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Press Reports on Automotive Industry 2021-22

Automotive Component Manufacturers Association of India
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PRESS REPORTS ON AUTOMOTIVE INDUSTRY

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PRESS REPORTS
ON
AUTOMOTIVE INDUSTRY

The Economic Times 1st March 2022

'Maruti Exports Increasing and Will Almost Double this Fiscal'

ET Q&A

KENICHI AYUKAWA
MD, MARUTI SUZUKI

Maruti Suzuki, which accounts for nearly one out of every two passenger vehicles in the local market, looks set to emerge as the largest vehicle exporter out of India in the ongoing financial year. The carmaker will report its highest-ever exports at over 200,000 units driven by strong demand in international markets in FY22. In a freewheeleing conversation Maruti Suzuki managing director Kenichi Ayukawa tells **Sharmistha Mukherjee** while demand momentum in the domestic market looks promising, the company has been pushing exports in line with the government's direction to expand India's manufacturing footrpint. Edited excerpts:

We are not so much focusing on one alternate; we are trying to prepare various alternates. CNG is one way. Ethanol (blending) and flex fuel also are good ideas for reducing oil import, are environment friendly. And electric vehicle also. We have to carefully make a balance of alternates and prepare models

Maruti Suzuki has seen healthy bookings post the second wave of the pandemic. However, disruptions in production resulted in the company losing out on market share last year. What measures are you taking to regain volumes?

We recognize the situation. Beginning of last year we were facing big trouble because of Covid-19. In April, May we lost a lot of production and business opportunity.

After that, we tried to recover but suddenly there was a shortage of chips. That condition is still continuing. We believe that we have a lot of potential and we have big production capacity of more than two million units. Gujarat's third plant has already starting operation; we are adding 2.5 lakh production capacity there. If the (supply) condition becomes better, we can produce close to two million volumes easily.

Do you expect the momentum we are seeing in the market to sustain going ahead?

I hope so. The government also prepared a very aggressive budget, which is encouraging to the economy. We are expecting we can keep demand for a while. But the point is the supply-side concern. The entire industry is facing difficulties due to the shortage of components. If situation improves, we can increase supply.

By when do you expect the supply situation to normalize?

I have no idea unfortunately. We have to wait for some more time. If we can receive good enough volume of component, the market demand there same as today, we can achieve easily over the 2018-19 volume.

On the exports front, Maruti Suzuki has seen a strong increase this fiscal...

Unfortunately, for domestic sales chip (availability) is a little bit constrained, but export version of chip we can get.

That's why we are trying to increase. Also globally demand is very strong. That's why exports are increasing and will almost double (this fiscal). Additionally, with the government encouraging indigenous manufacturing (Atmanirbhar Bharat), export volume is increasing. We are following government direction. That is another reason.

The CAFÉ 2 norms set to come in next year will further increase acquisition costs, especially at a time when vehicle prices are already high due to a sharp increase in input costs. Do you expect an impact on demand?

As an industry, we are requesting some benefit (pushing back the regulation) on those kinds of point. We are not getting a response from the government clearly. The government is trying to encourage the economy, and the automobile industry is a big factor. (If) the automobile industry grows, the economy will grow, government tax revenue will increase. We can also contribute towards generating employment. I agree the government is heading in that kind of direction, may be they (will) support the industry.

What would be the company's fuel strategy given the government drive towards clean mobility?

We are not so much focusing on one alternate; we are trying to prepare various alternates. CNG is one way. Ethanol (blending) and flex fuel also are good ideas for reducing oil import, are environment friendly.

And electric vehicle also. We have to carefully make a balance of alternates and prepare models. PM already announced 2070 to achieve net zero policy. May be the government is preparing some kind of roadmap. Based on that roadmap we have to prepare how to reduce CO2.

FOR FULL INTERVIEW, GO TO www.economictimes.com

Business Standard 9th March 2022

VW revs up India 2.0 engine: Rides on launches, after-sales

ARINDAM MAJUMDER
New Delhi, 8 March

Amid a rush of sport utility vehicle sales, Volkswagen is betting on its premium mid-sized sedan — the Virtus — to gain market share in India.

The Volkswagen Virtus is the second product under the India 2.0 project being developed on the MQB-A0 IN platform, with up to 95 per cent localisation levels.

In February, the company registered an 84 per cent year-on-year growth in sales, primarily driving on the Taigun it launched last year.

In late 2019, it announced a massive structural and operational overhaul worth €1 billion — one of the biggest investments in the Indian automotive (auto) sector.

The group merged its three units — Volkswagen India, Volkswagen Group Sales India, and Škoda Auto India — into one entity called Škoda Auto Volkswagen India to streamline decision-making. In came the successful MQB platform to manufacture cars locally, reducing retail prices.

"The sedan still constitutes 12-14 per cent of the Indian market, which means around 400,000 cars per year. The love for the sedan is always there. What was missing was an option with European design and loaded with features. The Virtus fills that gap," says Ashish Gupta, brand director, Volkswagen Passenger Cars India.

With this launch, Gupta says the premium sedan segment itself will see expansion. "It is around 95,000 cars annually. We expect the segment to grow to 150,000 by the end of this year," he says.

Under the 1.0 project, the German company is looking to launch more localised products, increase dealerships, and improve after-sales to gain foothold in the Indian market — long dominated by Japanese and South Korean brands.

"The plan under the 2.0 strategy was to increase the number of dealerships to 150. By the end of this year, we plan to increase it up to 155," says Gupta.

> Volkswagen is trying to bring down the cost of ownership of its vehicle. It plans to bring this down through greater localisation

Volkswagen is trying to bring down the cost of ownership of its vehicle. It plans to bring this down through greater localisation. "When we localise, it automatically brings down the cost," says Gupta.

The company is also focused on a 'child parts strategy'. The basic idea is to replace certain parts and not change the entire module. This, in turn, results in quicker turnaround times and after-sales which is much more affordable. Plus, it helps elongate the life of the car.

The group also has 'three-parts' distribution centres, improving availability and speeding up delivery.

'Child parts' basically refer to the sub-parts of an assembly or a bigger component. In case of damage, with the help of the 'child parts strategy', the company can pinpoint the particular part or component. The whole assembly or the bigger component need not be replaced completely. A widely used technique in the auto industry, the 'child parts strategy' aims to reduce service time and keep costs to a minimum.

"That itself brings down the cost of ownership and maintenance of our cars and increased turnaround time for customers," says Gupta.

Business Line 12th March 2022

Mid-size sedan, UV sales zoom; clock double-digit growth in April-Feb FY22

New launches expected to keep up the tempo

OUR BUREAU
New Delhi, March 11

Dispatches to dealers of mid-size sedans grew 11 per cent

Both utility vehicles and mid-size sedan sales grew by double-digits in the last 11 months (April 2021-February 2022) of the current fiscal, according to the latest monthly data of the Society of Indian Automobile Manufacturers (SIAM).

The total wholesales (dispatches to dealers) of mid-size sedan grew 11 per cent year-on-year (y-o-y) to 72,578 units in April-February period compared with 65,517 units in the same period of the previous year. The mid-size sedan market is driven by the likes of Honda City, Hyundai Verna and Maruti Suzuki Ciaz

With the launch of new products in this category, the industry is expected to do better in the coming months, say analysts. For instance, Skoda Auto recently launched Slavia and Volkswagen unveiled the Virtus, which will be available from May.

The utility vehicle (UV) segment grew 41 per cent in the April-February period at 12,73,090 units compared with 9,02,951 units in April-February 2020-21.

On a monthly basis, UV sales grew five per cent on YoY basis to 1,20,122 units in February compared with 1,14,350 units in corresponding month last year.

The mid-size sedan segment, however, saw a decline of 19 per cent to 6,083 units in February compared with 7,538 units in the same month last year.

PV sales

Overall, the total passenger vehicle (PVs) salesdeclined by more than six per cent to 2,62,984 units in February compared with 2,81,380 units in the same month last year.

Two-wheeler sales also declined 27 per cent y-o-y to 10,37,994 units (14,26,865 units). While motorcycle sales declined 28 per cent (9,10,323 units versus 6,58,009 units), scooter sales fell 26 per cent (4,65,097 units versus 3,44,137 units).

Three-wheeler sales fell two-per cent to 27,039 units (27,656 units).

Commenting on the February sales data, Rajesh Menon, Director-General, SIAM, said, "Continuing supply side challenges like semiconductor shortages, increase in cost due to new regulations, higher commodity prices and higher logistics cost have impacted overall sales in the auto industry. Industry is closely watching the possible impact of the on-going conflict in Ukraine, as global supply chains could come under stress."

Business Line 2nd March 2022

MOSCOW UNDER SANCTIONS

Exporters mull payment alternatives

Commerce Ministry officials consult Finance Ministry, RBI to ease situation

AMITI SEN

New Delhi, March 1

India's exports to Russia have come under a shadow following economic and banking sanctions imposed by the US, the UK and the EU on the country for invading Ukraine.

The Commerce and Industry Ministry is examining suggestions from exporters, including the possibility of third country payments and allowing deals in rouble, but unavailability of insurance cover and rising freight rates are adding to the list of woes, according to sources.

"Commerce Ministry officials met exporters on Monday to take stock of the sanctions and their fallout and also discuss various options to get around the problem of payments," a source tracking the matter told *BusinessLine*.

India's total exports to Russia were valued at $2.6 billion

Financial transactions

Russia, which is India's 25th largest trading partner, imports considerable volumes of tea, pharmaceuticals, mobile phones and other electronics, machinery, iron and steel, and apparels from India. India's total exports to Russia were valued at $2.6 billion in 2020-21, while imports were at $5.4 billion. Since most Russian banks have been blocked by the EU and the US from the SWIFT international payment system, it would be difficult for Russian companies to put through financial transactions, pointed out Anupam Shah, an exporter of engineering products.

"Some Russian importers, who have entities in other countries such as Turkey, Hong Kong or the UAE, have suggested that India should allow third-country payments. But this could lead to payment delays and other issues might crop up such as the need for advance declaration at time of shipment. Commerce Ministry officials will meet their counterparts in the Finance Ministry, and officers of the RBI and banks to discuss if some relaxations could be given," the source said.

The other option of allowing deals to be carried out in rouble, instead of the US dollar, could allow smooth payments, but would be a complicated exercise as rouble is not a freely convertible currency and determining the exchange rate could be an issue. "Especially with the value of the rouble falling steeply, one has to see how frequently the exchange rate would need to be revised," the source added.

While items like food, pharmaceutical and energy are excluded from the sanctions, the situation is challenging for these sectors. "The withdrawal of ECGC cover on exports to Russia is unfair and should be -

"Shipment cost has gone up multiple times. The Centre should consider assistance to exporters to defray some costs. Banks need to provide more pre- and post-shipment working capital with higher interest subvention," Patra added.

Business Line 5th March 2022

Automakers ride the exports boom

All segments to report surge in shipments this fiscal despite low domestic sales

G BALACHANDAR

Chennai, March 4

In a year when the automotive segment in the country has been stuttering, the robust export growth has provided cheer and solace to vehicle manufacturers across all categories.

All segments of the automotive industry are expected to end the fiscal with strong growth over the previous fiscal. Export volumes of two-wheelers are expected to be higher than the numbers in FY20, which was a strong year for auto exports.

Though passenger vehicle manufacturers faced challenges in production due to chip shortage, their shipments to various markets were not affected much. Most PV makers have seen a big rise in their exports during this fiscal.

