ACMA
(Western Region)

Press Reports on Automotive Industry 2021-22

Automotive Component Manufacturers Association of India

(Western Region)

Mumbai

ACMA
(Western Region)
AUTOMOTIVE COMPONENT MANUFACTURERS ASSOCIATION OF INDIA
80, Dr. Annie Besant Road, Worli, Mumbai 400 018
Phone: (022) 24933507, 24980502, 24975877 Fax: (022) 24936527
E-mail: acmawr@acma.in

PRESS REPORTS ON AUTOMOTIVE INDUSTRY

CONTENTS

COMPANY NEWS (Contd…) Page No.

RAW MATERIALS

GOVERMENT POLICY

ECONOMY

MISCELLANEOUS

****

PRESS REPORTS
ON
AUTOMOTIVE INDUSTRY

The Economic Times 11th July 2021

Carmakers Upgrading Auto Models for Smooth Passage

Cos giving face-lifts every 2-3 years to keep cars looking fresh and lure customers

Lijee.Philip@timesgroup.com

Mumbai: Long hours on the road negotiating Mumbai's traffic snarls made Rahul Seth think of a new car that would be easier to drive but also more responsive than a typical automatic.

The marketing manager at a private company opted for a Kia Seltos with paddle shifters.

Korean automaker Kia launched the new Seltos with paddle shifters this May, within two years of bringing the SUV brand to India. Other automakers too are upgrading or launching all-new versions of their popular models faster than ever before, driven by intense competitive pressure, regulatory changes, introduction of new technologies and demand from customers to have the latest features on their cars and SUVs.

Full model changes and upgrades are happening within 2-3 years now compared with 5-8 years previously, according to industry insiders. Market leader Maruti Suzuki will soon be launching an all-new version of the Vitara Brezza. In 2020, it upgraded the third-generation Maruti Suzuki Swift, a model which was just three years old, as competition became stiff in hatchbacks with the launch of the Hyundai Grand i10 NIOS.

"The economic growth of the country coupled with the exposure to global practices and technology has made the Indian consumer very demanding in terms of the pace of introduction of new features and technology," Maruti Suzuki executive director Shashank Srivastava said.

In between redesigns, auto companies give face-lifts to their models to keep them looking fresh. Minor refreshes include cosmetic changes to the interior and exterior. A full model change is a complete redesign, with the vehicle often taking a new platform, powertrain, engine and suspension while keeping the same model name.

Making quicker changes to products gives a clear competitive advantage to companies that can do it successfully, Srivastava said.

Maruti Suzuki is at the cusp of a new product cycle starting this fiscal year, with a complete portfolio refresh along with addition of new brands. The Baleno, Vitara Brezza, Celerio and the Ciaz are some of the key models due for a full model change this year. The local unit of Japan's Suzuki Motor is also lining up multiple SUVs to be introduced over next four years, including the Jimny, a Suzuki-Toyota MPV and a mid-size SUV to rival the Hyundai Creta, besides a possible sub-four-metre crossover.

According to a recent JM Financial report, Maruti Suzuki makes a full model change every 6-7 years, with minor change/refreshes every 3-4 years. The previous product cycle for Maruti Suzuki began in FY13 with the launch of the Ertiga and the company introduced several more products by FY19, including the Baleno, Vitara Brezza and Ciaz, helping it increase the market share by close to 10 percentage points to 51%.

After a two-year gap in FY20-21, due to regulatory changes and the Covid-led disruption, JM Financial said it expects the new product cycle to drive growth at Maruti Suzuki. The share of new products for the company increased from 3% of sales in FY13 to 43% in FY20, the report said.

Designing and manufacturing cars is capex-intensive and, ideally, the manufacturer would like to continue selling for as long as there are buyers, said Ravi Bhatia, president of consultancy firm Jato Dynamics.

Number of new PV models + FMC (Full model change)

2012-13	13
2013-14	13
2014-15	10
2015-16	17
2016-17	19
2017-18	16
2018-19	25
2019-20	13

Age Profile of Automotive Manufacturers Product Portfolio

OEM	No. of models	Average age of portfolio models	Oldest models 15+ years
Maruti	15	8.0	Alto Wagon R
Hyundai	12	8.5	Santro/Elantra
TATA	6	5.9	Safari
Mahindra	9	9.6	Bolero/Scorpio
Toyota	7	7.7	Innova/ Camry
Honda	4	11.4	City

FOR FULL REPORT, GO TO www.economictimes.com

The times of India 10th July 2021

'Safety gaps in auto supply chains'

Siddharth.Tiwari
@timesgroup.com

Gurgaon: Calling for an introspection in safety protocols of various supply chain firms in the colossal automobile manufacturing ecosystem, a study by the Safe In India Foundation (SII) has underlined gaps in 10 auto giants' policy framework on ensuring safe working conditions for workers employed in their ancillary units.

The findings point to a "disrespect for the lives of workers and the conditions in which they work". Describing the automobile giants as "role models", it says they must set very high standards and "demand respect" for human safety in their supply chains.

According to the report, the SII team has assisted more than 2,600 injured workers from 2016-21 — 440 of these were in 2020-21, a year of curtailed manufacturing activity because of the pandemic — in the Gurgaon-Manesar and Faridabad automobile manufacturing sectors. It says around 70% of them have lost fingers or even hands to factory accidents, leading to permanent disability.

"More than 90% of the auto sector workers that SII has assisted report that they were injured in factories supplying to one or more of the three largest OEMs (original equipment manufacturers) in the region," says the report.

The SII's report is an outcome of its analysis of factory accidents and research of policies and practices of India's largest OEMs, or auto giants. Among its main observations on the policy framework is that safety policies of most auto majors don't explicitly say they cover contract/casual/temporary workers in their own factories and that seven out of the 10 companies don't have a supplier code of conduct to align with National Guidelines for Responsible Business Conduct (NGRBC).

According to the report, nearly 90% of the injured workers that SII assisted and analysed were migrants, from UP, Bihar and Odisha. Of them, 65% were contractual workers and 95% were not affiliated with any union that could fight for their rights. Further, the report finds that 59% of accidents happen on one type of machine — the power press.

The Society of Indian Automobile Manufacturers (SIAM) acknowledged the problem and said the industry should come together to ensure safe working conditions for workers by borrowing from the best practices of automobile giants like Maruti, Tata and Bajaj. "Worker safety is good for business, good for productivity. There have been some good practices, but a lot more should happen. These are some areas that we found important to focus on in our engagement with member OEMs: How to share best practices on safety, how to engage with all levels of the supply chain, and focus on the issue of supplier code of conduct," said Rajesh Menon, director general of SIAM.

Vinnie Mehta, director general, Automotive Component Manufacturers Association of India (ACMA), added, "The pandemic has brought to the forefront the importance of HR to an organisation — you need to take care of employees because they are important to business continuity and productivity."

KEY FINDINGS FROM 10 AUTO GIANTS

- Safety policies of most auto majors don't explicitly say they cover contract/casual/temporary workers in factories
- None of the brands have a human rights policy in public domain, but some documents mention 'respect human rights'
- 7 auto giants don't have processes to ensure safety in the deeper supply chain; none has an SOP
- There is no supplier code of conduct aligning with national guidelines in 7 auto majors

No. of injured workers assisted by SII during 2016-2021

Manesar	
Up to March 2017	237
April 2017-March 2018	601
April 2018-March 2019	531
April 2019-March 2020	413
July 2020-March 2021	239
Faridabad	
April 2019-March 2020	91
July 2020-March 2021	201

Source: Safe in India Foundation (SII)

Business Line 2nd July 2021

Auto registrations more than double month-on-month in June

FADA sees high pent up demand as Covid curbs ease in most States

OUR BUREAU
New Delhi, July 8

With Covid restrictions easing in several States, automobile retail sales witnessed a healthy recovery in June compared to May and are expected to improve further in the coming months.

According to data shared by the Federation of Automobile Dealers Associations (FADA), passenger vehicle (PV) retail sales more than doubled to 1,84,134 units in June, compared to 85,733 units in May.

Two-wheeler (2W) sales also more than doubled to 9,30,324 units (4,10,757 units in May). Commercial vehicle (CV) sales increased to 35,700 units (17,534 units) and three-wheeler (3W) sales surged to 14,732 units (5,215 units).

Tractor sales too witnessed an increase in registrations at 52,261 units (16,616 units). The increase in all the categories led to total registrations (across categories) rising to 12,17,151 units during the month against 5,35,855 units in May, the FADA report said.

"June witnessed re-opening for most of the States, except the ones in the South. Due to this, the industry witnessed a high pent up demand which was stuck in the system because of State-wide lockdowns," Vinkesh Gulati, President, FADA, said.

The PV segment saw good demand as customers continued to show keenness in vehicles for observing social distancing and the safety of their families, he said.

"Overall, the industry is still not out of the woods. When compared to June 2019, we are still in red by -28 per cent with 3W and CVs taking the max hit as they are down by -70 per cent and - 45 per cent respectively. Only tractors continue to grow as they were up 27 per cent compared to June 2019," Gulati said.

The passenger vehicle segment saw good demand

Shortage of chips

Gulati also said that the continued shortage of semiconductors was restricting the growth of passenger vehicles. "On one hand, while the new virus mutants and a prediction of a third wave in August are affecting sentiments, the revival of monsoons in July, after a pause of two weeks, and better vaccination drive rate continue to build some hope," he added.

The Economic Times 8th July 2021

Amid Muted Demand at Home, Exports Offer Relief to Auto Cos

2-wheeler exports double in first 5 months of 2021; Maruti's exports highest ever in June

Ketan Thakkar & Ashutosh R Shyam

Mumbai: As the second wave of Covid compelled a majority of the markets to remain under lockdown in India, the thriving exports market turned into a major reprieve for automakers who were under pressure in India. The two-wheeler exports almost doubled and garnered a turnover of $1.1 billion in the first five months of 2021 making up for almost 63% of last year's business. As the markets in Latin America, Africa and SouthEast Asia remained largely unaffected, the exports from India zoomed.

Ditto is the case with car and truck makers. For India's largest carmaker, Maruti Suzuki, the exports in June were its highest ever at 17,000 units even as the domestic market started witnessing recovery. In the first six months of 2021, Maruti's exports swelled by 138% to little over 80,000 units.

In the first five months of the 2021, the export of the two-wheeler and passenger cars rose 94% and 20%, respectively to 1.89 million and 0.18 million units, respectively.

ICRA says the steady growth in two-wheeler exports is encouraging and is expected to support industry volumes in FY22; however, volatilities in exports may pose downside risks. Rohan Kanwar Gupta, VP & sector head, corporate ratings, ICRA says the demand in export markets has remained robust, with volumes at 2.8 lakh units in June-2021, higher by 25% as compared to June 2019 levels.

"Some participants continue to quote that scarcity in containers is constraining exports; with an expectation of gradual resolution of the same, export volumes are likely to continue to support industry volumes in the near-term."

Interestingly, the two-wheelers export sales volume for five months were equivalent to the total domestic sales for the first time in many years, the data from the SIAM shows. As against the average two-wheeler exports of 3-3.4 million, at the current pace, the two-wheeler exports may hit a record of 4.5 million, if the overseas market do not witness a major disruption on account of the second wave.

Historically, the export two-wheelers sales have been in the range of 15-20% of the total domestic volume.

India's largest two-wheeler exporter Bajaj Auto's export volumes rose 68% to 11.16 lakh units in the first six month of 2021 and accounted for nearly half of the total two-wheeler exports.

The company is witnessing healthy demand from Africa and Latin America region; however, demand from the ASEAN markets is yet to recover. The maker of Pulsar and Chetak expects the export monthly rate to be two lakh units in the second quarter of FY22 aided by recovery in demand and container availability.

The company has been able to maintain export commitment despite the challenges on container availability, semiconductor shortage and supply disruptions.

In Fourth Gear

JAN TO MAY 2021

94% Rise in export of two-wheelers to **1.89 million**

20% Increase in passenger cars to **0.18 million** units

Over **$1.1 billion** Revenues from two-wheeler exports

17,000: No. of cars Maruti Suzuki exported in June

Two wheeler exports from Jan to May made up for 63% of last year's turnover in just 5 months

Business Line 15th July 2021

Auto wholesales jump multi-fold in June

But industry still concerned over rise in commodity prices, chip shortage and possible third Covid wave

OUR BUREAU

New Delhi, July 14

The domestic wholesales (dispatches from factories) of automobiles in June jumped multi-fold on a monthly basis, touching 12,96,807 units for all categories put together compared to 4,42,013 units in May.

In the passenger car segment, the wholesales touched 1,21,378 units compared to 41,536 units in May. On a year-on-year (YoY) basis also, the passenger car segment more than doubled sales compared to 55,497 units in June last year, according to data shared by the Society of Indian Automobile Manufacturers (SIAM) on Wednesday.

Rural demand

With the markets improving over the last one month after the lifting of lockdown in many States, the demand in rural areas is also expected to improve, Kenichi Ayukawa, President, SIAM, told reporters. "We expect the rural demand to come back...with a good monsoon season, we are expecting the markets to return to normalcy," he said, adding that manufacturers have carefully resumed operations in a phased manner.

"We are thankful to the government for improving the rate of vaccination in the country, rolling out a fiscal stimulus package for the worst-hit sectors and including wholesale and retail trades under MSMEs," Ayukawa said.

In the utility vehicle segment, the domestic wholesale rose to 1,00,760 units last month, a growth of 193 per cent on month-on-month (MoM) basis compared to 45,158 units in May. On YoY basis, the sales more than doubled compared to 46,201 units in June last year.

In the two-wheeler segment, the industry sold 2,41,689 units of scooter in June, almost four times on monthly basis as it sold 50,294 units in May. However, on a YoY basis, the sales declined by 10 per cent compared with 2,69,812 units in June 2020.

