ACMA
(Western Region)

Press Reports on Automotive Industry 2021-22

Automotive Component Manufacturers Association of India

(Western Region)

Mumbai

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PRESS REPORTS ON AUTOMOTIVE INDUSTRY

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PRESS REPORTS
ON
AUTOMOTIVE INDUSTRY

The Economic Times 15th October 2021

IN AUGUST THIS YEAR, THE NUMBER OF VEHICLES SOLD WAS 260,242

Passenger Vehicles Sales Crash 41% in Sept Amid Chip Shortage

Only 160,070 units sold; fall could have been less severe had TaMo numbers been included

Our Bureau

New Delhi: Sales of passenger vehicles in India declined 41% last month as a chronic chip shortage disrupted output at several automakers that included market leader Maruti Suzuki. India sold around 160,070 units last month. The decline would have been less — around 37% — if the sales data of Tata Motors were to be included. Tata motors, the maker of Harrier and Altroz, has stopped reporting monthly data to industry association SIAM.

In September last year, 293,226 passenger vehicles were sold. In August this year, 260,242 units were dispatched.

Automakers in India report wholesale dispatches from factories and not retail sales to customers.

Even though customer demand during the month remained strong on the back of increased preference for personal mobility, vehicle makers faced challenges ahead of Navratri and Diwali due to a prolonged chip shortage, said senior company officials.

Indian automakers now have bookings of more than half a million units to be sent to retailers.

In the two-wheeler segment, sales declined 17% to 1,528,472 units in September as the economic damage caused by the second wave of the pandemic dented demand in the entry-level motorcycle segment, especially in rural markets.

While sales of motorcycles fell 23% to 948,161 units, those of scooters dropped 7% to 517,239 units. Three-wheeler sales, though, rose 54% to 29,185 units, albeit on a low base.

"The Indian automobile industry continues to face new challenges. While on the one hand, we are seeing a revival in vehicle demand, on the other hand, shortage of semiconductor chips is causing a major concern for the industry," said Kenichi Ayukawa, president, SIAM. "Many members have curtailed their production plans." Besides festive season demand, this disruption in production has led to long waiting periods for customers.

High raw material prices also continue to be a challenge. The industry is taking measures to mitigate the impact of such supply chain issues and optimize production, added Ayukawa. "On the sales front, barring the Covid period, H1 sales of passenger vehicles are still below 2016-17 levels, that of two-wheelers are below 2011-12 levels, that of commercial vehicles are below 2010-11 levels and that of three-wheelers are still below 2000-01 levels", sai d Rajesh Menon, director general, SIAM.

On a Decline

Customer demand during the month remained strong

But prolonged chip shortage a worry

DOMESTIC SALES ONLY

Category	Sep 2020	Sep 2021	% chg
Passenger Vehicles*	272,027	160,070	-41
Three-wheelers	18,976	29,185	54
Two-wheelers	1,849,546	1,528,472	-17

*Do not include sales of Tata Motors
Source: SIAM

Over .5 million units
Bookings with Indian automakers to be sent to retailers

Samvardhana Motherson buys majority stake in Chinese firm

PRESS TRUST OF INDIA

New Delhi, October 8

Samvardhana Motherson Automotive Systems, a part of Motherson Group, on Friday said it has acquired a majority stake in China-based Nanchang JMCG Mekra Lang Vehicle Mirror Co Ltd.

The 60 per cent stake has been acquired by Ningbo SMR Huaxiang Automotive Mirrors Ltd, a 50:50 joint venture in China with its subsidiary Samvardhana Motherson Reflectec (SMR).

The proposed deal is expected to be completed within three months from the date of signing, subject to necessary approvals, Samvardhana Motherson Automotive Systems Group BV (SMRPBV) said in a statement.

The proposed deal is expected to be completed within three months from the date of signing, subject to necessary approvals

JMCG (Jiangling Motors Corporation Group) will continue to retain its 40 per cent stake in Nanchang JMCG Mekra Lang Vehicle Mirror, which produces automotive mirrors for passenger vehicles, pick-up trucks, and light and heavy commercial vehicles in China.

The company was established in 2006 with a manufacturing facility at Nanchang (Jiangxi, China) and reported a turnover of CNY 131 million in 2020.

The company, however, did not share financial details of the deal.

Business Line
8th October 2021

The Economic Times 8th October 2021

Chip Shortage, 2-wheelers Spoil Mood even as CVs Recover Well

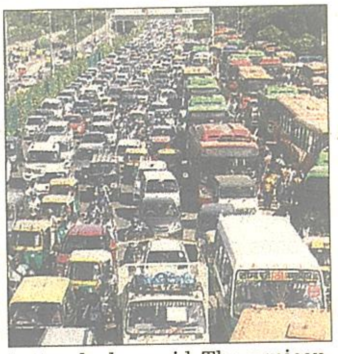
Our Bureau

Mumbai: Auto retail sales growth stagnated in September as semiconductor shortage and tepid demand for two-wheelers weighed on the recovery seen in commercial vehicles (CV) and three-wheelers.

Vehicle registrations with regional transport offices (RTO) – a reasonably accurate proxy for retail sales – declined by over 5% during the month, led by an almost 12% decline in two-wheeler registrations. When compared to the pre-pandemic period of September 2019, registrations were down almost 14%.

CV and three-wheeler registrations improved a healthy 51% and 47% year-on-year, respectively, albeit on a low base. Compared to September 2019, three-wheeler registrations were still deep in the red while CV registrations narrowed the deficit to just 1.5%.

Meanwhile, passenger vehicle (PV) or car sales improved by 16% year-on-year but could have been better, dealers said. The semiconductor shortage has resulted in curtailed production of new cars and supply is far shorter compared to demand. PV registrations were up 31% compared to 2019.



"As we enter the core of this year's festive season, the full-blown semiconductor crisis continues to create hindrance in PV sales (and) vehicle inventory at dealers' end (has dipped) to record lows of 15-20 days," said Vinkesh Gulati, president of the Federation of Automobile Dealers' Associations (FADA).

The shortage of vehicles was creating long waiting periods for customers, he said.

FADA put together the registration data from the road transport and highways ministry's Vahan dashboard. The dataset is incomplete as only 1,347 out of 1,562 RTOs in the country are on the VAHAN platform. But they paint an accurate picture of trends.

In the two-wheeler side of the market, the entry-level segment was the biggest worry, Gulati said. These include affordable commuter motorcycles which primarily cater to the economically less-privileged segment of buyers, a class whose finances were hit hard by the pandemic. Last month, the share of two-wheelers in the Indian market by sales dropped to less than 71% – one of the lowest ever.

Tractors, which have been one of the outliers in the vehicle industry and registered healthy sales even during the peak of the pandemic, were in the red during September albeit on an extremely high base of last year.

Business Line 8th October 2021

CHIP SHORTAGE

Mercedes Benz flags long waiting period for cars

AYUSHI KAR

Mumbai, October 7

The global chip shortage has begun to affect luxury car maker Mercedes Benz in India.

Martin Schwenk, MD and CEO of Mercedes Benz India, told *BusinessLine* that almost every model is affected and customers are seeing wait times of 8-12 weeks. "These lead times can even go higher, depending on the type of model," he said.

Despite supply chain issues, post-Covid recovery for the company has had a strong V-shaped trajectory. Mercedes-Benz recorded one of the highest ever sales numbers in the third quarter of 2021. With sale of 4,101 units, the company saw 99 per cent growth in comparison to last year which Schwenk said was a result of low-base effect.

However, in comparison to

Martin Schwenk, MD and CEO, Mercedes India

2019 third-quarter sales of 3,354 units, there was an uptick of 22 per cent.

Schwenk attributed strong recovery in the aftermath of the second wave to greater economic certainty.

New launch

Mercedes Benz is also set to launch its new 'Retail of the Future Model' which was introduced as a concept in June.

Business Line 11th October 2021

Mission Make in India: Thales sources €500 million worth of components locally

FORUM GANDHI

Mumbai, October 10

French aerospace and tech giant Thales has completed €500 million worth of local sourcing from India and intends to grow it further to over €1 billion over the next five years, according to Patrice Caine, Chairman and Chief Executive Officer, Thales Group.

"We look at India as a top country; not just as a market but also as an export hub. We have sourced and supplied more and more from India as it has a good ecosystem. We intend to grow it as part of our global supply chain," Caine told *BusinessLine*.

> We have integrated radars and other equipment to serve the Rafale commitment. The second step is to develop and increase these competencies in terms of support and maintenance from India.
>
> PATRICE CAINE
> Chairman and CEO, Thales Group

JV with Reliance

Thales' strategy of developing its industrial footprint in India is in line with the Union government's policy of "Make in India".

The company has formed various co-operative partnerships with public and private sector industries including Samtel, BEL, L&T Technology Services and Reliance Aerostructure Ltd.

Thales also has a joint venture with Reliance Defence Ltd leveraging the offset commitment as part of Rafale deal between India and France.

"The JV with Reliance is up and running. We have integrated radars and other equipment which now help to serve the Rafale commitment.

"The second step is to develop and increase these competencies in terms of support and maintenance from India," Caine said.

Thales provides a number of modern equipment and systems aboard the Rafale. They include the RBE2 AESA radar, the Spectra electronic warfare system, optronics, the communication navigation and identification system, the majority of the cockpit display systems, power generation systems, and a logistics support component.

"We have doubled our turnover from India in the past three years. I see growth potential in defence and aerospace. We also find excellent competencies in India in terms of talent," Caine said.

Competence centres

The French company has expanded its presence in India through the development of Group Engineering Competence Centre (ECC) aimed at offering high-level expertise in four key digital technologies: the Internet of Things (IoT)/connectivity, Big Data, Artificial Intelligence and Cybersecurity.

The ECC in Noida is focused on the Digital Identity and Security business of Thales.

The ECC in Bengaluru focuses on hardware, software and systems engineering capabilities for aerospace, transportation and defence sectors, serving global needs.

In India, Thales hired over 300 employees in 2020 and plans to hire 300 more in 2021.

The Economic Times 9th October 2021

Luxury Car Sales Enter Fast Lane with Best Quarterly Show in 3 yrs

IN TOP GEAR New models, overall demand sentiment take sales back to pre-Covid levels

Ketan.Thakkar@timesgroup.com

Mumbai: The luxury car market is back to its hey days of booming sales. The July to September quarter was the best quarter for the industry in three years underlining that the sales have not only gone back to pre-Covid levels but edging towards best-ever quarterly sales.

The industry is estimated to have sold about 8,500 units in July to September 2021 and the numbers could have edged towards 10,000 mark if not for the shortage of parts. The market leader Mercedes Benz posted its highest ever quarterly sales of 4,010 almost doubling sales over the last year same period.

Martin Schwenk, president of Mercedes Benz India said, natural demand is back, and the customers are spending money on luxury products and experiences and based on the traction at dealerships, this momentum is likely to sustain in the coming quarters.

"The demand sentiment is very strong, not only driven by new products, but the overall confidence level is back to normal. I think it is a natural demand, and it is not a pent-up demand as seen before. We are expecting a very strong festive demand and all the parameters – walk-ins, bookings, service revenues – all are indicating to levels of business seen pre-Covid," added Schwenk.

With the industry sitting on close to 2,000 units pending bookings, the quarter four too is heading towards one of the best quarter in sales in terms of volumes, provided they are no major shocks on the supply front or wave 3 of covid-19. And the order backlog is filing fast.

If the company had adequate supplies, the record quarter 3 volumes would have continued well into Q4 and next year, opines Schwenk. But the challenges on supply are likely to sustain in the coming quarters.

BMW India too registered a healthy growth of over 90% to retail 2,636 vehicle between BMW and Mini brand. The rest of players in the market are estimated to have delivered a growth of over 60 to 100% in the first nine months of 2021.

Vikram Pawah, president of BMW Group, India, said even after the global financial crisis, the top end of the market had recovered the fastest and it's the same this time around too.

"The disposable income at the higher end is much more, hence the multiplier effect is higher," Pawah said. "The top end of the market is also more immune from economic factors, hence there is stability in demand and the segment usually recovers first. However, the bottom end of the market is a little bit more volatile, depending on the pace of economic recovery."

The sales in the first nine months of 2021 have almost crossed last years entire sales and the market is expected to close at around 26000 to 28000 units in 2021. Balbir Singh Dhillon, head of Audi India says the demand has grown steadily and it is expected to sustain.

The Times of India 15th October 2021

India now an SUV mkt as sales outstrip hatches and sedans

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New Delhi: It's official—India is no longer a small car market, and the country is in love with SUVs. More than half the passenger vehicles sold in September, as well as the July-September quarter, were SUVs that commanded more volumes than the cumulative might of hatchbacks and sedans.

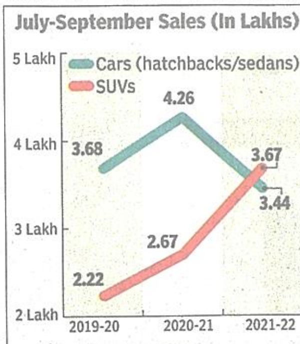
The strong showing — perhaps for the first time ever in India's automotive history — displays the growing fondness and craze of Indian buyers for SUVs, which are available across price points and brands, and have one of the strongest line-ups in the broader car market. With sales of 87,720 units in September, SUVs outnumbered passenger cars category (64,235).

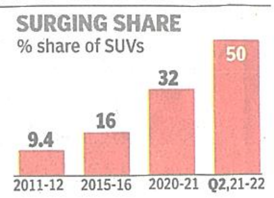
And the trend was equally strong during the second quarter of 2021-22 — SUVs sold 3,67,457 units while passenger cars added up to 3,43,939 units, according to data sourced by TOI from SIAM, the industry lobby group.

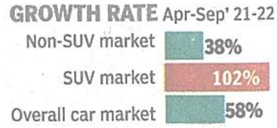
So what's fuelling the trend? The fall in prices of SUVs over the past few years — as companies adopted the body style even when it came to small cars (which attract lower GST rates) — and the broadening road and highway network across are pushing demand for the vehicles that have better ground clearance and relatively modern and robust design cues.

OFF-ROADING SURGE

ONE OF EVERY 2 CARS SOLD IS NOW AN SUV







Source: SIAM/Industry

▶Continued on P 21

SUV sales top hatches, sedans in India

▶From P1

Prices of mini SUVs such as Nissan Magnite and Renault Kiger begin at under Rs 6 lakh, while the sub-Rs 10 lakh category has strong models such as Maruti Brezza, Kia Sonet, Hyundai Venue and Tata Nexon.

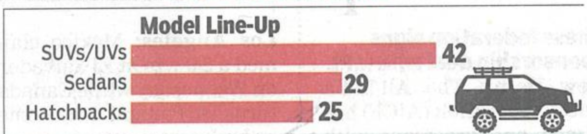
The surge doesn't stop here: popular models above Rs 10 lakh include Hyundai Creta, Kia Seltos, Mahindra Thar, and MG Hector. And the craze keeps on getting stronger even as the prize shoots up multi-fold or by several lakhs of rupees—demand remains equally robust for luxury off-roaders from Mercedes-Benz, BMW, Audi, Land Rover, and even the Lamborghinis and Porsche, many of whom are priced upwards of Rs 1 crore and are even stocked out.

While automobile puritans remain critical about the popularity of small-sized low-powered SUVs — since they lack the traditional "heavy off-roading go-anywhere" features such as 4X4, water-wading capabilities, high torque and traction control — others do not agree much with the argument. "It's the overall packaging that matters the most. SUVs give you the best value for money when it comes to style quotient, visibility, power, and cabin space. They provide command and control on the road," says Ravi Bhatia of auto research firm JATO.

Shashank Srivastava, director (marketing & sales) at Maruti Suzuki, says that the trend is not just confined to India, but is more or less a global shift. "The trend is across the world. In fact, if you look at markets such as China, the US, and countries in Latin America and Europe, the share of SUVs is around 45-50% to overall sales. India had been a late starter, but has been gaining swiftly," Srivastava says.

He says that the fall in prices of SUVs have meant that they are now poaching customers from both hatchbacks and sedans. "There is now a huge price overlap of SUVs with premium hatchbacks and premium sedans. Customers who never considered buying an SUV previously are now looking at the vehicles since they are within their reach in terms of pricing and options."

DECODING SUV SEGMENT



SUVs under ₹10L: Nissan Magnite, Maruti Brezza, Tata Nexon, Hyundai Venue, Kia Sonet

Over ₹10L: Hyundai Creta, Kia Seltos, MG Hector, Mahindra Thar, Jeep Compass

Over ₹1Cr: Mercedes GLS Maybach, Audi e-Tron, Range Rover, Lamborghini Urus, Porsche Cayenne

Just-launched: Mahindra XUV7OO, Skoda Kushaq, VW Taigun, MG Astor, Audi eTron, Hyundai Alcazar

Soon-to-be-launched: Tata Punch, Audi Q5 and Q3 (new-generation), Citroen C3, Tesla Model3, Volvo XC40 Recharge

Business Line 5th October 2021

India's chip dreams aren't crazy, they're just misguided

BLOOMBERG

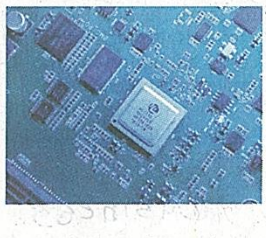
October 4

For more than two decades, India has maintained the fantasy that a major semiconductor manufacturer will set up shop on its shores, kicking off the nation's journey along an inevitable path toward chip glory. It never happened, but there's now a very clear script for how it might be done, if only government and industry leaders would take a more pragmatic approach.

In the latest incarnation of the dream, officials in India and Taiwan are apparently in talks to lure a new factory worth up to $7.5 billion. The local government is likely to foot half the bill to build and kit out such a project, *Bloomberg News* reported. While Taipei is eager to build closer ties with New Delhi, facilitating the construction of a chip fab in South Asia is not high on its priority list.

Nevertheless, eager to continue the dialogue with an increasingly important partner, Taiwan may take the bait and start scouting for candidates.

What it's likely to find is that the challenges facing the establishment of an Indian chip-making industry today are the same ones as the turn of the century. A reliable and stable electricity supply is the most crucial component of semiconductor manufacturing, but one which the nation struggles to provide. Abundant water supply, transport infrastructure, and experienced staff are among the other stumbling blocks.



'Not comparable'

Under Prime Minister Narendra Modi's Make in India campaign, scores of new factories have opened or expanded across the country — many run by Taiwanese electronics giants.

Companies like Foxconn Technology Group and Wistron Corp. ramped up in India because the nation already had an established electronics assembly business — where margins are thin and labour costs matter — and the requisite workforce was in place. Tariffs moved the economic needle enough to justify the expansion. The same cannot be said for chips. There is no local history of production, so tariffs would just drive up prices, not spur a rash of onshoring.

Now, for at least the third time in two decades, India is reviving dreams of being a player in the chip space as a way for the nation to move its economy up the value chain from simple labour-intensive assembly to high-tech manufacturing.

But India should also be wary of any entity that sets up solely because of the largesse that's being doled out.

Alternative option

To the semiconductor snobs, outsourced assembly and test (OSAT) is considered the low-end part of the process compared to the high-cost lithographic steps that create the underlying component. It's the leading-edge, multi-billion dollar factories that handle front-end wafer fabrication, while the more low-key plants test for flaws, attach wires, and then wrap them in a protective packaging. This may not sound sexy, but it's still a highly technical and crucial aspect of manufacturing.

