

Shinrai marks the start of a new journey for Tata Hitachi

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New beginning: A view of the production line at Tata Hitachi Dharwad plant, which along with Kharagpur, will be the key manufacturing hub.

This backhoe loader has huge export potential even though India is top priority

There is a distinct nip in the air at Tata Hitachi's Dharwad plant in Karnataka. And it is not just the weather but the buoyancy within the workforce as they nurture their new baby.

Named Shinrai, this backhoe loader was recently launched in the southern markets. It marks a comeback for Tata Hitachi in this product space after nearly eight years. A market leader in excavators, the company has now made a foray into a space where JCB is the reigning monarch.

Shinrai, however, has other aspects to its evolution beyond the numbers game. "Brand plays an important role in this segment and generally reflects the manufacturer's name," says Sandeep Singh, Managing Director. People generally refer to a Tata Hitachi or JCB but Shinrai has paved the way for a new branding initiative.

Importance of branding

"We asked ourselves why not give a separate name to the machine and there were a lot of discussions and debates before we zeroed in on Shinrai. The name means confidence, trust and reliability and this is what it epitomises to our end-user," he adds.

The branding is important since backhoe loaders are seen more on the road than excavators. Additionally, with many customers in this segment being owner-cum-operators, a brand name confers a greater sense of ownership and belonging.

"We want our customers to ask what Shinrai means and when they find out what it really conveys, it is great from the viewpoint of connect. We would like to be a respectable role in the backhoe leader business," explains Singh.

The machine has been developed in India and if it turns out to be "a big success", Hitachi Construction Machinery will allow the Indian arm to export it to other countries. This will become a reality once the four-wheel drive is developed (for which work is already underway) though the domestic market is priority right now.

“We are very excited with Shinrai. As you know, Tata Hitachi’s main product has been the excavator and today 92-93 per cent comes from this segment where we are the market leader,” says Singh. The company makes machines ranging from two to 120 tonnes, which are used in road construction, mining and irrigation. “That product has delivered well and is clearly a strong point for us,” he adds.

Shinrai is the new foray though as already indicated earlier, it is not an alien space for Tata Hitachi, which had an 8-10 per cent share till about 2010. Yet, it could not keep pace with technology and it was also during this time that Hitachi increased its role in the joint venture to a 60 per cent stake.

The backhoe loader business was temporarily put in cold storage while the company decided to focus on excavators. More importantly, when Singh took over as MD, the bigger priority was to put the house in order and become profitable. “The first thing we did was to look at the product base and see which delivered volumes and profits,” he explains.

Tata Hitachi was in cranes, concrete mixers, compactors and so on. Some of these have been put on hold since core competence was lacking in addition to the fact that they were not making money. The need of the hour was to consolidate product operations, which had been done successfully.

Yet, the backhoe loader business had not been given a burial and it was only a matter of time before it was revived. Some years ago, Tata Hitachi decided to get back into this segment and “gain respectable share”. It joined hands with Tata Technologies, another group company, to develop Shinrai “with guidance from” Hitachi of Japan.

Elaborate planning

It took one year to understand the market, another to conceptualise and, all in all, five-and-a-half years to develop the machine from scratch. There were a whole lot of interactions with customers and dealers while surveying the market landscape and understanding what the competition was doing in this space.

“We saw the evolution of the market and the direction it was heading. The team here has done a very good job in both design and engineering,” says a visibly proud Singh. The entire line at Dharwad has been refurbished with the conveyor system brought in from the other facility at Kharagpur, West Bengal.

The operations have also got a makeover in terms of technology as well as top-class production and quality gates. This ensures that there are absolutely no glitches and any issue can be remedied quickly. “We have gone through the development process and pre-mass production but still have not reached full volume production, which will take more time,” elaborates Singh.

Shinrai has been given to customers for testing and the feedback has been more than encouraging. It has now been in the market for a few months with production proposed to be increased to 50-odd machines in the next three months.

“We are launching it in the south, which will be the focus for the next six months. One, we cannot produce so many machines and, two, we think the customer must be closer to us so that we can gauge the performance of Shinrai and see that we do not commit many mistakes,” says Singh.

To that extent, this could be termed a pilot run, which is the Japanese way of working in terms of learning and implementing counter-measures whenever there is a problem. Once everything is perfect, the job of scaling up becomes a lot easier.

“Shinrai is an important chapter for the people in the organisation. We have taken up a challenge of making this a success, which does not mean that we are running after volumes. We will be very comfortable if we can sell 200-250 machines a month in the next two years,” says Singh.

From his point of view, this would be a “good achievement” which in turn would translate into a market share of nearly six per cent. The journey will then acquire another dimension when Bharat Stage IV for the construction equipment segment becomes effective from 2020.

The company’s dealers are also hugely excited with Shinrai and have been investing in tooling and developing their showroom area (called the experience zone). From Singh’s point of view, priority investment should be in experience zones, skilled manpower and after-sales service. This is especially important since all machines need to be repaired on the spot.

Facility consolidation

Beyond product planning, there is a lot of consolidation also happening with the company’s facilities spread across Jamshedpur (its oldest plant), Dharwad and Kharagpur. Over the next 18 months, Jamshedpur will close down as part of the restructuring process where wage agreements have been signed with workers.

From October, workers from this facility will start to move to Kharagpur, or Dharwad, while the 65 and 120 tonne machines will also move out from Jamshedpur to Kharagpur. The shift will include transmissions and the machine shop in a year.

The two tonne machines, meanwhile, will head out to Dharwad, which is home to equipment ranging up to 20 tonnes. Kharagpur has been the base for 20 to 47 tonne machines while 65 and 120 tonnes (small numbers for mining) were made in Jamshedpur. Going forward, with the closure of Jamshedpur, there will be two plants handling the business, which makes the entire operation a lot more flexible.

“We took a decision on this in 2015 soon after I joined the company that we would start communicating with the government and workers in the following year to ensure that they were comfortable in Kharagpur,” says Singh. This meant that they would be assured the best in schooling and medical facilities and it now looks as if Kharagpur is on its way to becoming a vibrant ecosystem for Tata Hitachi.

“Efficiencies in processes and people have improved over the years. Happy employees will mean happy customers and better profitability in the process. This is what we are striving for,” explains Singh.

He has more reason to be pleased given the present boom in infrastructure development, which has fuelled demand for construction equipment in areas like roads, mining and irrigation. Yet, Singh refuses to get carried away and points out to grim realities like material cost pressures, especially in steel, coupled with the weakening rupee.

As he says, it is impossible to pass everything on to the customer, which means that even in this period of huge demand, there are a host of challenges. Buyers of construction equipment include big contractors who do not have ready access to banks for finance and this only adds to problems.

“We are trying to overcome these obstacles and it is definitely not a walk in the park. Yet, these are healthy challenges, which will not allow you to sit comfortably,” reasons Singh. Beyond this is the reality that the business is cyclical, which means manufacturers like Tata Hitachi need to be careful “while not overcommitting ourselves in expansion but staying committed to customers”.

The writer was in Dharwad on an invitation from Tata Hitachi

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