Domestic wholesale performance in June (in units)

Segment/ Sub-segment	June 2021	May 2021	June 2020	% change (MoM)	% change (YoY)
Passenger cars	1,21,378	41,536	55,497	192	119
Utility vehicles	1,00,760	45,158	46,201	193	118
Total PVs	**2,31,633**	**88,045**	**1,05,617**	**163**	**119**
Total three-wheelers	**9,397**	**1,251**	**10,300**	**651**	**-9**
Scooter	2,41,689	50,294	2,69,812	380	-10
Motorcycle	7,77,100	2,95,257	7,04,365	163	10
Total two-wheelers	**10,55,777**	**3,52,717**	**10,14,827**	**199**	**4**
Grand total of all categories	**12,96,807**	**4,42,013**	**11,30,744**	**193**	**15**

Source: SIAM

Motorcycle sales also jumped by 163 per cent on MoM basis to 7,77,100 units in June against 2,95,257 units in May. On a yearly basis, sales grew 10 per cent against 7,04,365 units in the corresponding month last year.

On the quarterly basis, the domestic sales of passenger vehicles jumped 320 per cent to 6,46,272 units during April-June compared with 1,53,734 units in corresponding period last year.

Commercial vehicles

The commercial vehicle segment also grew by 234 per cent YoY to 105,800 units during the first quarter against 31,636 units in April-June 2020.

Overall, across categories, domestic sales more than doubled to 31,80,039 units during the first quarter compared with 14,92,612 units in the same period last year. "In the first quarter, many manufacturers shut down their manufacturing plants to make oxygen available for medical purposes. They also contributed towards augmenting oxygen supply to hospitals, supporting health care facilities and helping local communities. Due to various lockdowns, many dealers could not operate, leading to subdued sales," Ayukawa said.

Facing headwinds

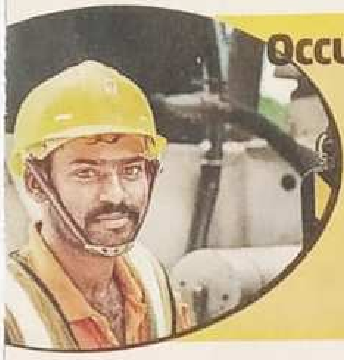
He further said the Indian automobile industry is facing headwinds like steep increase in commodity prices, semi-conductor shortage, and fear of a third Covid wave. "In such uncertain environment, the industry is working hard to maximise production and sales while ensuring safety of our people and customers," he added.

On fuel price rise, Ayukawa said: "Unfortunately, with the fuel price going up we will be getting a negative impact on our industry. How long this kind of situation will continue we don't know but we expect the fuel prices to become reasonable as soon as possible."

The Economic Times 11th July 2021

UNSAFETY RECORD An SII report shows many workers have lost their hands while at work

Auto Plants Hardly a Place for Workers' Safety



Occupational Hazards

- Top auto brands **lack policies** to ensure worker safety in their supply chains
- More than **2,600 workers got injured** in last four years in the Gurugram-Manesar-Faridabad industrial belt
- More than **1,800 lost their hands** or fingers to machines like the power press
- Majority of the injured workers were **contractual**

Nehal.Challawala
@timesgroup.com

Mumbai: Seven out of the 10 leading automakers did not have any policies to ensure occupational safety and health (OSH) of workers in their supply chain, especially at tier-2 level and beyond. A tier-2 supplier manufactures components for a direct supplier of an automaker.

Over the past four years, at least 2,600 workers have been injured and 70% of them lost their hands or fingers in the Gurugram-Manesar-Faridabad industrial belt alone, the report stated. Majority of these accidents involved a machine called a power press, which is used in making automotive parts.

The report called Safety Niti 2021 was put together by Safe in India Foundation (SII).

The automakers analysed include the top eight automakers by market capitalisation listed on NSE, including Maruti Suzuki, Tata Motors and Hero MotoCorp. Unlisted companies Hyundai Motor and Honda Motorcycle and Scooter India (HMSI) were also analysed.

For the purpose of the report, SII collated data from publicly available documents of these companies like the business responsibility report, sustainability report, financial reports and codes of conduct, among other things.

"We found that on a number of points, their policies and procedures for their deeper supply chain are very inadequate," Sandeep Sachdeva, chief executive of SII told **ET**.

"The supply chain cannot improve without the auto sector brands pushing for it. They are the buyers, they have the commercial power on these suppliers, and they have the expertise," he argued. "It is not their legal responsibility to take care of workers at tier-2, tier-3 suppliers and beyond, but it is their business responsibility now."

This comes at a time when environmental, social, and governance (ESG) principles are fast becoming a prerequisite for global investors. In fact, Sachdeva stated that the top five investors in the automotive sector in India, including BlackRock, are ESG-oriented.

The number of accidents go up significantly further down the supply chain of the automotive industry as smaller suppliers get involved. As many as 75% of the injured workers that SII helped over the past four years were working at a tier-2 supplier or lower.

Between 50% and 72% of the workers during these years were working on a contractual basis rather than being full-time employees, which further reduces the liability of the employer in cases of accidents.

FIRST THINGS FIRST

Recommendations for automakers made in the SII report to reduce the number of accidents include having OSH policies for their entire supply chain

"Permanent workers have all sorts of benefits which contractual workers do not have," Sachdeva said.

The recommendations for automakers made in the report to reduce the number of accidents include having OSH policies for their entire supply chain and explicitly including contractual or temporary workers in these policies. Further, these companies must demand of their suppliers that all workers be given a letter of employment and that workers get paid double for overtime.

FOR FULL REPORT, GO TO
www.economictimes.com

Business Standard 15th July 2021

A chip in global recovery

Vehicles, computers, mobile phones and other smart gadgets, with sticker prices ranging up to thousands of dollars, are stuck on assembly lines for lack of components that may just cost a couple of dollars

DEVANGSHU DATTA
New Delhi, 14 July

REUTERS

In the last three months, many large global and domestic auto manufacturers — Tata Motors, Ford, Mahindra, Volkswagen, Audi, Fiat, General Motors — have issued advisories stating production levels will be held well below capacity. Electronics giant Apple has also said it cannot produce iPhones fast enough to meet demand. Sony has struggled to meet demand for its new Playstation5. Moreover, many of these companies have stated that they expect production cuts to last until mid-2022, at least.

The opportunity costs of lower production will run into many billions. The causes are the same across diverse industries. Supply chains are stuttering due to a shortage of chips. Even Intel, Qualcomm, and AMD, chip manufacturers themselves, are experiencing shortage in key components.

Semiconductor manufacturers are working desperately to increase capacity, but it will take a while. Until chip supply rises to meet demand, and the best guess seems to be mid-2022 or later, one can see an apparently absurd situation: Vehicles, computers, mobile phones, and other smart gadgets, with sticker prices ranging up to many thousands of dollars, are stuck on assembly lines for lack of components that may just cost a couple of dollars.

How did this happen? The demand for certain categories of chips surged during the pandemic. As Work from Home, Study from Home and Play from Home became the norm, people bought more PCs (the PC and laptop market witnessed its best year of growth since 2009-10), smartphones (Apple and Samsung had huge revenue growth), high-end Wi-Fi equipment and routers, printers, home theatre systems, and so on. They also bought smart home gym equipment like Bluetooth-enabled exercycles and treadmills; and they bought game consoles and headphones. Cloud service providers had to expand capacity to service this new demand, which meant that they needed more chips, too.

There are very few semiconductor manufacturers in the world. Most of the contract capacity is with TSMC in Taiwan and SMIC in China, with a few other players such as Samsung

Every one of those gadgets and gizmos, not to mention cloud servers, contains chips of some description, usually multiple types. Apart from the major processing units, there will be chips that do vital things such as manage power, monitor screen displays, connect to routers, camera sensors, and the like.

This surge in demand meant capacity in the semiconductor industry was stretched. At the same time, auto manufacturers saw a slump in sales. Cars and bikes contain lots of chips, mostly lower-end ones. There are chips and sensors embedded everywhere in modern vehicles.

Most automobile companies (if not all) use just-in-time (JIT) manufacturing paradigms to source components. So, they cut their standing orders with semiconductor companies. Ironically, Toyota, which was a pioneer in JIT, was flexible enough to stock up on chips during the pandemic and as a result, it now claims it has several months of chip inventory and, therefore, need not cut production.

A faster-than-expected recovery in the global economy then coincided with a behavioural change in consumers. People shifted to personal vehicles from crowded public transport. That meant automakers were caught flat-footed a second time and when they tried to increase chip orders, they discovered that they were behind in the queue. Apple alone consumes more semiconductors (worth $58 billion) than the entire global auto industry ($40 billion) and mobile phones use higher-end, higher-margin chips compared to cars. So chip makers had little incentive to prioritise the auto industry.

There are very few semiconductor manufacturers in the world. Most of the contract capacity is with TSMC in Taiwan and SMIC in China, with a few other players such as Samsung, which consumes a large percentage of its chips internally (apart from supplying chips to rivals like Apple). There are also specialty players such as SK Hynix, which manufacture memory. In addition to the supply crunch, the US-China trade war meant SMIC couldn't import high-end manufacturing equipment to increase capacity from the US, or sell to American companies. This exacerbated the situation.

There are many, many chip designers — but "fabless" is the normal state of affairs for a chip company. The company designs the chip and then contracts out to Taiwan or China for the fabrication. Economies of scale are vastly important.

A full-fledged fab facility of reasonable scale requires upwards of $15 billion in investments. Even a smaller specialised facility will require at least $3 billion in investments. Setting up new chip fabrication facilities takes quite a while. Apart from land, equipment, and skilled labour, a fabricator needs vast quantities of absolutely pure water, or it has to set up excellent water purification and recycling systems. This is a constraint. It is one reason India's initiative to encourage domestic semiconductor production and attract overseas fabricators is not going to be easy because pure water is a very scarce resource in India.

TSMC says it will spend $28 billion to expand capacity and its new facilities will come online with full production over 2022-23. Most projections suggest the chip shortage will start easing in mid-2022, with some categories seeing faster improvements in supply, and some staying under pressure till 2023. Apart from India, the European Union is offering incentives for fabricators, and the US is thinking about it.

The shortage will, of course, mean shortages and inflated prices across many downstream categories. It could be a windfall for those who have more assured supply. Samsung and Toyota have both raised earnings estimates by over 50 per cent, which is amazing for mega-billion multinationals. Even so, Samsung, which consumes over $36 billion worth of chips internally and sells another $56 billion, says it would have done better if it hadn't faced a supply crunch. The management theorists will be studying what happened in the semiconductor industry for years to come.

PRESS REPORTS
ON
ELECTRIC VEHICLE

Business Line 3rd July 2021

India gives aluminium battery a chance to take on lithium in electric vehicles

Indian Oil teams up with Phinergy of Israel for aluminium air battery

BLOOMBERG

July 2

A drive to reduce dependence on imported materials and technology, especially from China, is pushing India to invest in a battery technology that uses aluminium rather than lithium as the key ingredient. Indian Oil Corp, the nation's largest oil refiner, has teamed up with start-up Phinergy Ltd to develop the Israeli company's aluminium-air battery. India has few exploitable options to produce lithium, the key metal for the current generation of electric-vehicle batteries, but its eastern jungles hold large reserves of bauxite, the ore used to make aluminium.

"Lithium is scarce in the country and we started scouting for an element which is abundantly available as a natural resource," said Indian Oil R&D Director SSV Ramakumar. India is among the top 10 bauxite producers. It has some 600 million tonnes of the ore in proven reserves, according to the US Geological Survey, though India's mining ministry estimates that untapped resources may be many times that amount. Moreover, the country has invested heavily in production of aluminium over the years to become the world's second-biggest smelter of aluminium.

"Clearly the special consideration here is that aluminium is in better supply than lithium," said James Frith, Head of Energy Storage at BNEF in London. "But with the ever-falling prices of lithium-based systems, developers will be under pressure to find niche applications where aluminium-oxygen can gain a foothold."

An aluminium-air battery could win advantages over its lithium-ion rival in three other crucial ways, Ramakumar said: It's potentially cheaper, vehicles using it would have a longer range, and it's safer.

Swapping batteries

The battery works by tapping electricity generated when aluminium plates react with oxygen in the air. It has one of the highest energy densities for a battery. But the system has a number of drawbacks that have kept it from wide-scale use since it was first proposed in the 1960s.

Phinergy's aluminimum air battery works by tapping electricity that is generated when aluminium plates react with oxygen in the airsystem SOURCE: PHINERGY LTD.

Chief among them is the cost of materials that need to be added to the battery to prevent the power from dropping and the fact that the cells can't be recharged. Instead, Phinergy's plan is for users to be able to quickly swap in a new battery and send the used one to a recycling facility.

It takes just three minutes to replace the battery, about the time it takes to fill up at a gas station, Ramakumar said. The fuel retailer plans to use its network of filling stations as swapping points.

In comparison, lithium-ion batteries often contain hazardous materials that can be toxic if not disposed of correctly, making them harder to recycle. By 2035, the world will have accumulated about 4 millions tonnes of Li-ion batteries that have reached the end of their lives, according to a Bloomberg NEF estimate.

Amara Raja technologies

Amara Raja Batteries Ltd., India's largest producer of lead-acid cells, is examining existing lithium-based technologies as a "next growth engine," though also sees scope for alternatives to be developed, Vijayanand Samudrala, the firm's president of new energy, told a BNEF summit.

"I don't think there's a final word on the maturity of the technology. I can see at least two or three generations of technology shift happening in the batteries area in the next 10 years," he said.

Indian Oil made a strategic investment in Phinergy in early 2020, and the Indian firm's 30,000 service stations can "serve as the infrastructure for the deployment of Phinergy's technology," the Israeli company said in an e-mail. Phinergy's systems have been tested by telecom companies for backup power at transmission towers and other sites. The company, which raised $60 million from an initial public offering in Tel Aviv earlier this year, has run a test car using an aluminium-air battery to keep the vehicle's lithium-ion power pack charged that it says would have a range of 1,750 km. To assess the viability of wide-scale use in India, automakers Mahindra and Mahindra Ltd., Maruti Suzuki India Ltd. and Ashok Leyland Ltd. are carrying out vehicle tests that are expected to take almost a year. If there's enough demand, Indian Oil and Phinergy plan to set up a gigawatt-scale facility to make the batteries, Ramakumar said.

