The roller effect

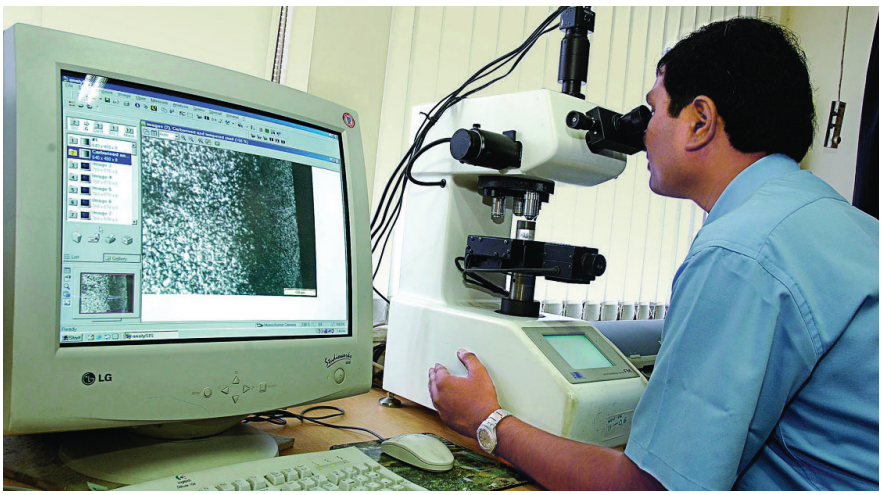
Bearing companies in India are starting to focus on the export market. An **India Now** report

R.D. Dixit, managing director of the Kolhapur-based Menon Bearings, carries a smile on his face these days. A player in journal bearings - in which the shaft rotates within the bearing - for the past 20 years, Menon recently bagged an annual $3.3-million contract from General Motors for three years. GM will use these bearings in its transmission systems.

This was not Menon's first order though. Over the past 14 years, Dixit has catered to customers like Cummins from the US, a Volvo subsidiary, Arrow Engines and Fairfield too. "But now demand has been increasing manifold," he says. Export of products, which is 30 per cent of his $5.4-million turnover, will account for 50 per cent by 2008. And he sees the biggest business emerging through markets in the US and Europe. Now he's preparing for an annual capital expenditure of $4 million, which he says will deliver business of $22 million every year.

Bearings are used in the rotating parts of virtually all machines, making precision in dimension key to performance. Menon is among the few successful Indian players in journal bearings. In anti-friction bearings, specifically needle roller bearings, NRB Bearings has made a mark in India. In its offices in Mumbai, president Harshbeena Zaveri points at the image of a 'black box' on her computer screen, a fresh arrival from a top European company. "You see those tiny dark corners on the chassis," she says. "That's all the space allocated for our bearing. And our challenge will be to design around those little dark corners!"

That's, of course, Zaveri's cross to bear; since NRB has chosen to focus on non-standard bearings, which means the company custom makes bearings for its important clients. NRB started out 40 years ago in a joint venture with French company Nadella. That company was acquired by British company Torrington, and Torrington then by American company Timken. It was only in December last year that NRB and Timken parted ways.



WHAT'S INSIDE: Metal quality being tested at an Indian R&D laboratory

But since parting, from just needle-roller bearings NRB has today diversified into cylindrical, taper roller, spherical and ball bearings, and it is making a concentrated effort on boosting its export offering by focusing on its research and development centre. This centre has churned out 1,500 products so far. NRB is a $65-million operation, and has its traditional customers in Renault and Volvo. But just a month ago, the UK-based ZF group approved it as a supplier, only the third such company globally. And Daimler Chrysler has sent in feelers too.

Zaveri is not the only one with a focus on the export market, however. Take the US-based Timken which came to India in 1987 through a joint venture with the Tatas. The two companies parted ways in 1999, and Timken now runs a 100 per cent subsidiary in Jamshedpur. The company has grown to a $66-million operation, after it relocated all its rail bearings operations from around the globe to India; now 40 per cent of all it manufactures here is for export. "We plan to soon set up a needle roller bearings operation in the country," says the company spokesperson. "You can make quality bearings here at a cost competitive price." The bearings made in India will also be used in the German-made Protos trains.

The feelings are similar at ABC Bearings, which is a $100-million operation in India. The company produces ball and roller bearings, and derives a bulk of its revenues from the original equipment segment of the automobile industry. B.N. Vidolia, its chief executive officer, says exports today is still 5 per cent of turnover. "But this will increase in future. We are looking at American and neighbouring countries," he says. ABC is, in fact, one of the fastest growing companies in India in the bearing industry. Significant expansion is on at its Bharuch plant in Gujarat, which is aimed at maintaining market share in the commercial vehicle segment, expanding presence in industrial bearings, and increasing exports.

The Swedish company SKF's India subsidiary too is preparing for expansion, with

a focus on manufacturing medium-sized cylindrical roller bearings. SKF has made significant progress on its $30-million expansion programme it announced in January, to increase production capacity in India. Adding industrial cylindricals to the product lines will boost export volumes, and lower SKF's costs.