With highest-ever exports in February, Maruti Suzuki, India's largest PV exporter, is expected to end this fiscal with record shipments.

Maruti's record

"In terms of exports, this year has been exceptional for Maruti Suzuki with over 2.11 lakh vehicles already shipped. For the last two years, Maruti Suzuki has been making sustained efforts to increase export volumes. The initiatives included introduction of new products, entry into new markets and distributor network expansion," Rahul Bharti, Executive Director, Corporate Affairs, Maruti Suzuki India Ltd, told *BusinessLine*.

Hyundai Motor India, the second-largest PV exporter, reported over 30 per cent rise in exports of 'Made in India' PVs at 1.19 lakh units this fiscal. Other leading exporters include Kia Motors, Volkswagen, which exported more PVs than its sales in the Indian market (during 10 months), and Nissan. The total PV exports are pegged at 5.5 lakh units for this fiscal, going by the current trend. Though the number will be less compared to annual export volumes of about 6.7 lakh units achieved in pre-Covid years — FY20 and FY19, US automakers Ford and General Motors, which have now stopped production in India, had contributed over two lakh units of exports together per annum during those years.

However, the export story is different in the two-wheeler industry, with shipments hitting record levels for companies like Bajaj Auto and TVS Motor.

In top gear

- Maruti has already shipped over 2.11 lakh vehicles this fiscal
- Hyundai Motor India has exported 1.19 lakh units
- In FY20, two-wheeler exports stood at 3.5 million units against 3.3 million units in FY19
- For the first 10 months of this fiscal, two-wheeler exports have already crossed 3.7 million units

Two-wheeler exports

In FY20 and FY19, two-wheeler exports stood at 3.5 million units and 3.3 million units, respectively. But in this fiscal (for the first 10 months), total two-wheeler exports have already crossed 3.7 million units and are expected to touch 4.4 million units. For the first time, TVS Motor's export volumes crossed the one-million mark. Bajaj, the largest two-wheeler exporter, clocked export volumes of more than two million units for the 11 months of this fiscal.

"Africa and Latin America are driving exports of two-wheelers as well as passenger vehicles and we feel the potential is higher. Based on our preliminary interactions with a few two-wheeler OEMs, we also get a sense that had the semiconductor issue not prevailed for such a long time the growth in two-wheeler exports from India could have been much higher. We believe exports will stay stronger going forward too," said Hemal Thakkar, Director, Crisil Research.

Three-wheeler exports have also seen a big rise and total shipments are estimated at 5 lakh-plus units for FY22. In FY19, three-wheelers were strong at 5.68 lakh units. Though details of commercial vehicle exports are not available, the shipments have seen double-digit growth for companies like Tata Motors, Ashok Leyland and VE Commercial Vehicles during this fiscal.

Business Line 5th March 2022

Super luxury car segment on the rise in India: Merc CEO

S RONENDRA SINGH
New Delhi, March 4

THE BL INTERVIEW

The country's largest luxury car manufacturer, Mercedes-Benz India, launched yet another 'Made in India' vehicle – the Maybach S-Class 580 4MATIC – showcasing the brand's manufacturing prowess in producing the most exclusive world-class products in India. The Maybach S-Class 580 4MATIC is priced at ₹2.50 crore (all India ex-showroom prices). The company also launched Maybach S-Class 680 4MATIC that starts from ₹3.20 crore. *BusinessLine* caught up with Martin Schwenk, Managing Director and Chief Executive Officer, Mercedes-Benz India, on the sidelines of the launch, for an interview. Excerpts:

We have seen the luxury cars market grow in the last few months. Mercedes has also grown with 11,242 units in January-December 2021, the highest in the industry. Do you think the trend would continue?

Not only luxury car, but the super luxury car segment is also growing in India and the company has almost 15-20 per cent of sales volume coming from that segment and expects it to continue this year too. The S-Class, GLE/GLS-Class and AMG, have strong growth rate and when it comes to Maybach, we have seen successful growth over the years...when we announced that we would bring key products in Maybach, we had almost instantly sold these cars. So it makes sense for us to tap this potential market also, especially with locally produced products like Maybach.

What kind of customisation can be done locally here and do you see E-Class or S-Class customers progressing to this segment?

The customers can get energising packages like folding table and many additional functions. We are using recycled products which make up almost 70 per cent of parts in the car and of this 85 per cent of the materials are also recoverable. Generally, all our products are designed in a way that much of it can be recycled eventually and recovered.

> *I personally think we have a great opportunity in the luxury EVs market.*
>
> MARTIN SCHWENK
> MD & CEO, Mercedes-Benz India

Do you think the current geo-political situation will have an impact on the industry especially with crude and raw material prices skyrocketing?

Generally, we have a strong order bank and we have not been able to fulfill all the orders. For example, we are not taking any fresh order for the G-class because we have sold out for this year entirely...we have quite some constraints in the supply chain, apart from the semiconductor shortage. Covid restrictions were also there from the tier-I, -II and -III suppliers, but the situation is improving now. So, we are quite satisfied with the supply side now, and hope to fulfill the couple of thousand orders (cars) which we could not fulfill. On the geo-political issue, I think it is hard to assess at this point in time...we can just expect that it will have less impact on us...oil prices, raw material prices certainly have an inflammatory effect, and might have additional supply constraints.

On the electric vehicle front there seems to be an intense competition coming, especially with Audi and BMW launching more products. What's your plan to face the challenges?

I personally think we have a great opportunity in the luxury EVs market. We were the first one to bring and sell successfully, and we have learnt a lot on how to expand our network. Now, we plan to launch the locally produced EQS (a full-fledged car with longer range) in the fourth quarter this year. We see a significant volume potential here because we see more and more customers who are ready to have an EV as an additional car and we have the first mover advantage.

Business Line 5th March 2022

RUSSIA-UKRAINE CONFLICT IMPACT

FADA downgrades vehicle sales outlook from 'neutral' to 'negative'

Semi-conductor shortage feared

OUR BUREAU
New Delhi, March 4

The Federation of Automobile Dealers Associations (FADA) on Friday said that till the time Russia- Ukraine conflict comes to an end, it will change outlook for vehicle sales from 'neutral' to 'negative'.

Russia is one of the largest producers of rare-earth metals especially palladium, which is an essential metal for semi-conductors. Ukraine, on the other hand, is one of the biggest producers and exporter of neon gas, which is used in the manufacturing of semiconductors, it said. "Due to the ongoing war, we once again fear the shortage in semiconductors which will create additional supply side issues for passenger vehicles (PVs). With crude breaching $110 mark, the government will not be able to hold prices of petroleum products for long. Post State elections, oil marketing companies will increase fuel prices by at least ₹10-15," Vinkesh Gulati, President, FADA, said in a statement.

In the PV segment, FADA reported sales were down by 8%

While this will act as an obstacle for two-wheeler (2W) sales, the opening up of educational institutions and offices and *Gudi Padwa* round the corner, the industry may see some increased interest in two-wheeler as well as the bus segment (which has witnessed a long dry spell of almost two years), he said.

Retail sales down

In February, the auto industry continued to remain in red as total retails were down by more than 9 per cent year-on-year (y-o-y). In the PV segment, FADA reported sales were down by 8 per cent to 2,38,096 units (2,58,337 units). In the two-wheeler segment, sales declined 11 per cent to 9,83,358 units (11,00,754 units).

Tractor sales also declined by 19 per cent to 50,304 units (62,004 units). However, in the commercial vehicle (CV) segment, sales grew more than 7 per cent to 63,797 units (59,395 units). Three-wheeler sales grew 17 per cent to 38,961 units (33,404 units).

Business Line 3rd March 2022

Used-car sales zoom on growing demand

S RONENDRA SINGH

New Delhi, March 2

The uptick in passenger vehicle sales in recent months has had a domino effect on the used cars market which is growing due to pent-up demand. Industry veterans predict the growth to continue in the coming months.

According to Shashank Srivastava, Senior Executive Director (Marketing and Sales) Maruti Suzuki India (MSIL), the growth was around 17-18 per cent in the replacement buying segment last year. It is now up 5-6 percentage points and fast approaching pre-pandemic levels.

"Last month it was 21-22 per cent. In the peak of the market in 2018-19 it was around 26 per cent. I think it will come back again," Srivastava told *BusinessLine*. He said Maruti Suzuki True Value, which sells pre-owned cars, is growing in tandem with the aggregate growth in the industry.

Srivastava said demand from rural areas has gone up because income disruptions have been less steep than in urban areas. Secondly, investment by the government in rural areas this year is also the highest ever.

Used car market in India is likely to reach $50 billion by 2026

Used car market in India is expected to reach $50 billion by 2026, at a compounded annual growth rate (CAGR) of 15 per cent from the current $27 billion, industry data show.

According to financing companies, the demand for pre-owned cars has increased in the last couple of months. "Demand for used car is high because people are still conscious (due to the pandemic) and want to travel in their own personal vehicles, especially the small cars. In the last couple of months, things have improved-...demand is holding up and supply has also started improving and therefore, I think the demand for pre-owned vehicles will continue for longer period," Ramesh Iyer, Vice-Chairman and Managing Director, Mahindra Finance, said.

Niraj Singh, Founder and CEO, Spinny (retailing platform for pre-owned cars), also agreed that in 2022, the trend of personal mobility shifting steadily towards used cars continues to gain more traction.

"The affordability and easy availability of used cars is another big win for consumers, particularly first-time buyers. Young buyers are also preferring pre-owned cars than waiting for prolonged periods to purchase a new vehicle," Singh said.

Luxury car market

The same trend is seen in the luxury car market. "We have seen 30 per cent growth last year and expect this it to continue in the pre-owned segment this year too. We don't see any cannibalisation of our new car sales. Because of different price points, we get a lot of first time buyers in the market who later upgrade to a new car," Martin Schwenk, Managing Director and CEO, Mercedes-Benz India, said.

Balbir Singh Dhillon, Head of Audi India, said changing market dynamics and the YOLO (You only live once) attitude amongst customers have given rise to the pre-owned car market, and that is why Audi India is expanding its used car business arm – Audi Approved Plus.

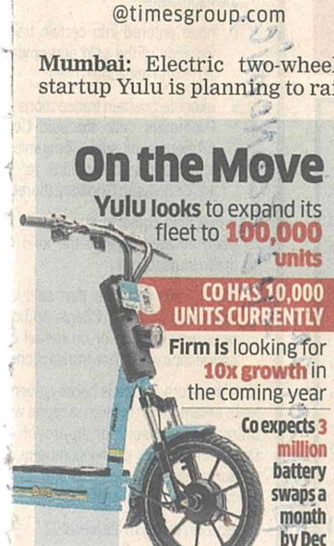
The Economic Times 7th March 2022

Yulu Eyes $100m for Expansion

Wants a larger pie of last-mile mobility segment

Ketan.Thakkar
@timesgroup.com

Mumbai: Electric two-wheeler startup Yulu is planning to raise up to $100 million to expand its business model and grab a larger pie of the growing last-mile mobility segment.



Yulu, which has created the country's largest battery as a service network with 3 million battery swaps till date, will expand its fleet to 100,000 units by the end of the year from 10,000 units currently, open up franchisee models to reach newer cities and cater to personal buyers in the next one year.

The company has so far raised $30 million in equity capital.