Business line 6th July 2021

Electric vehicles see strong demand revival in June as Covid curbs ease

Govt incentives, too, push up sales

G BALACHANDAR

Chennai, July 5

In an indication of growing acceptance of battery-powered vehicles, sales of electric vehicles bounced back strongly with more than 11,000 units (all segments put together) in the month of June helped by gradual lifting of lockdowns across major cities in the country.

The registered EV sales in June witnessed a month-on-month jump of 236 per cent, at 11,149 units (against 3,303 units in May 2021).

The sudden rise with respect to previous month's sales can be attributed to the easing of lockdown restrictions, says a report of JMK Research.

Two-wheeler volumes

The overall high speed (HS) electric two-wheeler volumes in June stood at 4,057 units compared with 1,038 units in lockdown-hit May and 5,128 units in April. However, when compared with June 2020 volume of 1401 units, this June volumes were up 190 per cent.

Gearing up The revival in demand for EVs is expected to get stronger and volumes are forecast to grow further in the coming months

Four players — Hero Electric, Okinawa, Ampere and Ather — continued to dominate the HS market with a combined market share of 68 per cent share in June sales.

Sales of registered electric three-wheelers (both passenger and cargo-vehicles) stood at 5,754 units in June against 1,874 units in May and 4,450 units in June 2020.

The share of cargo-type electric 3W in the overall electric 3W volumes sales has been reporting a declining trend over the previous two months (April-May). Analysts attribute this to the lockdown curbs and the absence of public transport systems across the country.

The total sales of electric cars were at 735 units in June compared to 234 units in May and 289 units in June 2020.

Market share

Tata Motors continues to maintain the maximum share in the electric car market with 76 per cent share in June sales, followed by MG Motor at 20 per cent share, said the report.

Among all the States and UTs, Uttar Pradesh continued to have maximum monthly registered EV sales with 27 per cent of overall sales in India in June. Maharashtra occupied the second position with 10 er cent share, followed by Tamil Nadu (9 per cent).

March 2021 was a peak month for the EV industry with each category reporting their highest-ever monthly volumes. The pandemic applied brakes on the sales momentum of EVs during the first two months of this fiscal with major cities like Delhi, Mumbai and Bengaluru, among others hitting their peak Covid-19 infections, followed by other cities like Chennai.

The revival in demand for EVs in June is expected to get stronger and volumes are forecast to grow further in the coming months, supported by policy incentives and extension of FAME India Phase 2 programme and the announcement of EV policy by States like Gujarat, among others.

The EV policy of Gujarat seeks to support electrification of 2 lakh vehicles (110,000 two-wheelers, 70,000 three-wheelers and 20,000 cars) over the next 4 years. The combined incentives offered by the Central government's FAME-II Scheme and the Gujarat EV policy are expected to provide an overall benefit of over ₹60,000 which could make electric two-wheelers price competitive with conventional two-wheelers, a move that may spur mass adoption.

The Economic Times 10th July 2021

One Electric Starts Export of Flagship Motorcycle to Kenya

Our Bureau

Mumbai: One Electric Motorcycles has become the first Indian electric vehicle maker to export to Africa as deliveries of its flagship Kridn motorcycle begin in Kenya, the company said on Friday.

It plans to enter South America and Europe in 2022 and, before that, expand to four more African countries. "We have designed Kridn for tough road conditions, heavy loading and high temperatures, which answers the needs of African, Indian and South American markets," chief executive Gaurav Uppal said. Uppal told **ET** that the company was finding better traction for its products in Africa than even in India and was prioritising exports at par with the domestic market. This is a departure from domestic EV makers focussing primarily on the local market with little progress on the export front.

The African electric two-wheeler market is dominated by Chinese players.

Several Indian EV makers in the two- and three-wheeler space also rely extensively on technical support and even parts from China, making them uncompetitive with Chinese manufacturers in the global market. "Keeping export markets at par with India is a strategic decision we have taken based on a global vision for Kridn," Uppal said in a statement. "One of the reasons is lower price point resistance. However, more importantly, we believe that having a bigger market base globally, will help us grow at a much faster rate, in terms of both numbers and product evolution."

The firm is targeting exports of 3,000 units in its first year. The EV maker claimed that it was receiving "tremendous response" from people wanting to set up dealerships in India, but it had no plans of expanding beyond the network of 25 dealerships in six states for the time being. This is so that it can focus on B2B sales and exports simultaneously with B2C sales.

Abhijeet Shah, chief technology officer of One Electric, said the company was exploring Maharashtra and Uttar Pradesh for setting up a large-scale manufacturing facility. The current facility in Noida has a capacity to manufacture only about 500 units a month.

Business line 2nd July 2021

Nissan exploring electric vehicle ecosystem in India

This includes a gigafactory to make EV batteries

OUR BUREAU

Chennai, July 1

Japanese carmaker Nissan Motor Corporation on Thursday said it is doing a study on the possibility of locally manufacturing electric vehicles in India with a complete ecosystem, including a gigafactory to make EV batteries.

The study was kicked off three months ago and is expected to be completed in nine months, Ashwani Gupta, the global COO of Nissan, told a select group of journalists.

The company will take a call on the EV strategy for India based on the outcome of the study.

Nissan's view is that EV play requires a complete ecosystem and needs thorough planning with a possibility of complete localisation of parts.

"Electrification is not a one-day story. The most important is the battery manufacturing, along with battery charging infrastructure and the source of power. Also, EVs should be affordable to buyers. But, good to see that electric cars have started rolling out in India now. Of course, many challenges will be coming – cost of operations, cost of infrastructure and profitability. But all these will be stepping stones for EV evolution," said Gupta.

Ashwani Gupta, COO

Though Nissan is relying on its study for the India EV plan, Gupta is of the view that building competitiveness is key in this business. "India should not be thinking of CKD or CBU operations for EVs. Like Nissan Magnite and Renault Kwid, EVs need to be fully localised. Also, to achieve economies of scale, the EV plants should also be in a position to export."

Small electric car

Nissan is reported to be developing a small electric K car in partnership Mitsubishi and that model may be considered for launch in India.

The above details were disclosed after the announcement of its V36Zero, a £1-billion flagship Electric Vehicle (EV) Hub creating a world-first EV manufacturing ecosystem in Sunderland, UK.

Envision AESC, the battery arm of global green tech company Envision Group, will deploy latest technologies to monitor and optimise energy consumption, manufacturing and maintenance at its new gigafactory, enabling it to rapidly increase production and provide batteries to power up to 100,000 Nissan electric vehicles a year.

Business Standard 15th July 2021

Policy push making EVs more affordable, say manufacturers

Along with record high fuel prices, this is helping change fence-sitters' views, they say

SHALLY SETH MOHILE & SHINE JACOB

Mumbai/Chennai, 14 July

HOW STATES ARE CHARGING AHEAD WITH SOPS

MAHARASHTRA
- No registration charges, road tax
- Property tax rebates to install private charging infra

GUJARAT
- Subsidies for 200,000 EVs, including 110,000 2-wheelers, 70,000 3-wheelers and 20,000 4-wheelers
- Incentive of ₹10,000 per kWh of battery capacity, highest in India
- Subsidy capped at ₹20,000 for e-scooters and bikes; at ₹50,000 for e-rickshaws and ₹1.5 lakh for electric cars and SUVs

TAMIL NADU
- 100% tax exemption
- Sops for vehicle makers include reimbursement of GST, capital subsidy, no electricity tax, 15-50% subsidy on land cost and others

KARNATAKA
- 15% capital subsidy to investors on value of fixed assets over 5 equal annual payments (maximum 50 acres of land)
- Production-linked subsidy of 1% on turnover for 5 years

DELHI
- Incentive of up to ₹30,000 for 2-wheelers, autos and e-rickshaw; ₹1.5 lakh for cars and goods carriers
- No road tax and registration fee

Incentive schemes announced by state governments and the Centre have made electric vehicles (EVs), particularly two-wheelers, very affordable and will lead to their faster adoption, said officials of various EV makers.

On Tuesday, Maharashtra joined Gujarat, Karnataka, and Delhi, among others, in announcing a comprehensive policy aimed at propelling the growth of battery-powered vehicles.

Manufacturers say such schemes have helped reduced EV prices by ₹25,000-30,000 in some states. With petrol prices breaching the ₹100 per litre mark in many cities and multiple product being offered in the EV space, buyers have started questioning the rationale behind opting for an internal combustion engine (ICE) powered two-wheeler, said Sohinder Gill, director general of the Society of Manufacturers of Electric Vehicles (SMEV).

"Word of mouth is spreading fast," Gill said. "We are seeing so much traffic in showrooms of people who are comparing EVs with ICE," he said.

In June, India sold 25,000 e-two wheelers. This is equivalent to the March volumes, said Gill, adding that the recovery from the second wave of Covid-19 is firmly underway.

But the road ahead is long. India sold 152,000 electric two-wheelers in 2019-20, up from 126,000 in FY19. This trajectory was hit in FY21 by the pandemic, and it declined 6 per cent year-on-year, according to SMEV.

Joining the fray

However, manufacturers see hope in the possibility of other states announcing EV policies, like Haryana and Uttar Pradesh. "The state-specific policy is an additional sweetener over and above the FAME II policy," said Gill.

And this policy thrust is helping, manufacturers say. "What we see on the ground is an exponential increase in consumer demand. The rise may also be driven by the pent-up demand from the second lockdown, but I would attribute it to the policies that were taken by the governments. Footfall in the shops definitely went up by 1.5-2 times, showing a definite upsurge in markets that have normalised," said Nilay Chandra, director – marketing and charging infrastructure, at electric scooter-maker Ather Energy. The Bengaluru-based firm is backed by Hero MotoCorp and Flipkart founders Sachin and Binny Bansal.

"The shoot up in demand for EVs is very clear," said Shailesh Chandra, president, passenger vehicle business unit, Tata Motors, alluding to the demand for e-Nexon.

Auto firms are lauding Maharashtra's policy. Rajesh Jejurikar, executive director, auto and farm sectors, at Mahindra & Mahindra, said the new "Maharashtra EV policy is both, progressive and comprehensive in nature." It covers all aspects of EV ecosystem from charging to making financing simpler.

"The policy rollouts by various state governments are helping in removing the bottlenecks in adoption of electrification." It addresses all issues — from cost of acquisition, one of the biggest barriers in EV adoption, to focus on charging infrastructure and localisation in the state. "All these elements show that it's a well thought policy and will help drive electrification," said Chandra.

According to Ather's Chandra the real impact of states' policies will be felt in the festive season. A concerted policy push and rising petrol prices have changed "the attitude of a lot of fence-sitters in the last one-and-a-half months," he said.

The Economic Times 15th July 2021

Sops Bring Electric Taxi Prices Down to CNG Levels, Below Diesel Models

Compact sedan taxi gets 25-30% benefit, thanks to Centre, state sops

Nehal Chaliwala & Ketan Thakkar

Mumbai: Buying an electric taxi now may come at almost a similar ticket price or just marginally higher than the ones run on CNG or lower than diesel cabs, especially in the states such as Maharashtra, Gujarat and Delhi, thanks to sops extended by the state and central governments to make electric vehicles mainstream.

If you bundle the sops extended by the central government in the form of lower GST and Faster Adoption and Manufacturing of Electric (FAME) incentive and the additional benefits offered by the state, the compact sedan taxi gets almost 25-30% benefit or ₹3-3.5 lakh.

Consider this. A Maruti Suzuki Dzire CNG in Delhi would cost a taxi buyer ₹6.8 to ₹7.5 lakh. Sans incentives, Tigor EV comes at 11-12 lakh and if one were to deduct state and central subsidy along benefits on zero registration fees – it may cost around ₹7.5-8 lakh. Plus, the cost of running too is lower and it has zero emission. While the fleet or taxi market is struggling currently, Tata Motors believes that the market will come back soon rather than later and it came out with a dedicated brand for the fleet market called 'Xpres' with the core focus on EVs and CNG.

Tata Motors on Wednesday said that it was keen to leverage the subsidies to sell more electric cars. The company announced its upcoming EV called Xpres-T, which is targeted at commercial fleets. Very soon it will also launch a range of CNG cars too.

"The EV incentives make the Xpres-T competitive to even some CNG vehicles," said Shailesh Chandra, president of Tata Motors' passenger vehicles business unit.

Pocket-friendly

₹4-7/km Running cost of petrol and diesel cars

₹1.6-1.7/km For CNG cars

₹1.47 For electric cars

The Economic Times 14th July 2021

Tesla Rolls into Battlegrounds Mobile India after Krafton Pact

Our Bureau

Pune: South Korean game developer Krafton has tied up with US-based electric vehicles maker Tesla for Battlegrounds Mobile India (BGMI), the gaming app it launched earlier this month in India which has garnered over 34 million registered users in the country.

Tesla has installed its Gigafactory at four fixed locations on the map in the game, and players can enter this and watch the production of a Tesla Model Y before driving away in it. A self-driving Tesla Semi will also spawn randomly on rural roads and automatically run along specific routes, Krafton said.

THE EXPERIENCE

Players can enter Tesla Gigafactory in the game and watch the production of a Tesla Model Y before driving away in it

The unveiling of Tesla in BGMI coincides with the Elon Musk-run electric carmaker's plans to bring the Model 3 to India, five years after it took bookings from Indian users.

Tesla has set up a local office, hired senior executives and is exploring a manufacturing unit in the country.

