

DMG INDIA

DMG

India

Background

Deckel, Maho and Gildemeister merged together in 1994 to form the Gildemeister group. The group is one of the world's biggest producers of cutting tool machines in the turning and milling area. The product line includes both low-cost machines that are sold on a large scale in the global markets and high-tech machines for highly complex production tasks. The group has more than 5,000 employees in 58 group-owned sales and services companies which are located in 32 countries world-wide.

The group reported sales revenues of US\$ 1.3 billion (Euro 1.05 billion) and an annual profit of US\$ 6.9 million (Euro 5.6 million) in 2004.

Deckel has been operating in India through

agents for 70-80 years now. The DMG group started operations in India from 1999 onwards as part of the group's policy to start their own sales and service arm across the world.

India is a strategically important market for the group

The company sees India as a key growth market. The company has been growing at approximately 15 per cent CAGR over the last 5 years. The parent company expects the Indian operations to grow at a higher rate in the future. The company is facing some difficulties in maintaining high profitability as the demand is cyclical in nature and the margins are low because of stiff competition in the low end version.





growth and revenue. There is also a plan to invest US\$ 2.48 million (Euro 2 million) in developing a technology center in India, leveraging the rich pool of technically qualified resources. The technical center would also provide training and demonstrations for the customers.

Keys to success

DMG group follows a uniform pricing strategy across the world. In a price sensitive market like India uniform pricing succeeded in bringing transparency and increased the customer's confidence and faith in the firm.

The shift to direct selling from selling through agents has resulted in more customer proximity and has improved the customer service level considerably. It also helped in reducing the overhead costs like the agents commission thereby improving the overall profitability.

The wide product range of the company is another reason for success. The company has been able to keep the competition in check through its customised offerings and innovative products which are better suited for the Indian market.

Future plans

DMG India is planning to set up a manufacturing facility in India and start manufacturing in the next 1-2 years. This initiative is primarily export oriented. The company plans to focus on automobiles and aerospace sectors for future

DMG India: At a glance

- DMG group started operations in India in 1999 as part of the group's strategy to start their own sales and service arm.
- For DMG, India is: Strategically important market
- Factors for success: Uniform pricing strategy, Direct selling and wide product portfolio
- Future plans: Set up a manufacturing plant, Invest in a technology center.