It has an outlay of $100 million in a combination of equity and debt to help accelerate growth

The company is looking for 10x growth in the coming year, Amit Gupta, founder and CEO of Yulu, told ET. "All the tailwinds lead it to usage — policies, the adoption, which is primarily led by the food delivery and grocery companies will drive the growth," he said.

Business Line 15th March 2022

Prolonged Russia-Ukraine conflict may add to auto industry's woes

Chip crunch to persist as key raw materials are imported from the two countries

S RONENDRA SINGH

New Delhi, March 14

The ongoing conflict between Russia and Ukraine, the key producers of elements such as rohdium, cadmium and neon gas used in semiconductor chip manufacturing, is worrying automobile and component manufacturers who are already hit hard by chip shortage.

A prolonged conflict essentially means more supply constraints and consequent delays in manufacturing of end products. There has already been a delay in the vehicles supply chain because of the ongoing shortages.

Rise in costs

"Our supplies depend on how long the conflict continues. If we are in for a prolonged war, it would impact everything. Nobody knows what exactly is going to happen. Already there is a rise (in cost) in everything and input costs are going up again," Rajeev Chaba, President & Managing Director, MG Motor India, told *BusinessLine*.

The issue here is that the companies cannot hedge the costs of such components like steel or aluminium as these are now priced on a need basis. For instance, the price of rhodium has been fluctuating over the last one year and based on that, the prices of end products are also changing.

"Last year, we were buying rhodium at $11,000 per ounce, which shot up to $24,000 per ounce and then again it has come down to $16,000 per ounce, and has been stable since then (for last four months). So, at least we know where it can go up to for now ()," Ashish Gupta, Brand Director, Volkswagen Passenger Cars India, explained.

According to the Society of Indian Automobile Manufacturers (SIAM), the continuing

Higher commodity prices and logistics cost have impacted the overall industry sales

supply side challenges like semiconductor shortages, higher commodity prices and higher logistics cost have impacted the overall industry sales The conflict in Ukraine has only added to their troubles as global supply chains are expected to come under stress, Rajesh Menon, Director-General, SIAM, said.

"We definitely see some disturbance in the container/freight movement as the cost may be impacted, which may finally get translated into the selling price of the products," Naveen Soni, President, Lexus India, said. Passenger vehicle market leader Maruti Suzuki India added that the company was watching the prices of rhodium and neon gas. "Right now, all we can do is to watch the situation in these countries," said a company top executive.

Components industry

On the components industry side, according to Automotive Component Manufacturers Association (ACMA), the industry is expecting the war between the two countries to end at the earliest so that things fall into place again.

"Commodity prices are already high, and there is a huge worry on when the government will hike the fuel prices, which will again have a huge inflationary impact on the overall manufacturing. In return, that will impact the sentiments of consumer for auto consumption...two-wheeler buying sentiments are already down, so it will be adversely impacted if it continues and what we are seeing is that it can worsen the semiconductor issue," Vinnie Mehta, Director General, ACMA, said.

Business Standard 10th March 2022

Brokerages, rating agencies cut auto forecasts

SHALLY SETH MOHILE

Mumbai, 9 March

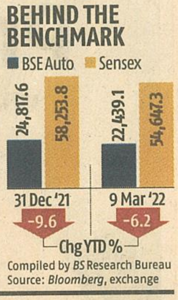
An imminent hike in fuel prices, coupled with expected supply chain disruption triggered by the global instability, is making brokerages and agencies bearish on the auto sector.

Over the last one week, amid a raging war in Ukraine, leading brokerages have pared the earnings' estimates of several key auto firms. Even credit rating agencies have revised their outlook on the sector downward.

While commodity cost inflation will hurt margins, probable increase in fuel prices (15-20 per cent) after the state elections can potentially lead to demand deferment across segments, according to Motilal Oswal's latest research report.

Input cost and fuel price hike will hit two-wheeler firms harder.

In the past 18 months, they have increased prices at least five times.



Under the current circumstances, brokerages expect manufacturers to resort to further hikes to pass on the cost increase. The hike will come with a lag and this may hurt margins in the interim.

Two-wheeler customers have been battling a persistent inflation in the total cost of ownership over the last three years.

As a result, brokerages are turning sceptical of a recovery in the segment.

Over the last two days, two leading global brokerages — Morgan Stanley and Goldman Sachs — have cut Hero MotoCorp's estimates.

"We lowered volume assumptions for FY22 by 13 per cent to account for a weak run rate," wrote Binay Singh, equity analyst at Morgan Stanley Asia, in a March 7 report.

The two-wheeler industry has passed on all cost pressures to date, but in an ongoing inflationary environment, spot prices imply that the industry will need another price hike of 1.5-2 per cent. This could delay demand recovery, especially for the entry-level segment that Hero is exposed to, wrote Singh.

Morgan has lowered the EPS (earnings per share) estimates by 12 per cent each for FY22, FY23 and FY24.

Goldman Sachs Equity, which initiated coverage with a 'sell rating' on Hero, also points out that the two-wheeler market leader is a lot more vulnerable to impending price increases as compared to its peers. This is owing to its disproportionate reliance — as high as 95 per cent — on the domestic market.

The ongoing spike in aluminium prices could necessitate further price hikes in the domestic market. Hero's ability to pass on further price increases could be limited in the domestic market, wrote Chandramouli Muthiah, equity analyst at Goldman Sachs in a March 3 report. Hero has already witnessed more price increases than export markets due to the recent BS-VI emission standard introductions.

"GDP per capita in India has grown only 10 per cent since FY20, much below the high average selling price increases in Hero's portfolio. We believe these cost and demand elasticity factors could weigh on Hero's top line growth versus peers," wrote Chandramouli.

The brokerage expects Hero's top line to decline 6 per cent in FY22, grow 16 per cent in FY23 and 10 per cent each in FY24 and FY25 in the domestic market.

The narrative for auto companies have turned negative just when the winds of change had started blowing in favour of them after the pandemic's three incessant waves.

Ironically, this comes immediately after the December quarter when a positive commentary by the management of companies had prompted upgrades across the sector.

Commodity prices have spiked due to Russia's major presence in key commodities. The prices for commodities relevant to the auto industry have risen sharply, wrote Jinesh Gandhi, analyst at Motilal Oswal.

"Based on these spot prices, we estimate the gross impact of raw material cost inflation for two-wheelers, passenger vehicles and commercial vehicles to rise over the second half of CY21 average. The gross impact, albeit, may not fully reflect in Q4 of FY22 due to inventories, contracts and lag effects," wrote Gandhi.

Business Standard 3rd March 2022

Chip woes hit auto sales in Feb, but TaMo, M&M buck trend

PRESS TRUST OF INDIA
New Delhi, 1 March

Leading carmakers Maruti Suzuki, Hyundai, Toyota and Honda witnessed a drop in vehicle dispatches to dealers last month as the global semiconductor shortage continued to impact production.

Tata Motors, Mahindra & Mahindra, Skoda and MG Motor, on the other hand, reported an increase in wholesales in February as compared to the same month last year.

The country's largest carmaker Maruti Suzuki India (MSI) said its domestic sales slipped 8.46 per cent to 1,40,035 units as against 1,52,983 units in February 2021.

"The shortage of electronic components had a minor impact on the production of vehicles which are primarily sold in the domestic market. The company took all possible measures to minimise the impact," the auto major noted.

Sales of the company's mini cars, comprising Alto and S-Presso, fell 17.81 per cent to 19,691 units last month as compared to 23,959 in the same month last year.

Similarly, dispatch of compact models like Swift, Celerio, Ignis, Baleno and Dzire dipped 3.38 per cent to 77,795 units as against 80,517 cars in February 2021.

Sales of utility vehicles, including Vitara Brezza, S-Cross and Ertiga, also declined to 25,360 units from 26,884 vehicles earlier.

Similarly, Hyundai Motor India, the country's second largest carmaker, reported a 14.6 per cent drop in domestic sales to 44,050 units last month as against 51,600 in February 2021.

"As the industry continues to grapple with the semiconductor shortage situation, the company along with its partners is continuously exploring alternatives to ensure customers can take delivery of their most loved Hyundai cars at the earliest," it stated.

The country's largest carmaker Maruti Suzuki India said its domestic sales slipped 8.46 per cent to 140,035 units as against 152,983 units in February 2021

Toyota Kirloskar Motor said its domestic sales declined by 38 per cent to 8,745 units in February.

Similarly, Honda Cars reported a 23 per cent decline in domestic wholesales to 7,187 units for February.

"On the supply side, chip shortage continued to impact our production and despatches in Feb'22. We hope the situation improves in future so that we can meet the market demand more effectively," Honda Cars India Director (Marketing and Sales) Yuichi Murata said.

Tata Motors reported a 47 per cent increase in passenger vehicle sales in the domestic market in February at 39,981 units compared to 27,225 units in the same month last year.

Similarly, Mahindra & Mahindra said its passenger vehicle sales in the domestic market soared by 80 per cent to 27,663 units last month as against 15,391 units in February 2021.

"All segments showed robust growth including SUVs at 79 per cent, which registered the highest ever monthly volume. We expect demand to continue to remain strong as the Covid situation eases further.

"We continue to closely monitor the semiconductor-related parts supply and take corrective action as appropriate," M&M Automotive Division CEO Veejay Nakra noted.

Besides, Skoda Auto India reported an over five-fold surge in sales to 4,503 units last month, riding on the success of its mid-sized SUV Kushaq.

Similarly, MG Motor India said its retail sales increased 5 per cent year-on-year to 4,528 units in February. The automaker had retailed 4,329 units in February 2021.

Nissan India said it sold 2,456 units in the domestic market last month.

Business Standard 5th March 2022

Chip shortage to worsen, warns Moody's Analytics

Significant risks ahead for automakers, electronic device manufacturers

PUNEET WADHWA
New Delhi, 4 March

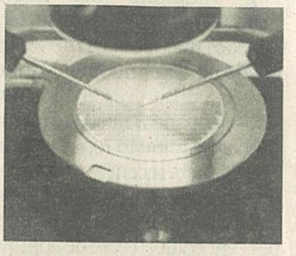
The ongoing geopolitical tussle between Russia and Ukraine is likely to have another casualty — the semiconductor chip. Palladium and neon are two resources that are key to the production of semiconductor chips.

Given that Russia supplies over 40 per cent of the world's supply of palladium and Ukraine produces 70 per cent of the global supply of neon, we can expect the global chip shortage to worsen should the military conflict persist, Tim Uy of Moody's Analytics wrote in a recent report.

"During the 2014-2015 war in Ukraine, neon prices went up by several times over, indicating how serious this can be for the semiconductor industry: Semiconductor-exposure companies make up 70 per cent of the total neon demand, as it is an integral part of the lithographic process for making chips," Uy said.

In terms of regions, Moody's Analytics believes the most salient adverse impact will be felt in countries primarily in Europe that are recipients of Russian oil and natural gas. Russia, according to their estimates, holds 12 per cent of the world's oil supply, and 17 per cent of its natural gas. It is also a key supplier of palladium and wheat, and along with Ukraine has most of the world's neon supply.

The global chip shortage came to the forefront during the Covid-19 pandemic in 2020-21, as remote work and mobility restrictions caused the acceleration of digitisation worldwide. If a deal is not brokered in the coming months, Moody's Analytics expects the chip shortage to worsen, and for industries highly dependent on them to be impacted accordingly.