Business Line 14th July 2021

AP orders 25,000 electric 2-wheelers from EESL subsidiary for govt staff

OUR BUREAU

Hyderabad, July 13

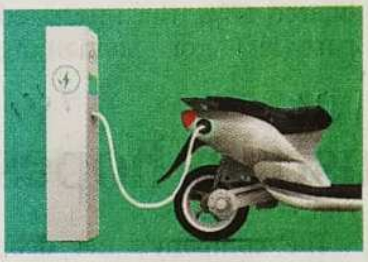
The Andhra Pradesh government will buy 25,000 electric two-wheelers for its employees.

Convergence Energy Services Limited (CESL), a newly established subsidiary of Energy Efficiency Services Limited, itself a joint venture of public sector companies under the Ministry of Power, has signed an agreement with the New and Renewable Energy Development Corporation of Andhra Pradesh (NREDCAP) to provide the vehicles.

Green drive

Mahua Acharya, MD and CEO, CESL, said, "Andhra Pradesh's decision to go electric will accelerate e-mobility adoption in the country, hopefully providing a blueprint for other States to adopt. We look forward to achieving scale, consolidation and standardisation across the ecosystem."

Under the agreement, CESL and NREDCAP will work to aggregate demand, deploy electric vehicles, and build charging infrastructure.



Srikant Nagulapalli, Chairman, NREDCAP, said: "Providing 25,000 electric two-wheelers to government employees will be game-changing for e-mobility in the State. Apart from mitigating climate change, electric mobility is going to be a key economic growth driver and we are focussed to build the e-mobility ecosystem in the State. We will encourage all government employees including cooperative societies, public sector undertakings, village, ward secretariat staff and others to opt for EVs. A large government EV fleet will encourage greater uptake among masses."

AP's Energy Minister, Balineni Srinivasa Reddy, said: "Our vision, with the procurement of 25,000 vehicles, is to make Andhra Pradesh go electric. We have been effectively providing affordable and clean power, and a fillip to e-mobility will make a further push towards clean energy adoption. Electric two-wheelers for government employees will boost energy and financial savings, and we hope more people will also make a shift to EVs."

Monthly lease

The electric two-wheelers will be provided on a monthly lease, inclusive of a comprehensive insurance, which will be deducted as EMI from the employee's account. The vehicle will come with a three-year standard warranty against manufacturing defect. Batteries will carry a warranty up to three years or 60,000 km, whichever is earlier.

PRESS REPORTS
ON
COMMERCIAL VEHICLE

Business Line 3rd July 2021

EASING OF COVID-19 CURBS

CV exports gear up for growth as markets open up

Domestic demand remains muted

G BALACHANDAR

Chennai, July 2

After two-wheelers and tractors, commercial vehicle exports have started to show a sharp increase and manufacturers are gearing up to accelerate shipments with renewed plans as many geographies open up after Covid-19 restrictions.

Exports of two-wheelers and tractors have been steady in the past few months amid disruption caused by the pandemic on the domestic demand. Now, the commercial vehicle sector is witnessing month-on-month growth in exports.

Strategic clusters

"We have appointed 6-7 large distributors in strategic clusters of Africa and the Middle East in the past 15 months. But due to Covid-19 we couldn't ship products. Now, we are ready to go. With a wide range of products, we hope to grow in those markets," Vipin Sondhi, Managing Director & CEO of Ashok Leyland, told *BusinessLine*.

The distributors are strong big houses in the respective geographies. They are distributors of automobiles or diversified companies. They will have a separate team to sell Ashok Leyland's products.

The company is better-equipped from an international perspective now as it has a good range of right as well as left hand side drive products.

Overall numbers

In FY21, overall CV exports from India fell 17 per cent at 50,334 units. Only VE Commercial Vehicles and Isuzu Motors reported positive growth at 10 per cent (at 5,025 units) and 186 per cent (3,750 units) respectively. However, Ashok Leyland's

The commercial vehicle sector is witnessing month-on-month growth in shipments

medium and heavy truck exports grew 46 per cent at 2,932 units. It sold 1591 units in Q4FY21 alone.

Tata Motors reported a decline of 32 per cent at 20,000 plus units mainly due to Covid-19 related restrictions impacting economic growth and business sentiment on the demand side, and supply chain challenges impacting the company's ability to fulfil demand.

"Despite a shrinking industry, Tata Motors was actually able to grow market share in key international markets like Bangladesh, Nepal, Middle East, East Africa, Vietnam and Tunisia in FY21. H2 of FY21 saw strong momentum with a growth of 11 per cent above H2 of FY20. In the current fiscal, exports have grown over a similar period in FY21, what's more noteworthy is that they are also 50 per cent higher than a similar period in FY20," Girish Wagh, President, Commercial Vehicle Business Unit, Tata Motors, told this newspaper. "We plan to build upon the encouraging landscape that we see in Africa and ASEAN markets with strategic introduction of new products and entry into new segments. International business continues to remain an important pillar in the overall Tata Motors CV strategy, and we are committed to expanding our footprint globally," he added.

Positive growth

With positive growth in FY21, VECV has moved up to No.2 position in CV exports in the 5-40-tonne trucks segment. The company says its exports are gaining momentum. During Q1 of this fiscal, VECV exported 1,670 units of trucks and buses as compared to 577 units in the year-ago period. While it supplies India-built products to many markets, it has also initiated pilot supplies to new markets in Africa and Latin America.

The Economic Times 5th July 2021

CV Sales to Pick up in H2 with Heavy Trucks Leading the Way

Sharmistha.M@timesgroup.com

New Delhi: Sales of commercial vehicles – a barometer of economic activity – are expected to post robust growth in the second half of 2021 driven by replacement demand and a pickup in construction activity amid easing of local lockdowns, industry officials said.

Heavy duty trucks of 18.5 tonne and more capacity are expected to drive the sales revival, they said. "When recovery happens, it will start from heavy duty trucks, because they were majorly impacted the last two years," said Vinod Aggarwal, managing director at VE Commercial Vehicles (VECV).

Even though the commercial vehicle manufacturers may not be able to recover fully the volumes lost due to the impact of the second wave of the coronavirus pandemic, sales of medium and heavy commercial vehicles (with capacity of more than 3.5 tonnes) in this fiscal year are expected to grow to more than 334,000 units registered in the last financial year, industry officials said.

"GDP outlook is good, monsoons are expected to be favourable, (and) infrastructure investments are lined up…so construction and mining segments will do very well," Aggarwal told ET. "Haulage will pick up with business improving. So, we are optimistic that in the balance part of the year, the situation should be much better as far as the commercial vehicle industry in concerned."

ROBUST RECOVERY

Sales of heavy-duty trucks are expected to cross 300k within 24 mths, crossing peak vol of 295,000 units seen in 2018-19

Prior to the second wave, the industry was expecting sales in the segment to touch 400,000 units in FY22. Demand for heavy duty trucks was hit the hardest in past two fiscal years due to the economic slowdown and a revision in axle-load norms, which permitted carriage of additional payload in existing trucks.

Sales of such trucks are expected to cross the 300,000 mark within 24 months, surpassing peak volumes of 295,000 units reported in 2018-19, industry stakeholders said. Even though the implementation of Bharat Stage-VI emission norms has raised initial acquisition cost of trucks, improved technology has lowered total cost of ownership of these vehicles, they said.

Aggarwal of VECV said volume sales of heavy duty trucks fell to 111,000-112,000 units compared to the peak of 295,000 units recorded in FY19. "Based on our infrastructure, business and replacement cycles, sales of heavy duty trucks have to cross 300,000 units over the next 1-2 years, which is more than FY19," he said. "There is no reason why it should not cross the earlier peak."

The maker of Volvo and Eicher brands of trucks and buses said it has built capacity to meet rising consumer demand as the market recovers.

PRESS REPORTS
ON
TRACTORS

Business Line 2nd July 2021

Tractor sales rebound strongly in June

Easing of curbs, robust farm economy boost momentum

G BALACHANDAR

Chennai, July 1

Despite price increase, tractor makers are positive about sales

The tractor segment bounced back strongly during June with close to 100 per cent month-on-month growth helped by easing of Covid-19 restrictions, record high agri output and better monsoon prospects.

In May, total domestic tractor volumes dropped by 8 per cent at 55,609 units against 60,441 units in May 2020. May 2021 volumes were down 12 per cent when compared with April 2021 sales of 63,422 units.

However, tractor volumes rebounded strongly in June as States across the country eased restrictions. Leading tractor manufacturers have reported a strong growth in volumes in June when compared with lockdown-hit May 2021 and June 2020. Despite price increase, tractor makers have seen a good momentum in sales after the lifting of lockdown.

Sharp recovery

Top tractor maker Mahindra & Mahindra, which had said that it was seeing sharp recovery in tractor demand in June, post unlock, reported a 31 per cent increase in its tractor sales at 46,875 units during the month when compared with 35,844 units in June 2020. It sold 22,843 units in May 2021.

"The sharp fall in Covid-19 cases and resultant easing of related restrictions, arrival of timely monsoon, increase in MSP rates for key Kharif crops and continued strong Government support to all agri activities is giving a very strong momentum to tractor demand," said Hemant Sikka, President - Farm Equipment Sector, Mahindra & Mahindra Ltd.

Escorts' tractor volumes grew 12.5 per cent in June at 11,956 units compared to 10,623 units in June 2020 and 6,158 units in May 2021.

The company said on-ground situation eased in June as the second wave of pandemic started diluting. Most of the dealerships, except in a few pockets, were able to remain open and serve customers, though for limited hours. Its inventory levels, both with the company and with the channel, continue to be at normal levels.

Rise in enquiry

Enquiry levels have improved faster in the tractor segment and the momentum is continuing. With the rural fundamentals in place, demand from agriculture remains strong. Commercial demand is picking up slowly with the opening up of the economy. Tractor inventory in the system is about 30 days, said an analyst at Motilal Oswal Financial Services.

Input material prices remain a major concern. Apart from cost control measures, companies are also effecting price increases to offset the spike in material costs.

Escorts has announced a significant price hike effective from July 1on all tractors. "This is our third consecutive price hike in the last nine months. Despite this, inflation continues to put pressure on the margins," the company said.

Tractor makers, however, are optimistic for the rest of the fiscal year, as timely and expected above-normal monsoon, increase in MSP prices, and record direct procurement by the Government is leading to a positive build-up of farmer sentiments. Commercial activity is also expected to gain further momentum in the ensuing months. The enhanced pace of mass vaccinations will further help the rural sector.

Business Line 2nd July 2021

Tractor sales soar in June on pent-up demand, robust rural economy

Manufacturers expect demand to stay strong

G BALACHANDAR

Chennai, July 13

Total domestic tractor sales stood at 1,10,399 units in June against 92,888 units in the same month last year

Domestic tractor sales hit a record high in June, helped by pent-up demand after easing of the lockdown and a robust rural economy.

Last month, total domestic tractor sales stood at 1,10,399 unitsagainst 92,888 units in June 2020 and 63,313 units in lockdown-hit May 2021.

Strong recovery

"Sales of 1 lakh tractors in a single month is a testament to strong recovery that is being witnessed in rural market as Covid-19 related restrictions ease out and farmers prepare for Kharif crop cycle," said Hemant Sikka, President, Farm Equipment Sector, Mahindra & Mahindra.

June 2021's total tractor sales were the third highest monthly number in the past 28 months. In October 2020, total domestic tractor sales stood at 115,155 units, while in October 2018, the monthly tractor sales stood at 112,556 units.

Despite sales slowdown in May due to lockdown restrictions, total domestic tractor volumes grew 39 per cent at 2.29 lakh units for Q1 of this fiscal compared with 1.65 lakh units in April-June 2020 period.

With more than 10,000 tractor shipments in June, total tractor exports from India more than doubled to 26,660 units during Q1 of this fiscal compared to 10,808 units in the year-ago quarter.

Mahindra & Mahindra reported a 48 per cent growth in Q1 volumes at 95,848 units compared with 64,577 units in the year-ago quarter. "We continue to remain optimistic about the progress of the monsoon and tractor demand in the coming months," said Sikka.

Production increases

Total tractor production in the country stood at about 2.49 lakh units during April-June 2021 period compared to 1.12 lakh units in the year-ago quarter, which reflects tractor makers' better abilities to manage their supply chain and manufacturing capabilities by beating Covid-19 blues and other associated challenges.

Tractor makers and analysts expect the demand to stay robust amid the threat of a third wave of pandemic. They hope government's vaccination drive will help prevent third wave to a larger extent thereby allowing the wheels of the economy to keep moving.

"We expect demand to improve in tractor segment on the back of resilient rural incomes on account of higher income visibility due to better outlook on farm incomes (higher MSPs, better yield), and rural infrastructure spend-driven income effect," said an analyst at ICICI Securities.

In FY21, the tractor industry grew by 27 per cent. It is expected to maintain the momentum with a moderate growth of 5-10% (due to a high base effect) aided by a normal monsoon, healthy crop output, and increased government spending on development activities.

Business Standard 1st July 2021

Tractor makers, global suppliers may outperform in 2nd quarter

RAM PRASAD SAHU
Mumbai, 30 June

While auto sales are gradually picking up with the unlock process across states, the Street believes that full recovery in volumes last seen in March 2021 will start with the festival season at the end of August. Within the consumer segments, recovery for car makers will be faster than that of two-wheelers. Jinesh Gandhi and Vipul Agrawal of Motilal Oswal Financial Services believe that two-wheeler volumes may remain weak, while passenger vehicle demand is expected to recover faster on the back of personal mobility preference, supported by low inventories of 10-20 days.

In addition to the need for personal mobility, analysts highlight pent-up demand, as was the case last year, coupled with recovery in discretionary spends, will aid the growth of passenger vehicles. Said an analyst at a foreign brokerage: "While two-wheelers too recovered last year, rural segment sales are much weaker this time, around especially in the entry-level segment. Further, price hikes in this segment have been 20 per cent as compared to mid-single digit for passenger vehicles."

