermarket. We are not a trading company that we will buy products outside Minda Group—Rakesh Kher Head Aftermarket, Uno Minda Group

Uno Minda Group in the aftermarket. We are not a trading company that we will buy products outside Minda Group,” said Head Aftermarket, Uno Minda Group, Rakesh Kher.

Before the demerger, MASL had a turnover of ₹300 crore in FY’12, of which, products manufactured by Uno Minda Group contributed around 65 percent (about ₹200 crore in terms of value). The reason for Uno Minda having higher share is mainly because of the nature of its product line. MDSL is aiming to grow its revenues from aftermarket to around ₹400 turnover by 2015.

Spark Minda Group owned MASL, on its part, is looking to focus on its regular products—locks, wiring harnesses and instrument clusters, sensors, window regulators and also launching newer products in the aftermarket segment. The company launched wiper systems in April and is in the process of evaluating other products in the coming months.

The aftersales business is operated in two tiers—the business partner (distributor) and the retailer. The



NK Minda, Chairman & MD, Uno Minda Group



Ashok Minda, Group Chief Executive Officer, Spark Minda Group

business partners take the target for selling particular number of SKUs (Stock Keeping Units) for the company to the retailers, who act as Tier II. "We have aggressive plans to double the turnover in the next three to four years by exploiting the existing product potential and introducing new products," stated Group Chief Marketing Officer, Spark Minda, NK Taneja to *Aftermarket*.

Uno Minda Group owned MDSL, is aiming for deeper penetration into the new market and has a focused approach to increase sales volume. A close tab on OEM (Original Equipment Manufacturing) units of the group is aimed at smooth supply during expansion to avoid any surprises. The top management holds monthly meetings with each manufacturing unit of Uno Minda Group, where it reviews the performance of the aftermarket products. It looks at supply, development and quality related issues during its meetings with the top management of company. And during these meetings, it decides if it has to develop any

new product especially for the aftermarket. It also continuously analyses the gaps in terms of availability of products and pricing. "We are trying to understand why we are not able to sell a particular product. Is there a quality issue or any packaging problem? We keep analysing this," said Kher.

Recently, Uno Minda Group has signed a JV with Fujitsu Ten Ltd for supplying car entertainment products for OEMs. MDSL is currently evaluating an entry in the aftermarket for car entertainment and accessories.

It is also looking to expand its retailer network and increase the number of business partners (distributors). "We are thinking of creating an FMCG (Fast-Moving Consumer Goods) kind of retailing network in the aftermarket. Our sales team visits retailers and explains the products and procures orders," explained Nagpal.

Elaborating further on the distribution strategy, he said that the company first identifies a locality, based on demography and geography. The focus area remains where the retailing is higher, it selected one such area—Karim Nagar near Hyderabad.

Aftermarket has huge potential. The demerger will give more focus to each product line for optimum utilisation of capabilities—Ashok Minda, Group Chief Executive Officer, Spark Minda Group

A team of five sales officers from MDSL visited all retailers in the chosen area. The sales personnel sought their feedback and also asked them for the suggestions to improve sales. The process helped gain insight of the marketplace as well as expand the distribution network. Even as MDSL is responsible for marketing,



A Range Of Components From Spark Minda Group

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the supply of parts to the retailer is the business partner's responsibility. It also covers the garages and mechanics during its campaign.

The people in rural areas are becoming increasingly quality conscious. The distributors also help the company in reaching the retailers and indentifying new areas. The company carries the products displayed on a vehicle so the people can easily see it. From the top management, such as president, CEO and GM, everyone has to dedicate a particular number of days and visit the retailers as sales executives. This gives them clear picture of the ground realities based on which, the right decisions can be made. MDSL has 15,000 certified retailers and 429 distributors.

Minda Group was established in 1958. The aftermarket business was



(Centre) Rakesh Kher, Head, Aftermarket, Uno Minda Group interacting with a retailer in Karim Nager, Hyderabad

carried out through Switch Masters Ltd (SML), formed in 1985 and named after the flagship product from the group—automotive switches. Subsequently, the group diversified into manufacturing products like horns, light and indicators among other components. SML was renamed Minda Autocare Ltd (MACL) in 2004. It continued with its mandate of selling and servicing products manufactured by Minda Group (Ashok and NK Minda) in the aftermarket.

Now MACL, as part of the demerger process, has broken up into two different companies but the two groups have amicably decided not bring major

changes in their policies and distribution network. This way, the companies continue to have same network of business partners (distributors) selling the products of both the Groups. This is also in the interest of the customers to let the transition happen in a smooth manner. MDSL does not have any plans to have separate distributors but such a possibility (of separate set of distributors) is not ruled out in the future.

Though business wisdom suggests that sum can be bigger than its parts, the Minda brothers, who split their businesses almost two decades ago, are looking to prove that individual identities does matter. ■



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