Fortunately for Taipei and New Delhi, the global leaders in packaging and testing are based in Taiwan. After merging with local rivals, Kaohsiung-based ASE Technology Holding Co is number one with Hsinchu-based Powertech Technology Inc fourth.

And ASE may be looking for an excuse to diversify further. The recent power crisis in China forced the Taiwan company to shut its Kunshan factory outside Shanghai for almost five days. Such outrages are rare, but with labour costs rising and power and pollution concerns in China escalating, the time is ripe for ASE to consider breaking ground in India.

New Delhi might think it wants a chip manufacturing facility to realise a long-held dream, but the government would be better off saving its money and luring more suitable partners in testing and assembly.

Business Standard 5th October 2021

Car booking backlog nears 500,000 units

Chip shortage disrupts production plans

SHALLY SETH MOHILE

Mumbai, 4 October

Ahead of the peak festive season, India's passenger vehicle makers are staring at a cumulative order backlog of nearly 500,000 units as chip shortage continues to cripple production.

The crisis is forcing companies to change their production plans frequently and take a call on the variants they can manufacture based on the availability of semiconductors.

The booking numbers are not a true reflection of demand, said manufacturers. Owing to long waiting periods, which are only getting stretched, buyers are booking multiple brands, and not all of it would translate into sales. A buyer may book models of three different brands, but eventually he or she would buy only one, explained an executive of a car manufacturer. The huge pile of bookings indicates a yawning gap between demand and supply facing the world's fifth-largest auto market due to the shortage of semiconductors. If anything, the situation is set to worsen as more buyers rush to book vehicles ahead of the auspicious days of Navratri, Dussehera, and Diwali.

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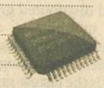
PILING UP

Company	Order backlog (units)
Maruti Suzuki	210,000
Hyundai	100,000
M&M	80,000
Kia Motors	60,000
Tata Motors	20,000
MG Motors	10,000
Mercedes	1,200
Total	481,200



FROM PAGE 1

Car booking backlog...

Car market leader Maruti Suzuki India contributes the maximum to the backlog. The maker of Brezza and Alto models has bookings of close to 210,000 units, said Shashank Srivastava, executive director (sales and marketing) at the firm. The chip crisis forced Maruti to take steep production cuts of 60 per cent and 40 per cent in September and October, respectively. "Typically, manufacturers build stock at the channels during the Shradh period. This is in anticipation of strong retail demand during Navratri and Diwali. But this time, one is finding it tough to fill the channels as demand is far higher than supply," said Srivastava.

The situation at Hyundai Motor India is only marginally better. The Korean carmaker has 100,000 customers waiting for their cars to be delivered. Tarun Garg, director of sales and marketing at the firm, said a high degree of flexibility at the plants in manufacturing a model or variant had helped the company to avoid shutdowns.

Analysts warn of a bumpier road ahead. Cumulatively, since the beginning of this financial year, India's passenger vehicle market has seen sales loss of 250,000 to 300,000 units due to chip shortage, said Hemal Thakkar, director, CRISIL Research.

According to Hyundai's Garg, a strong preference for higher trim models, which are packed with features and therefore use more semiconductors, is also accentuating the shortage.

Tata Motors, Mahindra & Mahindra, Mercedes Benz, and MG Motors, among others, face a similar predicament. The waiting period for models at all these firms ranges from three months to 12 months, depending on the model and variant mix.

The Economic Times 7th October 2021

DISPATCHES TO FALL BY OVER A FOURTH IN OCT

Chips are Down for Car Cos in Festive Season

Sharmistha.M@timesgroup.com

New Delhi: Consumers waiting to drive home their dream cars and SUVs this festive season may have to wait longer with passenger vehicle makers likely to fall short by up to 100,000 units in October production due to severe shortage of semiconductor chips.

Senior industry executives **ET** spoke to indicated wholesale volumes will decline for the second straight month by 25-28% to 2.4-2.5 lakh units in October, further reducing inventory for deliveries during the upcoming festivals of Navratri and Diwali.

This would be the lowest wholesale volume recorded in the month since October 2014, when manufacturers dispatched 221,163 passenger vehicles from factories, shows data available with industry body Society of Indian Automobile Manufacturers (SIAM). Automakers in India report wholesale volumes and not retail sales to customers.

Passenger vehicle sales fell 37% to around 185,000 units in September 2021. About 334,000 units were sold in October 2020.

The supply challenges have surfaced at a time when the industry is already sitting on bookings of over half a million units. As per data available with automotive consultancy firm JATO Dynamics, the waiting period on popular models such as Hyundai Creta currently stretches into 12-32 weeks, Kia Sonet 15-20 weeks, Maruti Suzuki Ertiga 12-14 weeks, Nissan Magnite 12-16 weeks and Tata Nexon 10-12 weeks.

"Carmakers usually build inventory during the Shradh period, when retails are slow, ahead of the festivals of Navratri and Diwali when demand spikes. However, this year, due to the shortage of semi-conductors, the expected build-up of stock did not materialise", said Shashank Srivastava, senior executive director (marketing and sales) at Maruti Suzuki. Srivastava declined to specify volume estimates for month.

Earlier this month, market leader Maruti Suzuki said vehicle production volume will be 60% of normal production in October owing to a supply constraint of electronic components due to a shortage of semi-conductors. The company had cut output by 60% in September.

IN A FIX

Auto retailers say passenger vehicle dealers are left with little chips inventory, except those for some slow-moving models

Carmakers Hyundai Motor India, Kia India and Mahindra & Mahindra (M&M) too reported strong double-digit drop in factory dispatches in September on back of supply constraints.

Carmakers typically increase channel inventory by 10-15 days in September to boost retail sales in October and November.

"Festival season in India usually augurs a peak in car sales, but chip shortages are likely to curtail inventory significantly this year", confirmed Ravi Bhatia, president of JATO Dynamics.

Business Standard 9th October 2021

Tesla car to be affordable in India, will cost ₹35 lakh, says Gadkari

No formal announcement yet but the automaker is anticipated to bring in its competitive Tesla Model 3

SHALLY SETH MOHILE
Mumbai, 8 October

Tesla's car will be "affordable" when it is launched in India, and it will cost ₹35 lakh here, said Union Minister for Road Transport & Highways Nitin Gadkari on Friday. His remarks were further indication of the Indian government and the Elon Musk-run firm's mutual interest in having Tesla cruise into the world's fifth-largest automobile market, which has a reputation of being price sensitive.

Tesla has been in talks with the government and has been invited to make its cars in India, Gadkari said. He was speaking at the Game Changers: Climate Action session at the India Today Conclave 2021. The minister's remarks come 10 months after he announced the entry of the world's most valuable brand into India.

Though there has been no formal announcement by the company on its India plans yet, it is widely anticipated that the car manufacturer will bring the more affordable Tesla Model 3 with a starting price range of ₹55 lakh to ₹60 lakh.

Gadkari also said that he has communicated to the Tesla officials to not launch a "made in China car" to India. "I asked Tesla officials not to make the car in China and sell it in India. It is something I had in my mind and I told them," he said. "Come to India, make it here, sell it here, and export from here. The government will provide you all the help and support you need," he added.

According to Ravi Bhatia, president and director at JATO Dynamics India, an automotive business intelligence company, the remarks by the minister show that "there is a signalling going on between the government and Tesla. It appears that there is a mutual interest."

Tesla would have studied the Indian market and would be well aware that to garner reasonable volumes in the country, its cars have to be priced competitively. The market for cars in India priced above ₹50 lakh is very small, Bhatia said, adding that it is also the first time that a senior government representative has made the anti-China sentiment public.

Tesla has been lobbying with the Indian government to reduce the duty on imported cars. India levies an import duty of 100 per cent on imported cars if the CIF (cost, insurance and freight) value exceeds $40,000 or has a petrol or diesel engine with a displacement of greater than 3,000 cc and 2,500 cc, respectively.

For cars that have a CIF value of less than $40,000, the duty is 60 per cent. Tesla's electric vehicle (EV), which the company plans to start selling in India from this year, will have a CIF exceeding $40,000 and will, therefore, attract a 100 per cent duty. The firm is seeking a duty cut of 60 per cent for this category.

Several government agencies, including the road transport ministry, Department for Promotion of Industry and Internal Trade as also NITI Aayog, have supported Tesla's proposal for reduction in import duty, and the finance ministry may soon take a final call on this, the *Times of India* reported in August.

There has, however, been no official announcement from the government on the matter yet.

'I asked Tesla officials not to make the car in China and sell it in India. Come to India, make it here, sell it here, and export from here'

NITIN GADKARI
Union Road Transport and Highways Minister

Tesla CEO Elon Musk

PRESS REPORTS
ON
COAL CRISIS

Business Standard 14th October 2021

Coal costs to be canaries in the mine for steel firms

QoQ profit growth in Q2 estimated to be weak; base metals may see limited impact

ADITI DIVEKAR
Mumbai, 13 October

TOP PLAYERS

Q2FY22E	Net sales (₹ cr)	% change YoY	% change QoQ	EBITDA (₹ cr)	% change YoY	% change QoQ	PAT (₹ cr)	% change YoY	% change QoQ
STEEL									
Tata Steel	59,724	63.7	13.6	19,375	217.1	20.3	11,493	658.1	27.2
JSW Steel	32,073	71.9	12.8	10,599	140.1	3.2	5,701	257.9	-3.4
Steel Authority of India	24,991	47.7	21.1	7,046	270.4	7.3	4,217	866.0	8.2
Jindal Steel & Power	13,132	46.1	23.8	4,434	64.1	-2.3	2,632	191.4	3.5
NMDC	6,262	180.8	-3.8	2,994	191.1	-28.3	2,274	202.0	-28.6
APL Apollo Tubes	2,850	29.4	12.5	222	14.8	-13.0	125	21.7	-15.2
BASE METALS									
Hindalco Industries	44,717	43.2	8.1	6,619	35.6	4.7	2,675	42.5	-20.3
Vedanta	28,797	38.4	2.5	10,293	57.6	4.3	4,504	446.6	6.6
Hindustan Zinc	6,360	14.9	-0.3	3,531	19.6	-0.7	2,280	17.5	15.0
COAL MINING									
Coal India	23,180	19.0	-0.5	4,534	14.1	28.2	2,942	-0.2	-7.2

E: Estimates; Ebitda: Earnings before interest, taxes, depreciation and amortisation; filtered for BSE Metal Index Members
Source: *Bloomberg*; compiled by *BS* Research Bureau

Rising prices of coking and thermal coal - used in making ferrous and non-ferrous metals, respectively - are expected to have an impact on the margins of metal companies in the July-September quarter (second quarter, or Q2) of 2021-22 (FY22). Steel companies may see margins getting swallowed up, while base firms could stand to benefit, say brokerages.

Since metal is a cyclical sector, a year-on-year (YoY) comparison for earnings would offer a better picture. However, due to the ongoing Covid-19 pandemic and last year's low base, sequential comparison has been taken into consideration to delve into the pricing and volume trend.

Coking coal prices, a key raw material used in steel-making, have risen $25-30 per tonne sequentially, along with prices of other consumables.

A varied impact on margins is expected for steel companies, depending upon their coal consumption pattern (both domestic and international) and share of captive resources, add brokerages.

For Tata Steel, the country's oldest steel producer, domestic operations may be impacted partially by higher coking coal cost. Even so, domestic realisation is expected to increase ₹2,000 per tonne, states an Edelweiss report. The company has a captive source of coking coal up to 25-30 per cent, which could lend support to realisations.

On a consolidated basis, however, a sharp improvement in earnings before interest, tax, depreciation, and amortisation (Ebitda) is likely for Tata Steel, led by turnaround performance of its European operations, it adds.

For Naveen Jindal-led Jindal Steel & Power (JSPL), despite a sharp uptick in sales volume, its Ebitda for Q2 is expected to be impacted by higher coking coal and iron ore prices. On the realisation front, steel longs have declined ₹2,000 per tonne sequentially, accentuating Ebitda further, underscores the report.

EARNINGS PREVIEW

JSPL's steel sales volume surged 32 per cent sequentially in Q2 and 10 per cent YoY to hit a record 2.13 million tonnes (mt) during the quarter. In Q2FY22, JSPL steel sales for the first time breached 2 mt for the quarter, said the company in its recent release.

For Sajjan Jindal-led JSW Steel, Ebitda growth, led by higher realisation, stable sequential volumes, and reliance on exports, would be key for the quarter gone by.

In JSW Steel's India operations, crude steel produced for the quarter under preview stood at 4.92 mt, up 26 per cent YoY, and flat from the preceding quarter. In the company's US operations, production was up 12 per cent sequentially.

Domestic steel prices have been muted, compared to April-June, and there has been a divergence between flat and long product prices, says Systematix Institutional Equities.

Exports continue to boost sales, with the share of exports rising to greater than 40 per cent in Q2FY22 (from 34 per cent in the first quarter of FY22 and 38 per cent in Q2 of 2020-21), says JSPL in its release.

On the other hand, on a YoY basis, net sales and profit growth for the steel pack are expected to be strong due to a low base and sharp increase in steel prices.

Analysts at IDBI Capital say the deleveraging will continue. "Higher profits will lead to strong improvement in balance sheets of steel companies, which should likely improve further during the second half (H2) of FY22 in our view," they observe.

Additionally, non-ferrous metal companies are set to report strong performance on increased London Metal Exchange prices and higher competitiveness due to fixed coal prices.

International thermal coal prices have surged more than 100 per cent since May to $240 per tonne. The Indonesian low gross calorific value coals witnessed similar trends.

This has increased the competitiveness of domestic aluminium producers who procure more than 80 per cent of the coal at fixed prices from Coal India.

Anil Agarwal-led Vedanta's Ebitda in the quarter under preview is seen rising 58 per cent YoY and 4 per cent sequentially. Vedanta is also expected to gain from higher crude oil prices.

Hindalco Industries' Ebitda is also seen rising 36 per cent YoY and 5 per cent sequentially.

Crystal-gazing

Between October and March FY22, domestic steel profitability should diverge materially across companies, given the different coking coal consumption patterns and product mix.

Assuming spot coking coal prices remain unchanged, how much of this impacts Ebitda per tonne in the fourth quarter of FY22 will depend upon steel price hikes in H2FY22, automotive industry exposure, contract price hikes, volume growth, and fixed cost absorption, along with captive coking coal and sourcing patterns, says JP Morgan's Asia Pacific Equity Research report.

Coking coal (excluding Australian) prices rose sharply over April-June, from $130 per tonne to $180 per tonne and are now above $350 per tonne.

Business Line 11th October 2021

Have ample coal stocks to fire up power plants: Govt

SHOBHA ROY
RICHA MISHRA

Kolkata/New Delhi, October 10

Putting to rest all apprehensions on an imminent blackout in some parts of the country due to depleting coal stocks at the power plant, the Union Ministries of Coal and Power have said the stocks were sufficient for more than four days' requirement and were expected to further improve in coming days.

Pralhad Joshi, Union Minister of Coal, said that ample coal is available in the country to meet the demand of power plants. "And any fear of disruption in power supply is entirely misplaced. The coal stock at power plant end is about 72 lakh tonnes, sufficient for four days' requirement, and that the Coal India Limited (CIL) end is more than 400 lakh tonnes, which is being supplied to the power plants," he said.

The 'crisis' has also triggered a political debate. Senior Congress leader Jairam Ramesh tweeted, "Suddenly, we are hearing of a crisis in coal supply to power plants. Is one particular private company making a fortune out of this crisis? But who will investigate?"

According to Joshi, domestic coal-based power generation has grown by nearly 24 per cent this year (till September 2021) thanks to robust supply from the coal companies. High international prices of coal have affected imports and power plants dependent on imports have reduced supply by almost 30 per cent. Power Minister, RK Singh, after reviewing the coal stock position in all thermal power plants, including those plants which are supplying power to distribution companies of Delhi, said that distribution companies of Delhi will get as much power as requisitioned by them.

Low voltage (in %)

Mode	Number of plants	Capacity (MW)	Daily Requirement ('000T)	Total Stock ('000T)	Total Stock (days)
As on October 7, 2021					
Pithead	16	35,200	472.5	2,357.3	5
Non pithead	119	1,29,866	1,382.3	4,954.1	4
Total	**135**	**1,65,066**	**1,854.7**	**7,311.4**	**4**
As on October 7, 2020					
Pithead	17	34,300	446.6	5,645.5	13
Non-pithead	118	1,28,226	1,340.3	28,057.6	21
Total	**135**	**1,62,526**	**1,787.0**	**33,703.1**	**19**

Source: National Power Portal

Despatch exceeds usage

As on October 9, the total despatch of coal from all sources (CIL, Singareni Collieries Company (SCCL), captive coal mines and imported coal) was 1.92 million tonnes (mt), while the total consumption was 1.87 mt. Thus, despatch has exceeded consumption, indicating gradual building up of stock.

Despite heavy rains in the coal field areas, CIL had supplied more than 255 mt coal to the power sector during the first half of this fiscal. CIL, which had ramped up supplies to close to 1.45-1.5 mt a day in the last 2-3 days, is looking to further step up supply to close to 1.6-1.7 mt by the end of this month.

This apart, Singareni Collieries is also looking to increase supplies to the power sector to close to 1,60,000-1,75,000 tonnes a day over the next one week. It is currently supplying around 1,45,000 tonnes a day, almost 16 per cent more compared with around 1,25,000 tonnes a day last month.

"We are currently supplying around 84-85 per cent of our production to the power sector. We plan to increase it to 92-93 per cent in the coming days," a senior company official told *BusinessLine*.

Power plants, which had a total stock of 13 days (23.97 mt) as on August 1, 2021, have seen that decline to four days (7.3 mt) as on October 7. Of the 135 power plants monitored on daily basis, 69 plants have coal stocks of less than four days as on October 7 and another 41 have stocks ranging from 5 to 8 days.

"The coal available at the power plants is a rolling stock which gets replenished by supplies from the coal companies on a daily basis," the Coal Ministry said.

Business Standard 14th October 2021

Coal shortage a supply issue with availability at 5-yr low

For the first time in decades, supply was lower than consumption for four straight years till 2020

KRISHNA KANT
Mumbai, 13 October

The data on India's domestic coal production and imports suggests that the coal crisis is largely due to decline in supply rather than high demand. For the first time in decades, coal supply (domestic production plus imports) was lower than consumption for four consecutive years - between 2017 and 2020 — leading to depletion of stocks in the entire supply chain.

India's total coal supply in calendar year (CY) 2020 had declined to a five-year low of 16.9 exajoules (EJ) of coal equivalent, against consumption of 17.54 EJ of coal equivalent, according to the data from BP Global Energy Statistics.

The shortfall in supply in CY20 was equivalent to nearly four weeks of Coal India's (CIL's) production in 2020-21 (FY21). The miner accounts for nearly 80 per cent of India's coal production.

Meanwhile, the demand for coal has been soft in recent years due to poor industrial growth and growing share of renewable energy in the overall power mix. The overall coal consumption in CY20 was down 5.7 per cent to 17.5 EJ - the lowest in three years.

"The data points towards a shortfall in coal supply in recent years, despite a fall in demand due to decline in power generation and lower industrial activity last year," says Dhananjay Sinha, managing director and chief strategist, JM Financial Institutional Securities.

An EJ is equivalent to around 59.3 million tonnes (mt) of coal on average in the past five years. CIL's coal production in FY21 at 596.2 mt was equivalent to 10.1 EJ of coal.