In the domestic market, passenger vehicle makers are in a good position as compared to two-wheeler companies

Thus, price hikes by Maruti and Hero MotoCorp are expected to affect the latter much more. Despite Maruti's dominance in multiple segments of the car market, its operating profit margin has slipped from 15 per cent to about 9 per cent now, which is lower than the profitability of two-wheeler makers. While Hero's margins will be squeezed, given volume and competitive pressures (weak market position in scooters, premium motorcycles), Maruti will be less affected by the recent hikes, say analysts.

Among other segments, while demand for the truck segments is expected to recover only by the end of the September quarter, tractor demand continues to be robust. Though tractor volumes were impacted in May due to lockdowns amid the second wave, analysts at Emkay Research say customer sentiment has been supported by enhanced crop procurement by the government, expectations of good monsoon, and moderate minimum support price hikes for Kharif crops. This should benefit Mahindra & Mahindra and Escorts in the listed space.

The other segment the street is betting on in Q2 is auto makers, which have a global presence such as Tata Motors and suppliers like Motherson Sumi, Endurance Technologies, Bharat Forge, Varroc Engineering, and Apollo Tyres. While car production is expected to hit peak levels in the next couple of quarters in the US, the demand for the luxury segment too has been strong in Europe and the US. The sharp rise in used car prices is expected to boost new car sales, especially the leasing market, which accounts for 30-40 per cent of sales.

In the near term, global players look more promising, while domestic players would see recovery in the second half of FY22, said Mitul Shah, head of research at Reliance Securities. He expects the tractor segment and global Indian majors to outperform in the September quarter with growth being led by Escorts, Bajaj Auto, Tata Motors, Bharat Forge and RK Forging from "our coverage universe".

GEARING UP

(As on Jun 30)	Close	Returns (%) 6 mo	Returns (%) 1 year	P/E (x)	Price target (₹)	Upside (%)
BSE Auto	23,772	14.2	55.6	21.7	25,229	6.1
Price (₹)						
Ashok Leyland	123	28.4	161.0	33.9	139	13.7
Bajaj Auto	4,133	19.9	46.3	20.6	4,187	1.3
Eicher	2,670	5.5	45.7	29.7	2,772	3.8
Escorts	1,221	-3.1	17.4	14.5	1,357	11.2
Hero MotoCorp	2,902	-6.5	14.0	15.9	3,299	13.7
M&M	778	8.0	52.4	17.4	952	22.3
Maruti Suzuki	7,514	-1.8	28.7	31.6	7,416	-1.3
Tata Motors	340	84.8	245.6	14.5	363	7.0
TVS Motor	620	27.7	64.1	27.5	625	0.7

P/E: price to earnings ratio on a one year forward earnings estimates
Compiled by BS Research Bureau
Source: Bloomberg/Exchange

PRESS REPORTS
ON
WORLD AUTOMOBILES

The Economic Times 9th July 2021

EU Fines Four German Car Makers $1 Billion over Emission Collusion

Car makers colluded to limit the development and rollout of emission-control systems

Brussels: The European Union handed down $1 billion in fines to four major German car manufacturers on Thursday, saying they colluded to limit the development and rollout of car emission-control systems.

Daimler, BMW, VW, Audi and Porsche avoided competing on technology to restrict pollution from gasoline and diesel passenger cars, the EU's executive commission said. Daimler wasn't fined after it revealed the cartel to the European Commission.

It was the first time the European Commission imposed collusion fines on holding back the use of technical developments, not a more traditional practice like price fixing.

EU antitrust chief Margrethe Vestager said even though the companies had the technology to cut harmful emissions beyond legal limits, they resisted competition and denied consumers the chance to buy less polluting cars.

"Manufacturers deliberately avoided to compete on cleaning better than what was required by EU emission standards. And they did so despite the relevant technology being available," Vestager said. That made their practice illegal, she said.

Fined over Emissions 'Cartel'

Daimler, BMW, VW, Audi and Porsche avoided competing on technology

But Daimler was not fined because it revealed the cartel to the European Commission

The EU antitrust chief said the carmakers denied consumers the chance to buy less polluting cars

For the first time the European Commission imposed fines on holding back the use of technical developments, not a more traditional practice like price fixing

All parties acknowledged their involvement in the cartel and agreed to settle the case

According to Vestager, the companies agreed on the size of onboard tanks containing a urea solution known as AdBlue that is injected into the exhaust stream to limit pollution from diesel engines, and also on the ranges that drivers could be expected to drive before the tank needed refilling. A bigger tank would enable more pollution reduction.

Vestager said cooperation between companies is permissible under EU rules when it leads to efficiency gains, such as the faster introduction of new technologies. "But the dividing line is clear: Companies must not coordinate their behaviour to limit the full potential of any type of technology," she said.

BMW said that discussions on the AdBlue tanks had "no influence whatsoever on the company's product decisions." The company said it was significant that that the fine notice found there was no collusion involving earlier allegations of using software to restrict AdBlue dosing.

BMW said it set aside 1.4 billion euros ($1.7 billion) based on the commission's initial accusations but reduced the set-aside in May due to more serious allegations in the case not being substantiated.

The case wasn't directly linked to the "dieselgate" scandal of the past decade, when Volkswagen admitted that about 11 million diesel vehicles worldwide were fitted with the deceptive software, which reduced nitrogen oxide emissions when the cars were placed on a test machine but allowed higher emissions and improved engine performance during normal driving.

The scandal cost Wolfsburg, Germany-based Volkswagen $35 billion in fines and civil settlements and led to the recall of millions of vehicles. The Volkswagen vehicles in the scandal did not use the urea tanks but relied on another pollution reduction technology. **AP**

PRESS REPORTS
ON
COMPANY NEWS

Business Line 8th July 2021

Skoda Auto targets sales of 18,000 units of Kushaq in next six months

S RONENDRA SINGH

New Delhi, July 7

Skoda Auto India said it has received bookings of more than 2,000 units of its newly launched Kushaq, the mid-size sports utility vehicle (SUV), and the company expects to sell about 18,000 units in the next six months.

The company has set a target to sell around 3,000 units a month and expects 70 per cent of the overall sales to come from Kushaq this year.

"We have a target sale of 30,000 cars this year with Kushaq contributing 70 per cent of the sales and we expect to double the sales next year to around 60,000 units with two more products — one more SUV and a notchback (sedan) planned for launch by next year," Zac Hollis, Brand Director, Skoda Auto India, told *BusinessLine*.

Zac Hollis, Brand Director, Skoda Auto India

The company has set a target to sell around 3,000 units a month and expects 70 per cent of the overall sales to come from Kushaq this year

Two engine options

Available in two engine options — 1.0L and 1.5L TSI, delivering 115 PS and 150 PS respectively — the Kushaq is priced between ₹10.50 lakh and ₹17.60 lakh. While the delivery of the 1.0L will start from July 12, the 1.5L variant's delivery will start from August 4.

Hollis said many of the customers are going for the automatic option. "The 1.5-litre demand might not go up, but the 1-litre is much more affordable so more in demand. That's what is happening right now…the feedback regarding the 1-litre is good and expect to increase more going forward," he said.

Based on the MQB AO platform, Kushaq is the first product of the Skoda India 2.0 project which was launched in 2018. Skoda Auto is responsible for leading Volkswagen Group's planned model campaign on the Indian market and had announced ₹8,000 crore towards the implementation of the project, primarily between 2019 and 2021.

When asked about a seven-seater option in Kushaq, Hollis said the company currently doesn't have any plans to bring out a seven-seater, but it continues looking at 'market opportunity' in India where volumes play an important role and that's an ongoing business.

According to analysts, Kushaq would be an important product for Skoda's journey in India and can be a game changer. It competes with the strongest brands like Hyundai Creta and Kia Seltos.

Game changer

"Skoda Kushaq is the lifeline for brand Skoda in India. The model is also expected to be exported globally and can be game changer for them and help them garner bigger market share in India. Kushaq competes in highest growing segment in India and provides customers with a unique experience who wants to differentiate themselves from others and needs a blend of features and richness," Puneet Gupta, Associate Director at IHS Markit, said.

According to data from the Society of Indian Automobile Manufacturers (SIAM), a total of 10,60,750 utility vehicles (SUVs, MUVs/ MPVs) were sold in India last year (April-March 2020-21), a growth of 12 per cent over the previous year.

The Economic Times 9th July 2021

M&M may Merge Meru with Group Firm Mahindra Logistics

ON HOLD M&M may also put Meru's fundraising plans on the backburner

Lijee.Philip@timesgroup.com

Mumbai: Mahindra & Mahindra may merge Meru with a group company — most likely Mahindra Logistics — to usher in operational synergies and efficiencies following its complete acquisition of the radio taxi fleet operator, two people familiar with the matter said.

The synergies with the logistics arm could be multi-faceted, since Mahindra Logistics is in the business of supply chain and enterprise mobility, which includes diverse industry verticals such as consumer goods, ecommerce and pharmaceuticals.

The company has been on a path to recovery after being severely impacted by the Covid-19 pandemic and has been earmarked for fast-track growth.

M&M may also put Meru's fundraising plans on the backburner. The taxi fleet operator had initiated funding talks with companies such as Japanese car leasing firm Orix Auto Infrastructure Services. The discussions had progressed with the ex-promoter of Meru for a possible stake sale to raise about ₹350-400 crore.

A source who was part of the fundraising deal said M&M does not want to burn any more capital and has no appetite for further risk. It's a bit early to comment on the short-term revival of the demand cycle of both the business to consumer (B2C) and business to business (B2B) segments, a company spokesperson said.

MOVING ON

RICHARD ESTES, *Car Reflections*

FOR FULL REPORT, GO TO www.economictimes.com

Business Standard 5th July 2021

Tata Motors to remain focused on growth segments of market

SHALLY SETH MOHILE
Mumbai, 4 July

Tata Motors, which has re-established itself in third position in India's passenger vehicle market, will remain focused on high-growth segments of the automobile market because those have helped the firm command a high market share even with a relatively small portfolio of models, a top official of the company said.

Encouraged by the turnaround in the passenger vehicle business in terms of volumes, market share, and brand recall, the Tata Group flagship has been no longer in a hurry to forge a joint venture or a technical collaboration in the past couple of years, said Shailesh Chandra, president, passenger vehicle business unit, Tata Motors.

"Our focus will be to be where there is growth and scale. That is how we have selected the products in our portfolio so that we are ready to ride the growth wave," said Chandra.

For this reason, Tata Motors has been able to command a higher market share even with fewer models, he added.

"It's a more efficient portfolio," he said.

With its current range, including the Tiago, Tigor, Safari, Nexon and Harrier, Tata Motors addresses 63 per cent of the automobile market in India. Chandra said with the launch of the Hornbill, a subcompact SUV that will be positioned below the Nexon and is expected to go on sale later this financial year, the Mumbai-headquartered firm would be able to cover a wide spectrum of the market.

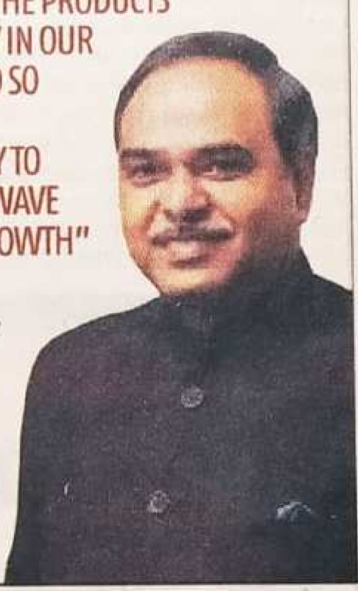
Over the past three years, under the turnaround plan, Tata Motors has pulled the plug on various old and underperforming platforms and models. The move has paid. In FY21, sales of the company's passenger vehicles rose to an eight-year-high at 222,638 units, up 69 per cent year-on-year over FY20.

In the same period the broader passenger vehicle market in India declined 2 per cent. Its market share jumped to 8.2 per cent from 4.8 per cent. The maker of the Harrier and Nexon models has been riding high despite a challenging market condition precipitated by the pandemic and the market share gains continue for the firm. In Q1 of the current financial year, it has touched 10 per cent.

Besides the new Forever range, the strong operational performance of the PV business was led by the so-called "Re-imagining projects", which, among other things, included strong emphasis on phygital (combination of the offline and online sales strategies) and retail-focused approach. The phygital strategy encompassed everything from use of the augmented reality to demonstrate a product and features, adopting a micro market approach, and creating a hyperlocal marketing network.

"OUR FOCUS WILL BE TO BE PRESENT IN THOSE PARTS OF THE INDUSTRY WHERE THERE IS GROWTH AND SCALE. THAT IS HOW WE HAVE SELECTED THE PRODUCTS CAREFULLY IN OUR PORTFOLIO SO THAT WE ARE READY TO RIDE THE WAVE OF THE GROWTH"

SHAILESH CHANDRA, President, passenger vehicle business, Tata Motors



Honda to hike vehicle prices from August

Japanese automaker Honda plans to increase prices of its entire model range in India from next month, as it looks to offset the impact of a sharp increase in procurement costs of various essential commodities such as steel and precious metals, according to a senior company official. The company, which sells various models, including City and Amaze, is currently working on the quantum of the increase it would pass on to customers.

"The prices for raw materials like steel, aluminium and precious metals have increased sharply and many of them are at an all-time high, impacting our input costs significantly," Honda Cars India Senior V-P and Director (Marketing and Sales) Rajesh Goel said. PTI

Business Standard 5th July 2021

PV recovery, EV potential may drive Minda's growth

An engine agnostic portfolio also reduces the EV transition risk

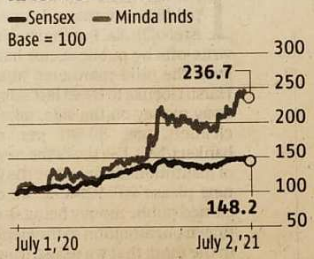
RAM PRASAD SAHU
Mumbai, 4 July

The Minda Industries stock has been on an upward trajectory since the start of May, gaining 22 per cent amid expectations of robust growth led by higher content per vehicle, recovery in passenger vehicle sales, and an expanding engine agnostic product portfolio.

