CEAT's Anant Goenka 'earns' his right to grow

Report: **Avishek Banerjee,** Photography: **Mohd. Nasir**

It's an era of young and dynamic guns in the Indian automotive and its allied industries. Whether it is Raman Mittal (Sonalika), Dheeraj Hinduja (Hinduja Group), Deepak Jain (Lumax), Nikhil Nanda (Escorts), Prasan Firodia (Force Motors) or Neeraj Kanwar (Apollo), the list of youngsters in the industry is endless and they all are set to unleash their potential and make a mark in their respective firms and contribute with their futuristic ideas to the industry per se. Incidentally, most of them are third-generation entrepreneurs who have pursued their masters degree from abroad and incorporated those learnings in their family business.

Some have also gone on to the extent of adding a lot of value to the business due to the skills that they have acquired working with other group firms and international companies. One such example is the corporate honcho Anant Goenka, who was elevated to the post of Managing Director of CEAT Tyres last year to take on responsibilities and expansion plans of the ₹5,000+ crore firm. Incidentally, he is also the Chairman of Automotive Tyre Manufacturers Association (ATMA). In an exclusive interview with *Motown India* magazine, the media-shy Goenka was quite upfront about where his company stands at this juncture and what headwinds the domestic tyre industry is facing in the near term.

Commenting on his previous stints at KEC International and how it helped him in enhancing his management skills, Goenka said, "Initially when I started off, I was doing a large part of each activity myself. I had to learn to delegate as I grew into larger functions. That was certainly one aspect of me. As I grew, I learnt the art of empowering and delegating. Secondly, I feel that my experience in supply chain at KEC has substantially developed my interest in factories or plants which ultimately sharpens my focus towards operational efficiencies, putting in best practices like autonomous maintenance, quality management, etc in plants which I try to incorporate in CEAT now."

Anant Goenka, who is an MBA from the Kellogg School of Management and a B.Sc. in Economics from The Wharton School, has also worked with Hindustan Unilever, Accenture, Mumbai and Morgan Stanley, Hong Kong. There's an unusual modesty that accompanies him.

Apart from zeroing in on the usual strategies to improve operational performance, he has been actively working towards improving the channels of communications with employees. Looking up to his late grandfather R.P. Goenka as his role model, he describes his leadership style as being participative. Since he took over the reins at CEAT on April 1, 2012, a Young Executive Board has been put in place at Ceat that advises the management on a variety of subject which are both strategic and operational. Prior to his MBA, he was also associated with CEAT Limited as Head of the Specialty Tyre Business.

Goenka shared, "I would say my leadership style is more of participative because of my age. People who work with me have a lot of experience and domain knowledge. Getting their views first is very important before coming to any decision. I work towards building a consensus or taking their views and coming to decisions on that. As far as formal and informal channels of communications are concerned, I believe these communications are extremely important. I believe the way the environment is changing; everyone needs to understand the context in which they operate. And

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what kind of impact they are having on the company, how things are progressing, and so on and so forth."

Goenka climbed up the corporate ladder starting with a stint at Hindustan Unilever where he worked as an area sales manager on the outskirts of Mumbai. After various stints at business and engineering schools in the US, he was appointed deputy managing director at the family-owned business. His style, he says, is collaborative because he feels he is still young. "I've got to learn from people who've put so much into the business," he said

When asked to speak about the channels of communication, "A few types of formal and informal communication that we have for example is one is in the form of what we call is connect with the 'Top Management'. We have branded it as 'Connect' and is really is to do with top management addressing the rest of the team or myself addressing the entire team in various locations about what is going on in the company and what could be done better. In a way, putting into perspective of the whole picture of what is going on in the company. At the end of it, we have a typical open house or a Q&A kind of a session where people can put in any queries, share ideas and thoughts. That is one example. The second thing that we have is with respect to what we call again as 'Indi connect', which is really a system where I have a series of lunches with the top talent of the company. I cover about top 100 people of the company through the year and it can be in small groups or on a one-on-one basis. And I get a flavour of the people and they get a flavour of what is happening. So I give them an update of what is happening. I also get a lot of insights of what is happening or what people perceive about the market, internal environment and also about the company, how things are going on, and whether they have any ideas and suggestions."

EARNING THE RIGHT TO GROW

Under Anant, the company now aims to optimise capacity utilisation of its newest plant at Halol near Vadodara (Gujarat) as well as expand reach in Asian markets aided by a new facility in Bangladesh. CEAT has also bought the global rights to the CEAT brand which will allow it to market its products in Latin America and Europe both of which were restricted earlier.

However, the young Goenka was pretty categorical in saying that his primary aim is to make CEAT amongst the most profitable tyre companies in India in the next 5-6 years by strengthening the brand and improving operational efficiencies. He was quite clear that it's practically impossible to figure among the top 10 tyre makers in the world globally in the foreseeable future. "Being a leading global player is certainly something we would be happy to look at. But from a realistic perspective, the top 10 companies need to have a certain turnover of say US$ 6 billion. Only if you make money, you can invest that further money for further expansion and growth. I would like CEAT to be at the leading edge of tyre technology by focusing on research and development of radial tyres and development of alternate materials. Making money is really the first goal. Earn the right to grow, which is very important to me. If you have not earned the right to grow, you don't deserve to grow further. We can't say that we want to grow first and become a particular size and then we will see how to make money. So first make your money on whatever size you have and then invest further for growth."