Things haven't changed much in CY21 either. CIL's total production was down 2.3 per cent year-on-year (YoY) in the January-September period, while offtake was up 0.1 per cent YoY.

CIL produced 453.2 mt of coal in the first nine months of CY21, down from 463.5 mt during the same period in CY20. In comparison, the miner despatched 472.6 mt of coal during the January-September period, marginally higher than 472 mt during the same period a year ago.

The biggest supply shock has, however, come from a sharp cut in coal imports in the last five years. Coal imports were down 10.2 per cent YoY in CY20 to 4.22 EJ of coal equivalent. Coal imports last year were the lowest in seven years and down 35 per cent, from the peak of 6.46 EJ equivalent of coal in CY16.

As a result, there has been a sharp decline in the import share in total coal consumption in India. Imports accounted for 25 per cent of India's total coal consumption in CY20, down from a high of 35 per cent in CY16. Last year, the Centre unveiled plans to phase out coal imports.

SUPPLY NOT KEEPING UP WITH DEMAND

Exajoules of coal equivalent

Source: BP Statistical Review of World Energy

But there has been a steady decline in CIL production, from the peak of 607 mt reached in 2018-19. The miner is expected to produce 585 mt of coal in 2021-22 (FY22). This will be 21 per cent lower than its target to supply 740 mt of coal in FY22.

Prior to the 2020 lockdown, coal consumption in India grew at a compound annual growth rate (CAGR) of 2.8 per cent in the 2014-19 period, down sharply from CAGR of 7.2 per cent in the 2004-14 period. In comparison, domestic coal production grew at a CAGR of 2.2 per cent in the 2014-19 period, down from 4 per cent in the 2004-14 period.

Economists say that the shortage of coal and a cut in power generation and the resultant blackouts are likely to impact India's economic growth. "A cut in power supply will not only hit industrial output, but also disrupt work-from-home industries," says Madan Sabnavis, chief economist, CARE Ratings.

The coal shortage will also result in inflation if power utilities and coal-burning firms are forced to use expensive imported coal to meet domestic supply shortfall.

Business Line 14th October 2021

'No coal notice' to hit metals and cement producers, affect recovery

CIL arm halts supplies to non-power sectors

SURESH P IYENGAR

Mumbai, October 13

Even as the supply of coal to power plants is being ramped up, the shortage of the fuel is beginning to impact non-power sectors, including steel, aluminium and cement, that could apply brakes on the nascent revival in the economy.

South Eastern Coalfield, a subsidiary of Coal India, has written to non-power sector companies that as coal production is yet to be normalised, there will be no supplies until further notice.

South Eastern Coalfield had already reduced coal despatch to the non-power sector from 45-50 rakes a day to 25-30. The acute coal crunch has especially affected the power intensive aluminium companies as the fuel accounts for 40 per cent of their production cost. Aluminium smelting requires uninterrupted quality power, which can be met only through in-house captive plants with Fuel Supply Agreement with Coal India and its subsidiaries for assured long term-coal supply.

"The decision to stop secured coal supplies and rakes for non-power sector is detrimental for the aluminium industry and will jeopardise the sustainability as these continuous process-based plants are not designed for ad hoc shut down and restart of operations," said an aluminium company official.

"Any power outage for more than two hours would result in freezing of molten aluminium in the pots which will lead to the shutting down of the plant for at least six months and require 60 per cent of the plant capex to restart production besides a year to get desired metal purity," he added.

Coal India Ltd data painted a grim picture with 88 of the total 116 plants running on less than five days of stocks RITU RAJ KONWAR

Buying from grid

Most metal and cement producers had started buying electricity from the grid at four times the captive power cost. Import of coal is also not an option as it takes 45-75 days to get the consignment after placing the order, said a cement company executive.

Imported coal prices have touched $240 a tonne (FOB Australia) against $75 a tonne in October 2020 while shipping charges have also hit an all-time high, he added.

The entire industry has come to a standstill and left with no time to devise any mitigation plan for sustainable operations. The coal inventory at operational plants have depleted to 2-3 days against a high of 15 days in April and plants are forced to reduce generation with huge risk of closure, said RK Sharma, Secretary-General, Federation of Indian Mineral Industries.

"Since September 2018, no exclusive coal linkage auction for CPP has been held while insufficient quantity of coal is being offered through spot e-auction by road mode. Following this, the premium in the recent auction skyrocketed making it unviable for NRS coal consumers," said Sharma.

Bad timing

The coal crisis comes at a time when the economy is beginning to pick up momentum. Most metals company have been projecting huge growth due to a rising demand. Now, metal prices, especially of aluminium, are at historic highs due to supply demand mismatch.

Coal Minister Pralhad Joshi set off on a two-day tour of Jharkhand and Chhattisgarh where a number of mines are located a day after stressing that dry fuel production will soon be ramped up to two million tonnes from the current overall dispatch of 1.95 million tonnes a day. However, Coal India Ltd (CIL) data painted a grim picture with 88 of the total 116 plants running on less than five days of stocks against the normative requirement of 14 days' stock.

No shortage, insists FM

Finance Minister Nirmala Sitharaman, too, said dismissed reports of coal shortage as "absolute baseless". Speaking at Harvard Kennedy School in Boston, Sitharaman said, "There is no shortage of anything. In fact, if I recall the (Power) Minister's statement, every power producing installation has the next four days' stock absolutely available within their own premises and the supply chain has not broken at all."

Rating agency ICRA said it expects the coal availability to power plants to improve gradually "...with expected ramp-up in both coal production and dispatch, also given the seasonality in energy demand moderation expected from November," Sabyasachi Majumdar, Senior Vice-President & Group Head - Corporate Sector Ratings, ICRA, said.

India Ratings and Research said the current situation could be resolved only when coal production particularly from India and China is ramped up by opening new mines and the seasonal pickup or the power demand slows. "As we approach December, the demand is likely to moderate from industrial side. Hence, the combined impact of both a slight moderation in demand and better coal output could aid in the situation easing by December," Ind-Ra said.

With inputs from Delhi Bureau

Business Standard 14th October 2021

Coal rises to record in China as floods keep supplies tight

Futures gain 9% to intra-day record of $254.3/ton

DAVID STRINGER
13 October

A dramatic surge in coal prices in China is beginning to cool as top production hubs recover from the impact of floods, signalling a reprieve in the nation's energy crisis.

Most coal mines shuttered as a result of heavy rainfall in northern China's Shanxi province have now resumed operations, while output is improving in the neighbouring Shaanxi hub. Daily production in Ordos, Inner Mongolia jumped to the highest rate this year in recent days, according to analysts at CCI.

Coal futures on the Zhengzhou Commodity Exchange pared gains Wednesday after earlier rising about 9 per cent to a new intra-day record of 1,640 yuan ($254.30) a ton. The most-active contract, which jumped almost 20 per cent in the previous two sessions, traded 5 per cent higher at the midday trading break.

China's coal shortage "may ease during October but the country still needs more supplies for December and January when the weather could be the coldest," *Bloomberg* Intelligence analyst Michelle Leung said in a Tuesday note. Local mines have pledged to lift output and imports from suppliers including Indonesia will also likely rise, she said.

Most coal mines shuttered as a result of heavy rainfall in northern China's Shanxi province have now resumed operations

The squeeze on coal supply, along with high prices of the commodity and alternative fuels like natural gas, has prompted an energy crisis that's seen power cuts at factories and industrial plants in most of the country. China mines and burns more than half the world's supply, and the fuel accounts for more than 60 per cent of the country's electricity generation.

Even with production resuming from mines, power demand is expected to grow as China enters its winter heating season. Energy-intensive industries could continue to face a slowdown through the rest of the year, according to UBS Group. BLOOMBERG

Europe proposes tax breaks, restrictions to shield member states from rally in energy

JOHN AINGER
13 October

The European Union laid out its can-do list for member states to help protect its most vulnerable companies and households from the unprecedented surge in energy prices.

The rally in natural gas to power and emission permits is hurting everyone from German chemicals producers to Spanish households just as the economy is recovering from the pandemic. Calls for coordinated action are getting louder and the bloc said on Tuesday it expects high prices through the winter.

Measures include short-term tax cuts for parts of the population and aid to industry to cope with rising costs, according to the European Commission. The plan is designed to support the green transition without increasing the use of fossil fuels. BLOOMBERG

September coal imports rise 76%

China's coal imports in September rose to their highest this year as power plants scrambled for fuel to boost electricity generation to ease a power crunch. China brought in 32.88 million tonnes of coal last month, up 76 per cent from a year earlier. REUTERS

Exports up 20% despite crisis

China's export growth accelerated in September, defying expectations of a slowdown amid a nationwide power crunch. Exports grew 28.1 per cent in dollar terms in September from a year earlier to reach a new monthly record high of $305.7 billion, data showed. BLOOMBERG

Japan power prices hit 9-month highs

Electricity prices in Japan have risen to nine-month highs this week as gains in global prices of oil, liquefied natural gas and coal are starting to feed through to the country's $150-billion power market. For Japan, higher oil, gas & coal prices are bringing back inflation. REUTERS

'World failing to invest in energy'

The world is failing to invest in energy on the scale needed to escape catastrophic climate change and avoid sharp increases in fossil fuel prices, the International Energy Agency warned. "There is a looming risk of more turbulence for global energy markets," it said. BLOOMBERG

Business Standard 14th October 2021

Oct power supply deficit worst since March 2016

REUTERS
Chennai, 13 October

India's power supply fell about 750 million units short of demand during the first 12 days of October, largely due to a coal shortage, a deficit of 1.6 per cent that was the worst since March 2016, data from grid regulator POSOCO showed.

The October shortfall was already the biggest in absolute terms for a single month since November 2018, even with 19 days of October still left.

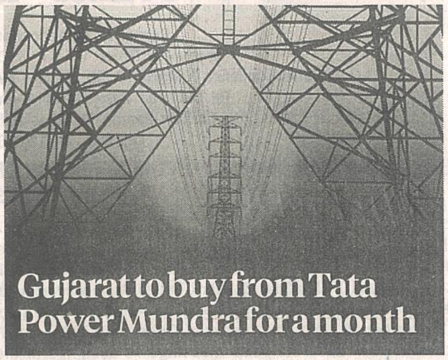
Northern states such as Rajasthan, Punjab, Haryana and Uttar Pradesh, and the eastern states of Jharkhand and Bihar, were the worst affected, registering supply deficits of 2.3 per cent-14.7 per cent.

Increased economic activity after the second wave of the coronavirus pandemic has driven up demand for coal leading to a supply shortage, forcing northern states such as Bihar, Rajasthan and Jharkhand to cut power for up to 14 hours a day.

India has asked power producers to import up to 10 per cent of their coal needs to blend with domestic coal and has warned states of electricity supply curbs if they are found selling on power exchanges to cash in on surging prices.

India's dependence on coal-fired power increased to 69.6 per cent in October from 66.5 per cent in September, the data showed, exacerbating the coal shortage amid a decline in output from other sources such as wind and hydro.

More than 60 per cent of India's 135 coal-fired power plants have fuel stocks of less than three days. The share of output from renewable energy so far in October fell to 8.34 per cent from 11.33 per cent in September, while hydro energy output fell by 1.3 percentage points, the data showed.



Gujarat to buy from Tata Power Mundra for a month

SHREYA JAI
New Delhi, 13 October

Staring at an electricity crisis due to a shortage of coal, Gujarat has decided to purchase power from Tata Power's imported coal-based Mundra ultra mega power plant (UMPP). The state government will purchase power at ₹4.5 per unit for four weeks.

Gujarat is the second state to buy from Tata Power Mundra. Earlier, Punjab agreed to purchase at ₹5.5 per unit for a fortnight.

The Union Ministry of Power recently allowed imported coal-based units to sell electricity. Tata Mundra is currently not selling power to any state as there is no clarity on the tariff at which it can sell to its procurers. The Mundra UMPP of 4 Gw capacity has power purchase agreements (PPAs) with Gujarat, Rajasthan, Maharashtra, Punjab, and Haryana to sell power at ₹2.26 per unit. The unit has been in constant tussle with these five states over the compensation amount due to inflated imported coal prices.

However, now with shortage of domestic coal, Gujarat is facing an energy shortage of 12.4 million units (MU) against a daily demand of 211 MU (as of October 12). Punjab, on the other hand, has a deficit of 15 MU against demand of 180 MU.

In 2010, following an order by the Indonesian government increasing its coal benchmark price, the landing cost of coal in India increased. Adani and Tata, which were importing from Indonesia, asked the Central Electricity Regulatory Commission (CERC) to grant them "compensatory tariff" for increased fuel cost. This would have been passed through on the final power rates.

Since then, the two companies have been in legal and regulatory tussle with buyer states to increase the tariff.

Business Line 7th October 2021

Coal shortage may lead to rise in steel prices: JSPL

PRESS TRUST OF INDIA
New Delhi, October 6

Steel prices are expected to increase in the coming months as companies are buying coal at three times the rates a month ago, a top industry executive said on Wednesday.

A tonne of coal, which was in the range of ₹4,000-6,000 a tonne, now costs₹8,000-12,000 a tonne, Jindal Steel and Power Ltd (JSPL) Managing Director VR Sharma told PTI in a telephonic interaction.

He made the remarks while responding to a question related to supply of coal in India.

"Steel in India at present is in the range of ₹50,000-55,000 a tonne. Shortage of coal has led to an increase in its prices that will have an impact on steel which may also go up due to this unprecedented rise," he said.

Sharma did not elaborate as to what extent the steel prices may go up in the future.

Sharma, who has over 35 years of industry experience, said India consumes 1,200 million tonnes of thermal coal or steam coal per year.

However, State-owned Coal India Ltd (CIL) produces 800 mt annually, a shortfall of 400 mt.

The domestic steel industry alone consumes 150 mt of coal per year, he said adding that for 120 mt or 80 per cent of the requirement, the players remain dependent on CIL. Steel players use coal as fuel to produce power to run plants and produce steel through the directly reduced iron (DRI) route.

E-auction route

"CIL is asking the players to come through e-auction to buy the coal. One month earlier, per mega/cal of coal was between 0.70 paise to ₹1. Yesterday (on Tuesday), it was at ₹2.8 per mega/cal. Nearly three times higher," Sharma said.

It means a tonne of coal, which was earlier in the range of ₹4,000-6,000 per tonne, is now at ₹8,000-Rs 12,000 per tonne, he added.

Sharma further said the crisis can be managed if CIL increased its production. The company must produce 100 MT coal per month to meet the annual demand of 1,200 MT, which comes from various industries like power, aluminium and copper.

Business Line 14th October 2021

Coal crisis triggers the need for alternatives

The current crisis is an opportunity for the country to cut coal dependence and push renewable energy for the long term

PAYAL SETH/PALAKH JAIN

India is the second-largest importer,t consumer and producer of coal and yet on October 6, it had enough coal stocks to generate electricity for barely four days. On October 10, this number was updated to one days' worth of coal reserves, and since coal produces nearly 70 per cent of India's electricity, there was widespread panic of a mass blackout.

This shortage threatens India's post-pandemic economic recovery and the welfare of its citizens.

The present coal shortage is a classic case of demand-supply mismatch. With the recent jump in economic activity, power consumption rose to around 17 per cent in the past two months year-on-year. On the supply side, monsoon-induced disruptions and flooding of mines interrupted domestic coal production. It's hard to meet this shortage through imports as global coal prices are up by 50 per cent and India's coal imports are at a two-year low. To further add to the woes, countries like China are aggressively buying more coal from the global reserves, adding pressure on global prices.

Some policy options

Reduction in coal consumption is a long-term process and cannot be achieved in one day. So any immediate solution will comprise of increasing declining coal reserves in whether through push in domestic production, diversion of coal from industries like steel, cement and construction, or purchase of expensive global coal. The Union and State governments are already struggling with either one or a combination of these solutions.

For the medium term, solar power can be promoted through subsidies and promotions and the recent innovations have made it cost-effective to considered as a viable replacement of coal. The only drawback is that the alternative works only when the sun shines. Wind power through windmills can also be harnessed to generate electricity.

But, much like solar power, this solution also only works in the presence of wind. Nuclear power can overcome these drawbacks as it produces energy through the process of nuclear fission. However, these plants operate at a much larger capacity than the coal- or renewable energy sources-operated power plants, making the storage of management of electricity produced difficult. All the options are clean as they produce no carbon dioxide (like the fossil fuel plants), but also need more research to address their respective downsides.

A demand-supply mismatch GN RAO

Another alternative could be waste-to-energy treatment plants — using garbage/liquid waste to produce steam to generate electricity. India produces nearly 1,50,000 tonnes of solid waste per day which is the third-highest in the world.

Of this waste, only 70 per cent is collected and 20 per cent of this collected waste is processed and the remaining is dumped untreated on the landfills or burned causing more air pollution. This waste can be used to produce electricity.

Furthermore, this solution even supports for Swach Bharath mission 2.0 guidelines call for better management of solid and liquid waste (SLW) management in the cities. These solutiona have been used in the local and global levels.

The Amberpet plant in Hyderabad treats the city's faecal sludge by converting it into biogas which produces electricity, and the remaining sludge is converted to compost which is sold to the farmers.

A local start-up Sanivation in Kenya can convert faecal waste into briquettes which can be used for cooking or heating. Scaling up this technology for generation of electricity can be explored. Similarly, SasiSana in Ghana, Green Toilets in Kenya, among others have already developed efficient technologies which once scaled up can be used to convert SLW intro energy in a clean manner.

But there are critical barriers to their realisation. Coal and coal-dependent sectors are providers of livelihood, infrastructure and cost-competitive electricity. The transport of coal contributes to 44 per cent of Indian Railways' freight revenue and since it is India's largest employer, any transition from coal is met with strong opposition.

Therefore, for the long term, such concerns about the phasing out of coal to produce electricity from the communities in the coal mining regions should be duly acknowledged and adequately addressed. This undertaking would become easier if a national task force is set-up, including representatives from not just the industry and academics, but also community leaders, activists, and members of the grassroots organisations. This task force can design policies which can accelerate the transition to cleaner technologies while preserving the livelihood of coal-dependent families.

The above mentioned alternatives can be adopted only as a long-term strategy, but the current crisis could be considered as a window of opportunity to not go back to producing more coal but to begin the transition to exploring green and renewable methods of producing energy.

Seth is a consultant at Tata-Cornell Institute, and Jain is a PhD Scholar and an associate professor at Bennett University

The Economic Times 14th October 2021

Electricity Crisis Likely to Ease Soon as Tata Power Restarts its Mundra Plant

Sarita.Singh@timesgroup.com

New Delhi: Power crisis in five most-affected states is likely to ease soon as Tata Power restarted its mega power plant at Mundra on Wednesday following consent from Punjab and Gujarat to pay actual costs. Some other states are likely to follow. The Gujarat government agreed to buy 1,800-Mw power from Tata Power's ultra-mega power project at ₹4.50 per unit -- higher than tariff agreed in its executed contract -- for four weeks, a government official said.

ET was the first to report on October 12 that Punjab has agreed to take 500-Mw electricity at ₹5.5 per unit from Tata Power's Mundra plant for one week.

Sources said Rajasthan, Maharashtra and Haryana, beneficiaries of the Tata Power's 4,000-Mw project and Adani Power's 3,300-Mw capacity, have also been negotiating with the companies over supply at actual cost on temporary basis. The states have been buying the power at ₹13-16 per unit.