Acquisitions, such as the one it recently announced of an auto light manufacturer in Uzbekistan, though small but could add to incremental benefits over the long term. Nomura's Siddhartha Bera and Kapil Singh say: "We expect this acquisition to aid the company earnings per share by 2 per cent in FY23F; however, there may be longer-term strategic benefits depending on multiple cross-selling exports opportunities from the India business."

The key near-term trigger could be the revival of demand in the domestic auto segment, which accounts for 83 per cent of revenue. Despite a muted June quarter, analysts believe the outlook for passenger vehicles (PV) remains strong and there have not been major booking cancellations during lockdowns. Supplies to PV makers account for the largest chunk of Minda Industries' (including joint ventures) revenue.

RACING AHEAD



While two-wheeler sales will take some more time to revive, given that the rural segment was impacted during the second wave, a favourable monsoon, good rabi harvest, and measures to boost the rural economy are positive from the demand point of view.

But the key trigger is the potential for growth in the electric vehicle (EV) space for the firm. The Department of Heavy Industries recently announced changes to the FAME II policy which are expected to further lower the prices of electric scooters and motorcycles in India.

While the kit value of existing products — which can be fitted to electric two-wheelers is ₹7,300 — the management highlighted the value potential at ₹33,000, a 4.5x increase given the multiple products under production.

Further, with three-fourths of its revenue from products, such as switches, lightings, and horns, which are powertrain agnostic, there is little risk from the transition to the electric vehicle ecosystem going ahead.

Its sensors and controllers will benefit given the higher content of these in electric vehicles. Analysts at Ambit Capital say: "Within the auto ancillary space, the company would be best-placed to capitalise on future trends of EVs/emission norms, premiumisation, safety, and regulatory changes."

Given the contribution from multiple triggers, analysts expect the company to post revenue growth of over 25 per cent over the next few years comfortably, outpacing the industry's growth (passenger vehicles and two-wheelers) in the 14-19 per cent range.

While there is potential for growth, the stock's sharp rally factors in some growth. Investors can consider the stock on dips for their long-term portfolio.

Business Line 2nd July 2021

Right strategy, support put Hyundai dealers in driving seat: MD

Increased focus on the SUV segment with new launches has helped the company

G BALACHANDAR
Chennai, July 1

Hyundai Motor India Ltd (HMIL), India's second largest passenger vehicle maker, said the conditions of its dealers are much better than others in the industry and its dealer partners remain strong despite the impact of the pandemic.

"As far as we know, there are no big issues faced by our dealer partners. We are carefully monitoring the situation and we are also preparing some measures to support them," SS Kim, Managing Director & CEO, HMIL, told *BusinessLine* during an interaction after the roll-out of its 10-millionth car at its factory near Chennai in the presence of Tamil Nadu Chief Minister MK Stalin. Also, production and launch of vehicles in tune with the market requirements have helped dealers stay afloat during these challenging times. For example, the company's increased focus on the SUV segment with new launches has augured well as the bookings for Hyundai's new SUVs continue to rise, thereby benefiting both dealers and the company.

Creta, top seller

While Hyundai's Creta continues to be top selling SUV in the country, its recently launched Alcazar has attracted a good number of buyers.

Industry analysts also point out that inventory levels for passenger vehicles have remained stable at 23-25 days. Consequently, waiting periods in key models, particularly for SUVs, have continued across OEMs.

SS Kim, MD and CEO

Kim confirmed that HMIL's product launch plans are intact though there could be some delays in new launches. But there is no change in the overall growth plans of the company.

While he expects the domestic market to see gradual recovery, exports are also expected to pick up in the coming months. HMIL sees bright prospects for export of its new SUV Alcazar to several markets such as Latin America, Africa and West Asia.

Strong exports

"We expect exports to remain strong and the share of exports in total sales will be maintained at 25-30 per cent," said Ganesh Mani, Director-Production, HMIL.

On Wednesday, HMIL, which is celebrating 25 years in India, marked the production of its 10-millionth car with the rollout of its new SUV Alcazar at its Irungattukottai factory near Chennai.

This is the fastest rollout of 10 million cars achieved by any manufacturer in the Indian passenger vehicle market, said Kim.

Hyundai rolled out its first millionth car, Santro, in 2006 in just seven years and six months post-commencement of commercial production in 1998. Its 5 million milestone came in 2013. But for the pandemic, HMIL would have achieved the 10-millionth roll out in March 2021 itself.

Tamil Nadu Chief Minister M K Stalin, who launched several community-centric initiatives of HMIL, said the South Korean auto major played a key role in the efforts of transforming Sriperumbudur as a major global production hub, while contributing to the industrial development of the State.

"While Hyundai has achieved a record of 1 crore production, it has also exported 31.3 lakh cars from this factory to 88 countries," he added.

The Economic Times 1st July 2021

Tata Motors Turns a Corner, Partner Not a Priority Now

Hunt for partner has taken backseat with co set to grab 10% mkt share, log positive Ebitda

Ketan Thakkar, Nehal Chaliwala & Ashutosh R Shyam

Road to Growth

Cost engineering effort helped TaMo save ₹900-1,000 cr in costs in car biz

Ebitda swung from a negative ₹1,000 cr in FY20 to ₹370 cr in FY21

1,200 employees generated over 600 new ideas that were implemented for cost optimisation

TaMo eyeing volumes of over 3 L units in FY22, it may help co generate over $3 billion

Mumbai: Tata Motors has slowed down its search for a partner in the passenger vehicle segment and is, instead, looking to chart a new plan on its own, buoyed by a turnaround in the business, a senior executive said.

Sustained volume momentum and structured cost-cutting exercise has put the car division in a self-sustaining mode, Shailesh Chandra, president of Passenger Vehicle business at Tata Motors, said.

"We were Ebitda (earnings before interest, tax, depreciation and amortisation) positive after years, and this was delivered in a year hit by Covid-19, with demand under stress amid uncertainties around steep commodities price increase," Chandra told **ET**.

The maker of Tiago hatchback and Nexon compact SUV is set to cross 10% market share and report Ebitda of $100-125 million (₹750-1,000 crore) in the current fiscal, experts said.

With interventions steered by the new cost engineering team, Tata Motors saved about 5-7% of the company's total revenues in FY21. This translated to ₹900-1,000 crore in costs for the PV business in FY21, helping it turn from a negative Ebitda of ₹1,000 crore in FY20 to a positive of ₹370 crore at the end of FY21.

Chandra claimed that the firm's 'GEAR' initiative – generate, evaluate, approve and realise – will help it cut costs on an annual basis. "An institutionalised method to provide 5-7% cost reduction every year and new products will help us grow our business," he said.

He declined to disclose after how many years had the passenger vehicle (PV) business become Ebitda positive.

Tata Motors had earlier this year got its shareholders' approval to hive off the PV business into a separate entity.

About 1,200 employees were involved in the cost-saving exercise, and more than 600 new ideas were implemented for cost optimisation after conducting over 1,000 workshops, Chandra said.

This helped the company absorb soaring raw material prices, and it passed on only half of raw material price increase to the end consumers, he said. Tata Motors has raised car prices only once in 2021 so far and may soon implement another increase soon versus thrice by market leader Maruti Suzuki so far.

Tata Motors is forecasting volumes of over 300,000 units to the vendors for FY22.

According to ETIG analysis, the company may deliver a turnover of $3 billion.

It is now on the cusp of achieving a 10% share of the PV market in the country, up from 4.3% in FY20.

In FY21, despite the pandemic, Tata Motors posted a sales volume growth of 69% against an overall decline of 2% in the industry, reclaiming its position as the third-largest PV maker after nine years.

Cost savings were effected through steps both at the commercial and operational sides, Chandra said.

Business Line 3rd July 2021

Nissan veteran Andy Palmer to head Hinduja's EV arm Switch Mobility

OUR BUREAU

Chennai, July 2

Switch Mobility Ltd, the electric vehicle arm of the Hinduja Group, said it has combined the electric commercial vehicle operations of Ashok Leyland and the Optare company to secure a leading global position in net zero carbon buses and light commercial vehicles.

A new leadership team has also announced the decision to leverage the legacy manufacturing and innovation capabilities of Ashok Leyland and Optare, according to a statement.

Andy Palmer, who joined the Board of Optare last year as non-executive Chairman, has been appointed as Executive Vice-Chairman and Chief Executive Officer of Switch Mobility from July 1, supported by an experienced team, which includes Nitin Seth as Chief Operating Officer, Sarwant Singh Saini as Chief Planning Officer and Roger Blakey as Chief Technical Officer. Further leadership appointments will be announced shortly. With the combined expertise of its teams in the UK and India, Switch will build on its experience of having more than 280 electric vehicles in service with over 26 million miles covered.

Andy Palmer

The company's potential has been enhanced through technological collaboration with partners, including Siemens, to deliver e-mobility solutions that offer the lowest total cost of ownership for EV customers in India.

As part of its ramp-up, Switch has already signed customer agreements with leading logistic operators and secured orders for a 2000-strong e-LCV fleet with customer trials starting this month.

Business Line 7th July 2021

Tata Motors shares tank as JLR warns of worsening impact of chip shortage

Wholesale volumes seen down 50% in Q2

AYUSHI KAR

Mumbai, July 6

Tata Motors subsidiary Jaguar Land Rover (JLR) on Tuesday said that chip supply shortage will pull down its wholesale volumes by 50 per cent during the second quarter ending September 30.

'Difficult to forecast'

"The chip shortage is presently very dynamic and difficult to forecast. Based on recent input from suppliers, we expect chip supply shortages in the second quarter ending September 30 to be greater than in the first quarter, potentially resulting in wholesale volumes about 50 per cent lower than planned, although we are continuing to work to mitigate this," JLR said in a press release.

Tata Motors' stock tanked by over 10 per cent intra-day on the BSE to close at ₹316 a piece, down 8.4 per cent from the previous close.

Jaguar Land Rover retail sales for the three-month period to June 30 were significantly up year-on-year, reflecting the continuing recovery in demand. However, wholesales, in particular, were lower than demand would have permitted due to semiconductor supply issues affecting the global auto industry.

The present semiconductor supply issues pose a significant near-term challenge for the industry REUTERS

Thierry Bolloré, Jaguar Land Rover Chief Executive Officer, said: "The present semiconductor supply issues represent a significant near-term challenge for the industry which will take time to work through but we are encouraged by the strong demand we see for when supply recovers. We are taking strong steps to ensure the security of our supply chain for the future, working with our suppliers and chip manufacturers directly to increase the visibility and control over the chip supply for our vehicles."

Retail sales

Retail sales for the first quarter were 69 per cent higher than vehicles sold in Q1 last year, increasing from 74,067 sold in Q1last year to 1,24,537 vehicles sold in the first quarter for 2022 fiscal. Retails were higher year on year in every key region, including the UK, which saw an increase of 187 per cent. Europe overall saw an increase of 124 per cent, overseas sales increased by 71 per cent, sales in North America increased by 50 per cent and retail sales in China increased by 14 per cent.

While wholesales were up 72 per cent year on year, this was still 30,000 lower than otherwise planned due to semiconductor supply constraints and the impact of Covid.

Improvement likely in Q2

According to JLR, the situation could start improving in the second half of the financial year.

However, broad underlying structural capacity issues will only be resolved as supplier investment in new capacities come online in the next 12-18 months. So supply shortages are expected next year and beyond.

Economic Times 5th July 2021

REVAMP AIMED TO MAKE OPS MORE AGILE

M&M to Give its Marketing Structure a Big Digital Boost

Ketan.Thakkar@timesgroup.com

Mumbai: Having redefined the future brand direction of an 'Authentic SUV maker' and set up a new design centre, Mahindra & Mahindra is now restructuring the marketing organisation with a big emphasis on the digital push.

Harish Lalchandani, who was head of strategy at farm equipment business, has been brought in as head of marketing at the automotive business and to lead the digital initiatives. Mahindra has hired Neha Anand as the head of digital marketing, CRM and communications. She joined the company on July 1 from HCL Technologies, where she was global head of digital content, thought leadership and marketing.

An internal statement on the new marketing structure issued to employees in May said that to build an agile and collaborative organisation, M&M has embarked on a journey to relook the market organisation. The new structure is aimed at a higher integration and synergies of the field teams, brand teams, digital marketing, adventure initiatives and media and agency.

Replying to a query from ET, Mahindra & Mahindra's Veejay Ram Nakra, chief executive officer at the automotive business, said the aim is to build a differentiated authentic SUV brand and adopting new innovative ways of marketing is going to be pivotal. "We have revamped the marketing function to make it more agile and digitally focused keeping in mind the new-age customer journey. We have brought in distinctive talent with a global mindset. The team will leverage and integrate digital marketing, content creation, CRM and PR to help us meet our objective of creating a differentiated authentic SUV brand," Nakra said.

Lalchandani comes with a strong commercial background with over 20 years across industrial and consumer sectors. He brings expertise in P&L management, strategic marketing, sales and product management across different verticals and geographies and was last the CEO for South Asia business at GE Lighting.

In line with the strategy to establish itself as a differentiated and an 'Authentic SUV' player, the 'Mahindra Master Brand' team as part of the marketing function will drive various strategic initiatives centrally claimed, an internal memo.

Business Line 9th July 2021

Tata Motors' global sales up 134% in Q1

OUR BUREAU

Mumbai, July 8

Tata Motors Group sold 2,14,250 vehicle units globally in the first quarter of FY22. Global wholesales for the quarter were 134 per cent higher in comparison to Q1 of FY21.

Tata Motors' commercial vehicles and the Tata Daewoo range saw a 355 per cent bump in Q1 FY22 over Q1 FY21, selling 52,470 vehicle units.

Global wholesales of all passenger vehicles were 1,61,780 units, higher by 102 per cent compared to Q1 FY21.

Global wholesales for Jaguar Land Rover (JLR) were 97,141 vehicles. Jaguar wholesales for the quarter were 21,373 vehicles and while Land Rover wholesales for the quarter were at 75,769 vehicles.