RUSSIA'S SHARE IN GLOBAL COMMODITY PRODUCTION

Share (%)

Commodity	Share (%)
Palladium	44
Natural gas	17
Platinum	14
Oil	12
Wheat	11
Gold	9.5
Aluminum	6.1
Nickel	6.1
Silver	5.4
Coal	5.2
Copper	4.3
Zinc	1.5

Source: Moody's Analytics Report

"This means significant risks are ahead for many automakers, electronic device manufacturers, phone makers, and many other sectors that are increasingly reliant on chips for their products to work," it cautions.

Double whammy for the auto sector

Back home, it will be a double whammy for the auto sector that is likely to face multiple headwinds in the form of rising metal prices and a possible shortage in semiconductor chips.

Add to that rising crude oil prices, which in turn will see the government hike auto fuel prices once the Assembly elections across five key states get over next week.

PRESS REPORTS
ON
ELECTRIC VEHICLE

The Economic Times 7th March 2022

Skoda Considers Launching EVs in India

Co expects green mobility to pick up significantly in the country over next few years, says a top exec

Press Trust of India

New Delhi: Czech carmaker Skoda is mulling to drive in electric vehicles in the Indian market as it expects the green mobility segment to pick up significantly in the country over the next few years, according to a senior company official. The automaker, which is witnessing a turnaround in its domestic business, however, has no plans to get into the CNG space in the immediate future.

"We will have to (get into the EV segment) because we plan a long-term future in India," Skoda Auto India brand director Zac Hollis told PTI when asked if the company is looking to launch electric vehicles (EVs) in the country.

"We estimate that by 2030, 25-30% of the market would be electric cars and we need to make sure that we play our part, so we will bring EVs to the market," he added.

Hollis noted that group firms like Audi and Porsche have already started to launch high-end electric vehicles in the Indian market.

"The electric car launches from the group enable us to see how the technology is working in the Indian road conditions and climate and also it will help us learn from the dealer aspect as well," he started.

When asked about the launch timelines, Hollis said, "Can't give a timeline as it is still under discussion."

On the introduction of CNG models, he stated, "We have no short-term plans for CNG...the problem is that with our platform, technology and TSI engines we cannot be competitive and a CNG car is predominantly at a lower end of the market."

"I think that is the issue we need to look at.. so no plans in the short term but we will keep reviewing it."

Many domestic carmakers are expanding their CNG product lineup in the country amid an increase in fuel prices and a drop in diesel car sales.

Skoda, which now sells models like Kushaq, Slavia, Octavia, Superb and Kodiaq in the Indian market, is witnessing a turnaround in its business.

The carmaker, which sold close to 24,000 units last year in the domestic market, aims to treble its volume this year.

"We are receiving a robust response. The turnaround is clearly happening. We increased the volume last year by 140 per cent, we intend to treble our volumes this year from 2021," Hollis said.

He noted that the company has taken various measures in the last few years to strengthen its presence and model range in the country.

"We have worked in the last three years to expand the dealer network to ensure that we are represented across regions, particularly in smaller towns. We have also increased our footprint in metro cities," Hollis said.

The company has expanded its sales network from 65 to 153 as of date and it will touch the 180 mark before the end of the year, he added. The company has also worked on enhancing customer satisfaction, Hollis said.

The Economic Times 11th March 2022

Hero Electric Eyes 5m Units Capacity in New Roadmap, Plans Four Plants

Naveen Munjal-backed firm needs ₹1.5k-₹2k crore to execute plan, may raise funds in new round

Ketan Thakkar & Ashutosh R Shyam

Mumbai: Amid court battle for the rights of Hero brand, the market leader Hero Electric buoyed by strong response for electric two wheelers have drawn a roadmap to create 5 million units' capacity, almost half of its family rival Hero MotoCorp's 10 million capacity for petrol run two wheelers.

Naveen Munjal-backed Hero Electric believes the market is at a cusp to rapid shift towards EVs and he expects 30% of the market to move to EVs by 2025 and it has defined a plan which will have four factories in the next five years across different locations.

The company may need an investment of ₹1,500 to ₹2,000 crore to execute this plan and Hero electric has already started considering a fresh round of fund raise having secured infusion in 2018 and 2021. Naveen Munjal, MD of Hero Electric told ET, the transition to EVs is happening swiftly and it is only going to accelerate further. The demand has been far outpacing supply for Hero and it is ramping up rapidly to meet orders.

"We are losing business — we are not able to supply. We had stopped online ordering and even slowed down dealership expansion to fulfill pending orders. We will double volumes in FY-22, we are aiming to triple sales to 3 lakh units for next financial year," added Naveen.

On the Move

Hero Electric may need an investment of **₹1,500 to ₹2,000 crore** to execute its new road map

- **Hero electric** has started considering a fresh round of fund raise
- **Eyes greenfield** facilities in South and Western India
- **This will** help co build an efficient supply chain mechanism

Hero Electric has 750 customer touch points

NAVEEN MUNJAL
MD, Hero Electric

We will double volumes in FY-22, we are aiming to triple sales to 3 lakh units for next financial year

Business Line 2nd March 2022

After a blip in January, EV sales gather pace in Feb

Electric 2Ws continue to drive overall sales

G BALACHANDAR

Chennai, March 1

Boom in electric vehicles (EV) sales resumed in February after a blip in January. The total registered EV sales for the first two months of 2022 have surpassed the one lakh mark with February registering the highest-ever monthly volumes.

In the calendar 2021, the total registered EV volumes stood at 3.13 lakh units.

For February this year, total registered EV volumes stood at 53,929 units, the highest-ever monthly sales, against 19,119 units in the same month last year. In January, sales were at 48,160 units, according to official data from the Union Ministry of Road Transport & Highways. Over the past few months, EV sales have been on the rise supported by government sops, growing awareness in urban areas and high fuel prices. In December 2021, total sales crossed the 50,000 mark. But January saw a blip due to the impact of the Omicron-induced third wave. In February, the monthly registered EV volumes surpassed the 50,000 mark again.

Two-wheeler launches

The sales momentum is driven by the two-wheeler segment which saw numerous new launches, sparking some excitement in this sector.

While the final registered electric two-wheeler sales data for February is awaited, it is likely to be the highest-ever number with total volumes estimated at 30,000 plus units for the month. According to estimates, the top 10 electric two-wheeler makers have sold more than 27,000 units. "The EV market continues to see growing demand, while the supply side is unable to keep pace with. We sold 2,042 scooters in February, delivering a fraction of our pending pre-order pipeline. We are actively working with our supplier partners to reduce the demand-supply gap, and are hoping that things will begin to turn around over the next 2-3 months," said Ravneet S. Phokela, Chief Business Officer, Ather Energy.

Hero Electric remains the largest player and its electric two-wheeler registrations in February stood at 7,356 units, followed by Okinawa at 5,923 units and Ampere Vehicles at 4,301 units.

"Adoption of electric two-wheelers has been strong — a trend that's likely to continue — due to better cost economics, availability of multiple models, and feasibility of home-charging options. Electric scooters are expected to comprise a majority of sales because of the availability of multiple models and lower TCO (total cost of ownership). The penetration of electric two-wheelers is expected to rise from about 2 per cent in FY21 to 10-15 per cent by FY26, according to rating agency Crisil.

Tata Motors remains the big driver of electric car sales and the company said its car sales stood at 2,846 units in February compared to 492 units in February 2021.

With the third wave infection receding, last-mile transport is expected to assume importance as offices open up across the country. As a result, electric three-wheeler sales are also expected to gather momentum in the coming months.

Business Line 5th March 2022

Hero MotoCorp unveils brand 'Vida' for electric mobility

Announces $100-million global sustainability fund

S RONENDRA SINGH

New Delhi, March 4

The country's largest two-wheeler manufacturer Hero MotoCorp on Friday unveiled a brand called Vida for its emerging mobility solutions, including upcoming electric vehicles (EVs).

The brand launch comes ahead of the unveiling of the company's first EV on July 1, to coincide with the birth anniversary of Brijmohan Lall, Chairman Emeritus of Hero MotoCorp, the company said in a statement.

Introducing Vida, Pawan Munjal, Chairman and Chief Executive Officer, Hero MotoCorp, also announced a $100-million global sustainability fund.

The fund will aim to establish global partnerships, spearheaded by the BML Munjal University (BMU) and Hero MotoCorp, with the objective of nurturing more than 10,000 entrepreneurs on ESG solutions that have a positive impact on the planet, it said.

Pawan Munjal, Chairman and CEO, Hero MotoCorp

Manufacturing facility

The production of the new Vida model will be done at Hero MotoCorp's 'Green' manufacturing facility in Chittoor. Dispatches to customers will begin later in 2022, the company said.

"When I see our future generations, especially my grandchildren, all I want to do is build a future of optimism, a future of positive energy, a future which is clean, where everyone has something to look forward to and participate in something bigger and better. With the creation of 'Vida' we will offer everyone the opportunity to thrive, grow and live better while continuing to move the way they want. I will lead this initiative from the front," Munjal added.

The announcement of the brand name officially confirms that the dispute between Hero MotoCorp and Hero Electric has set aside. In 2019, Pawan Munjal's nephew Naveen Munjal (Hero Electric) had claimed exclusive brand rights over green vehicles, and went to court against the use of 'Hero' brand for EVs by Hero MotoCorp. However, recently, Hero Electric withdrew the petition.

Business Line 8th March 2022

From next year, MG Motor expects a quarter of its sales to be powered by EVs

Launches all-new ZS electric vehicle at ₹22 lakh

S RONENDRA SINGH
New Delhi, March 7

MG Motor India said it expects 25 per cent of its overall sales to come from electric vehicles (EVs) from next year. This year, the company is targeting sales of 6,000-8,000 units from EVs.

"We are targeting our sales to be 6,000-8,000 units this year and we are booked for the year already because we have more demand than supply. We are launching another EV in the first quarter, and with these two EVs (ZS and the new one), we plan to have 25 per cent of our sales as EVs next year," Rajeev Chaba, President and MD, MG Motor India, told *BusinessLine* on the sidelines of the all-new ZS EV launch.

Rajeev Chaba, President and MD, MG Motor India, with the new ZS EV

Last year, MG Motor India sold a total of 40,000 cars and this year the company is seeing a growth of 70-75 per cent and next year too, it expects a similar growth, Chaba said adding that the plant capacity in Gujarat is being increased to 1.25 lakh units a year.

"When we will triple sales from 40,000 units to 1.20 lakh units next year, it means we utilise the plant fully and 25 per cent of that means 30,000 units of EVs next year," he explained and added that MG's second EV will be a smaller one priced between ₹10 and ₹15 lakh.

ZS EV rolled out

The company had last year said it will invest ₹2,000 crore to bring in new products and expand its plant capacity. MG Motor, which is owned by China's SAIC Motor Corp, has been selling ZS EV since 2020 and had sold around 4,000 units last year. The company launched the facelifted version of the vehicle on Monday priced at ₹21,99,800 for the Excite variant and ₹25,88,000 for the Exclusive version. The newer version of the ZS EV comes with a larger 50.3 kWh battery with advanced technology, offering a 461 km certified range in a single charge.

"ZS EV has been a global success in key markets, including the UK, Europe and Australia. With the all-new ZS EV, we are confident to change the mindset and accelerate EV adoption in India," Chaba added.