A Tata Power official told **ET** in response to a query that it started one of its five 800-mw unit at Mundra on Wednesday evening to supply power to Gujarat and Punjab.

"Of the first unit, 600 Mw has been allocated to Gujarat and 160 Mw to Punjab based on consent issued by them. The second unit will come up by Thursday night and Third by Saturday morning. The allocation will be done based on the consent letters of the procurer states," he said.

The move is likely to lower spot power prices immediately while also ease pressure on domestic coal, whose supplies have also started to improve.

The Mundra projects have been shut for over one month as imported coal prices peaked $160 per tonne and existing contracts do not allow the costs to be passed on in the tariff. The sources said the projects have imported coal stock sufficient to run for over a month.

Ironically, the beneficiary states had fought a decade-long battle opposing compensatory tariff to the project. Beneficiary states except Gujarat did not revise the tariff even after the Supreme Court allowed compensatory tariff for Tata Power.

Desperate bids by power discoms in the wake of low domestic coal availability at power plants have pushed peak prices on the Indian Energy Exchange to ₹20 per unit. The average price discovered on IEX for delivery on Thursday was Rs 13.13 per unit, while the maximum price was Rs 17.9 per unit.

Move comes after Punjab and Gujarat consented to pay actual costs; some other states are likely to follow suit

The special dispensation to buy the power at actual variable costs comes amid a severe nationwide power crisis as imported coal-fed plants supplying to the state stopped generation due to higher fuel costs and domestic coal stocks at power plants as heavy rainfall impacted supplies.

On October 12, 142-Gw power projects of the 165-Gw were operating with stocks of seven days and the average coal stock was at four days.

Coal minister Pralhad Joshi on Wednesday tweeted that cumulative coal supplies to thermal power plants from all sources including Coal India recorded more than two million tonnes on Tuesday. "We are increasing coal dispatch to power plants further to ensure sufficient coal stocks at power plants," he said.

PRESS REPORTS
ON
ELECTRIC VEHICLE

Business Standard 15th October 2021

BluSmart drives a green agenda

The recipient of bp Ventures' first investment in India, the integrated EV ride-hailing company hopes to expand its presence from its core National Capital Region base

SHIVANI SHINDE
Mumbai, 14 October

If Ola and Uber changed the way we hailed taxis, Gurugram-based BluSmart wants to make ride-hailing a green option.

The company, which recently raised $25 million from a clutch of investors led by bp Ventures and which included Mayfield India Fund, 9Unicorns and Survam Partners, is India's first integrated EV ride-hailing and charging company. The company declined to comment on bp's stake. Sources said that the 10-year-old corporate venture arm of London-headquartered bp now holds a significant minority stake in BluSmart.

BluSmart is unlike some of the popular app-based ride-hailing businesses. Though it resembles US-based Revel and Alto in terms of having only EV fleets — about 700 now and adding 200 every month — the way it owns the vehicles and manages drivers on its platform is unique in India. First, the business model is asset-light: All its EVs are on lease, from either high-net-worth individuals or companies that have brought them, and it pays the owners a monthly fee of ₹20,000-25,000. Two, these cars are sub-leased to drivers, or drive-partners, as the company likes to call them. Unlike the Ola-Uber model in India, drivers do not own the cars, they just have to drive and they are paid based on the number of hours, trips and quality ranking feedback.

At BluSmart the driver-partners drive in six-hour slots, and they can choose a maximum of two slots a day. For each of these slots, the driver partners get a fully-charged EV and access to the BluSmart platform. So they pay for the lease for each of the six-hour slots that they drive, which add up to the monthly lease amount that BluSmart further pays to its asset lessor. The driver-partners take home ₹18,000-20,000 a month without the burdens of asset ownership.

BluSmart has also gone in for backward integration, creating EV charging stations or what it calls "super-hubs" that can charge almost 70–80 EVs at a time

When asked how BluSmart makes money, Tushar Garg, co-founder and chief business officer, said: "Our revenue model has customers paying for the rides they take with us. Of this revenue, there is a part share that BluSmart gets as a fee paid by drivers to BluSmart for the platform."

But BluSmart has also gone in for backward integration, creating EV charging stations or what it calls "super-hubs" that can charge almost 70-80 EVs at a time. So far the company has set up seven super hubs in the Delhi-National Capital Region (NCR). In early September, BluSmart signed an agreement with Jio-bp, the fuels and mobility partnership between Reliance Industries and bp. It was via this tie-up with Jio-bp that BluSmart was able to tie up an investment of $13 million from bp Ventures. For bp this is its first investment in India, although it has invested almost $800 million so far.

BluSmart claims that unlike the two popular ride-hailing services in the country, it does not want to get into the surge-pricing kind of offering. Asked if its model is investment-intensive, Anmol Singh Jaggi, founder and CEO, pointed out that the cost of operating and owning a vehicle with a conventional internal combustion engine is much higher than an EV.

For instance, a diesel car that runs on a fuel that costs roughly ₹100 per litre gives an average of 15 km, which works out to ₹6-6.50 a km; in EVs that cost is 1.50 paise. Plus hardware costs are down too. "When we started the business in 2019, an EV would cost around ₹13.5 lakh. Today that price has come down to ₹9.5 lakh," Jaggi pointed out.

"Second, the highest cost is lease cost and third is the driver-partner cost. Our driver-partners compared to others in the same segment make the same money without the hassle of asset ownership," he added.

BluSmart has five co-founders with backgrounds in renewable energy, raid-hailing, pharma and sports tech. Jaggi, who is the common thread between all the founders, is a first-generation entrepreneur who founded Gensol, a renewable power services company in 2007. The company is listed on the Bombay Stock Exchange and has revenues in excess of $25 million annually. It currently trades at ₹90. Jaggi is an alumnus of University of Petroleum and Energy Studies, Dehradun.

Co-founder Punit Goyal is into renewable energy as well. He founded PLG Power, an early entrant in solar panel manufacturing. He also founded PLG Photovoltaic in 2010, which set up one of the first 20 Mw solar power plants in India in 2012, which he sold in 2014 for $68 million. Goyal also co-founded PLG Clean Energy which developed a 70 Mw solar asset with Suzlon.

Garg was a founding team member of Uber India & Asia and led their strategy and operations in India. He also co-founded SKEdusoft.

The other team members are Anirudh Arun, chief operating officer, Rishabh Sood, chief technology officer, and Rahul Jain, chief financial officer. They were founders at Khelfie, a sports tech platform, which they exited in 2019. The first two are from IIT Roorkee and Jain has 15 years of experience in the pharmaceuticals industry.

Since the company was founded in 2019, it has been able to raise one round of funding every year. Jaggi said the latest round of $25 million will be used for expansion. The company says the Delhi-NCR is a huge market to capture. NCR accounts for 20 per cent of India's mobility market. In the next two years, it intends to expand to six cities.

The business is growing quickly in Delhi-NCR. BluSmart estimates it has already saved approximately 1,500 tonnes of CO_2, with more than 650,000 passenger trips completed to date.

Jaggi is serious about his bet of creating a large EV-focused ride-hailing business that not only helps reduce carbon footprint but also makes a business case. The company has already faced two zero-revenue phases owing to the pandemic, but that has not deterred the founders yet.

As Jaggi said, "We started with 70 cars and one super-charging hub. I believe it is only technology that can reduce any cost drastically. We have seen this in the telecom industry, I think EV and its rising adoption will be another moment and we want to be the first players in this space."

Business Standard 14th October 2021

PE money floods EV firms with good technology base

SURAJEET DAS GUPTA
New Delhi, 13 October

VALUATION GAME

\$9.1 bn Tata EVCo	\$3 bn Ola Electric
\$199 mn* Ather Energy	\$157 mn** Hero Electric

* as of November 2020
** as of June 2021

- PEs looking at technology strength, especially in software platforms for high valuation of EV companies
- They are looking at scale
- Early start-up EV companies have limited production and sales, so lower valuations

Private equity funds are giving an emphatic thumbs up to domestic electric vehicle (EV) companies with a strong technology and software base and the aim to scale up, as compared to incumbent vehicle makers as well as other EV startups.

This was clearly reflected in the deal that Tata Motors announced yesterday, raising Rs 7500 crore from PE firm TPG and Abu Dhabi ADQ for a newly formed subsidiary which will make EVs, valuing the company at \$9 billion.

Similarly, sources say that Ola Electric, which is yet to deliver its electric scooters to consumers, is raising another \$200 million, which will push up its valuation to \$5 billion. Currently, the company's valuation is at \$3 billion.

The big jump in Ola Electric's valuation contrasts with many other EV startups which started operations earlier. According to Tracxn, which tracks valuations, Ather Energy, in which Hero Motocorp has a 35 per cent stake, is valued at \$199 million as on November 2020.

A query to Ather on its latest valuation did not elicit any response.

The Delhi based Hero Electric, which is currently the largest EV two-wheeler player, is valued at \$157 million as on June 2021. The company also did not respond to queries on the matter.

PE players are betting big on the future growth of electric vehicles, which is why they are willing to pay for a hefty valuation in contrast to the market cap of traditional incumbent vehicle giants, even though the latter have a stable business, large cash reserves and are profitable.

For instance, Bajaj Auto which has a market cap of Rs 1.15 lakh crore —three times that of Ola Electric's valuation — and is also getting into electric two wheelers, has seen a much more staggered conversion from ICE to electric. Yet it is the second largest two-wheeler company in the country, profitable, and is India's largest exporter of two-wheelers.

A day after the Tata Motors announcement, the company's shares rose by 20.4 per cent, to close at Rs 506.75, pushing up its market cap to 1.80 lakh crore, clearly reflecting the bullishness of investors with regard to EVs. Tata Motors' EV subsidiary, in which the PE funds are investing, is valued at close to a third of parent company's market cap, showing the huge upside which can come from this business if it takes off.

So what explains the rationale of PE valuations? Says a former auto company CEO who consults with top EV players: "Investors are offering higher valuations to only those EV players with technology strength, especially in embedded software, and the capability of building them on their own or with partners. EVs have huge components of software which powers the vehicle. So the expertise required is very different from making ICE- powered vehicles."

He explains that the Tatas are leveraging their group companies like TCS, Tata Technologies and even Tata Elxsi to build the software platforms for powering the vehicles. Says a spokesperson of Tata Technologies: "While we can't share specifics, we are working with Tata Motors and JLR in most of the automotive vehicle programmes, leveraging our experience to help them develop competitive products."

Ola Electric, too, has built the electric battery, motor and the controller in-house, and the display, connectivity and computing software have also been developed by the R&D team. It has roped in top chip design makers like Qualcomm to provide the hardware to power the software platform which runs the scooter.

The other important factor here is scale. Many of the early EV startups failed to push the envelope in this area. They looked at limited capacity production, which kept the costs of the vehicles unviable. "We are looking at scale of operations, because that is the only way you can bring down costs. So companies with a clear investment plan and who are thinking big is critical for us to put in our money," says a senior executive of a PE fund which invests in green technology.

The Tatas, for instance, have already talked about rolling out 10 electric vehicles in the next five years and setting up charging stations with Tata Power. They are also planning to invest Rs 16,000 crore to build EVs.

Ola has a similar game plan. It is building the largest two-wheeler plant in the world, with the capacity to churn out 10 million two-wheelers a year by 2022. This would account for half the total two-wheeler market in India. The company also plans to aggressively go for exports to Europe, south east Asia, and other countries.

Of course, this does not mean that the incumbent players are out of the EV game. With cash reserves of Rs 16,000 crore, Bajaj Auto is quietly putting together the various pieces of its EV plan, both in India and in Europe, where it has acquired companies. Tatas are also incumbents taking a different route to enter the EV space. The large vehicle players argue that the valuation game is pegged on subscriber acquisition even if the product is sold at a loss (partly funded by PE money and by subsidies).

The incumbents feel that many of the startups will find it difficult to make profits and that will get worse as the government slowly reduces and removes the subsidies. "Such a model is not sustainable in the long run for startups but is only the means to get a premium in an IPO," says a senior executive of a leading two-wheeler company.

Business Line 1st October 2021

Electric 2-wheeler firms charging up for festival season

Expect surge in volumes during the period

G BALACHANDAR

Chennai, September 30

Even as conventional (Internal Combustion Engine) two-wheeler makers are cautiously optimistic about the demand during the upcoming festival season, electric two-wheeler makers are bullish and expect a surge in volumes during the period.

Electric two-wheeler sales have seen a steady increase since July as leading companies, mostly new players, report higher levels of volumes, supported by an improving environment. With September also showing good momentum for electric two-wheeler sales, the average monthly volumes are in the range of about 15,000 units now and the number is expected to grow further.

For April-September 2021 period, the total electric two-wheeler sales are estimated at about 44,000 units. "We are going good on sales figures, and expect to perform well this month just like we have in the previous months. The market growth has been majorly fuelled by affordability, and increased attention towards infrastructure development. The customer's perception has significantly changed, and larger players have helped in increasing awareness of EVs in the country," said Sohinder Gill, CEO, Hero Electric.

Apart from Hero Electric and Ather, companies such as Okinawa, PureEV and Ampere, among others have also been expanding rapidly in view of growing sales.

"We had a great start to this quarter. In July, our Indiranagar (Bengaluru) experience centre generated ₹10 crore in sales, which is 2X of what ICE showrooms do with half the size. September looks great so far, we are likely to sell the maximum we have done so far in any of the months. I am even more kicked for the upcoming festive period though. We are at a scale where the festive demand bump will be quite real," says Tarun Mehta, Co-founder & CEO at Ather Energy.

Policy boost

Electric two-wheeler companies have seen a greater amount of excitement and encouragement from both policymakers and consumers in the last few months to be precise.

In addition to lower total cost of ownership and higher fuel prices, the entry of mainstream brands in the market and the introduction of newer, high-performance EV two-wheelers has increased the awareness among consumers and resulted in a strong volume growth. For an ICE scooter, there are options for consumers at every price point, which wasn't the case for an e-scooter.

"Now, with the industry growing, multiple options being available, solid subsidies being given by the Centre through the Fame II policy, state subsidies, banks offering great deals on EV purchases, and the density of charging infrastructure improving. All these have contributed to strong sales momentum for electric two-wheelers," says Mehta.

As demand has picked up, traditional players are also ramping up their EV strategies. "With new players leading the way in the electric 2W market, we are witnessing massive investment from big traditional players.

"Also, they have an edge in terms of manufacturing, supply chain and dealer network, which will help them scale up quickly once the product is ready for market," said Rajeev Singh, Partner and Automotive Leader, Deloitte India.

Business Line 5th October 2021

Hero Electric gearing up to sell more than 1 lakh scooters in FY22

Demand is growing and outlook is favourable: CEO

G BALACHANDAR

Chennai, October 4

Sohinder Gill, CEO, Hero Electric

Electric two-wheeler company Hero Electric hopes to double sales by the end of this fiscal in view of impressive sales momentum the company has been seeing in the post-second Covid wave period.

The company sold more than 53,500 electric two-wheelers last year. Since July this year, Hero Electric has sold more than 25,000 vehicles (high speed and low speed). The company remains the leading player in the electric two-wheeler market. It claims 36 per cent market share and is reported to have achieved highest sales in the first half of the 2021 with 15,000 high-speed electric scooter sales.

Record performance

"This has been a record performance year and we have overdone our expected sales figures in the last few months. We are now aiming to double the figures by the end of this fiscal and are extremely confident of achieving the target," Sohinder Gill, CEO, Hero Electric, told *BusinessLine*.

In September , overall registered high speed electric scooter volumes in the country stood at 16,641 units. For April-September 2021 period, total registered high speed electric scooter volumes stood at little less than 47,000 units.

Gill said the ecosystem for electric two-wheelers in the country was getting better with both State and Central governments supporting adoption of e-scooters to a large extent. Localisation and drop in battery prices will help bring down the overall cost of ownership, he added.

Growing demand

In view of the growing demand and favourable outlook for electric two-wheelers, Hero Electric will expand production capacity and charging infrastructure.

"Our current manufacturing facility in Ludhiana is being expanded to produce over 5 lakh vehicles a year by March 2022 from the current 1 lakh units. This will further be increased to a million vehicles once we open our next facility. As and when markets open and demand increases, and with competition coming in, we will be able to see 2-4 million scooters in the market across the country," said Gill.

The company has partnered with Massive Mobility, a New Delhi-based start-up, to set up 10,000 EV charging stations across the country.

Till date, Hero Electric has set up 1,650 charging stations and has set out an ambitious target of establishing 20,000 charging stations by the end of 2022. The partnership with Massive Mobility is expected to help the company realise its objectives.

Business Line 13th October 2021

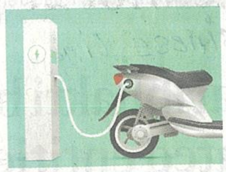
Exponent Energy develops quick charging solution for EVs

YATTI SONI

Bengaluru, October 12

Exponent Energy has built a battery pack and charging station – called E-pack & E-pump – that can fully charge any commercial vehicle within 15 minutes. The team has been working on this hardware innovation for the past year.

Founded by two former Ather Energy executives, Arun Vinayak and Sanjay Byalal, Exponent aims to simplify energy for EVs by building a Flexible Energy Stack.



Cell agnostic

"We now have the technologies ready and stable. It can charge a variety of cells, making us truly cell agnostic. We have charged all of these cells 800 times, each cycle being a 15 minutes charge cycle and 1-hour discharge cycle," Vinayak told *BusinessLine*.

"So, it's a far more aggressive profile than real life, because in real life you will charge in 15 minutes, but you will probably discharge over 5-6 hours. Even after 8,00,000 cycles, we've not lost more than 3.5 per cent battery capacity. In comparison, the industry loses 20 per cent capacity in about 1,000 charging cycles," he added. Each charging cycle is a battery charged from 0 to 100 per cent.

Targets logistic companies

The company will use affordable Lithium-ion cells for its battery pack and offer a 3,000 cycle life warranty. Exponent is now working with few partners to get its technology to market. The company sees logistics companies as important customers, given the fact that their energy consumption is much higher than passenger electric vehicles in India.

Byalal said, "In India, commercial vehicles today roughly represent 10 per cent of total vehicles sold in the country, yet they consume 70 per cent of on-road energy. It's an energy-hungry segment rushing to go electric and needs a dependable rapid charging network that lets them keep going. To fulfill this demand, we intend to actively collaborate with all industry players and regulatory bodies."

More investments

Going forward, Exponent will be investing in cities that they open up. The company will aim to launch 20-30 public charging stations in every city, which Vinayak noted is the minimum viable network required. "By January 2022, we should have 20 charging stations starting in Bengaluru and then we plan to launch in Delhi NCR," he added.

Vinayak believes that the shift where EVs drive better than ICE vehicles has happened in India. However, the scale is shackled by how complex and disrupted the energy flow is for EVs today – specifically with terrible charge times and battery life.

"A rapid charging solution agnostic of battery capacity, cell chemistry and the number of wheels on a vehicle is the first of many innovations that will unlock exponential scale for everyone," he added.

Business Standard 8th October 2021

Ola Cars launched, new CEO appointed

PEERZADA ABRAR

Bengaluru, 7 October

Ola, India's largest mobility platform, on Thursday announced Ola Cars, its new vehicle commerce platform that will provide vehicle purchase and ownership experience to consumers. It will compete with players such as Droom, CarDekho, Cars24, Spinny, Carwale and CarTrade.