At FAG Bearings too the mood is bullish. FAG exports approximately 18 per cent of production to partner INA and to FAG's own operations worldwide, and the parent company in Germany is aggressively expanding that side of its business to take advantage of India's cost advantage. In India, FAG sells to OEM (original equipment manufacturer) customers. Automotive and industrial customers include ABB, the Indian Railways, Ford, General Motors, Hyundai, Ashok Leyland and Siemens.

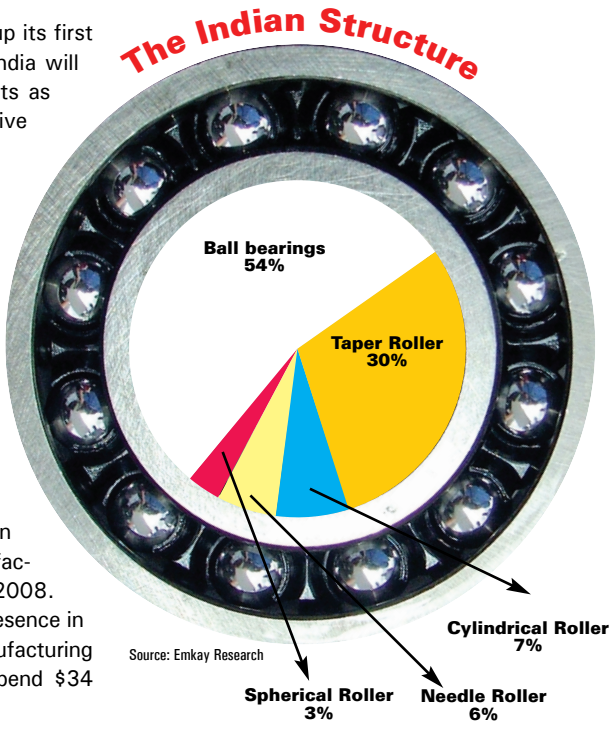
Not that there isn't a large domestic Indian market to focus on. According to an Emkay research report, the Indian bearing industry is $670 million in size, where the organised sector accounts for 53 per cent of the market. Imports account for the next 23 per cent and the rest is smuggled into the country. There are 12 large and medium units which together turn out over 100 million bearings every year. Since the bearing industry is technology intensive and brand conscious, most Indian players have so far worked in collaboration or as joint venture partners with other more established global players.

But with a booming Indian industry, there are foreign companies who have started to take a keen interest in the Indian market. According to industry journal eBearing, only a few months ago Glacier Garlock Bearings, now part of the US-based EnPro group, opened up its first office in India. GGB's focus in India will be to penetrate the OEM markets as a bearing supplier for automotive and industrial products.

Next came in the European Bearing Company, which controls about 40 per cent of the Russian bearing market, with plans to build a bearing manufacturing plant in Hyderabad at a cost of $27 million. Production in Hyderabad will cater to India's industrial manufacturing and mining sectors, and the rail industry. Now Germany's INA Bearings too has begun an expansion programme in Pune which will double its manufacturing capacity there by 2008. Although INA has had a direct presence in India since 1990, it begun manufacturing bearings since 2002. INA will spend $34 million on the new facility.

In south India, Magnum Engineers and Germany's Diamond MetalPlastic formed a consortium to develop and manufacture molded polymer air bearings last year. Their target is to reduce manufacturing costs for a line of specialty-engineered air bearings by as much as 50 per cent. The consortium was not only arranged by Germany's International Technology Cooperation Network (INTEC), but will also receive the bulk of its funding from INTEC.

The largest user segments of bearings in India are the auto industry, the industrial OEMs segment, and the replacement market. Leaders in this market are SKF in ball bearings (a 41 per cent marketshare); FAG in spherical roller bearing (60 per cent); NBC in taper roller bearings (23) and NRB in needle roller bearings (100).



Source: Emkay Research

However, while there continues to be a large domestic market to cater to, the need to go overseas has never been higher. For one, says Zaveri, "Our traditional Indian customers are setting up plants overseas." Bajaj Auto has plans to go to Nigeria and Argentina. It has already set up a manufacturing base in Indonesia. TVS Motors too is planning expansion there. Tata Motors has acquired facilities in Spain and South Korea for its large commercial vehicle segment. "Earlier our customers were here, so we stuck to the market," says Zaveri. "But now with Indian companies going abroad, we have to move with them."

Second there is stiff competition from Chinese manufacturers. Indian players say dumping is a common offence, where Chinese bearings are sold in the local market under fake brand names. Says Umesh Karne, an analyst at Emkay, "This is a technology-intensive industry. And there is a significant difference in the quality of both products, which works in India's favour." And with the Indian auto component industry doing well, it has a direct effect on demand in the bearings industry. These are good times for many Indian operators. There is demand pouring in from all places, but there isn't enough existing capacity to cater to it.


NEW DESIGNS: Executives at work at the NRB facility