As far as its expansion plans are concerned, he stated that CEAT is looking at growth outside India as the capex for the domestic market has already been spent at Halol. "We are not adding any further expansion at this point of time. We have just set up a new plant at Halol (in Gujarat) and it churns out 150 tonnes per day where we are currently at about 80pc utilisation (at 120tonnes per day). Our goal is to make it a 100pc utilsed plant. And then perhaps we may look at further expansion in the radial category, which could be in Halol itself. But no decision is being taken now. Halol does both CV (80 tonnes per day) and passenger vehicle (70 tonnes per day) tyres. So certainly there will be no expansion at Mumbai and Nasik because they are all in the buyers' category tyres." Incidentally, Halol plant is the Group's only radial tyre plant in the country.

The Mumbai-headquartered is catering to a number of marquee domestic and multinational clients like Mahindra & Mahindra, Tata Motors, Ashok Leyland, Piaggio, Force Motors, Eicher Motors, AMW, SML Isuzu, Maruti, Suzuki, Hindustan Motors, JCB, John Deere, etc. "We believe in competing with ourselves. Working closely with research and technology department of our OEM partners, we manufacture highly-durable, customised tyres for most Indian vehicles including trucks, light commercial vehicles (LCVs), passenger cars (PCs), utility vehicles (UVs), tractors, truck trailers and two-wheelers," shared Goenka.

At CEAT, Anant has been working on changing the product mix with greater emphasis on passenger car radials to improve the margins of India's fourth largest tyre company. He also looks to create overseas markets for the company. When asked about the inorganic growth, he stated, "We are not looking at acquisitions at this point of time. Organically too, the company is not looking at any heavy investments in the (domestic market). However, the company is looking at enhancing its presence in some specific segments of the automobile industry. We are looking at a few key sectors that we have identified and are important for us. We are looking at expanding in categories like motorcycle sector, passenger vehicle segment," mentioned Goeka. After supplying its products to Hero MotoCorp and HMSI, the company has cracked a deal with quite a few players in the two-wheeler space like Royal Enfield,

Yamaha Motor India and Bajaj Auto.

It is to be mentioned that CEAT manufactures a wide range of tyres for various customer radials for Indian vehicles and caters to various user segments including heavy-duty trucks and buses, light commercial vehicles, earthmovers, forklifts, tractors, trailers, cars, SUVs, MUVs, motorcycles and scooters, auto-rickshaws. "We have to move along with or perhaps faster than the industry. The commercial vehicle industry is around 20pc radialised and we are about 15pc radialised. For us to be 100pc radialised doesn't make any sense. As far as passenger cars are concerned, the industry is 100pc radialised and we are 90+pc radialised at this point of time. Motorcycles worldwide are 1pc radialsed. So we can't me more than that. We will radialise at pace with the industry", noted Goenka. Going forward, the company is looking the tap the OE market for bikes as well as the replacement market for both bikes and UVs which are expected to grow faster than other sectors.

INTERNATIONAL MARKETS

After having successful operations in Sri Lanka where it has a 40pc marketshare, the company is now looking at Bangladesh as the next set of expansion. The flagship tyre manufacturing firm of the RPG Group has signed a joint venture agreement with AK Khan & Co of Bangladesh to establish a tyre manufacturing plant in the aforementioned neighbouring country. CEAT and its Bangladeshi partner will jointly invest US$ 67 million (₹355 crore) to set up the new factory, which is likely to go on stream by the end of 2014. To be built in a phased manner, the factory will have a capacity of 110 metric tonnes a day.

"This strategic partnership will enable us to establish a leadership presence in the large tyre market of Bangladesh. While we will provide technical and business expertise and manage the JV company operations, our partner will bring in their knowledge of its market. The manufacturing plant at its full capacity will be able to cater to majority of the tyre requirement of Bangladesh. The facility will manufacture bias tyres in truck, light commercial vehicle, and two-wheeler and three-wheeler segments for the local market. We have already acquired the land and the new plant should also be in place in about a year and a half or two years from now. So that is going to be our next area of growth internationally. We are also looking at countries in the subcontinent like South East Asia through the export route from this plant," he said. As per the JV agreement, the Indian tyre major will hold a 70pc shareholding while its Bangladeshi partner will hold the rest of the shares. The company hopes to achieve a 40pc market share by 2016 after the plant becomes operational by the second half of 2014-15.

Even though the overall automotive market has hit a speed breaker, Anant was happy that BSE-listed firm's profitability has got better over the past quarters. "I think this profitability will continue over a short period of time because of the benefits that we are getting like reduced raw material prices. Rubber prices have come down from ₹240/kg three years ago to ₹160/kg now. It is not a challenge anymore. Certainly the situation has got better over the past few months and will be finer in the next few months. A few areas we can look at improving is by increasing the percentage of radials in our lineup or by radialising the market, by offering the customer more value-addition, better mileage, better loading, etc and tying up with an OEM at an early stage where you help them in creating a new product. With better products, you can command a premium pricing in the aftermarket," he shared.

GROWTH PROJECTIONS

Being cautiously optimistic, he was cagey in sharing revenue projections and volume growth do you expect in 2013-14. "Looking at the current industry scenario where the OEMs are slowing down, I would say if we can get a revenue growth of 10pc and a slightly higher profitable growth would be good for us. It is difficult for me to give numbers because it is dependent on too many factors," he said.

However, he signed off by spelling out a modest vision for the company and the challenges faced by ATMA. "As I shared, we would be looking at expanding in countries outside of India. We are looking at leadership in a few categories we have identified. Those are the two areas that we want to focus on. For the ATMA, the biggest challenge is that of the whole economy at this point of time. The economy has slowed down substantially over the past few months. Most of the automobile companies are witnessing a de-growth. Most categories, except SUVs, are witnessing a downward trajectory. And that is having an impact on our OEMs' sales. Over the couple of years, it will have an impact on the replacement sales. Although this will stay on for six months to a year, I am pretty confident that things will certainly get better. Our basic consumption is very strong and we will get out of it," he said.