Like other vehicles from MG, the all-new ZS EV is also covered under MG eShield for private customers, wherein the automaker provides a free-of-charge five-year warranty for unlimited km, eight-years / 1.5 lakh km warranty on the battery pack system, round-the-clock roadside assistance for five years, and five labour-free services.

Business Line 4th March 2022

Oben Electric to drive first e-bike on March 15

G BALACHANDAR
Chennai, March 3

Bengaluru-headquartered electric mobility start-up Oben Electric is set to launch its first electric two-wheeler – electric bike Oben Rorr – on March 15 as the company bets on electrification in the motorcycle segment.

Though the company is also contemplating launching electric scooters, it plans to offer a range of electric bikes, with different specifications and performance, catering to a different set of two-wheeler buyers.

"It was the B2B segment that spurred adoption of electric scooters initially. The requirement in the B2B segment was very minimal, as design or performance wouldn't be the big focus areas. But then B2C demand

picked up, and in this segment, factors such as performance, reliability etc, matter. Also, B2C buyers in the two-wheeler segment keep the vehicle for a minimum 7 years. Since we have strong R&D teams to churn out differentiated offerings, we have chosen to pursue the bike segment, initially," Madhumita Agrawal, Co-Founder, Oben Electric told *BusinessLine*.

India is a motorcycle market with annual volumes of about 15 million units, and Oben Electric sees some gaps in the segment that could be filled with a suite of products. "One needs a different set of skills to build a motorcycle for Indian customers, and Oben has a set of people that will design products that will appeal to prospective buyers here," she said.

Price range

The electric bike Oben Ror-r will be priced in the range of ₹1-1.5 lakh, with a likely a range of 200 km and atop speed of 100 km/hr.

The company is setting up its manufacturing unit near Electronics City in Bengaluru and the capacity of the plant can be ramped up to 3 lakh units per year based on the demand.

For charging infrastructure, the company is in the process of roping in partners. Later, the company will also look at setting up its own charging stations. Agrawal said the company has roped in dealer partners for major locations and the network will be ramped up gradually. She declined to disclose details on the numbers.

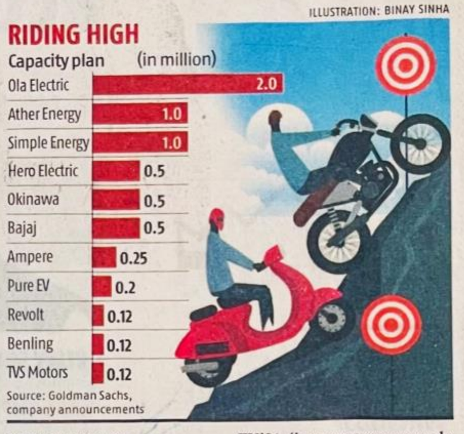
Domestic sales

"The domestic electric 2W sales continue to have a dream run with a five-fold y-o-y jump in the 11 months of this fiscal, with 1.8 lakh unit sales. In February 2022, high-speed e2Ws saw an 18 per cent MoM jump in retail sales to 32,416 units, said Rohan Kanwar Gupta, Vice-President & Sector Head at Corporate Ratings, ICRA.

Business Standard 15th March 2022

Two-wheeler firms target 9-fold increase in e-vehicles

ILLUSTRATION: BINAY SINHA



SURAJEET DAS GUPTA
New Delhi, 14 March

Top Indian two wheeler companies, including start-ups and legacy ICE manufacturers, are ramping up new capacity to hit over six million per annum by calendar year 2023 to meet the anticipated demand for electric vehicles.

Estimates by Goldman Sachs indicate that the current capacity is around 0.67 million which means that the six million target represents a nine-fold increase in overall capacity. This does not include the capacities which Hero MotoCorp plans to build and which TVS Motor wants to expand.

One of the biggest companies which is building new capacity is Ola Electric which is initially close to completing a two million per annum plant and plans to follow it up with an expansion to 10 million per annum (that accounts for half the total sales of two wheelers sold in the country every year).

High-speed two-wheelers account for over 60 per cent of all vehicles sold in the two-wheeler EV space

Another is Ather Energy which plans to increase its capacity from a mere 120,000 currently to half a million by calendar year '22 and hit one million by the end of next year.

Bajaj Auto is also investing ₹300 crore in an electric vehicle plant with a capacity to produce half a million two wheelers per annum while Simple Energy is investing $300 million to produce one million scooters per annum.

At the moment, only eleven electric two-wheeler companies with more than ₹50 million plus turnover are going through a cash burn with a combined negative EBIDTA margin of 25 per cent based on ROC data for FY'21 (in some cases only FY'20 data was available).

While their total revenues are ₹860 crore, their losses are nearly a third of that. Goldman Sachs points out that the overall EBITDA margins have been pulled down primarily because of two companies, Ather Energy and Revolt Motors, which have larger losses.

But many of these players, such as Hero Electric, Ampere, and Kinetic Green are already closer to EBIDTA break even or have reached that stage. Yet Ather Energy's products, which are considered to be reliable and successful high speed products, have a history of cash burns initially.

Interestingly, high speed two wheelers account for over 60 per cent of all vehicles sold in the two wheeler electric vehicle space. Based on VAHAN data from January to now, Hero Electric is top of the list with 19,738 vehicles registered, followed by Okinawa with 14,869, Ola with 8,081 and Ather Energy with 5,098 vehicles.

Two wheeler players have different opinions on how quickly the market will move from ICE to electric. Ather Energy's founder, Tarun Mehta, expects the bulk of the scooter market to move to electric in four years.

Ola Electric's co-founder Bhavish Aggarwal holds a similar view. He predicts that all two wheelers will become electric by 2025.

A more cautious view is taken by Goldman Sachs which estimates that electric scooters still form only around 17 per cent of the total market by 2025. As for motorbikes, the percentage of electric ones will be 'miniscule'.

PRESS REPORTS
ON
TWO-THREE WHEELERS

Business Standard 3rd March 2022

2-wheeler sales skid 25% in Feb on low demand

IN THE RED

	Feb '21	Feb '22	% chg YoY
Hero MotoCorp	505,467	358,254	-29.0
Honda Motorcycle & Scooter India	411,622	285,677	-30.5
Bajaj Auto	148,934	96,523	-35.0
TVS Motor	297,747	281,714	-11.2
Royal Enfield	65,114	52,135	-20.0
Total	**1,428,884**	**1,074,303**	**-25.0**

Source: Companies

SHALLY SETH MOHILE
Mumbai, 2 March

Two wheeler market in India remained under pressure in the month of February, with no signs of recovery, as the cumulative sales of top-five manufacturers dropped by a fourth as compared to February, 2021. With poor demand being the main reason, companies curtailed dispatches to dealers.

Sales also suffered due to the ongoing semiconductor shortage. "The shortage in supply of semiconductors has impacted the production and sales of premium two-wheelers," TVS said.

Bajaj Auto was hit the most with volumes plunging a third year-on-year at 96,523 units.

Market leader Hero MotoCorp, though, remains optimistic. With a sharp decline in the number of Covid-19 cases and the economy gradually opening up along with a host of other positive indicators, such as easing of restrictions, as well as measures announced in the Union Budget, a swift revival in sales is expected, it said on Tuesday.

Analysts, though, are cautious. An impending hike in the petrol prices, following the soaring crude prices because of the ongoing Russia-Ukraine crisis, could delay the recovery in the world's largest market for scooters and motorcycles, rating agency ICRA said on Wednesday. "While reopening of corporates and education institutes, and the spill-over impact of the positive announcements on infrastructure spends and agriculture-initiatives in the Budget are positive factors, a volatile geo-political environment, leading to higher fuel and commodity prices, remains a key risk to recovery prospects in early FY23," the agency said.

PRESS REPORTS
ON
TRACTORS

Business Line 12th March 2022

Tractor sales sluggish, but exports shine

Poor agricultural sentiments impact domestic demand

G BALACHANDAR

Chennai, March 11

Domestic tractor sales continued to be sluggish with February seeing a year-on-year decline of 31 per cent and a marginal fall on a month-on-month basis. However, exports stayed buoyant at 10,000+ units.

Given the current trend, the tractor industry is expected to end FY22 with high single-digit decline in domestic sales and a strong double-digit growth in exports.

In February, total domestic sales stood at 51,953 units compared with 75,645 units in February 2021 and 52,767 units in January 2022.

The first two-quarters of the current fiscal have been good for domestic tractor sales. But the third quarter saw a double-digit decline of 13.5 per cent at 2.24 lakh units. The fourth quarter of the previous fiscal witnessed a huge increase of about 63 per cent in volumes over Q4FY2020. Due to the high base, industry volume will see a decline in Q4 this fiscal.

The fall in volumes is attributed to late monsoon, delayed harvest

Unseasonal rains

The fall in volumes in recent months is attributed to late monsoon, delayed harvest of Kharif crops impacting rural cash flows and the high base effect of last year.

"The domestic tractor industry has been witnessing a downward trend in the past few months mainly on account of poor farm sentiments. Farm income from Kharif cropping cycle 2021-22 has been impacted due to unseasonal rainfall resulting in crop damage in certain regions coupled with an impact on crop quality. Further, input cost for farmers has increased for the rabi cropping cycle 2021-22 along with an increase in vehicle cost which has hurt farmer sentiments. All these factors together have resulted in sluggish agricultural sentiments thus impacting demand for tractors," said Hemal Thakkar, Director, CRISIL Research.

For the 11 months of this fiscal, total domestic tractor sales stood at 7,69,378 units compared with 8,14,331 units in April 2020-February 2021 period, a decline of 5.5 per cent. In FY21, total domestic sales stood at close to 9 lakh units.

On the export front, tractor shipments for the 11 months of this fiscal grew 50 per cent at 1.17 lakh units.

"Tractor exports are expected to witness strong growth for the second consecutive year. Demand for Indian tractors has been higher in the US, Bangladesh and European countries. Further, strategic plan, such as setting up bases in foreign countries, by players to cater to the global demand is also expected to push export sales," said Thakkar.

Outlook

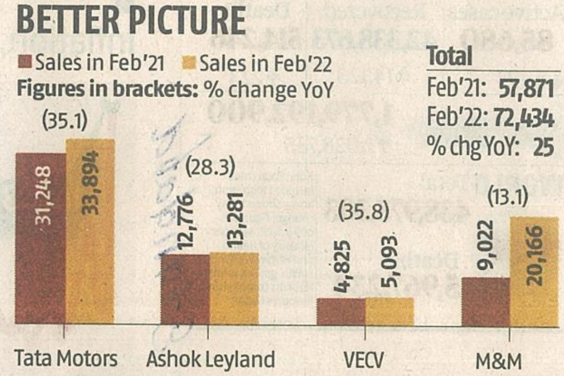
However, higher Rabi sowing, improved liquidity in hands of farmers and higher reservoir levels are expected to spur domestic demand in the coming months.

"Agri indicators continue to be promising with Rabi sowing at an all-time high and higher liquidity with farmers on account of timely and record procurement of Kharif crops. With record expansion in the sown area for the third consecutive Rabi season, we are optimistic for an all-time high crop production level. Additionally, Governments' focus on increasing cropping intensity of summer crops will bring in additional income in the hands of the farmers," pointed out Hemant Sikka, President - Farm Equipment Sector, Mahindra & Mahindra Ltd.

PRESS REPORTS
ON
COMMERCIAL VEHICLES

Business Standard 3rd March 2022

CV sales rise in Feb as fleet utilisation improves



Source: Companies

SHALLY SETH MOHILE
Mumbai, 2 March

Commercial vehicles (CV) dispatches at most firms rose sharply in February as an improvement in fleet utilisation levels improved operators' profitability, prompting them to purchase new vehicles.