"Customers are looking for a new way to buy, service and sell their vehicles. They are no longer satisfied with the archaic retail store mode. They want more transparency and a digital experience," said Bhavish Aggarwal, founder and CEO, Ola. "With Ola Cars, we are bringing a completely new experience for buying, selling and overall ownership for both new and owned vehicles.

The company appointed Arun Sirdeshmukh *(pictured)* as chief executive officer of Ola Cars. Sirdeshmukh brings more than 30 years of experience in consumer internet, FMCG, retail and fashion industries, including with Amazon India, Reliance Trends and IBM Global Services.

Business Line 6th October 2021

EV battery makers may face problems

Congo will dominate mine production, China status as top refiner to continue

SUBRAMANI RA MANCOMBU

Chennai, October 5

Manufacturers of batteries for electric vehicles (EV) will likely face procurement challenges as the global cobalt supply chain will remain highly geographically concentrated in the coming years.

Congo will dominate cobalt mine production, while China will lead in refining of the metal, according to Fitch Solutions Country Risk and Industry Research (FSCRIR).

"But a solid global project pipeline, due to rise in cobalt prices, and expected demand boom amidst proliferation of battery manufacturing projects will aim to diversify the production channels to some extent," the agency said.

The projections are significant on the heels of EV sales surging 160 per cent in the first half of this year compared with the same period a year ago, with the top three auto markets — China, the US and Europe — reporting good growth. Total EV sales this year are expected to top five million.

Surge in EV sales

EV sales are on the rise in India, too, with April-August sales topping 87,000 this year and a 11 per cent rise in August sales. Global EV sales have helped cobalt prices gain over 65 per cent since the start of the year. Currently, the metal is quoted at $53,380 a tonne. Fitch Solutions said Australia is one of the countries that holds significant growth potential to produce cobalt with multiple integrated projects in the pipeline. "We see limited production growth in Europe and North America in the coming years due to the lack of resources and projects" FSCRIR said in a report on the global cobalt supply chain.

Global cobalt projects are likely to face environmental scrutiny also

Battery revolutions will increasingly decide cobalt production trends and most of global refined cobalt will be converted to chemical forms that will be used in rechargeable batteries as opposed to cobalt metal that is mainly used in other industries, the agency said.

Fitch Solutions said though it was optimistic on new cobalt projects that would come online next decade, there were risks in completion of the projects. "Many are still in the pre-feasibility stage, especially in Australia, and may not reach fruition in the end due to lack of finance or environmental opposition, for instance," FSCRIR said.

Green economy boost

Global cobalt projects are also likely to face environmental scrutiny, while the possibility of batteries without cobalt might dampen the metal's demand outlook and prices altogether, it said.

The global cobalt sector has received a shot in the arm from the global shift to the green economy as the ferromagnetic blue metal is a key component of rechargeable batteries and valued for its stability, hardness, anti-corrosion and high-temperature resistance characteristics.

Cobalt is also used in the manufacturing of nickel-based alloys (13 per cent of total consumption) which are used extensively in the aerospace industry, tool manufacturing (8 per cent of total consumption) and in smaller amounts in pigments, soaps and as catalysts. The metal is also used in electronic products such as smartphones and laptops that make up 36.3 per cent of the global offake, while automotive applications account for 23 per cent of the consumption.

Business Line 6th October 2021

TVS Motor ties up with Tata Power for electric 2-wheeler charging infra

OUR BUREAU

Chennai, October 5

Leading two and three-wheeler maker TVS Motor Company has signed a strategic partnership with Tata Power for setting up electric vehicle charging infrastructure (EVCI) across the country and deploy solar power technologies at TVS Motor locations.

The partnership aims to create a large dedicated electric two-wheeler charging infrastructure to accelerate electric mobility. The co-operation aims to create a regular AC charging network and a DC fast-charging network for electric two-wheelers.

TVS iQube

It will also give the customers of TVS iQube Electric access to the widespread charging network by Tata Power through the TVS Motor customer connect app and Tata Power EZ Charge app across India, according to a statement.

TVS Motor's agreement

with Tata Power is in line with its plan of introducing TVS iQube electric scooter in more than 25 cities in the next few months. At present, it is available in Delhi, Bengaluru, Chennai, Pune, Kochi, Coimbatore, Hyderabad, Surat, Visakhapatnam, Jaipur, and Ahmedabad.

"TVS Motor is extremely excited and proud to be the pioneering partner with Tata Power, which is leading the way in creating a wide and sustainable charging infrastructure in the country. Fitting to TVS Motor vision of electrification, we envisage a wide and reliable charging infrastructure for two and three-wheeler EV customers across India, powered by renewable sources of energy such as solar," said Sudarshan Venu. Joint Managing Director, TVS Motor Company.

The partnership will further help drive EV adoption in the country.

"Through this collaboration, we will further leverage our expertise to enhance synergy between sustainable mobility and renewable energy integration resulting in the creation of a robust EV charging eco-system across India," said Praveer Sinha, CEO & MD, Tata Power.

Wide network

Tata Power's network comprises more than 5,000 home chargers and over 700 public chargers in more than 120 cities. The company is present across EV eco-system — public charging, captive charging, home and workplace charging stations, and has deployed all types of chargers, including DC and AC chargers.

The Economics Times 10th October 2021

Electric Vehicle Sales More Than Triple in H1 of FY22

Outreach by cos, improved charging infra, price parity & fall in battery price drive sales

Lijee.Philip@timesgroup.com

Mumbai: The journey of a thousand miles begins with a small step. This Chinese proverb, probably dating as far back as 6th century BC, accurately captures the genesis of momentous change — in any field.

This year, India's EV industry appears to have taken that crucial step.

Of course, the industry's base is still statistically negligible — even when the sales dataset is magnified under an electronic microscope. But it is expanding, pointing perhaps to the biggest change in mobility since gasoline-fired engines replaced horse-drawn carriages at the turn of the 20th century in Europe's richer neighbourhoods and the eastern seaboard in North America.

In fact, in the first half of FY22, EV sales have more than tripled to 1.18 lakh units while a chip shortage of prodigious dimensions has squeezed the sales growth of ICE (internal combustion engine) cars.

New EV launches led by Tata Motors and electric two and three wheelers have been providing the required impetus. Until September, electric two-wheeler sales stood at 58,264 units and three-wheelers at 59,808 units as per data compiled by policy body, Centre for Energy Finance at Council on Energy, Environment and Water at Centre for Energy Finance (CEEW-CEF).

Experts attribute the surge to both demand- and supply-side factors. Outreach by manufacturers, improved charging infrastructure, price parity with conventional vehicles due to federal incentives and falling battery prices are driving sales.

"Incentives and various initiatives have aided growth as we continue to see a hockey stick kind of a growth going forward," says Naveen Munjal, MD, Hero Electric. "It is only a matter of time where various states apart from the ones that rolled out individual incentives will also come up with sops to make EVs an attractive option."

India has already sold 1.18 lakh EVs, which is 90% of the total sales last FY.

"Financial incentives by the Centre and state governments are attracting new EV buyers whereas rising fuel costs are increasing the operational expenditure for ICE vehicle owners," said Rishabh Jain, programme lead, CEEW-Centre for Energy Finance.

Initially, the biggest demand for EVs came in from the commercial segment. The last few months have seen a sea change.

"With better awareness and acceptance for EVs, there is traction even from the rural markets in the non-commercial segment too," said Sulajja Firodia Motwani, CEO, Kinetic Green Energy & Power Solutions.

Targeted access to funding is needed for the industry to expand.

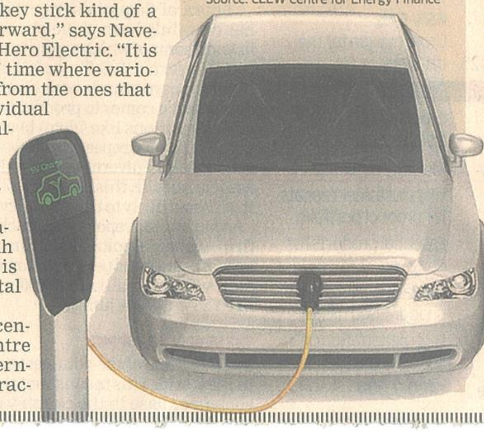
We need to work hard to ensure infrastructure, supply, and financing. FAME II is very helpful on the financing piece, but there needs to be more specialised financing, maybe EV funds, platforms… more debt," said Mahua Acharya, MD of state-owned Convergence Energy Solutions Services (CESL).

Tata Motors continues to see traction for its EVs in personal mobility — Nexon and Tigor.

In High Speed

EV sales April- Sept '21 (units)

Source: CEEW Centre for Energy Finance



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Business Line 9th October 2021

Ola launches vehicle commerce platform

Arun Sirdeshmukh appointed as CEO for Ola Cars

OUR BUREAU

Bangalore, October 8

Mobility major Ola has launched its vehicle commerce platform Ola Cars to enable consumers to purchase both new and pre-owned vehicles through the Ola App.

Arun Sirdeshmukh, CEO, Ola Cars

One-stop shop

Ola Cars will begin with pre-owned and, over time, open up for new vehicles from Ola Electric and other automotive brands as well. It will offer a bouquet of services to customers, beginning with purchase, vehicle finance and insurance, registration, maintenance including vehicle health diagnostics and service, accessories, and finally resale of the vehicle back to Ola Cars. It will be a one-stop shop for customers looking at hassle-free buying, selling and managing their cars.

Starting with 30 cities, Ola Cars will soon scale up to over 100 cities by next year. The company also announced the appointment of Arun Sirdeshmukh as Chief Executive Officer of Ola Cars. Sirdeshmukh has than 30 years experience in consumer internet, FMCG, retail and fashion industries, including Amazon India, Reliance Trends and IBM Global Services. He will oversee sales and distribution, service, marketing, customer support, and go-to-market strategy for the business.

Sirdeshmukh said, "Ola has always been committed to delivering technology driven innovations to enhance consumer's mobility experience. With Ola Cars, we are completely re-imagining not just buying and selling but also vehicle finance, insurance, as well as maintenance – an end-to-end digital-first experience for our customer. We have plans to expand aggressively over the next few months across India and international markets and also launch new verticals in this business including pre-owned 2W and new vehicles."

New mobility vision

Bhavish Aggarwal, Founder and CEO, Ola said, "Customers are looking for a new way to buy, service and sell their vehicles. They are no longer satisfied with the archaic retail store mode. They want more transparency and a digital experience. With Ola Cars, we are bringing a completely new experience for buying, selling and overall ownership for both new and owned vehicles. I look forward to working with Arun and building this core pillar of our New Mobility vision."

Ola Cars is part of Ola's larger vision of New Mobility that encompasses three key pillars — New Mobility Services expanding from 150 to 500 cities and increasing its reach from 100 million people to 500 million people; New Energy Vehicles with EVs across existing and new vehicle form factors to bring cleaner, efficient and more affordable transportation to people; and New Auto Retail that will improve the entire life-cycle of vehicle ownership for a customer.

PRESS REPORTS
ON
TRACTORS

Business Line 8th October 2021

A bumper harvest for tractor industry

Domestic sales surge 72% m-o-m to 92,465 units in Sept; exports touch historic high

G BALACHANDAR

Chennai, October 7

The tractor industry saw revival in domestic demand in September as domestic sales reported a significant growth on month-on-month-basis, while exports remained at historic high.

Total tractor production also crossed one lakh mark for the third month in a row, according to data provided by the Tractor & Mechanisation Association (TMA).

Domestic tractor sales reported a 72 per cent growth at 92,465 units in September 2021 when compared with the domestic sales of 53,721 units in August 2021. But, when compared with 108,585 units in September 2020, which was a bumper month in the post-first wave lockdown phase, there was a decline of about 15 per cent.

Normal monsoon

"Strong revival in rainfall during September brought cheer to the farming community, with the entire rainfall deficit wiped off by end of September and monsoon achieving normal levels. Reservoir levels have improved and excess rainfall in September will lead to high moisture content in the soil, leading to strong Rabi sowing. With initial crop production estimates indicating the highest-ever Kharif crop, coupled with the upcoming festival season, we are optimistic of a strong demand in the coming months," Hemant Sikka, President - Farm Equipment Sector, Mahindra & Mahindra Ltd, said.

In September 2021, the total domestic tractor production stood at 1,00,160 units. Tractor exports continued to zoom as it stood at 12,690 units, which was the highest-ever monthly export number.

"We are buoyant about the upcoming festival season and expect the farmers' sentiments to remain positive," said Raman Mittal, Executive Director, Sonalika Tractors, which reported its highest ever monthly sales at 17,704 units in September 2021. Its H1FY22, sales were also highest-ever at 63,561 units.

For the half-year period ended September 30, 2021, the total domestic tractor sales stood at 440,832 units against 401,607 units in the same period previous fiscal, an increase of 10 per cent.

Total tractor production during the period crossed the half million mark and stood at 558,491 units as against 378,761 units in the year-ago period. "The healthy precipitation received in September has helped offset the deficit in precipitation in July and August. It augurs well for the prospects of the industry over the festival season; a delayed harvesting in certain regions (on account of precipitation during late September) could, however, lead to some delay in retail sales.

"Overall, the demand drivers for the industry continue to remain favourable and are expected to support volumes over the near term," said Rohan Kanwar Gupta, Vice-President & Sector Head, Corporate Ratings, ICRA.

PRESS REPORTS
ON
COMMERCIAL VEHICLE

Business Line 12th October 2021

'Commercial vehicle industry entering the next growth cycle'

Growth in e-comm business leading to strong demand: CEO of Daimler India CV

G BALACHANDAR
Chennai, October 11

THE BL INTERVIEW

The commercial vehicle segment has been showing better recovery trends than other vehicle categories in the past few months, with a sustained double-digit growth. The medium and heavy commercial vehicle (M&HCV) category has been an outperformer. With the second half of 2021 expected to be a stronger period for the M&HCV segment, the CV industry appears to be in a growth phase. Satyakam Arya, Managing Director & CEO of Daimler India Commercial Vehicles (DICV), which sells BharaBenz brand of trucks and buses in India, spoke to *BusinessLine* about the CV recovery, scrappage policy and the company's growth prospects. Excerpts.

How do you view the demand recovery in the commercial vehicle market?

The recovery so far has been very promising. Last year, M&HCV had a total volume of about 106,00 units. This year, by July, we had crossed this number as the industry sold about 107,000 units by the end of July. August was not a great month as it is normally a slow period. We are expecting total volumes to be in the range of 180,000-200,000 units by the end of 2021. If there is a strong festival season, we will definitely touch 2 lakh units in 2021, almost twice the volume of 2020.

We see the growth coming. But it is still below the normal industry size. However, we believe that the industry will come back to its normal volume level. If current growth momentum continues, 2023 should be a strong year for the CV Industry. Overall, I strongly believe that we are facing the next growth cycle of the CV industry.

Will there be any structural changes in the CV market due to recent events, such as regulatory norms and impact of Covid-19?

There are a lot of structural changes happening right now. And we will see a full play-out of that in the next 10 years. Some of the structural changes had started even before the pandemic, like axle load norms. The second was BS-VI. What happened due to the pandemic is, we are seeing e-commerce growing far stronger than other segments as more and more people are shifting to online buying.

There is 30 per cent growth in e-commerce business and that leads to strong demand pull for the CV industry. And we believe this will be a sustainable change and people will not go back to old ways of buying things when the pandemic is over. With this e-commerce boom, the last-mile transport segment has become more resilient and is growing faster. Also, people are trying to look at the life-cycle costs of a truck instead of the initial price.

Does DICV see benefits flowing out of structural changes in the CV industry?

The CV industry will get into different segments more and more. When we have Delhi-Mumbai expressway and when we have multi-modal logistics parks set up across the country, we will have more high-speed trucks running on the expressways. These trucks will come to multimodal logistics parks and then the cargo will be shifted to intra-city distribution through a medium duty vehicle or a small truck. So, high speed cargo movement on the expressways and then smaller trucks for intra-city distribution will be the new normal. Hub and spoke will be well-established then.

We at DICV are very much enthusiastic about these changes as our trucks, since the beginning, have been prepared for high-speed running for long hauls. We are becoming a preferred choice for e-commerce and construction segments and we may emerge winner again when expressways are ready.

There are a lot of structural changes happening right now. And we will see a full play-out of that in the next 10 years

SATYAKAM ARYA,
MD & CEO of Daimler India Commercial Vehicles

BharatBenz appears to have a strong presence in the fleet segment. How about your presence in the owner-driven segment?

Yes, everyone believes that we are strong in the big fleet segment. Yes, we are. But we are equally strong in the small fleet operator category. In the small fleet segment, most of the time, the owner is also the driver. For their own comfort and safety, they buy BharatBenz trucks. They are willing to pay extra since the owner himself will be driving it. About 20 per cent of our sales come from small fleet or owner-driven segment.

Also, in our truck sales, air-conditioned trucks account for 30-40 per cent. Fleet owners had initial concerns over fuel consumption. But they have actually seen better fuel efficiency in AC trucks than they anticipated.

So, fleets have come back to buy more vehicles as drivers are happy and more productive with AC trucks. This has also helped fleet operators to retain the drivers. I believe this share of 30-40 per cent of AC trucks will grow to 60-80 per cent in the coming years as more people go for AC trucks.

Business Standard 6th October 2021

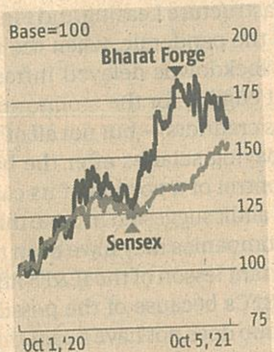
THE COMPASS

US truck order decline overhang for Bharat Forge

Recovery in domestic CV biz is key tailwind

RAM PRASAD SAHU

The Bharat Forge scrip slipped 2.6 per cent in trade after Class 8 orders in the North American market saw a 26 per cent month-on-month decline in September. The drop comes after orders for these heavy trucks hit a five-month high in August. Analysts highlight the base effect, tapering of demand situation, and acute shortage of components, especially semiconductors, as the reasons for the decline in orders.



Compiled by BS Research Bureau

While pent-up demand constrained by lower output may spill over to CY22, the near-term concerns on supply may be an overhang on the stock as the North American heavy truck segment accounts for about a fifth of the company's standalone revenues.

The supply shortage may also reflect in the September quarter results. Analysts at Kotak Institutional Equities expect export segment revenues to remain flattish on a sequential basis, led by a 15 per cent decline in PV segment revenues because of the chip shortage issue and a 5 per cent QoQ decline in CV segment revenues in the September quarter.

Brokerages are, however, bullish about the company's prospects in the long term. Mitul Shah, head of research at Reliance Securities, says: "The long-term outlook for Class 8 trucks remains positive with 20 per cent growth in CY21 and CY22." The growth outlook is being driven by the expectation of a healthy CV upcycle in the North American market; the US government's infrastructure package may keep truck demand elevated.

What may help the company are the prospects in the oil and gas segment, given that crude oil prices have surpassed the $80 per barrel-mark. Volatility in crude oil prices and a sharp correction last year had dented the performance of the company in this high-margin business.

This, coupled with an uptick in domestic medium and heavy commercial vehicles, which has been less impacted due to the chip shortage than other segments, and order flow in the defence business may lead to upgrades for the stock.