Earlier this week, JLR reported that while retail sales were significantly up year on year in Q1, it is expecting chip supply shortages in the second quarter to slash wholesale volumes by 50 per cent. Demand continues to outstrip the supply due to the shortage.

Business Line 7th July 2021

Daimler AG plans to spin off captive finance arm in India

Move in line with the auto giant's global business realignment plan

G BALACHANDAR

Chennai, July 6

German auto giant Daimler AG is contemplating restructuring including spinning off its captive finance arm in India - Daimler Financial Services India Pvt Ltd (DFSI).

The proposed move comes close on the heels of the global business realignment strategy of Stuttgart-headquartered Daimler AG and the planned spin-off of Daimler Truck later this year. In February, the Supervisory Board and the Board of Management of Daimler AG decided to examine a possible spin-off of the Daimler Truck and Bus business.

Two independent firms

The plan is to create two independent companies – one for cars and vans and another for trucks and buses and to list Daimler Truck on the stock exchange subject to shareholder approval.

As a result, the financial services business is also expected to be restructured in tune with the realignment strategy. It is gathered that Daimler Mobility, a division of Daimler AG that provides financial and mobility solutions, will be divided into two different financial services companies for the car and van business as well as the truck and bus business globally.

Earlier this year, the management of Daimler AG decided to examine a possible spin-off of the Daimler truck and bus business

While the proposed truck financial services arm may focus on lending and mobility solutions for Daimler trucks and buses, Daimler Mobility arm may dedicate its focus towards Mercedes-Benz luxury cars and vans as well as the electric vehicle business.

Daimler Financial Services India Pvt Ltd (DFSI), started in 2011 as a 100 per cent captive finance arm to support Daimler vehicles in India, has been providing financing options to customers and dealers of BharatBenz trucks and buses and Mercedes-Benz cars. Also, it provides a range of automotive financial services, such as leasing, insurance, extended warranty, and others.

Evaluating implications

"Daimler Financial Services India intends to support the future dedication in the best possible way and will continue to contribute passionately to the sales of desirable luxury cars and premium vans. In regard to financing and leasing of Daimler trucks and buses in India, we are currently evaluating the local implications of the possible spin-off," Daimler AG headquarters said in a communication to *BusinessLine*.

"With internal combustion engine rapidly migrating to electric vehicles globally, the challenges are different and particularly for passenger car companies where the stakes are very high. Under Olla Kalenius, Daimler AG has been wanting to separate the passenger car and vans from trucks and buses. But I am sure (and that is sensible and pragmatic) that Daimler Financial services will remain as one unit for all of Daimler's businesses. Scale helps sourcing costs," says Shyam Maller, Former Executive Vice- President at VE Commercial Vehicles Ltd.

DFSI's portfolio stood at ₹8,181 crore as on September 30, 2020 and it made a loss of ₹139 crore for the same period, said a Crisil report.

Creates transformation management office

OUR BUREAU

Chennai, July 6

Daimler India Commercial Vehicles (DICV) has announced the creation of the transformation management office (TMO) and the new position of a Chief Transformation Officer.

The TMO will be responsible for driving transformational topics and strategic initiatives, particularly related to digitalisation, external partnerships, new business models, internal business processes and company culture.

Chulanga Perera, Chief Information Officer, DICV, will lead the TMO as Chief Transformation Officer and Head of Strategy in a dual role until a new CIO is announced.

Business Line 5th July 2021

MG Motor to hike prices of vehicles by 2-3%

Globally, input costs are going 'haywire' says India MD

S RONENDRA SINGH

New Delhi, July 4

MG India has said that it would follow other companies in increasing the prices of its vehicles across segments by 2-3 per cent in the coming month because of the rise in input costs like semiconductor chips and logistics.

The company had already hiked the prices of its Hector SUV and Hector Plus thrice this calendar year (January, February and April) due to the rise in input costs.

"You name anything like aluminium and copper, price is going up, crude price going up, steel prices are up and I think it's really becoming difficult to manage the bottom line and balance how much you absorb and pass on them. And, we are like still a new company, so we make losses. For us, it's becoming a big challenge, so we have to pass on it," Rajeev Chaba, President and Managing Director, MG Motor India told *BusinessLine* in a telephonic interview.

Industry impact

He said there are three things which are impacting the industry – one is the chip shortages, second is the shipping/ the logistics costs which globally is going 'haywire' and third is the rising cost of the components. Chaba said though the market is opening up, the supply chain issues persist.

Having said that, he added, "I think things are improving a lot. June was much better than May and I think July will be even better than June, hopefully. We are still struggling with supply-chain constraints, but hopefully in the next two-three months we should improve."

Rajeev Chaba, President and MD, MG Motor India

Chaba added that there are still some markets in the north-east and South that have not yet opened up. But the company's plant is running close to 100 per cent right now and it is ramping up quickly with manpower also coming back to full attendance, Chaba added.

Passing on costs

Apart from MG Motor, other companies such as Maruti Suzuki India (MSIL), Honda Cars India and others are expected to increase the prices of their products in the current quarter.

"Over the past year, the cost of the company's vehicles continues to be adversely impacted due to increase in various input costs. Hence, it has become imperative for the company to pass on some impact of the above additional cost to customers through a price rise. The price rise has been planned in the second quarter (July-September period)," MSIL had said in a statement on June 21.

Business Line 12th July 2021

Hero Electric raises ₹220 crore led by Gulf Islamic Investments

OUR BUREAU

New Delhi, July 11

Hero Electric Vehicles on Sunday said it has raised ₹220 crore as its first part of Series B funding led by Gulf Islamic Investments (GII) along with participation from OAKS.

The company will direct this investment to support the electric vehicle industry and ecosystem. Avendus Capital was the exclusive financial advisor to Hero Electric on the transaction, the company said in a statement.

V'Ocean Investments has been advised by OAKS Asset Management (OAKS) on the investment, it said. The electric two-wheeler market leader will allocate this investment towards expanding production capacity, consolidating market position to strengthen market leadership, invest in futuristic technology and grow footprint across India like markets.

"The EV market has undergone tremendous change over the last few years since we raised our first round of funding. The policies are extremely conducive for the growth of the segment and despite the pandemic, the company is poised to grow at over 2X from the last fiscal. Hero aims to sell over one-million units per year in the next couple of years," Naveen Munjal, Managing Director, Hero Electric, said.

This round of investments will help expand the company's manufacturing capacities and increase R&D spends.

Business Line 7th July 2021

TVS Motor drives in NTORQ 125 Race XP at ₹91,537

OUR BUREAU

Chennai, July 6

TVS Motor Company has announced the launch of NTORQ 125 Race XP, which the company describes as the only scooter in the 125cc segment with more than 10 PS power and only IC engine scooter with dual ride modes.

Equipped with first-of-its-kind Voice Assist feature, NTORQ 125 Race XP comes in a tri-tone colour scheme and is priced at ₹91,537 (ex-showroom, Tamil Nadu), according to a company statement.

High speed

"TVS NTORQ 125 Race XP comes armed with the highest power in the segment, first-in-segment dual ride modes, delivering higher top speed and superior acceleration. A new look with red alloys complements the offering. The array of best-in-class connectivity and vehicle features coupled with segment-first 10.2 PS power will excite the Gen Z," said Aniruddha Haldar, Vice-President (Marketing), Commuter Motorcycles, Scooters & Corporate Brand, TVS Motor Company.

Customers also have an option of choosing between two riding modes – Race mode and Street mode. The Race mode allows riders to experience the accentuated performance of the scooter on highways, with a top speed of 98 kmph. The Street mode, on the other hand, is for ideal city commute and traffic conditions.

Business Standard 3rd July 2021

Ather takes on Ola, expanding its Hosur plant

SURAJEET DAS GUPTA
New Delhi, 2 July

Bengaluru-based electric two-wheeler manufacturer Ather Energy is set to take on the might of Ola Electric by expanding the capacity of its new plant in Hosur from 110,000 units per annum to 500,000 by the end of next year. It will invest ₹650 crore in the new plant and in the works are plans to raise money from private equity players and investors sometime this year to fund its further expansion.

Ather has Tiger Global and Hero Group as two of its chief backers. Elaborating the plans, Tarun Mehta, one of the founders of the two-wheeler company, said: "We are now expanding our reach from 13 cities to 50 by the end of this financial year and hit 100 by FY23. We are also expanding our own fast-charging infrastructure from 140 to 500 by the end of this year. We will also expand the capacity of the new Hosur plant to 500,000 per annum."

Mehta has estimated the electric scooter market in India will hit five-six million in the next five years.

Ather's aggression comes on the heels of Ola Electric's ambitious game of investing ₹2,400 crore to build a plant to make 10 million two-wheelers a year by 2022.

The company has said the first phase with a capacity of two million will be ready by June and the product is expected to roll out soon. In simple terms the capacity being built by Ola is half the size of the ICE two-wheeler market, estimated at around 20 million per annum.

Currently 100,000 electric two-wheelers a year are sold in the country. Ather has also invested over ₹1,000 crore in developing the scooter in-house through a 300-strong R&D centre and has designed and manufactures the battery pack in the country (except the cells, which are imported, everything is made in India).

Ola, on the other hand, has bought the technology for the scooter by acquiring Netherlands-based Etergo, which was on the brink pf bankruptcy.

However, Ola executives say the product has been reworked substantially for India and only the design elements have been adopted.

Ather has pointed out the new FAME (Faster Adoption and Manufacturing of Hybrid Electric Vehicles) policy, announced a few weeks ago, has virtually bridged the pricing gap between ICE and electric scooters by increasing the subsidy on batteries by ₹5,000 per KwH (it was ₹10,000 per KwH). As a result, the subsidy on Ather's scooters, powered by a 3-KwH battery, has gone up by ₹15,000.

Mehta said: "As a result of another ₹15,000 reduction due to the increase in subsidy, the difference between the price of our scooter 450 Plus and a 125 cc ICE engine scooter is now ₹5,000-8,000. In Delhi because of local state subsidies it is even lower. And then you save about ₹2000 on fuel per month. So the inflexion point has come."

But will prices fall below ₹1 lakh? After all, the bulk of the ICE scooters are below ₹1 lakh. Mehta, however, said consumers would be willing to pay a premium for an EV because of the lower maintenance costs as well as the additional services one can do (like software upgrades online). However, he does not want to hazard a guess on what would the premium be.

But he said there was a possibility prices could go below ₹1 lakh for scooters powered by the 4-KwH battery, which will get high subsidies of ₹60,000 against ₹45,000 Ather gets on the 3-KwH battery, which powers its scooters.

But building those scooters will require a different architecture and it could be looking at that too.

Business Standard 12th July 2021

Maruti shifts Dzire production to Gujarat

SHALLY SETH MOHILE
Mumbai, 11 July

Maruti Suzuki India (MSIL) has shifted the production of the Dzire, one of its highest-selling models, from the Manesar facility to Suzuki Motor Gujarat's (SMG's) plant in Ahmedabad.

This is because it seeks to free up space for new models at its Manesar plant, said people in the know. On average, MSIL produces close to 1,000 units of the Dzire a day. SMG is a 100-per cent subsidiary of Suzuki Motor Corporation. It acts as a contract manufacturer for MSIL and was established in March 2014. In a bid to take on the competition, MSIL is planning to introduce models of sport utility vehicles over the next couple of years at varied price points.

"MSIL's Manesar facility, which makes the Ertiga, WagonR, and Alto, among other models, is operating at optimal capacity. Hence, the production line that makes the Dzire was shifted to SMG's facility last month. It frees up capacity for some of the upcoming new models," said a person aware of the development.

IN THE DRIVER'S SEAT

2.25 mn units Suzuki's total annual production capacity in India

1.5 mn units Maruti Suzuki's annual production capacity

750,000 units Suzuki Motor Gujarat's annual capacity

Turn to Page 3

Maruti to shift Dzire production to Gujarat

In an email response, an MSIL spokesperson said the decision to produce a model at a particular plant or line was based on the efforts to step up efficiencies and productivity. "We plan our products to be produced at a particular line or plant, including our sister company SMG. These efforts and adjustments help us fulfil customer demand. Besides, it may be noted whatever our sister company SMG produces, it is only for MSIL customers," said the company spokesperson.

Analysts said the shift of a high-volume model like the Dzire might affect Maruti's financials marginally.

"This move may impact Maruti marginally because the depreciation of new plants and equipment is higher than at the existing plant, which is an almost fully depreciated one," said Mitul Shah, head of research, Reliance Securities.

SMG operates on a no-profit and no-loss principle, and manufactures and sells the products to Maruti.

As Maruti buys from SMG, Maruti's purchase of traded goods, which come under the line item 'raw materials', goes up. This affects the company's gross margins. The depreciation cost incurred by SMG is built into raw material costs incurred by Maruti, said an analyst.

"For the past couple of years, as SMG is ramping up production, depreciation has fallen for MSIL, but its earnings before interest, tax, depreciation, and amortisation (Ebitda) margins have dropped to 8-9 per cent, from 13 per cent earlier. Hence the Ebit margin and not Ebitda margins should be considered when looking at the financials of MSIL," said the analyst cited above.

Business Standard 14th July 2021

No e-scooter for now: Piaggio

SHALLY SETH MOHILE
Mumbai, 13 July

Piaggio Vehicles India, the local arm of the Italian automaker, does not plan to have a presence in the electric two-wheeler segment anytime soon. The company will instead focus on the internal combustion engine-powered models.

Piaggio currently sells scooters under the Aprilia and Vespa brands in India. The competition in the e-scooter segment has been growing with Bajaj e-Chetak and Ather Energy models. As newer entrants like Ola Electric launch their e-scooters, the competition is set to intensify further. But Piaggio is in no rush to stake its claim.

"We are studying the segment (electric vehicles, or EVs) and seeing the evolution," said Diego Graffi, chief executive officer and managing director at Piaggio Vehicles India.