Cumulative CV sales of the top four firms — Tata Motors, Ashok Leyland, Mahindra and Mahindra, and Volvo Eicher Commercial Vehicles (VECV) —that report their monthly sales, rose 25 per cent year-on-year (YoY) to 72,434 units.

A pickup in construction, mining, real estate activities, coupled with improved freight availability also helped. Additionally, last year's low base also propped up dispatches. Auto firms in India count dealer dispatches as sales.

Overall CV sales were led by an accelerated growth in medium and heavy commercial vehicles (M&HCV). Sales at Tata Motors, for instance, increased to 33,894 units during the month from 31,248 units last year. It was led by an 18 per cent YoY growth in the M&HCVs.

"We are in a sweet spot. The CV sales have been down for the last three years. We are hoping to reach the FY20 levels, a year when sales went down 40 per cent YoY," said Vinod Aggarwal, managing director and chief executive officer of VECV.

Growth in the output of core sectors dipped to 3.7 per cent in January against 4.1 per cent the previous month, showing a mild effect of Omicron-induced region-specific lockdowns, according to government data released on Tuesday.

The core sectors have over 40 per cent weighting in the IIP. This means the industrial sector may have not have been majorly impacted by the third Covid wave, which was milder than the previous two.

On the impact of the geopolitical tension and an impending price hike in petrol and diesel, Aggarwal said if economic recovery continues and transporters are able to pass on the fuel price and increased freight rates, the CV market will be able to retain the current momentum. Otherwise, the recovery can get derailed. "We have to wait and watch," he said.

PRESS REPORTS
ON
COMPANY NEWS

The Economic Times 5th March 2022

AUTO CO TO TAP PRIVATE EQUITY CAPITAL; EV PUSH PART OF PLAN

MG Motor India Planning to Raise $500 m Locally

Delays in getting govt approval for raising funds from Chinese parent prompt move

Ketan Thakkar & Ashutosh Shyam

Mumbai: MG Motor, owned by China's SAIC Motor Corp, is planning to raise $350-500 million (₹2,650-3,800 crore) in private equity in India to fund its future needs, including expansion in electric vehicles (EVs). The maker of the Hector and Astor SUVs is seeking to tap the local market because of a delay in getting government approval for new investment from the Chinese parent.

MG Motor India has already initiated talks with private equity investors, several people in the know told ET.

The company is exploring setting up an EV subsidiary to bring in new investors. MG Motor may later go for a local public listing to provide an exit route to private equity investors or the parent may buy back their stake, said one of the people.

An email sent to MG Motor India seeking comment did not elicit any response till press time Friday.

Managing director Rajiv Chaba had told ET last year that the company was considering investing about ₹2,000 crore to expand capacity and bring in new products.

LOCAL ARM

MG is looking to set up an EV arm to bring in new investors and may later go for a local IPO or a buyback by its parent

It plans to launch a range of EVs, from a small hatchback with a starting price under ₹10 lakh, to a compact SUV and high-end D-segment SUV. The compact EVs may be based on the GS or Global Small EV platform jointly developed by SAIC-GM, which may cater to emerging markets, including India and Indonesia. The C- and D-segment EVs may come from the Sigma platform.

The EV hatchback, with a range of 200 km on a full charge, will be the first off the mark and will hit the roads in the first quarter of 2023.

Gaurav Vangaal, associate director at S&P Global Mobility, said given the abundant capital available from green funds worldwide, it was prudent to raise money through private equity. "Frugal Chinese technology has serious potential in the Indian market. Given that SAIC EVs are well proven in the Chinese market, showcasing capability and attracting interest from private equity investors may not be a challenge. Given the delays so far, how quickly the company will be able to operationalise its plans will be critical for its success," added Vangaal.

MG Motor also plans to localise battery cells in the domestic market and has already applied for the government's production-linked incentive scheme. But that too requires approval for direct investment, and Chaba had told ET that the company was working with the government on compliances.

Business Line 14th March 2022

Slavia makes an impact in an SUV-heavy market

Bookings for the sedan have shot past 6,000 units since its unveiling

SWARAJ BAGGONKAR

Mumbai, March 13

Skoda Auto brought in the Slavia to cash in on the drought of new launches in the C sedan segment dominated by Honda City

Skoda Auto's mid-size sedan Slavia has received a trend-defying response from India, bucking the rather swift consumer drift towards sports utility vehicles (SUV), which have captured nearly half of India's passenger vehicle market.

The Czech car brand Skoda Auto brought in the Slavia earlier this month to cash in on the drought of new launches in the C sedan segment (priced ₹10 lakh and above) dominated by Honda City. As the SUV and similar body styles have emerged as a buyer-favourite across geographies, manufacturers have refrained from experimenting with traditional segments such as sedans due to lack of demand.

But according to industry sources, bookings for the Skoda Slavia have shot past 6,000 units, with zero cancellations since its unveiling in mid-February, followed by the announcement of the price in early March. The buyer response is perhaps even better than what Skoda had received for the Kushaq, a mid-size SUV it launched in the same price band in the middle of last year.

Bucking the trend

Director, Sales and Marketing, Skoda Auto India, Zac Hollis, said, "The traditional sedan segment has been falling. (But) it's not because people's tastes have changed...it's because nothing was offered. If nothing new gets launched, then people (will) move to a new launch. Manufacturers have continuously launched SUVs, which has led to a hype for the segment."

According to the sales data collated by the Society of Indian Automobile Manufacturers (SIAM), for the April-February period of this year, Hyundai, Tata Motors (till December), Skoda Auto, Volkswagen, Toyota Kirloskar and Nissan have sold more utility vehicle (including SUVs) than passenger cars, thanks to new SUV launches. Kia, Renault, MG Motor and Mahindra & Mahindra offer only utility vehicles and no passenger cars. As the reliance on the SUV segment has grown, the traditional sedan segment has been largely ignored by manufacturers. It is here that Skoda aims to make the most of the underlying opportunity with Slavia.

"We are famous for sedans. For 20 years we have been bringing sedans to India in the form of the Octavia, Superb, Laura and Rapid. Our plan is to lead the segments where the Slavia is present, which means selling 2,500-3,000 cars a month," Hollis said. At such a sales run-rate, the Slavia has a waiting period of around two months.

Comeback by sedans

The poor response received by the Toyota Yaris and Honda Civic, both of which were discontinued within three years of their launch due to weak demand, added to the declining interest among manufacturers to offer sedans in the market However, after falling continuously in recent years, the C segment sedans and above have made a quiet comeback.

Their sales in the April-February period, according to SIAM data, has risen by nearly 14.5 per cent to 78,524 as against sales of 65,517 units posted in the same period of the previous year. This has resulted in an improvement of their market share, too, from 5.13 per cent to 6.08 per cent.

"In the next few years, the segment could double from here on. We will add new trim lines, colours and based on consumer feedback, we will make changes to the product. We are confident of attracting new buyers, as well as those who had sedans in the past, before they moved to SUVs," Hollis added.

Skoda's parent, Volkswagen, also followed the Slavia with the launch of its own sedan, Virtus, a few days ago, competing in the very same segment. While VW has unveiled the car globally, details about its pricing will be shared in May.

Business Line 13th March 2022

Renault launches all-new Kwid MY22 at ₹4.49 lakh

OUR BUREAU

Chennai, March 14

French carmaker Renault has introduced its all-new Kwid MY22, with advanced features, at a starting price of ₹4.49 lakh.

Available in both 0.8L and 1.0L SCe powertrains with manual and automatic transmission options, the hatchback Kwid MY22 features a new interior and exterior colour harmony with sporty white accents in the climber range.

The Kwid MY22 Climber range will offer an array of new colour options - metal mustard & ice cool white with black roof in dual-tone, along with new dual-tone flex wheels. The value proposition of KWID is further enhanced with the introduction of the new RXL(O) variant on both 0.8L & 1.0L MT powertrains. The new RXL(O) variant includes features to enhance the style and economy quotient, according to a statement.

Safety features

The new car includes several active and passive safety features like dual front airbags, ABS and EBD, seat belt reminder, overspeed alert, reverse parking sensors and driver side pyro & pre-tensioners with load limiter which are standard across all the variants. The new MY22 range also comes equipped with seat belt pyrotech and load limiter as a standard feature.

In terms of performance, the KWID 0.8L promises a fuel efficiency of 22.25 KM/L, as per the ARAI testing certification.

Cost of maintenance

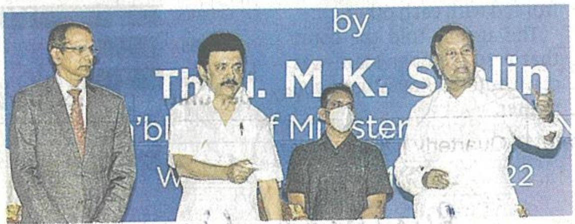
Renault KWID has a cost of maintenance as low as just 35 paise/km. It comes with a comprehensive manufacturing r warranty for 2 years/50,000 km, whichever is earlier. It also offers an extension option up to 5 years, and an Easy Care package to take care of maintenance needs. The warranty also comes along with 24X7 Road Side Assistance at no extra cost, enabling customers an unparalleled brand ownership experience, it said.

Today, Renault India has a widespread presence of 530 sales and over 530 service touchpoints, including 250+ Workshop On Wheels (WOW) and WOWLite locations across the country.

Business Line 10th March 2022

Three facilities of Saint-Gobain involving ₹500-cr outlay flagged off

OUR BUREAU
Chennai, March 9



MK Stalin, Chief Minister of Tamil Nadu, inaugurating Saint-Gobain's Float Glass plant at Sriperumbudur near Chennai on Wednesday. B Santhanam (left), CEO, Asia Pacific and India Region, Saint-Gobain, and TR Baalu, MP, are also seen BIJOY GHOSH

French glassmaker Saint-Gobain has completed over ₹500-crore expansion at the company's World Glass Complex at Sriperumbudur near Chennai. The expansion included a new float glass unit, an integrated windows line facility and an urban forest. The new projects were inaugurated by the Tamil Nadu Chief Minister MK Stalin on Wednesday.

The new facilities will provide employment to over 200 people and take the cumulative investment in the complex to over ₹3,750 crore. Globally, the complex continues to be the group's single largest investment destination.

Exponential growth

"Our experience in India has been extremely good; we have sustained high growth rates for a long period and have leadership positions in building materials (glass and glass solutions, gypsum, mortars, insulation and construction chemicals). We are today, the number one company in light and sustainable construction in India. We strongly believe in India's future and have consistently invested ahead of time in capacity, capability, technology, innovation and people. About 25 per cent of our global Capex in 2022 will be spent in Indian operations," said Benoit Bazin, Chief Executive Officer, Compagnie de Saint-Gobain.

"Investments close to ₹4,700 crore in Tamil Nadu across 15 plants in four locations, consistently exceeding the MoU investment commitments made to Tamil Nadu government," said B Santhanam, CEO, Saint-Gobain Asia Pacific and India Region.

The company claims its new integrated windows line facility as the world's first and Asia's largest fully integrated facility. Spread over 10,000 sq m, it will have an annual production capability of 100,000 windows by the end of 2022. The fully digitised and completely automated plant will make a large portfolio of UPVC window products focussing on the evolving needs of acoustics, solar/thermal comfort and security.

