

# Tata Hitachi turns the corner, aims for new challenges

On the anvil are more products in the construction equipment space

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"We work before the roads come out," says Sandeep Singh, Managing Director of Tata Hitachi, the market leader in excavators.

To that extent, this business activity may not have the same glam quotient as cars and bikes but then fancy wheels become irrelevant without roads. This is where construction equipment like excavators become a vital cog in the automotive ecosystem.

In the backdrop of this rosy picture, Tata Hitachi had bigger challenges to contend with back in August 2015 when Singh took charge as MD. Losses had been mounting and morale across the workplace was little to write home about. The overall construction equipment industry was in bad shape with road building, mining and irrigation facing the brunt.

"Many companies including Tata Hitachi were not doing too well and industry was in decline mode since 2011-12," says Singh. "When I joined, I was reasonably sure that things would improve with the government's emphasis on infrastructure development."

## Bigger challenges

The bigger job on hand, though, was to realign the organisa-

tion and let employees know that it was important to come together and work towards a turnaround. There were issues concerning quality and customer deliverables that had to be addressed quickly. This was particularly challenging for a company with three plants across diverse locations in Jamshedpur, Dharwad and Kharagpur.

"When you are not doing well, the whole supply chain of vendors and dealers also comes under stress and I met them to better understand the issues," says Singh. Gaps were identified and an action plan was formulated in three months. Clearly, there was a crisis where the company was not making money. Losses were a result of low volumes, higher fixed costs and huge interest.

"The top priority was to reduce expenses, improve quality and give confidence to dealers/vendors of our intent to revamp," adds Singh. Vendors wanted commitments on schedule with regular payments. It was also important to ensure quality both at the vendor and factory checkpoints.

For someone who had spent 23 years of his work life at Toyota, it was but

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natural for Singh to focus on quality. Dealers of Tata Hitachi also needed more consistent policies and were assured that things would get back on track. By March 2016, there was better traction in the market and the "smiles were back" on the faces of dealers during a conference in May.

## Success story

Fiscal 2016-17 saw Tata Hitachi post a net profit for the first time after five successive years of losses. Singh, however, reiterates that credit should be given to the entire team that made this possible. He then elaborates on what remedial measures were taken to pull the company out of the abyss it had sunk itself into.

The first step was to work on the principle of 'right machine at the right time'. There were inexplicable waiting periods for

some machines and dealers were left clueless on how to explain this to customers since there was no communication coming in from the company. Additionally, gaps in forecasting led to erratic production levels with only 12 per cent in the first week and 40 per cent in the last week.

The logic offered was that customers bought machines only in the last week. "I said this was not the way we were going to work and things gradually changed to make forecasting a lot better," says Singh. "We committed schedules to our vendors and made timely payments."

It was important to meet weekly targets first and by March 2017, production was up to 30 per cent apiece in the first and last week(s). Quality also improved substantially and better planning ensured that there was

no buildup of inventory.

The second step was to focus on 'fix it right first time', which means any problem with a machine in the market had to be addressed quickly. For this to happen, the dealership needed to be equipped with spare parts and mechanics adequately trained to take care of repair jobs.

"You are bound to have problems in this industry since machines are abused and work for 15-20 hours a day. We need to build confidence in dealers/customers and train technicians," says Singh. The third target as part of the turnaround exercise was quality is not just "what we produce but what we deliver". It is a journey that is still underway at Tata Hitachi and the biggest strength here lies in the company's top-class customer relationships.

"We have limited customers in

this industry unlike the auto sector and they only return when the machine is good and you deliver on your promises," says Singh. Today, the whole organisation is aligned to each of these goals. "At Toyota where I have worked for so many years, the customer is always the focus and drives all strategies," he adds.

Tata Hitachi has also kicked off visualisation reference points where key performance indicators and result areas are displayed across key functions. The gaps are clearly articulated along with counter measures to keep them in check. "Today, we are a happy company and people are being rewarded for performance," says Singh.

Employees are also rotated across functions with 20 per cent going through this cycle every year. Barring specialists, nobody sticks to a single function for more than five years and this cross-functional learning helps them develop new skills.

## Future plans

Plans are also underway to expand the product range, which include refurbished wheel loaders and launching new 47-tonne and 14-tonne machines. "Our core competence is excavators and over the next two to five years, you will see Tata Hitachi play an important role in wheel loaders and backhoe loaders too," says Singh.

The coming months will also see the company's reach stackers debut in the market. These are vehicles that are used in ports to handle intermodal cargo containers. Many more products will be launched as a stronger Tata Hitachi looks to the future with confidence.



Sandeep Singh,  
Managing Director, Tata Hitachi