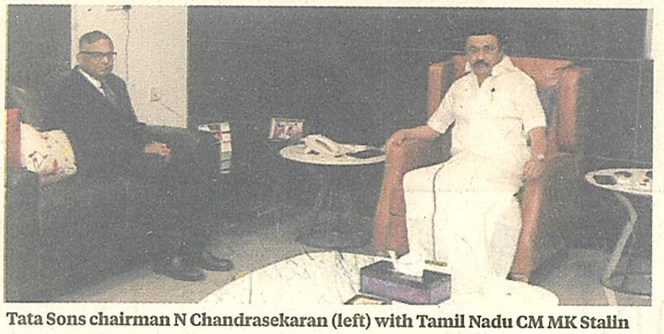
While the long-term prospects from auto and diversified industrial segments are positive, some of the gains are reflected in the stock, which has gained over 55 per cent over the past year. Investors can consider the stock on dips for their long-term portfolios.

PRESS REPORTS
ON
COMPANY NEWS

Business Standard 8th October 2021

Tata Motors likely front runner in talks to take over Chennai Ford unit

SHINE JACOB
Chennai, 7 October



Tata Sons chairman N Chandrasekaran (left) with Tamil Nadu CM MK Stalin

Speculation is rife in Tamil Nadu about a possible takeover of Ford India unit at Maraimalai Nagar in Chennai, after Tata Group conducted two rounds of high-level talks with Tamil Nadu (TN) Chief Minister (CM) M K Stalin within a span of two weeks.

On Wednesday, Tata Sons Chairman N Chandrasekaran met Stalin and state Industries Minister Thangam Thennarasu. Although details of the meeting were not divulged, this is the second time in a span of two weeks that company officials are meeting the CM.

September 27, a top-level delegation of Tata Motors, led by its Executive Director Girish Wagh, too, had a round of discussion with Stalin. Earlier, companies like MG Motor, too, had evinced an interest in Ford India assets at Sanand and Chennai. Ford India had also conducted several rounds of talks with players like Ola and Mahindra & Mahindra (M&M).

"The chairman did have a meeting with the TN CM, but that was a courtesy call. What you are hearing and reading is pure speculation," said a Tata Motors executive, adding, "He is group chairman of the Tatas and has several companies under his belt. Our executive director, too, met him as part of a courtesy visit."

The two rounds of meeting are leading to speculation that Tata Motors is likely to be a front runner in talks for takeover of the Ford India unit in Chennai, while the state was also reportedly in talks with other players like MG Motor. A senior government official said no decision regarding Ford India unit can be expected immediately.

Last week, Thennarasu had told Business Standard that talks on Ford India unit were being spearheaded by the CM and a decision likely to come from him only. However, if an industry major is likely to show the intent to take over the unit, the state is likely to see it as a fresh investment rolling out all possible sops.

According to industry experts, the TN unit may gel well with the ambitious electric vehicle (EV) plans by Tata Motors. In Tata Motors's annual general meeting this year, Chandrasekaran had said that EVs may contribute to around 25 per cent of the company's total passenger vehicles (PVs) in the medium to long term, up from 2 per cent.

The company has plans to launch 10 more EV models before 2025 and is considering setting up a battery plant. During the July-September quarter in 2021-22, the company sold 2,704 PV EV units, posting 193 per cent growth, compared to the same time last financial year. The Chennai Ford India unit had an annual production capacity of around 200,000 vehicles and 340,000 engines.

There were also reports that MG Motor India was also in talks with the governments of TN and Gujarat for acquiring the US auto major's manufacturing facilities at Sanand (Gujarat) and Chennai.

When asked about, Gaurav Gupta, chief commercial officer of MG Motor India, had refused to comment on this in a recent interaction with Business Standard. Before the closure announcement last month, the American automobile major was in talks with companies like Ola for contract manufacturing and M&M for cross-badging and a new product alliance.

Soon after the announcement of closure of the unit on September 9, the state government came out in public, stating it would ensure the smooth handover of land to another automobile player. If the state government finds a major player like Tata Motors to take over the unit, it may be a relief for over 2,600 employees and workers of the ancillary units at Maraimalai Nagar.

"Neither the CM nor Tata Motors has confirmed the talks on Ford India unit. Unless the confirmation comes, we will be under stress," said a senior leader from the employees union at the Ford unit. He said that even after a month, the unions have not allowed Ford India to talk about a settlement plan with them, even though several rounds of talks have happened with the management. The management had informed employees that the decision for closure was decided after talks with several players like Ola and M&M failed to materialise.

'Govt must set a target for phasing out IC engines'

With no playbook on hand to successfully launch an electric vehicle (EV), **NAVEEN MUNJAL** jumped-started Hero Electric in 2007. A lot has changed since. With major policy push and incentives, India is looking to promote the use of EVs. By virtue of being the market leader, Munjal's firm will be a beneficiary of this change. In conversation with **Arindam Majumder**, Hero Electric's managing director outlines his plans for the company and his learnings. Edited excerpts:

You have bet on the sector before electric even became a buzzword.

When you enter a new space, there is no precedent for a successful business model. We came in too early. If we hadn't come in at that point in time, we wouldn't have had the level of experience we have now. It is a very exciting time now. We will see huge growth. I believe we are never going to look back.

The production-linked incentive scheme has been announced to provide impetus to advanced technologies. However, the eligibility criterion of having a minimum revenue of ₹10,000 crore with a fixed asset block of ₹3,000 crore will leave out companies like Hero Electric.

The policy makes its intent clear of pushing electric and zero-emission vehicles. Any policy that comes out also evolves with time. Once you keep on monitoring the implementation of the policy, things mature and fall into place. We have seen the same for FAME II, where an amendment done in June this year transformed it into a very productive policy. Similarly, I believe monitoring is going to happen from the government's end to make this policy a great success.

Q&A

NAVEEN MUNJAL

MD, Hero Electric

How does the entry of a deep-pocket company like Ola change the dynamics of the sector? Will we witness a price war in the electric two-wheeler segment?

I can't comment on other companies' strategies. But I can say from our company's perspective that prices have dropped due to the FAME subsidy. The subsidy is being passed on to customers. The price drop has happened without sacrificing margins.

I think companies looking to have a long-term future in this sector believe that once you go beyond a certain threshold, it is difficult to get back pricing power. Also, with volumes coming in, prices are going to drop further.

With the ecosystem getting stronger, customers will get a better product. Eventually, it will be up to the customer what product he wants. That price is not the only differentiator. He will look at customer support and battery replacement costs. You will have the mass segment which will be price-sensitive; the lifestyle segment price-agnostic.

You recently raised ₹220 crore. Has the mindset of investors towards the sector changed since?

A number of investors with whom things didn't work out when we met them earlier are now chasing us. Anybody who is not there, be it an investor, manufacturer, or supplier, will miss out.

What are your expansion plans?

Currently, demand is outpacing supply. We are expanding manufacturing. By mid-2022, we will have a 500,000-unit capacity - 5x more than what we have now. We are going to add a capacity of 1 million units every year for the next five years.

We currently have 700 dealers. This number will go up substantially and increase our service network. We have trained 6,000 of these roadside mechanics, which will be increased to 25,000 in the next few years.

Do you think the Centre should set a deadline for phasing out internal combustion engines? Or should the transformation to electric happen organically?

I believe targets are required. The goals you set for each vehicle category will be different. The speed at which two-wheelers can convert into electric will not be the same for commercial vehicles.

We moved from Bharat Stage (BS) IV to BS VI. There was a deadline and the government stuck to it. Everything else fell into place. Here also, if a deadline is given, which is five to six years from now, we can do a backward calculation. We can start working on the infrastructure, supply base, and vendors.

Business Standard
7th October 2021

Maruti Suzuki website to morph into vehicle financing platform

Will be single window to select models, find dealers, and arrange financing

ARINDAM MAJUMDER
New Delhi, 14 October

India's largest carmaker, Maruti Suzuki India (MSIL), is focused on getting 50 per cent of its customers' car-financing transactions executed through its Smart Finance platform by next year.

Shashank Srivastava, executive director-sales, MSIL, said this will help the company turn its website into a single-window channel through which customers can select their models, find dealers, and arrange financing. He said there is a likelihood that 100 per cent of its customers availing of financing will take it through Smart Finance.

To date, the company has disbursed ₹6,500-crore loans via Smart Finance to around 100,000 customers, accounting for 28 per cent of all finance-based car-purchase transactions for the company.

Srivastava said vehicle finance is an area where customers still have to move out of the company's existing digital platforms. With the introduction of the new platform, the enquiry-to-sales conversion is likely to improve.

Banks, initially hesitant to make their product visible on the company's platform, have now realised the merits of being present on the website of India's largest passenger carmaker

SHASHANK SRIVASTAVA,
Executive director-sales, MSIL

He said the company witnessed a trend which saw customers comparing interest rates on third-party platforms.

"This was leading to a loss of conversion rate for us, given that customers were occasionally moving to another manufacturer. To check that, we will provide flat-out financing options on our own website," he said.

The company has been able to sign up 15 banks and non-banking financial companies, including HDFC Bank, ICICI Bank, Axis Bank, IndusInd Bank, Cholamandalam Finance, AU Small Finance Bank, Mahindra Finance, and Kotak Mahindra Prime, for the service.

Srivastava said banks, initially hesitant to make their product visible on the company's platform, have now realised the merits of being present on the website of India's largest passenger carmaker. More eyeballs will only increase their chances of customer acquisition, while lowering costs, he said.

"The company has a conversion rate of around 12-13 per cent. For this reason, a large number of prospective buyers visiting our website will facilitate banks to market their products better," he added.

As the government announced lockdown last year to rein in the Covid-19 pandemic, MSIL decided to digitise its customer-facing infrastructure for those disinclined to showroom visits.

"We have been able to completely digitise 24 of the 26 steps in the car-purchase journey, except test driving and financing. For financing, the customer had to make repeat journeys to get it cleared," he said.

Business Standard
15th October 2021

Business Standard 14th October 2021

TaMo deal to unlock value for EVs

Stock jumps 20% on Wednesday, spurred by the transaction

NIKITA VASHISHT
New Delhi, 13 October

The $1 billion investment by TPG Rise Climate and Abu Dhabi's ADQ in Tata Motors, announced on Tuesday, is set to unlock value for the Tata Group company's electric vehicle (EV) business, say analysts.

Buoyed by the deal the stock rose a whopping 20.4 per cent to ₹506.75 apiece on the BSE on Wednesday

According to Amit Mishra and Udaykiran Paluri, research analysts at Antique Stock Broking, Tata Group has the most credible plans to promote and develop the EV ecosystem in India. Besides, as Tata Motors' passenger vehicle (PV) business, including battery electric vehicles (BEVs), has been undervalued by the market, the investment can potentially unlock significant value, they feel.

According to the management, the company will invest over ₹16,000 crore in the next five years, and investors will be issued compulsorily convertible instruments over an 18-month period.

The first round of capital infusion would be completed by March 2022 and all the money will come in by the end of 2022. The wholly-owned EV subsidiary, which the company calls EVCo, will undertake the passenger electric mobility business while the passenger business unit will own the existing assets like manufacturing plants, dealerships, and brands. For Chirag Shah, analyst at Edelweiss Securities, the asset-light model will help Tata Motors reach breakeven point with regards to Ebitda (earnings before interest, taxes, depreciation, and amortisation) in financial year 2022-23 (FY23) supported by a ramp-up in volumes.

BROKERAGES CHEER

BROKERAGE	RECOMMENDATION	TARGET PRICE (₹)
Jefferies	Buy	565
Motilal Oswal Financial Services	Buy	560
HSBC	Buy	550
Antique Stock Broking	Buy	550
Nomura	Buy	547
Elara Capital	Buy	540
Edelweiss Securities	Buy	539
Kotak Institutional Equities	Buy (from Reduce)	500
Credit Suisse	Neutral	305

Source: Brokerage reports

"The deal addresses cash flow needs of the EV business for the next five years; while enabling the management to focus on its goal of double-digit market share, high single-digit margins and being free cash flow-positive for the traditional PV business," he says.

A back of the hand analysis by Kotak Institutional Equities pegs Tata Motors' market share in the domestic EV business at 27.5 per cent by FY50, down from 71 per cent at present.

"However, we believe Tata Motors will remain the dominant player in the EV segment given that the company is first mover in the segment... As a result, we expect Tata Motors' total revenues to grow by 16 per cent CAGR led by 13 per cent CAGR in volumes over FY21-50. We reckon Ebitda margin in the domestic EV business to gradually improve to 7 per cent in FY30 and to 12 per cent in FY50E. This results in an enterprise value of ₹90,750 crore ($12 billion) for the domestic PV business," the brokerage said in a report.

However, analysts remain divided on the valuation front as the TPG Capital deal values Tata Motors' BEV business between $6.7 billion and $9.1 billion. One section believes the transaction will set benchmark valuations for Tata Motors' EV arm, but another feels the valuation is "aggressive".

"At the upper end of valuation, $9.1 billion implies nearly 9.8x FY24 EV/sales on our FY24 revenues estimates. This would put the valuation at the upper end of 2-10x EV/sales range for EV OEMs (original equipment manufacturers) globally, with Tesla commanding 10x," say Satyam Thakur and Mum Taggu, research analysts at Credit Suisse. Tesla, they say, re-rated from 2x to 10x only after January 2020 (after XEV penetration in key Tesla markets started moving above 10 per cent).

"Hence, it is too early to assign higher multiples since the inflection in EV adoption for cars in India is still a little far given low public charging infra roll-out and low range of cars on sale," they highlighted. Besides, as current EV volumes are small (EV penetration at 0.5 per cent last month), Thakur and Taggu perceive risk of possible changes in market share hierarchy as more OEMs enter the fray.

Motilal Oswal Financial Services, meanwhile, has lowered its target multiple for the PV business to 10x from 12x as any increase in the value of the EV business has a negative connotation for the ICE PV business.

Nifty Auto gains on Tata Motors' deal boost

The Nifty Auto index gained 3.4 per cent on the National Stock Exchange (NSE) on Wednesday thanks to the investment deal in Tata Motors' EV arm, which triggered a 20 per cent rally in the company's shares.

Tata Motors holds approximately 12 per cent weight in the Nifty Auto index, and trails Maruti Suzuki and Mahindra & Mahindra.

The investment's rub-off effect, coupled with demand recovery hopes ahead of the festive season, lifted other stocks as well. Shares of Ashok Leyland and M&M gained 5.6 per cent and 5.2 per cent, respectively, while TVS Motors, Bharat Forge, and Hero MotoCorp added up to 1 per cent.

However, Maruti Suzuki, which is a close competitor of Tata Motors in the EV space, declined 2.6 per cent on the NSE.

BS REPORTER

The Times of India 12th October 2021

SUV mkt heats up as MG drives in Astor at ₹9.8L

Pankaj.Doval@timesgroup.com

New Delhi: The Indian premium SUV market is getting hotter by the day. Following the launch of Kushaq by Skoda and Taigun by Volkswagen, another new entrant — Astor by MG Motor — has come to challenge the dominance of market leaders Hyundai Creta and Kia Seltos in one of the country's best-selling segments.

The Astor, which comes only with a petrol option, has been launched with an aggressive entry price of Rs 9.8 lakh (ex-showroom, Delhi) for the 1.5-litre engine, and marks MG's entry into the heart of the Indian car market. The top-end automatic version of the vehicle, that sports a 1.3-litre turbo engine, comes for Rs 16.8 lakh.

MG Motor, a subsidiary of Chinese SAIC, currently sells the bigger and more-premium Hector SUV, which was launched in 2019, and the ZS electric (Astor shares its platform with the green car).

MG has been working on a series of new cars for the Indian market but has been handicapped by the constraint it faces in production capacity. The company has an annual capacity of 80,000 cars at its Halol factory.

RAMPING UP COMPETITION

All prices in Rs lakh (ex-showroom Delhi), for the base variant

	Petrol	Diesel
MG Astor	9.8	N/A
Kia Seltos	10	10.6
Hyundai Creta	10.2	10.6
VW Taigun	10.5	N/A

N/A= Not Available; Source: Company Data

Business Standard
2nd October 2021

Former Ford India MD joins Tata Motors as VP

SHALLY SETH MOHILE
Mumbai, 1 October

Anurag Mehrotra (*pictured*), who till recently was heading Ford India's operations as managing director, has joined as vice-president (international business and strategy) of the commercial vehicle business unit of Tata Motors.

A Tata Motors spokesperson has confirmed the appointment. Mehrotra, 48, resigned from Ford on September 24 following the restructuring announced by the company. Ford is shutting down the manufacturing and sales of its existing range of cars as part of the restructuring.

Mehrotra was with Ford for over a decade overseeing marketing, sales, service operations for most of his career. At Tata Motors, he will report to Girish Wagh, executive director and head of the commercial vehicle business unit.

As compared with the domestic business, commercial vehicle exports is a smaller business for Tata Motors and accounts for less than 15 per cent of total sales.

Before joining Ford India, Mehrotra was vice-president of corporate marketing at WNS Global Services, a business process outsourcing company, where he was responsible for lead generation and brand building in North America and Europe.

Business Line 8th October 2021

TVS Motor rolls out Jupiter 125cc scooter

OUR BUREAU
Chennai, October 7

Leading two and three-wheeler maker TVS Motor has introduced its new Jupiter 125cc scooter, at a starting price of ₹73,400 (ex-showroom, New Delhi) in a move to strengthen its presence in the fast-growing 125cc scooter segment.

Fast-growing segment

The company has been selling NTorq in the 125cc segment and the new Jupiter will be its second product in this segment which has seen numerous launches in recent months due to an increasing preference for powerful scooters among young buyers.

According to industry estimates, the 125cc segment accounts for about 36 per cent of the scooter market and the sporty category, where TVS has been selling NTorq, accounts for about 14 per cent in the 125 cc segment.

"Since its inception in 2013, TVS Jupiter has been one of the most admired scooters in the country with several first-in-segment features. The scooter customer of today seeks offerings that are aligned to their personal growth. We are confident that TVS Jupiter 125 will be a great fit for such evolving needs," said K N Radhakrishnan, Director & CEO, TVS Motor Company.

TVS intelliGO

The new Jupiter 125cc comes with a single-cylinder, 4-stroke, air-cooled 124.8 cc engine, which will churn a maximum power of 6 kW @ 6500 rpm and torque of 10.5 Nm @ 4,500 rpm.

It comes with the largest under-seat storage of 33-litre capacity; it is the first scooter to fit two full-face helmets. The longest seat in the segment accompanies larger front leg space. The Ecothrust Fuel injection (ETFi) technology will deliver superior mileage, better start-ability, refinement, and durability while TVS intelliGO will enhance riding comfort, mileage, and reduce emissions by intelligent switching off of the engine during long idling like traffic signals and other transient stops, said a company statement.

"With TVS Jupiter 125, we have created a robust offering with many firsts to its credit. The progressive neo-masculine styling and features reinforce the premiumisation journey of the scooter customer. TVS Jupiter 125 will confidently continue TVS Jupiter's legacy and create its own space," said Aniruddha Haldar, Senior Vice President (Marketing) – Commuters, Corporate Brand & Dealer Transformation, TVS Motor Company.

The Economic Times 17th October 2021

Hyundai Overtakes Maruti on Margins for a 1st in a Decade

Higher leverage, better mgmt of input costs and expenses boost profitability

Ketan Thakkar
& Ashutosh R Shya

Mumbai: Led by strong demand for its high-margin sports utility vehicles (SUVs) Creta and Venue, Hyundai Motor India overtook mass-market leader Maruti Suzuki last fiscal year on operating margins for the first time in almost a decade.