"Today, with five plants, we have over 50 per cent of India's float glass manufacturing capacity. 60 per cent of our float glass investments are in Tamil Nadu in the World Glass Complex. The World Glass Complex is also an export house that accounts for over 90 per cent of value-added flat glass exports from India," said AR Unnikrishnan, Managing Director, Saint-Gobain India-Glass Business.

In the Saint-Gobain- SIPCOT urban forest, close to 60,000 trees spanning over 40 resilient native species have been planted over an area of 300,000 sq ft.

Business Line 10th March 2022

Lexus en route to raising output in India

Rolls out NX 350h in three variants at prices starting from ₹64.9 lakh

SWARAJ BAGGONKAR
Mumbai, March 9

The fully imported NX 350h features a self-charging hybrid powertrain

Lexus, the 32-year-old luxury car division of Toyota Motor Corporation, is facing a supply shortage for its cars in India following unprecedented demand surge.

Its India subsidiary is talking to its head office to explore ways to improve output at its local assembly centre in Bengaluru, as well as get higher number of fully-built units allocated to the country.

Naveen Soni, President, Lexus India, said, "We are discussing with our head office to figure out way to increase production."

Imported kits

Presently, the ES300h is assembled at the Bengaluru factory from imported kits. India is one of the four locations in the world to have an assembly unit.

The fully imported NX 350h — which launched on Wednesday — features a self-charging hybrid powertrain and had opened for bookings in January.

"We opened the pre-bookings in January and it has so far received a very overwhelming response. There is currently a waiting period of six months for this model and we are trying to bring it down," Soni added. The NX 350h is available in three variants with prices starting from ₹64.9 lakh (ex-showroom, all-India). The car, which will compete with the BMW X3, Mercedes-Benz GLC, Volvo XC60 and Land Rover Discovery Sport will be available in its four dealerships in India.

Three more dealerships are coming in Chandigarh, Chennai and Kochi besides brand centres in Gurugram and Vijayawada.

Unlike its competitors, Lexus does not have a battery electric vehicle in its India portfolio. But the company is testing the waters to bring the UX EV to India. The car may be brought to India fully imported, which might push up its end price.

Business Line 2nd March 2022

'Volkswagen exploring sub-4-metre segment, EVs in India'

SWARAJ BAGGONKAR

Mumbai, March 1

Compact cars, electric cars and software-driven data are some of the opportunities that German automotive giant Volkswagen is looking to explore in India. Klaus Zellmer, board member for sales, marketing and after sales at Volkswagen Passenger Cars and Porsche veteran, spoke to *BusinessLine* from Germany sharing perspectives on the Indian market and how Volkswagen sees it. Excerpts:

THE BL INTERVIEW

What is India's importance in the overall scheme of things at VW?

We are aware of the importance of India in the global scope. By 2026, India is forecast to be amongst the top three automotive markets in the world. We are ambitious and have a scalable business. There are products in our portfolio very well suited for India. We are the market leader in Europe where the transformation speed to BEV (battery electric vehicle) is higher. India has the most price competitive environment but there is also huge demand, but we also want to be profitable.

What guidance can you provide on product plans?

The interesting thing about India is its sheer size but the size itself does not help you make money. So, we have to find the right opportunities. The gap between product development decision and its roll out is four years. We have to see what the future looks like, what could be the right product line up in the 2-10 years for us to be part of the growth plan. We have to also take into account that the product we bring to the market has to stay for 6-8 years and be profitable.

By 2026, India is forecast to be amongst the world's top three automotive markets. Battery EVs are very costly. We have to see if there is a business case for us to get them to India.

KLAUS ZELLMER

Board Member, Sales and Marketing

Compact cars are still India's favourite. Are you looking at the sub-4-metre segment?

We have been talking about the sub-4 (metre) segment which might be interesting. Skoda is in the lead for that. We have to decide what that means for us at Volkswagen. It's too early to talk about it though. This plan, however, is part of the €1-billion investment that VW group has committed to India.

Is VW confident of achieving the market share target of 5 per cent?

We have to get back to a smooth production flow, not restricted by semiconductor shortage. In the second half of the year, we see the opportunity on production more stable. We have to deliver the quality that VW promises. The initial response to the Taigun has been phenomenal. We are on course for the market share target.

What are the plans for electric vehicles?

Battery electric vehicles (BEV) are still very costly. We have to see if there is a business case for us to get them to India. VW's current entry level car is ID3. The ID Life is a concept car that we showcased in Munich, with a target entry price of €20,000. This BEV would provide an opportunity to enter the Indian market but we need to see if that will be the exact car.

Business Line 5th March 2022

Made in India: BMW rolls out 1,00,000th car from Chennai factory

OUR BUREAU

Chennai, March 4

Luxury carmaker BMW Group on Friday said it achieved a milestone with the rolling out of 1,00,000th car — BMW Individual 740Li M Sport Edition — from its factory near Chennai.

"It is a day of great joy and pride for us as the 1,00,000th 'Made-in-India' car drives out of our assembly lines. This accomplishment is a result of the team's hard work, efficiency and consistency which ensures that every BMW or MINI car locally produced here in Chennai is of the same international quality standards as any other BMW plant across the world," Thomas Dose, Managing Director, BMW Group Plant Chennai, said in a statement.

The BMW Individual 740Li M Sport Edition was launched on Friday

It said highly skilled employees, advanced manufacturing processes along with state-of-the-art technology and a strong focus on sustainability provided the necessary ingredients for the milestone.

Value for all

Also, increased localisation of up to 50 per cent and robust collaboration with local supplier partners has created more value for everyone in the ecosystem.

BMW Group Plant Chennai looks to raise the bar in sustainable manufacturing further as the India story grows. Making sustainability a top priority, the plant runs on 100 per cent green electricity.

BMW Group Plant Chennai, which started operations in March 2007, employs more than 650 people. Currently, 13 models are locally produced and these include 2 Series Gran Coupe, 3 Series, 3 Series Gran Limousine, M340i, 5 Series, 6 Series Gran Turismo, 7 Series, X1, X3, X4, X5, X7 and MINI Countryman.

The Economic Times 7th March 2022

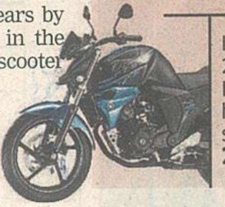
Yamaha Looks at Doubling 2-W Market Share Here by '25: India Group Chairman

Co to strengthen presence in premium segments to grow volumes,says Eishin Chihana

Sharmistha.M@timesgroup.com

Strategic Market

Co to build strong portfolio of **150cc & 250cc** motorcycles and **125cc & 150cc scooters**



It sold **5,22,000** 2-wheelers in India in 2021, had **3.6%** market share, exported **2,70,000** units

Given the demographics, India is the most important strategic market for us from a mid- to long-term perspective

EISHIN CHIHANA, Group chairman, Yamaha Motor India

New Delhi: Japanese automaker Yamaha is looking at doubling its share in the Indian two-wheeler market in the next three years by strengthening its presence in the premium motorcycle and scooter segments.

In his first interview since assuming charge, Yamaha Motor India group chairman Eishin Chihana told **ET** his company intends to target urban and semi-urban consumers with relatively stable incomes to expand volumes.

The local two-wheeler market has been under pressure the past 2-3 years due to a rise in acquisition costs and the economic impact of the coronavirus pandemic.

"There has been some delay in market recovery because of the shortage of semiconductors and the outbreak of the third wave of the pandemic," Chihana said. "Covid cases have now started reducing. At Yamaha, we are taking countermeasures, and purchasing semiconductors even at higher prices to support our dealers. We intend to at least double our market share by 2025."

Yamaha will focus on strengthening its position in the premium segment by building a strong product portfolio of 150cc & 250cc motorcycles, and 125cc & 150cc scooters to grow volumes in the country. With sales of 5,22,000 two-wheelers, Yamaha had a share of 3.6% in the local market in 2021. The company exported 2,70,000 units in the period under consideration.

Even though two-wheeler sales in the domestic market grew marginally by 1.4% to 14.47 million units last year, volumes tanked 20% and 27%, respectively, in January and February 2022. Sales particularly took a hit at the entry-level, with customers in rural markets staying away from making purchases. Chihana said that with Covid-19 cases easing out, the industry should see traction in demand this year.

Chihana added that despite the challenges being witnessed currently, India remains a "highly strategic" market for the brand. "Globally, Yamaha registers 80% of its sales from Asean countries. India is the largest two-wheeler market in the world. Also, given the demographics, India is the most important strategic market for us from a mid- to long-term perspective", said Chihana.

Separately, he said the company has commenced studies to evaluate the feasibility of introducing an electric two-wheeler in the country and a decision on the same will be taken shortly. Chinana said, "Yamaha is a pioneer in electric two-wheelers. We already sell electric scooters in Japan and Europe. YMC has a dedicated team to increase its presence in India. We are doing a study to assess what value proposition will be optimal for Indian usage."

Yamaha Motor has invested ₹1,600 crore since 2015 in India. The company has a total installed capacity to produce 1.55 million two-wheelers.

The Economic Times 4th March 2022

Daimler's Innovation Centre in B'lore to be its Tech Backbone

This global technology development centre to support Benz, others too

Priyanka.Sangani@timesgroup.com

GLOBAL RIDE

The global ambition is to make progress towards zero-emission commercial vehicles and moving away from conventional powertrain to battery electric and fuel cell powered

Raghavendra Vaidya, MD, Daimler Truck Innovation Center India

ANDY WARHOL, *Truck Announcement*

Pune: Daimler Truck, among the world's largest commercial vehicle makers, has set up an innovation and technology development centre in India.

The Daimler Truck Innovation Center India in Bengaluru will serve as the backbone for all technology development for Daimler Truck globally, including Mercedes-Benz Trucks, Freightliner, Western Star, Thomas Built Buses, Fuso, Bharat Benz and EvoBus GmbH, it said on Thursday.

This follows the carving out of Daimler Truck into an independent entity focusing on trucks and buses in December 2021. "When we thought about the footprint for our future R&D, it was mainly software, electronics and IT and so we decided to set this up in India where there is a highly educated, large talent pool and a very stable political and legal environment," Thomas Ulm, chairman of Daimler Truck Innovation Center India, told **ET**.

New facility is co's biggest R&D centre outside its home markets of Germany and North America

This facility is the company's biggest R&D centre outside its home markets of Germany and North America. Daimler already had a significant engineering presence in Bengaluru as part of the Mercedes development facility, said Raghavendra Vaidya, MD of Daimler Truck Innovation Center India, adding that there would be a steep ramp up in the number of people going forward.

The Economic Times 9th March 2022

Warburg Pincus Buys Majority Stake in Imperial Auto Inds

The group will continue to be led by Its current CEO and promoter

Our Bureau

Mumbai: US private equity major Warburg Pincus has acquired a majority stake in auto components firm Imperial Auto Industries and its affiliated companies, the two companies said in a statement on Tuesday.

They did not share financial details of the acquisition carried out through Warburg Pincus' Amsterdam-based affiliate Stone Plant Investments BV.

The group will continue to be led by current promoter and CEO Tarun Lamba, who will drive the business in partnership with Warburg Pincus, the statement said.

"This investment will help us fund our future growth plans, which include capacity expansion, creation of best-in-class facilities for domestic and export clients and acceleration of EV-related product development," said Lamba who is also the managing director of the group.