The local unit of South Korea's Hyundai Motor, which sold just about half the number of cars Maruti Suzuki dispatched in fiscal 2021, has been closing in on the market leader in revenue and profitability over the last five years. Hyundai Motor India's revenue rose 5% annually between FY16 and FY21, faster than Maruti Suzuki's growth of 3.38%.

The operating profit (Ebitda) at Hyundai Motor India fell 2.5% to ₹4,174 crore in FY21, even as sales volume fell a steeper 12% to 0.56 million units during the year when two months of business was lost on account of lockdowns.

Revenue for the maker of the Creta SUV slid 5.3% to Rs 40,674 crore in FY21, while profit after tax dropped 21% to Rs 1,847 crore, according to the company's filings with the Ministry of Corporate Affairs, shared with ET by business research platform Tofler.

Higher operating leverage, better management of raw material cost and lower other expenses helped Hyundai improve its profitability. Consequently, the operating profit per vehicle of the Hyundai reached Rs 72,471 in FY21, which was nearly double of what Maruti Suzuki achieved.

Hyundai Motor India's revenue rose 5% annually between FY16 and FY21, faster than Maruti's growth of 3.38%

Reviewing the performance of FY21 — the directors report stated that post lockdown in wave-1 of the pandemic, Hyundai was able to immediately rebound to its normal domestic sales of 38,200 units in July 2020, achieving 97.92% of its July 2019 sales. This growth momentum was maintained with average growth of 20% month on month sales in the next three quarters. This is clearly seen in the operating performance of the company.

Hyundai Motor India's operating profit margin rose 0.29 percentage point to 10.26%, while Maruti Suzuki's margin slipped into a single digit for the first time in nine years. The operating profit of Hyundai was 78% of Maruti in FY21 — compared with previous five year's average of 42% — while the volume sold by the Korean carmaker was just 39% of the market leader.

Hyundai Motor India's premiumisation strategy has been delivering better returns as the average realisation of Hyundai cars stood at ₹7.06 lakh a car. For Maruti, this was Rs 4.56 lakh.

The Ebitda per vehicle of Maruti at ₹65,993 in FY17 was Rs 6,089 higher than Hyundai's, but it has since been consistently declining at a compounded annual rate of 13.6%.

In Fast Lane

10.26% Hyundai Motor India's operating profit margin in FY21

₹72,471 Operating profit per Hyundai vehicle

Avg realisation of Hyundai cars stood at ₹7.06 lakh a car

Hyundai plans to increase production capacity to 0.75 m units per annum to meet rising demand

Business Standard 1st October 2021

Bajaj Auto gets share in Pierer Mobility

SHINE JACOB
Chennai, 30 September

Bajaj Auto and Pierer Industrie, its partner in KTM AG, on Wednesday announced that they have finalised a plan to simplify shareholding in premium bike maker KTM through a share swap deal. Following this, Bajaj will become an indirect stakeholder in other brands of the Austrian partner — including Husqvarna, GasGas, and Ramon.

Earlier, Bajaj Auto and Pierer Mobility AG (PMAG) held around 48 per cent and 52 per cent, respectively, in KTM AG. Bajaj's shareholding was through its Netherlands-based subsidiary Bajaj Auto International Holdings BV (Baibhv).

As part of the two-step deal, Bajaj Auto has transferred 46.5 per cent of its total stake in KTM to PTW Holding AG, the majority shareholder in PMAG. In return, Baibhv has been granted a 49.9 per cent stake in PTW Holding AG.

BAJAJ AUTO HAS TRANSFERRED 46.5% OF ITS STAKE IN KTM TO PTW HOLDING AG. IN RETURN, BAIBHV HAS BEEN GRANTED A 49.9% IN PTW HOLDING AG

"In a second step, the 46.5 per cent KTM shares now held by PTW Holding AG will be contributed to Pierer Mobility AG (PMAG) against the granting of new shares in the context of a capital increase through contributions in kind," the company said in a statement.

After this transaction was executed, the shareholding of PMAG in KTM AG has increased from 51.7 per cent to around 98.2 per cent. The Pierer Group will continue to retain sole control over PMAG. On Wednesday, all the related parties signed a contract in this regard, the firm said.

PMAG's board resolved on Wednesday to execute a capital increase worth Euro 895 million, corresponding to 49.9 per cent of the existing share capital, by making use of the authorised capital. In this context, 11.26 million shares will be issued at a price of Euro 79.50 per share, which is higher than the current stock price.

Business Line 14th October 2021

Rane Madras acquires steering parts business of Hical Group

OUR BUREAU
Chennai, October 13

Rane (Madras) Ltd, a leading manufacturer of steering and suspension products and light metal casting components, has acquired the steering components business (SCB) of Yagachi Technologies Private Ltd (YTPL), a part of Hical Group, for an undisclosed sum.

The company said its board on Wednesday approved the acquisition, according to a company statement.

SCB posted a revenue of ₹35.50 crore in FY21. It manufactures steering and suspension components such as inner ball joints (IBJ) and outer ball joints (OBJ). The division's major customers include Mando India, which in turn serve OEMs such as Hyundai, Kia, Mahindra, etc.

The Economic Times 7th October 2021

Mercedes India Sales Jump 79% between Jan & Sept on Low Base

Our Bureau

Mumbai: Mercedes Benz India, the country's largest luxury car maker, reported a 79% increase in sales between January and September on a low base of 2020 and saw a swift 'V' shaped recovery in demand after the second wave of the Covid-19 pandemic.

The sales momentum accelerated in the three months to September, with the company posting its highest quarterly sales at 4,101 units, almost double the 2,060 units sold a year ago.

The German firm has already exceeded 2020 sales in the nine months of this calendar year and it is on course to posting a healthy growth with secured chip supplies and strong offtake expected this festive season.

The MD of Mercedes Benz India, Martin Schwenk, said the company's sales growth in 2021 has been marked by a robust recovery in customer demand specifically in the third quarter, on the back of new product line-up and bullish market sentiment.

"We have built a strong order bank for most of our new and existing products and are striving hard to hand over these cars to the customers on time. We expect the upcoming festive season to continue this sales momentum and create additional demand," said Schwenk. He said product launches will continue and there will be some more new debuts in India in the last quarter of 2021.

"It will be our endeavour to produce as many cars as possible to cater to the unprecedented demand, secure our supply chain and continue to mitigate the current challenges faced by the entire auto industry. We are cautiously optimistic with our sales outlook for the upcoming months," he said.

Business Line 8th October 2021

Cars24 looks to expand share in used-car market

AYUSHI KAR

Mumbai, October 7

In anticipation of the upcoming festival season, used car e-commerce platform Cars24 plans to increase its inventory to over 10,000 cars.

Cars24, which recently raised $450 million to reach $1.84-billion valuation, has big plans for international expansion.

In an exclusive interaction with *BusinessLine*, Gajendra Jangid, Co-founder & CMO, Cars24, said the company has $100 million earmarked for international expansion in 2021. The company has already set up operations in Australia and the UAE this year and is setting its sights on South-East Asian and other Middle East markets.

The used car platform, which is already looking at tailwinds for growth from the upcoming chip shortage, is looking to become a top player in the used car space. Cars24 has already captured around five per cent of the overall used car market share, ahead of major OEMs in this space. It is now looking to expand its domestic market share to be over 20 per cent of the used cars sold in India, in the next five years.

Cars24 is aiming to become a top player

International expansion

Speaking about the international expansion strategy, Jangid explained, "The opportunity in the Middle East stands at $40 billion, almost double that of India. We want to build a large auto company out of India which will dominate the used car space globally. This is the aspiration with which we decided to step out of India."

The UAE, in particular, has a huge appetite for early technology adoption, according to Jangid. Cars24 has sold over 1,000 cars in the UAE since its launch in April. "The Australian used car market has 1.9 million sales per year. In Australia, the dominant used car buying process is manual: buyers may research the car online but need to visit their seller to complete the sale," Jangid said.

For subsequent expansion in South-East Asia and other Middle East markets this year, Cars24 will use its India playbook to expand globally and continue to invest in technology to transform the consumer experience, Jangid said.

Business Line 9th October 2021

Motherson Sumi acquires majority stake in CIM Tools

Deal marks firm's entry into aerospace segment

PRESS TRUST OF INDIA
New Delhi, October 8

Motherson Sumi Systems Ltd (MSSL) on Friday said it has acquired a majority stake in Bengaluru-based CIM Tools, a leading supplier in the aerospace supply chain.

The deal marks the company's entry into the aerospace industry.

As part of the deal, MSSL will acquire a 55 per cent stake from the promoters of CIM Tools Pvt Ltd (CIM).

The three company founders, Srikanth GS, Umesh AS and Vishwanath Deshpande, will retain a 45 per cent stake in CIM and will continue to drive further growth, in partnership with MSSL.

Vivek Chaand Sehgal, Chairman

"This acquisition is our first significant step towards growth in the aerospace business. This is in line with our diversification strategy and will help us in strengthening our non-automotive business," MSSL Chairman Vivek Chaand Sehgal said in a statement.

This will be the 27th acquisition by Motherson, and the company will continue to work towards adding more customers and products while serving diverse industries globally, he added.

MSSL, however, did not disclose the financial details.

Components assembly

CIM Group is engaged in machining and sub-assembly of components for the aerospace industry.

Currently, CIM has over \$200 million cumulative booked business. It reported a consolidated turnover of ₹203 crore in 2019-20 and ₹130 crore in 2020-21.

The transaction will provide MSSL, access to a customer base across the aerospace components supply chain along with specialised machining, treatment, and sub-assembly capabilities.

The proposed transaction is expected to be closed within three months, subject to receipt of necessary approvals.

Business Line 8th October 2021

Hot wheels: Mahindra XUV700 gets 25,000 bookings under an hour

AYUSHI KAR
Mumbai, October 7

Mahindra XUV700 on Thursday clocked 25,000 bookings in 57 minutes of commencement of bookings, an unprecedented milestone in the Indian automotive industry.

The volume reflects up to six months of production depending on the variant. It also makes the XUV700 the first four-wheeler in India to hit this milestone.

Bookings will now reopen on Friday. Customers can book XUV700 via dealerships or digital platforms, after which prices at the time of delivery will prevail.

Veejay Nakra, CEO, Automotive Division, M&M Ltd, said, "We opened bookings at 10 am this morning. We are humbled and grateful for the response, in fact, thrilled that we have received 25,000 XUV700 bookings in a record time of 57 minutes from its commencement."

Good response

The response from consumers was so high that the website for booking the vehicle crashed a few times, leaving many users unhappy. "Its been around 2 hours sitting on my PC and waiting for booking confirmation. Now called the dealer, he said the booking window closed with 25k is done. Feel Cheated," tweeted Chandigarh-based Harjot Singh.

"While we had anticipated the traffic and prepared our system with added server capacity, the overwhelming response could have regrettably led to a slow user experience for some of our customers," said Nakra.

Anand Mahindra, Chairman, Mahindra & Mahindra, said, "Even though the user experience online was slow since the traffic was overwhelming. (Despite adding server capacity in anticipation!) We are humbled.. and we recognise the consumer trust this indicates and the responsibility upon our shoulders."

Business Standard 8th October 2021

Mahindra XUV700 gets 25K bookings in 57 mins

SHALLY SETH MOHILE
Mumbai, 7 October

Mahindra XUV700 clocked 25,000 bookings in its first 57 minutes on Thursday, Mahindra and Mahindra said, terming it an "unprecedented milestone in the Indian automotive industry".

The 25,000 units of the recently launched model is equivalent to up to six months of production, depending on the variant. It also makes the XUV700 the first four-wheeler in India to hit this milestone, the company claimed.

With prices starting from ₹1,249,000 to ₹2,299,000, the XUV500 replacement is available in five trims, multiple variants (petrol, diesel, automatic and manual transmission) and five- and seven-seater configurations. While the five-seater model rivals mid-size SUVs such as Creta and Seltos, the seven-seater model competes with the Tata Safari, Toyota Innova and MG Hector and Hector Plus.

"While we anticipated the traffic and prepared our system with added server capacity, the overwhelming response could have regrettably led to a slow user experience by some of our customers," said Veejay Nakra, CEO, Automotive Division, M&M.

The XUV700, which will replace the XUV500, has also received more than 260,000 inquiries since its name was revealed, M&M said.

India sold 523,012 units of SUVs in the first five months of the ongoing fiscal, according to Society of Indian Automobile Manufacturers (Siam).The body type now accounts for 36 per cent of the total PV sales, up from a fourth a year ago. The booking of 25,000 units of the XUV700 model is almost 20 per cent of the monthly industry volumes of the SUVs. "Many would have booked the model simply due to the uncertainties related to the delivery. The shortage of semiconductor has only deepened in the recent past. A long waiting period may prompt buyers to cancel bookings," said an analyst.

The Mumbai-headquartered firm will now recommence the bookings from 10 am on Friday.

25,000 units of the recently launched model are equivalent to up to six months of production, depending upon the variant

PRESS REPORTS
ON
ECONOMY

Business Standard 15th October 2021

Gati Shakti may help cut logistics cost to 8% of GDP

Rlys looking at ₹50K cr of investments under the project

SHREYA NANDI/TWESH MISHRA
New Delhi, 14 October

The government is working towards reducing the logistics cost to 8 per cent of gross domestic product (GDP) from 13 per cent now, and initiatives such as the recently launched Gati Shakti — or the national master plan for multimodal connectivity — will help in that.

"A reduction of 5-6 per cent in logistics costs would mean ₹20-trillion savings — which is not an easy job," Commerce and Industry Minister Piyush Goyal said a day after the master plan was launched. The minister, however, did not divulge any timeline towards achieving that target.

High logistics cost typically impacts the competitiveness of domestic goods in the international market, while lowering it can boost domestic manufacturing.

"The PM Gati Shakti will not only save money, but also time and effort. Infrastructure development will help the country as it comes out of the Covid-induced economic slowdown. It will not only generate large-scale jobs, but also attract investments," he said at the media briefing on Thursday.

Gati Shakti, which is a digital portal, is a governance tool and aims towards developing the best multimodal transport system. The portal, which is currently in a beta mode, has brought 16 ministries, including rail and roadways, together for integrated planning and coordinated implementation of infrastructure connectivity projects. Over a period of time, states' portal will also be integrated with the Gati Shakti portal, Goyal said, adding that BJP-ruled states have shown keen interest in joining this initiative. As far as the monitoring of the master plan is concerned, a project monitoring group in the department for promotion of industry and internal trade (DPIIT) will regularly check on the projects and report to an empowered group of secretaries, headed by the cabinet secretary.

"THE PM GATI SHAKTI WILL NOT ONLY SAVE MONEY, BUT ALSO TIME AND EFFORT... IT WILL NOT ONLY GENERATE LARGE-SCALE JOBS, BUT ALSO ATTRACT INVESTMENTS"

PIYUSH GOYAL
Commerce and Industry Minister

Speaking later at another press conference, Rail Minister Ashwini Vaishnaw said that 500 multimodal hubs will be developed under Gati Shakti. "We are expecting 500 multimodal hubs to be developed under the Gati Shakti mission. We are looking at ₹50,000 crore worth of extra investment in this sector over the next five years," Vaishnaw told *Business Standard*. "In the next three years, we are looking at 300 new terminals," he added.

Responding to a query on how the mission integrates with the National Rail Plan 2030, Vaishnaw said, "The National Rail Plan is a comprehensive document looking at the railways' potential — cargo and passenger potential — and what is the kind of investment that will have to be made. Gati Shakti, on the other hand, is the integration of various modes. So, both are in a way complementary to each other and that is the thought process with which the Railways will move."

According to Vaishnaw: "Once we get more cargo, the cargo earnings will improve and that will improve the operating ratio," he said.

Sensex goes past 61k as festive mood grips D-St

Strong Start To Q2 Earnings Season By IT Cos Boosts Mkt, India May Overtake UK In Mcap

Aseem.Gujar@timesgroup.com

The Times of India 15th October 2021

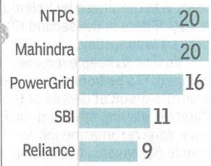
INVESTOR WEALTH UP ₹2L CR IN A DAY

What is causing the rally?

- **Easing** of retail and wholesale **inflation** in India
- **Expectations of strong car sales** in festive season
- Strong demand for **energy, metal and financial stocks**
- Better-than-expected **performance by IT cos** in Q2
- Worries about **rate hike in the US** take a backseat

14 | **No. of sessions** the sensex took to rally from 60k to 61k

Sensex top gainers since 60k
% change since Sept 24



Source: ETIG

$3.5tn | **BSE's mcap**, which is just $100bn short of the UK's

Mumbai: The sensex rose for the sixth straight session and crossed the 61,000-point mark for the first time on Thursday, surging 569 points (nearly 1%) to close at 61,306. The sensex has recorded a new high every day of the holiday-shortened week, gaining over 1,200 points in four sessions. The broader Nifty, which crossed the 18k milestone on Monday, also hit a new closing high at 18,339, gaining 177 points (1%) on Thursday.

IT stocks joined the rally, which was led by auto, energy, metals and financial sectors this week, bolstered by better-than-expected Q2 results for Wipro and Infosys. Depreciation of the rupee, which fell below 75 against the dollar this week, too supported the rally in IT stocks, according to market players. A combination of macroeconomic factors, global cues and strong earnings has supported the bullish momentum on Dalal Street, market analysts said. Investors are also expecting strong sales for carmakers in the festive season, which has led to the auto sector being the top gainer, rising nearly 7%, this week.

"Markets are in a festive mood and witnessing faster sector rotation. IT was in limelight after strong numbers from Infosys, Wipro and Mindtree. The earning season has started on a strong note and needs to continue delivering strong numbers for the market to sustain the current momentum," said Motilal Oswal Financial Services head (retail research) Siddhartha Khemka.

Of the 30 sensex stocks, 22 closed in the green on Thursday, with ITC, HDFC Bank and PowerGrid being the top gainers. The HDFC twins and ICICI Bank alone contributed 364 points to the sensex's 569-point sprint on Thursday. Foreign investors were net buyers with Rs 1,596 crore inflows on Thursday, according to NSDL data. "The market continued its bull run as worries about the likely interest rate hike in the US at a later stage and rising bond yields tempered," said Kotak Securities head (equity research - retail) Shrikant Chouhan.

The market capitalisation of the BSE too hit a fresh high at Rs 275 lakh crore.

The Times of India
15th October 2021

Imports Grow 85% Last Mth, Exports Only 23%

Sept wholesale inflation dips to 6-mth low

Times News Network

New Delhi: Inflation based on the wholesale price index (WPI) slipped to a six-month low of 10.66% in September, from 11.4% in August, due to a moderation in the food segment, but edible oil, petrol, diesel and cooking gas prices remained elevated.

The level in September is the lowest reading since April, when WPI inflation was estimated at 10.74%, latest data released by the government on Thursday showed. Inflation was estimated at 1.3% in September last year. The trend is in line with retail inflation, which moderated to a five-month low of 4.4% in September. For the government, the big comfort factor will be food articles which witnessed a 4.7% decline with vegetable prices falling over 32%, the sharpest decline since the 2011-12 series was introduced.

> **For govt, the big comfort will be food articles declined 4.7% with vegetable rates falling over 32%**

Pulses, where inflation hovered around 9.4%, and edible oil are two household items which will be a major concern for the government. Although the pace of increase in the vegetable and animal oils and fats moderated for the fourth straight month, it still grew at a worrisome pace of nearly 37% in September.

But it was petroleum products that are causing the maximum grief to consumers.

Trade deficit at new high on oil, gold, silver

Times News Network

New Delhi: India's trade deficit widened to a monthly record of $22.6 billion during September on soaring imports of gold, silver and crude petroleum and a moderation in the pace of export growth.

The trade deficit estimated in September 2021 eclipsed the previous high of $20.2 billion reported in October 2012. Latest numbers released by the commerce and industry ministry on Thursday pegged exports at $33.7 billion, 22.6% higher than a year ago, while imports shot up almost 85% to $56.4 billion.

What contributed to the massive increase in imports was a threefold jump in the value of crude oil imports, which increased from $5.8 billion in September 2020 to $17.4 billion in September this year. This was partly due to higher prices as well as increased consumption on the back of higher economic activity.

WIDENS TO $22.6BN

The other major contributor was gold, where imports shot up eight-and-a-half times to $5.1 billion in September 2021 with prices again playing a major role. Similarly, silver shipments, which had slumped last year, were estimated to have soared 60 times to $552 million in September.

Coal and coke imports too remained high, rising 83% to $2.2 billion, moderately higher than the 78% growth during the first half of the fiscal year.

PRESS REPORTS
ON
GOVERNMENT POLICY

Business Line 13th October 2021

Minimum wage panel may opt for multiple criteria model

It will adopt a scientific approach and will look beyond nutritional requirement, says panel chairman SP Mukherjee

AM JIGEESH

New Delhi, October 12

Moving away from nutritional requirement as a criteria to fix minimum wages, the newly reconstituted expert committee, may opt for Multi Criteria Decision Making method to fix the amount. The MCDM will also address employers' views while suggesting the minimum wage.

The new chairman of the panel, statistician and economist SP Mukherjee, told *BusinessLine* that most of the examples of minimum wages practices in various countries, found in International Labour Organisation's (ILO) compendium, have not adopted a scientific approach.

The latest report on the matter, submitted by Anoop Satpathy also used a tool based on "demographic structure, consumption pattern and nutritional intakes, the composition of food baskets and the relative importance of non-food consumption items to address the realities in the Indian context by using official data made available by the National Sample Survey Office (NSSO)".

"I have also looked at the ILO Compendium on practices of minimum wages in about 129 countries. There are variations, no doubt. In terms of scientific approach, I could not find many examples in this compendium. They have based their minimum wages on demands of people, trade unions etc. We met recently in Chandigarh. In our first meeting, we discussed a using scientific approach called MCDM," he said.

'Not just a number'

The question before the expert group is not just fixing an amount. "They expect us to frame a policy whether we need a national minimum single wage rate or should it be left to the States or should it be left to the States with a certain role being played by the Centre. We have also been asked to see if the minimum wage should be fixed for a certain time period or should it be linked up, for example, with the wage rate index, to go up as and when CPI-based wage rate index also goes up," Mukherjee said.

The task before the expert group is not just fixing an amount

The panel will also see whether the minimum wage should vary from one level of occupation to another and from one region to another. "If somebody tries to understand the level of living in terms of a balanced diet as one component, there is scope to understand it from a non-diet component as well. All these issues have to be addressed," Mukherjee said.

"The policy that the Government should expect from this expert group should be in terms of certain qualitative questions or decisions to be taken coupled with certain amounts to be fixed. It has to be based on an analysis of data which is not existing. It has to be compiled. So it has to be multi criteria, at least three," he said.

Impacting livelihood

The three criteria, Mukherjee explained, include how the policy and the amount will impact the living quality of workers. "How it will improve their standard of living is the question. Secondly, if we increase the minimum wages substantially, what is going to be the impact on employment. If the owner of a small establishment has to pay higher than what he is paying now, he may have to minimise his profit or close down the business which will impact the employee too. So the impact of any policy on employment has to be studied," Mukherjee said.

The third criteria will be the impact of minimum wage on industrial disputes. "Will disputes get easily resolved or will it reach higher in numbers? Will it become more complicated? This is related again on enterprises and establishments operating in various States. The policy has to be scientific," Mukherjee added.

Business Line 12th October 2021

Govt may share data on import surges with industry

Commerce Ministry mulling online placement of all information collated through its import monitoring system

AMITI SEN

New Delhi, October 11

The Indian industry may soon get access to periodic data on surges in imports of various products in the country so that it may be able to identify items with growth potential in the domestic market and assess feasibility of substituting the imports with local manufacturing, an official has said.

The Commerce & Industry Ministry, which has put in place an import monitoring system to identify and act on import surges, has plans of making the data available online for easy access by the industry, an official tracking the matter told *BusinessLine*. Data are compiled on a fortnightly and monthly basis by officials under the mechanism.

"The import monitoring system works on identifying any surge in imports that may be taking place so that the government may respond to it appropriately. Possible measures to check imports of the identified items including import substitution are then examined," an official tracking the matter told *BusinessLine*.

Checking imports

- Commerce Ministry monitoring imports to identify surges
- Assessing ways to check import rise including through import substitution
- Considering sharing data with industry by placing it online
- Based on import data, industry could identify items for domestic production

Option for entrepreneurs

Since the import monitoring mechanism not only identifies the items that have experienced a recent surge in imports but also products where the imported volumes have reached high levels over the past few years, entrepreneurs could weigh the option of manufacturing such items locally, possibly at a cheaper price, to substitute the imports.

"There are many entrepreneurs who don't have adequate information on the demand situation. Once the data on import surges is shared online, entrepreneurs would get to know what is there that holds potential because of the significantly high imports over the last few years," the official said.

The Commerce & Industry Ministry, which put in place the import monitoring mechanism in 2019, recently started efforts to strengthen it by co-ordinating with other Ministries and Departments connected with the imported items. "By establishing connection with other Ministries and Departments, such as textiles and steel, it would be possible for the Commerce & Industry Ministry to get details of the steps taken by them to reduce imports and also study the impact it has had on the ground." the official said.

Some items that have shown a surge in imports in the first three months of 2021-22, compared to the same period last fiscal, include vegetable oil, machinery and electricals such as personal computers, gems & jewellery, medicines put up for retail, oxygen and oxygen-related items and parts and accessories of tractors, per data complied by the government.

Import curbing measures

While some of the measures to cut down on imports such as imposing anti-dumping duties are to be worked out by the government, the process of import substitution would call for active involvement of the industry.

"By placing the import data online, we hope to attract the attention of the industry on the possible areas of manufacturing and then take it forward based on the interest generated," the official said.

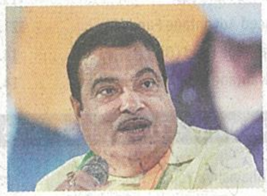
India's goods import in April-September 2021 was $275.92 billion, an increase of 82.36 per cent over $151.31 billion in April-September last year and an increase of 11.22 per cent over $248.08 billion in April-September 2019.

Business Line 3rd October 2021

'Govt to levy fine if firms don't comply with flex engine norm'

Gadkari keen to make vehicles run only on ethanol

OUR BUREAU
Pune, October 2


Nitin Gadkari (file photo)

Union Minister of Road Transport and Highways Nitin Gadkari, on Saturday, said that the Centre will impose a fine on vehicle manufacturers who fail to support the government's initiative to promote flex engine vehicles.

"All companies have been already instructed to gear up for converting petrol engines into flex engines. Otherwise, there will be a fine (imposed by the government)," said Gadkari. He was speaking after participating in an inauguration and foundation stone laying ceremony of 526 km long NH projects worth ₹4,074 crore.

The government plans to make it mandatory for all vehicle manufacturers to make flex engines (that can run on more than one fuel). The order is likely to be issued in the next three-four months.

'Ethanol is affordable'

The Minister said that he was keen on a proposal to make vehicles run only on ethanol, instead of a petrol-ethanol blend. "As the Transport Minister, I am insisting on 100 per cent ethanol as it is affordable at ₹65 per litre. All sugar mills must start ethanol pumps in the premises and farmers must start using vehicles that run on ethanol," he said.

Gadkari said that no new sugar mill must be given permission in the State considering the huge number of existing sugar mills and excess sugar production. He said that sugar mills are running into deep trouble and new mills will aggravate the situation.

He warned that the sugar industry will suffer heavily if mills run into trouble and banks also will not get their money back. "Also, farmers will not get their dues. While mills must not exploit farmers, but farmers must also remember that they will suffer if mills stop operations," he said.

Meanwhile, the Maharashtra government, on Friday, signed a memorandum of understanding with the UK-based Causis for the investment of ₹2,823 crore to supply electric vehicle batteries in the first phase from its upcoming factory in London.

The Economic Times 1st October 2021

RoDTEP Likely to be Extended to SEZs, EoUs

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New Delhi: India could offer further concessions to enterprises within special economic zones and export-oriented units to boost the exports sector.

The finance ministry will soon set up a panel to work out details of extending the recently announced tax neutralisation scheme — Remission of Duties and Taxes on Exported Products (RoDTEP) — to these entities, director-general of foreign trade Amit Yadav told **ET**.

"This committee will determine the remission rates which can be the rates for advance authorisation licence, SEZs and EoUs," Yadav said, adding that the budgeted amount would be provided thereon. For advance authorisation, SEZs and EoUs, the principle cannot be the same as that for units within the domestic tariff area, he pointed out. The scheme for these would likely be available by next financial year. Units within SEZs and EOUs source as much as 30% of their inputs from the domestic tariff area and industry has been demanding neutralisation for taxes paid on them for some time. Yadav said the government would also re-look at the remission rates offered under the RoDTEP scheme for some sectors following industry representations. "The Ministry of Finance along with the Department of Commerce will be setting up an anomalies committee which will be looking at these aspects," he said. The government, in August, announced tax refund rates under the RoDTEP export promotion for 8,555 products with tax refund rates ranging from 0.5% to 4.3%.

MISCELLANEOUS REPORTS

Business Line 9th October 2021

Industry must combat climate change now

By transitioning to energy efficient systems, MSMEs can cut costs and improve productivity and competitiveness

VINOD CHOPRA

The recent Intergovernmental Panel on Climate Change (IPCC) report has reiterated what we have all feared — that human-induced climate change is gathering pace.

Even in the most ambitious emissions reduction scenario, the IPCC report claims that the world will warm by 1.5°C above pre-industrial levels in the 2030s, while based on the current state of global climate commitments, the world is on track to warm by a hellish 2.7°C by end of the century.

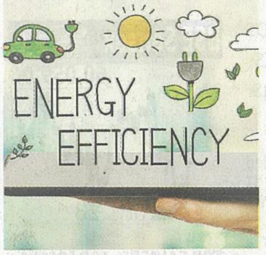
A huge part of this will be a direct result of our reliance on fossil fuels for industrial power. Their energy density and cost have so far made them invaluable, but industries around the world must decarbonise rapidly for any hope of containing global warming to 1.5°C by 2100. Not just governments, business leaders too need to step up and commit to slashing emissions as soon as possible.

The situation is immediately relevant to India because of its propensity for heatwaves, drought, cyclones and flash floods. Industry accounts for 23.2 per cent of India's GDP, but it will be severely affected by the rising temperature in the next 9-10 years. A study of more than 58,000 factories across India by the Energy Policy Institute, University of Chicago, shows that manufacturing plants generate about two per cent less revenue for every one-degree Celsius rise in annual temperature. Thus, by 2030, diminished labour productivity alone could reduce GDP by 2.5-4.5 per cent.

The impacts will be all the more pronounced on industries such as beverages, wineries, fishing, agro-processing, insurance and tourism. The Lancet Countdown report on health and climate change estimates that India lost 118.3 billion work hours and 111.2 work hours per person to extreme heat in 2019, the highest for any country. To ensure business isn't affected going forward, labour intensive industrial sectors might have to switch to increased automation, or move to cooler parts of the world. That would be a catastrophic blow to India's industrial jobs, competitiveness and wage inequalities.

An agenda for MSMEs

The Micro Small and Medium Enterprises (MSMEs) are an essential part of India's industrial ecosystem. In Maharashtra out of 7.34 lakh units, 7.31 lakh (>99 per cent) are categorised as MSMEs. Industry contributes to about one-fourth of the country's greenhouse gas (GHG) emissions and are an important segment for decarbonisation. Fortunately, a recent survey across large, medium and small businesses in Maharashtra revealed that over 50 per cent believe that climate change impacts their sector, and 45 per cent believe that it impacts their business as well.



The need of the hour ISTOCK.COM/

Overall, heavy rainfall, floods, cyclones, water shortage and rising temperature are seen as the main threats across industries and sectors, and 37 per cent of businesses claim that climate change is resulting in "capital destruction" and "destruction of flora and fauna, which is leading to loss of business".

The IPCC report has made it clear that an evolved government policy has to go hand-in-hand with a proactive industry ready to urgently reduce carbon emissions. The first step towards action for Indian industry is to measure and analyse its carbon footprint and prepare a scientific damage control plan. Business leaders must transition their businesses to renewable energy sources, reduce waste and establish recycling as a business model.

An overhaul of product lineups, such as quickly phasing out fuel-inefficient cars is equally important to send the message that climate action is more important than short-term profits. Similarly, investing in industrial energy efficiency measures, switching corporate fleets to electric vehicles and optimising supply chains for energy use and resources will be necessary steps forward.

Energy efficiency is a key area where the Indian MSME sector can improve upon. MSMEs are losing out due to high energy costs, including coal, coke, electricity, diesel, and steam, as well as inefficiencies in the system. Due to the use of conventional technologies, units are forced to spend more for a given output than is needed. In order to reduce these costs, they have to either retrofit or upgrade to newer technologies. Transitioning to energy efficient solutions would reduce their operational costs and enhance their overall competitiveness.

Repeated disasters along the Indian coasts, like cyclones Nisarga, Tauktae and Amphan are signals that the time to course correct was yesterday.

As Mumbai and Maharashtra build city and State action plans respectively, to tackle climate change, it's imperative that they take along members of industries that form the backbone of the city and State's economy. As industries recognise the threat of climate change and build back from the impact of the pandemic, it's high time that the Central and State governments give green recovery a push and promote every incentive that fuels the growth of a sustainable, climate friendly economy.

The writer is the co-chair, MSME committee at the Bombay Chamber of Commerce & Industry

The Economic Times 9th October 2021

Fuel Efficiency Key Consideration for Vehicle Buyers: HSBC Global

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New Delhi: With petrol and diesel prices at an all-time high, fuel efficiency and maintenance costs have become key considerations for consumers purchasing vehicles, especially in the sub ₹10 lakh segment.

"Our channel interactions suggest that customers are increasingly becoming considerate of the recent rise in fuel prices," HSBC Global Research said in a recent report. "In the current environment, we believe cars that have higher fuel efficiency and lower maintenance costs should gain relatively higher traction among buyers, especially in the less than Rs 10 lakh category, which is still 70% of the market in India,"

Fuel prices in the country have increased by 35% in the past 15 months.

Increased consumer focus on fuel efficiency is likely to strengthen market leader Maruti Suzuki's competitive position, HSBC Global Research said in the report dated September 28.

Fuel efficiency of Maruti Suzuki vehicles has improved by 15-30% in past 10 years, it said. Fuel efficiency of Swift/Swift Dzire, for instance, has increased 30% to 23.3 kmpl from 18 kmpl nearly 10 years ago, while that of WagonR and Ertiga has gone up by 15% and 19%, respectively, the report said.

Maruti Suzuki's corporate average fuel efficiency stands at 21.3 kmpl, compared to 19.3 kmpl for Hyundai and 18.3 kmpl for Tata Motors. "MSIL is also on track to achieve the impending RDE (real driving emission) norms although we expect an impact on car prices yet again," the report said.

Maruti Suzuki's average fleet emissions is 20% lower than most of its peers, according to data available with the Ministry of Road Transport and Highways (MoRTH). This is due to higher share of smaller cars in company's sales volumes.

There is a strong demand for CNG-powered vehicles amid the sharp rise in prices of petrol and diesel. Sales of CNG vehicles are expected to grow by more than 60% in the ongoing financial year, the HSBC report said.

This will help further reduce Maruti Suzuki's emissions, the report said.

Maruti Suzuki dominates CNG car sales in the country with around 87% share. Hyundai Motor India is the only other carmaker selling CNG cars in India.

Business Line 1st October 2021

How China's power crisis can send shock waves

Soaring coal prices, lower hydropower production reasons for power crunch

OUR BUREAU

Chennai, September 30

Nothing could have been as eye-catching as a fall in the commodities market. The major reason for commodities slipping is the power crunch that China is going through.

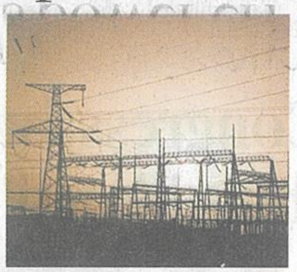
One of China's worst power shortages is not just confined to the commodities market, though. Termed unprecedented, the power crunch has left millions of Chinese, particularly in the northern parts, without power.

Two different reasons

There are two different reasons for the power crunch — one for the north and another for the south. In the north, it is due to soaring coal prices. In the south, it is due to lower hydropower production.

Many industrial units are facing electricity supply crunch, affecting production. China's most industrialised provinces, Jiangsu, Zhejiang and Guangdong, are the worst hit by the situation.

The Chinese power situation has resulted in many financial and rating agencies lowering the growth estimated for the country's GDP to below eight per cent.



What are the effects?

According to Iikka Korhonen, head of Bank of Finland Institute for Economies in Transition, China's manufacturing PMIs this month point to a subdued growth, and the trend had begun even before the power crunch.

Smelters, mainly aluminium, steel plants, cement manufacturers, fertiliser companies and textile units, have all been asked to curb their production or even stop for now. Even suppliers of electronic components have been affected that could impact firms such as Apple and Tesla. In some provinces, the suppliers have suspended production.

Other impact

In provinces such as Jiangsu, even street lights have been turned off. In some northern provinces, even traffic lights have been switched off. In at least nine provinces, power is being rationed, while industrial users have been asked to stop production during peak consumption hours.

Even chemicals, dyes and furniture firms have been affected.

The power shortage is now expected to affect the electric vehicles sector, one of the rapidly progressing sectors.

This will ultimately drag industrial production and affect economic growth. This could also affect India and other countries that depend on China for imports of industrial equipment and machinery.

What led to this?

The major reason for China's power crunch is short supplies of coal. China is the major consumer of coal in the world, and the commodity makes up at least 60 per cent of the total energy consumption.

A diplomatic dispute with Australia has led to a shortage in coal supplies. In view on the controversy, which started over a doctored image posted by the Chinese Foreign Ministry on Twitter, Beijing banned import of Australian coal. This, in particular, has affected its Chinese provinces. China produces 90 per cent of its coal requirement locally, but the producers are unable to ramp-up output at a short notice. Beijing is now having to depend on other suppliers such as Indonesia, Russia and South Africa.

Coal plants

But the issue is that the Chinese plants are used to working with Australian coal, and the change in the fuel has affected their efficiency. This is because they have to change equipment to work on non-Australian coal.

Also, China, being the first nation to recover from the Covid pandemic, was flooded with demand for exports. This resulted in power consumption increasing by over 10 per cent, resulting in the plants being unable to meet the rising demand.

This has resulted in coal prices surging to a record $212 a tonne on Zhengzhou Commodity Exchange.

Power charges

Power producers are also faced with the problem of being unable to raise the prices of electricity as they are regulated by the Communist regime. Since these producers are prone to losing money in view of the coal price surge, they are reluctant to increase production to meet the demand.