Founded in 1969, Imperial is India's largest manufacturer of fluid transmission products (FTP) for automobile and off-highway sectors. The group's product portfolio includes rubber hoses, metal/nylon tubes and hose assemblies, as well as battery cooling products used in electric vehicles (EVs).

It generates revenues of approximately ₹2,200 crore a year, and has more than 20 manufacturing facilities across India, Germany and the US through which it serves industry leading auto companies in both domestic and overseas markets.

"We look forward to supporting Tarun (Lamba) and the team and leveraging the Imperial platform to build a leading diversified Indian auto components player, serving both automotive and off-highway markets, including electric vehicles," Viraj Sawhney, managing director of Warburg Pincus India.

The Economic Times 1st March 2022

Toyota Halts Ops at Plants After Reported Cyber Attack

Tokyo: Japanese automaker Toyota said Monday it was halting operations at all its domestic plants for a day after a reported cyberattack on a parts supplier.

"Due to a system failure at a supplier in Japan, we have decided to suspend the operation of 28 lines at all 14 domestic plants on March 1 (for both 1st and 2nd shift)," the world's top-selling automaker said in a statement.

The Nikkei newspaper reported that the decision came after a suspected cyberattack hit a parts manufacturer supplying Toyota, but a spokeswoman declined to comment on the report.

She told AFP that the stoppage, which for now will last a day with the situation to be assessed again Tuesday, would affect production of 13,000 vehicles.

Toyota has already been forced to adjust production goals because of pandemic-related supply chain issues and the global chip crisis. **AFP**

Business Line 3rd March 2022

Jaguar Land Rover halts vehicle deliveries to Russia

SWARAJ BAGGONKAR
Mumbai, March 2

Tata Motors-owned British luxury automotive brands Jaguar and Land Rover have halted vehicle deliveries to Russia. The carmaker blamed 'trading challenges' that has emerged from the current global situation for halting of supplies to the east European country.

The current global context presents us with trading challenges so we are pausing the delivery of vehicles into the Russian market and continually monitoring the situation on behalf of our global customer base, JLR said in a statement.

JLR's decision to pause sales in Russia comes days after Daimler Truck AG announced the suspension of its business activities in that country. French carmaker Renault has also suspended production in Russia for a week. Swedish carmaker Volvo also said it was halting car supplies to Russia.

The UK government on Monday announced further sanctions on Russia which included export ban to Russia from 'critical sectors' in order to force Kremlin to halt its military operations in Ukraine.

Kwasi Kwarteng, Member of Parliament and UK Business and Energy Secretary tweeted, "I welcome Jaguar Land Rover's decision to pause the delivery of vehicles into the Russian market."

Medium-sized market

Russia is a medium-sized market for JLR globally. In 2021 the two brands collectively sold 6,909 units in Russia including 6,388 units of Land Rover.

On a monthly basis, Russia sells one-third the volumes clocked by JLR in its largest market China. Russia is a bigger market for JLR than India.

JLR does not have any manufacturing locations in Russia and Ukraine.

Business Line 9th March 2022

ZF Commercial Vehicle Control to invest ₹150 cr in new factory

G BALACHANDAR
Chennai, March 8

ZF Commercial Vehicle Control Systems India Ltd (formerly Wabco India Ltd) will invest ₹150 crore in capacity expansion through a greenfield venture near Chennai to cater to export and domestic demand.

The company will build a new factory on a 44-acre site at Chennai's manufacturing corridor Oragadam.

"Our Mahindra City SEZ factory, which is meant for exports, is running at full capacity now. So, the new factory will focus on catering to exports as we have secured more orders now. It will also cater to some domestic demand," P Kaniappan, Head of Commercial Vehicle Solutions in India, told *BusinessLine*.

Construction work for the factory is expected to commence by the end of this month or early April. It is expected to start production by Q1 of 2023. The facility, when operational, will essentially manufacture advanced braking system parts. However, with the global merger of Wabco and ZF, the group plans to bring some new products to the Indian market and those products will also be produced out of this facility.

The company will also be positioning the new investment under the PLI scheme as it will be localising some advanced technologies in the electric vehicle domain and some advanced braking system components. "Also, it will be eligible for concessional corporate tax benefit as per the government proposal," said Kaniappan.

"To start with, the new production is expected to add an incremental revenue of about ₹700 crore as we will continue to expand the capacity," he added.

ZF Commercial Vehicle Control Systems India Ltd is part of ZF's new Commercial Vehicle Solutions (CVS) division.

PRESS REPORTS ON RAW MATERIAL

Business Line 9th March 2022

Spike in commodity, fuel prices may stall revival in automotive supply chain

Surge could lead to increase in prices of vehicles

G BALACHANDAR

Chennai, March 8

The ongoing Russia-Ukraine conflict threatens to spoil the revival in automotive supply chain and cause more hurdles to vehicle makers.

While most vehicle makers are in a wait-and-watch mode, industry representatives and experts point to likely additional challenges in semiconductor availability.

Chip availability has been improving in the recent weeks, thanks to efforts by vehicle makers to bring in more suppliers and the overall improvement in supplies.

But the ongoing Russia-Ukraine war threatens to impact chip production as both Russia and Ukraine are suppliers of raw materials used in semiconductor manufacturing. If the conflict escalates into a long-drawn war, the impact will be in the form of higher fuel and commodity prices, which may exacerbate supply chain issues and cripple the demand prospects.

The ongoing Russia-Ukraine war threatens to impact chip production

Ashim Sharma, Partner & Group Head at NRI Consulting & Solutions., said, it is early to assess the impact as a lot depends on how long the conflict lasts and what shape the sanctions and counter-sanctions (from Russia) take. But, at an overall level, supply of palladium (used in semiconductors) of which Russia is a major producer, and neon gas , which Ukraine produces, will be hit.

"We are closely monitoring the situation and we cannot rule out the possibility of an increase in commodity prices," said a top official of a leading PV maker. Most of the PV OEMs appear to be in wait-and-watch mode.

Vehicle price hike

Also, commodity prices could move upwards, which will impact vehicle prices (if not absorbed by OEMs) and hence the demand.

Any spike in commodity prices will cause big hurdles for the OEMs to pass it on to the consumer. A surge in raw material prices may lead to further increase in prices of vehicles. This move may run the risk of curtailing demand as car prices have already gone up significantly in the past year.

Two-wheelers are already going through a rough patch with no signs of revival in demand. The higher acquisition cost of new two-wheelers and a significant increase in fuel prices have been major deterrents in this segment.

"Crude oil price increase and the consequent increase in fuel prices would adversely affect demand, especially in entry-level two-wheelers and cars," said Sharma.

Rating agency ICRA said the two-wheeler retail sales fell 3 per cent sequentially and 11 per cent y-o-y at 9.8 lakh units in February due to continuing impact of price hikes and fuel inflation on consumer sentiments at the lower end of the demand pyramid. "A volatile geopolitical environment leading to higher fuel and commodity prices remain a key risk to recovery prospects in early FY2023," said Rohan Kanwar Gupta, Vice-President & Sector Head-Corporate Ratings, ICRA.

PRESS REPORTS
ON
GOVERNMENT POLICY

Business Standard 7th March 2022

GST Council may hike lowest tax slab to 8%

PRESS TRUST OF INDIA
New Delhi, 6 March

The GST Council in its next meeting may look at raising the lowest tax slab to 8 per cent, from 5 per cent, and prune the exemption list in the goods and services tax regime as it looks to increase revenues and do away with states' dependence on Centre for compensation, sources said on Sunday.

A panel of state finance ministers is likely to submit its report by this month end to the Council suggesting various steps to raise revenue, including hiking the lowest slab and rationalising the slab.

Currently, GST is a four-tier structure attracting a tax rate of 5, 12, 18 and 28 per cent.

Essential items are either exempted or taxed at the lowest slab, while luxury and demerit items attract the highest slab. Luxury and sin goods attract cess on top of the highest 28 per cent slab. This cess collection is used to compensate states for the revenue loss due to GST rollout.

According to sources, the GoM is likely to propose raising the 5 per cent slab to 8 per cent, which may yield an additional ₹1.50 trillion annual revenues.

According to calculations, 1 per cent increase in the lowest slab, which mainly include packaged food items, results in a revenue gain of ₹50,000 crore annually.

A PANEL OF STATE FMs WOULD ALSO PROPOSE PRUNING THE NUMBER OF ITEMS EXEMPTED FROM GST

As part of rationalisation, the GoM is also looking at a 3-tier GST structure, with rates at 8, 18, and 28 per cent.

If the proposal comes through, all the goods and services which are currently taxed at 12 per cent, will move to 18 per cent slab.

Besides, the GoM would also propose reducing the number of items which are exempted from GST. Currently, unpackaged and unbranded food and dairy items are exempted from GST.

Sources said the GST Council is expected to meet later this month or early next month and discuss the report of the GoM and take a view on the revenue position of the states.

With the GST compensation regime coming to an end in June, it is imperative that states become self-sufficient and not depend on the Centre for bridging the revenue gap in GST collection.

MISCELLANEOUS

The Economic Times 4th March 2022

ANY CUT IN ROAD & INFRA CESS TO AFFECT SPENDING

Rising Crude Oil Prices Could Impact Funding of Infra Projects in FY23

Infra Funding

	Year					
	FY18	FY19	FY20	FY21	FY22 RE	FY23BE
NHAI GBS support (₹ Crore)	23,890	35820	31,690	46,060	65,060	1,34,020
Road and Infra cess (₹Crore)	84,030	1,10,860	1,22870	1,23,600	2,03,240	1,38,450
GBS as % of RIC (%)	28.4	32.3	25.8	37.3	32	96.8

RE-Revised Estimates | BE-Budget Estimates

SOURCE: Union Budget documents, Nomura research

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ET Intelligence Group: With crude oil prices at eight-year high, concerns over funding of infrastructure projects, especially in the roads and water segments, have been rising. What worries analysts is that rising energy prices may force the government to reduce the road and infrastructure cess (RIC) once again to limit the impact on the prices of crude derivatives such as petrol and diesel. If that happens, it will reduce the RIC collection for FY23, which will in turn affect the funding for road projects.

RIC collection has been a meaningful source of funding for infrastructure projects. According to an analysis by brokerage Nomura, the gross budgetary support (GBS) given to the National Highways Authority of India (NHAI) in FY18 was 28.4% of the RIC mop-up. The proportion increased to 32% based on FY22 estimates and is expected to shoot up to 96.8% for FY23. This underscores the importance of RIC in funding of roads.

In a report, Nomura noted that lower crude prices a few years ago made it easier for the government to raise RIC to ₹18 per litre for petrol and diesel by September 2021 from ₹2 per litre in FY15. Once crude prices started trending upwards, it reduced RIC in November 2021 to ₹13 per litre for petrol and to ₹8 per litre for diesel. A further reduction amid record crude prices cannot be ruled out.

In addition, debt and interest expenses of NHAI have been rising. The Nomura report pointed out that NHAI's debt has been growing faster than the growth in toll collections. Amid these factors, the government may have to look for new sources of funding. They believe that the government may either use funds from other schemes to fund infrastructure projects or raise debt.

Construction stocks, too, are under pressure due to rising crude prices. On a year-to-date basis, crude prices have increased over 47% while the ET Construction index has lost 7.6%. Analysts expect the earnings of construction companies to be impacted if crude prices remain high.