While there is no doubt about the potential of e-scooters and there is enough policy push, the segment (₹1.35-1.7 lakh) — in which Piaggio would like to position its e-two-wheelers — is very small, in terms of volume and "the market is very limited".

"We are looking at the segment of the market that is more in sync with our philosophy," added Graffi.

The maker of the Ape brand of three-wheelers is looking to step up its presence in the last-mile delivery segment with new launches. The segment has remained relatively resilient to the disruptions created by the pandemic on the back of a robust demand for such vehicles by e-commerce companies. The second-largest three-wheeler maker in terms of volume launched an EV offering earlier this year.

The trend in the goods carrier segment has been very positive and it has reached 80-90 per cent of the volumes of 2019.

Encouraged by the response to its EV offering in the cargo segment, Piaggio plans to launch another EV cargo model with swappable battery in a few weeks.

Business Standard 15th July 2021

Mahindra Electric Names Suman Mishra as CEO

Our Bureau

Mumbai: Electric vehicles (EV) maker Mahindra Electric announced the appointment of Suman Mishra as its new chief executive on Wednesday after incumbent Mahesh Babu stepped down following a 22-year stint with the Mahindra Group.

As the CEO of Mahindra Electric, Babu was key to shaping the EV strategy of the Mahindra Group. "Mahesh has been an integral part of our growth journey over the years," said Rajesh Jejurikar, executive director, auto and farm sectors, Mahindra and Mahindra.

Mishra, who is a senior vice president with Mahindra and Mahindra's automotive division, will take over the new role on August 14. She has been with the Mahindra Group since 2015.

As a senior VP in the group strategy office, she played a key role in shaping and implementing strategies across the automotive, agricultural, hospitality, real estate, and electric vehicles businesses, said a company statement. Prior to the Mahindra Group, Mishra was associated with Cipla and McKinsey.

"Suman is an accomplished business leader with global experience of leading transformation projects across multiple sectors," said Jejurikar. "Electric mobility is a key focus area for us...I am confident that Suman will help us achieve our growth targets."

Business Line 15th July 2021

Tata Motors to unveil Xpres brand for fleet customers

AYUSHI KAR
Mumbai, July 14

Tata Motors on Wednesday announced that it will launch a new brand Xpres, exclusively for its fleet customers.

Under the Xpres brand, the company will introduce offerings, catering to fleet specific needs of safety, passenger comfort and low cost of ownership. All vehicles for the fleet segment will sport an elegantly designed Xpres badge, clearly differentiating them from the growing 'New Forever' range of cars and SUVs that cater to the requirements of the personal segment. In a media roundtable for the launch, Shailesh Chandra, President, Passenger Vehicle Business Unit, Tata Motor's told *Business Line*, that the fleet segment which has seen an immense hit during Covid will start to see recovery once the lockdown eases.

Shailesh Chandra, President, Passenger Vehicle Business Unit

Surge in pent-up demand

"As people start to get vaccinated, confidence in public personal transport will grow. There is likely to be a surge in demand due to pent up demand, as well as fleet renewal, being due for many fleet aggregators," Chandra said.

The first vehicle under the Xpres brand to be launched shortly will be an electric sedan, called the 'Xpres-T' EV. Targeted at mobility services, corporate and government fleet customers.

Business Line 13th July 2021

Ola Electric raises $100 million in long-term debt from Bank of Baroda

Funds to be used for financial closure of Phase 1 of the Ola Futurefactory

OUR BUREAU

Bengaluru, July 12

Ola Electric and Bank of Baroda on Monday signed a 10-year debt financing agreement of $100 million for the funding and financial closure of Phase 1 of the Ola Futurefactory, its global manufacturing hub for electric two-wheelers.

Ola had announced last December that it will be investing ₹2,400 crore for setting up Phase 1 of the factory. This debt financing is part of that overall investment.

Bhavish Aggarwal, Chairman and Group CEO

"Today's agreement for long term debt financing between Ola and Bank of Baroda signals the confidence of the institutional lenders in our plans to build the world's largest two-wheeler factory in record time. We are committed to accelerating the transition to sustainable mobility and manufacture made in India EVs for the world and we are happy that Bank of Baroda has joined us in our journey," said Bhavish Aggarwal, Chairman and Group CEO, Ola, in a statement.

TN factory

The Ola Futurefactory is coming up on a 500-acre site in Tamil Nadu. At full capacity of 10 million vehicles annually, it aims to be the world's largest two-wheeler factory. Phase 1 of Ola Futurefactory is nearing completion shortly, following which production trials of Ola Scooter will commence. The Ola Scooter will be manufactured at the Ola Futurefactory, which will also serve as the global EV hub for Ola for its range of scooters and other two-wheelers.

"The government has brought in several policies to incentivise make-in-India and to enable India to become a global EV leader. Ola is leading from the front and we are delighted to partner with them for their EV business. The Ola Futurefactory will put India on the global EV map and we are proud to be associated with them" said Sanjiv Chadha, Managing Director & CEO, Bank of Baroda.

Ola Electric's last big fund raise of $250 million from SoftBank in July 2019 saw the company valued at an estimated $1 billion, taking it into the Unicorn league of companies.

Business Line 12th July 2021

Hero MotoCorp charts two-pronged strategy to grow international sales

2-wheeler major to sharpen focus on premium bikes, revamp offerings

G BALACHANDAR

Chennai, July 11

India's largest two-wheeler maker Hero MotoCorp has formulated a two-pronged strategy to grow its international presence and volumes in the coming years.

This comes at a time when two-wheeler exports from India have been registering a significant growth due to te growing acceptance of India-made two-wheelers across geographies.

"With our new strategy called R4 (Revitalise, Recalibrate, Revive and Revolutionise), the focus on our Global Business is very clear. Hero MotoCorp continues to invest in the development of new products for our international markets and we are determined to expand our global footprint. Our goal is to develop new markets and strengthen our market share in the existing ones by delivering superior products and enhanced customer experiences," said Pawan Munjal, Chairman of the company, in the company's latest annual report.

Pawan Munjal, Chairman, Hero MotoCorp

The company aims to strengthen its focus on the premium motorcycles and scooters segment in Bangladesh, Nepal and Latin America, while In the African markets it is revamping its product portfolio, growing the network and establishing its brand presence. Hero MotoCorp ended FY21 with its highest-ever exports in any single month. The company exported 1,91,609 units in FY21, an increase of 7.5 per cent over FY20 despite the impact of Covid-19.

The company terms its entry into Mexico, a key motorbike and scooter market, as a significant milestone in its global journey. With the Mexico entry, Hero MotoCorp's global footprint reached 41 markets outside India. "With Grupo Salinas as our partner, this has enabled us to form one of the largest retail sales channels in the country. Our expectation is that Mexico will become a key international market for us in the foreseeable future," he said.

Hunter launch in Nigeria

The company has also appointed new distributor partners in Honduras and Nicaragua, while it has introduced a new product called Hunter in Nigeria. "The initial results are extremely promising, and we expect to gain significant market share in Nigeria," added Munjal. During this fiscal, Hero MotoCorp plans a big push across key markets — Nigeria, Kenya, and Uganda in Africa — with a revamped product line up, network expansion and sales promotions activities. It will also scale up market share in Colombia, Guatemala and Peru through network expansion, investments in brand building and product refreshes.

To support its expansion, the company will also scale up retail finance in key markets, while making related investments in important markets. The current fiscal will also see the company's launch of Hunter in Nigeria and start of Mexico operations.

The company runs its factories in Bangladesh (with a capacity of 1.5 lakh units per annum) and Colombia (the factory has a capacity to produce 80,000 units per year).

Business Line 13th July 2021

After break-up with Mahindra, Ford looking for a new partner in India

Eyes contract manufacturing for Citroen

S RONENDRA SINGH

New Delhi, July 12

American automobile giant Ford Motor Company is looking for a new partner in India after its joint venture with Mahindra & Mahindra ended earlier this year.

According to sources close to the development, the company is also looking at partnerships for contract manufacturing at one of its factories in the country and is in talks with various players, including Citroen India. Citroën India makes the C5 Aircross SUV at its plant in Thiruvallur, Tamil Nadu.

"Ford was in talks with MG Motor earlier, but that fell through, and now it is in talks with Citroen India for contract manufacturing," a source privy to the development told *BusinessLine*.

When contacted, both Ford and Citroen India declined to comment. Ford Motor, through its subsidiary Ford India, manufactures and assembles engines in two factories, one in Chennai and the other in Sanand (Gujarat).

Two plants

Spread over 350 acres, the Chennai plant has an annual production capacity of two-lakh vehicles and 3.40 lakh engines. Ford's SUVs, EcoSport and Endeavour, roll out of this plant, in which the company has invested more than $1 billion.

The company has spent over $1 billion on the Sanand factory, which is spread over 460 acres. This factory has an annual installed production capacity of 2.40 lakh vehicles and 2.70 lakh engines. This plant makes the compact sedan Aspire and the hatchback Next-Gen Figo.

However, with the kind of domestic sales Ford has been reporting, the plants are not utilised fully, even after making vehicles for exports to 37 countries.

According to the latest data from the Federation of Automobile Dealers Associations (FADA), Ford India reported retail sales of 2,790 units in June compared to 2,872 units in the corresponding month last year. In May, the company had retailed 1,671 units and in April 4,214 units.

Dwindling market share

The sales of the flagship EcoSport have been slipping, and with the other brands not contributing much, Ford's market share has dwindled to around two per cent from more than three per cent earlier.

The partnership with Mahindra was to lead to new products that would have shored up Ford's market share in India. But that did not go very far, with the companies ending their joint venture within three years of entering it, in October 2019.

According to analysts, Ford India needs to get partners for contract manufacturing, with no further investments coming to its India operations in the near future.

Business Standard 15th July 2021

First new Maruti unit to make 250,000 cars

SURAJEET DAS GUPTA

New Delhi, 14 July

Maruti Suzuki will take two-and-a-half to three years to set up its first unit in a new factory location in Haryana from the day it acquires the land, with a capacity to manufacture 250,000 cars per annum. The investment for the first unit would be to the tune of ₹5,000-₹7,000 crore.

The country's largest car maker is planning to add a new unit (of 250,000 per annum) after every two years and is looking at a final capacity ranging from 750,000 per annum to 1 million at the end, depending on demand growth projections.

It hopes to complete the process of investment in an eight to ten year time frame. The new plant will primarily replace its Gurugram plant (which has a capacity of 600,000 cars per annum) and also cater to new demand in the future.

R C Bhargava, chairman of Maruti Suzuki, said: "The completion of the entire plant will take 8-10 years. The first unit itself will require two-and-half to three years. Our aim is to set up four units totalling 1 million per annum, but that will depend on demand projections. The plan is to add a unit every two years."

"The completion of the entire plant will take 8–10 years. The first unit itself will require two-and-half to three years. Our aim is to set up four units totalling 1 million per annum, but that will depend on demand projections. The plan is to add a unit every two years"

R C BHARGAVA,
Chairman, Maruti Suzuki

Bhargava said the investment will be in phases and the total amount could reach ₹17,000-18,000 crore but the exact numbers of each phase are difficult to project so early. He added that the first unit will always take the maximum investment as it includes the cost of land and building the infrastructure.

The plan, he said, is not to close down the Gurugram plant in one go but reduce its capacity in phases, once additional capacity is built in the new plant. A complete closure of the factory could take as long as five years.

Bhargava also clarified that the investment will be undertaken by Maruti Suzuki and not through Suzuki's 100 per cent subsidiary, Suzuki Motor Gujarat, which controls the Gujarat manufacturing plant with a capacity of 750,000 cars per annum.

"We will finance the plant through our cash reserves. The Gujarat plant already has invested in three units which was the initial plan. There is no fresh investment planned there," he said.

The chairman said the company had never taken a decision to manufacture all new models in Suzuki Gujarat, adding: "The investment that we are making is to replace the capacity in Maruti Suzuki's Gurugram plant and plan for Maruti's expansion."

On Maruti's sales for FY22 Bhargava said that, based on trends, July sales will be better than June's. "But with Covid-19 playing out, we cannot make any firm projections for the year. After all, in FY21, the car market shrank by 18 per cent and Maruti shrank by 16 per cent."

On the growing push for electric vehicles, he said they were still too expensive for most consumers to adopt.

"The market for electric vehicles is very small and might take more than five years to take off. At the moment, how many of our consumers who buy our ₹4 lakh entry model will be willing to buy the same in electric for ₹10 lakh? How will a consumer who barely pays the initial payment in a ₹4 lakh car now afford to pay for an electric vehicle?" asked Bhargava.

However, he added that it was a given that Maruti would come out with some electric vehicles at some point.

PRESS REPORTS
ON
RAW MATERIALS

Business Standard 6th July 2021

Steel majors cut prices by ₹2K in first correction since March

However, companies likely to hike prices again once domestic demand revives

ISHITA AYAN DUTT & ADITI DIVEKAR
Kolkata/Mumbai, 5 July

COOLING DOWN

- Steel companies **reduce prices by ₹1,200-2,000 a tonne** in July
- After correction, **hot rolled coil price at ₹68,500 a tonne** (import price parity at ₹77,000 a tonne)
- **Companies may revise prices upwards** once domestic demand revives
- **Vietnam a major market** hence firms have had to lower prices for export
- Local prices had surged **1.7x in last 10 months,** prior to the recent correction

Steel companies have corrected prices by ₹1,200-2,000 a tonne in July across flat and long steel products, but there may be scope for an increase, going forward.

ArcelorMittal Nippon Steel India (AM/NS India) corrected prices by approximately ₹1,500-2,000 a tonne. Jindal Steel & Power (JSPL) sources said there was a reduction in all steel product prices by ₹1,500-2,000 a tonne across hot rolled coil (HRC), rebars and other structural products; JSW Steel sources said that prices were corrected by ₹1,200-1,800 a tonne.

This is the first correction in prices since mid-March 2021. However, companies believe that this is a temporary correction and once domestic demand is back on track, an increase is likely.

AM/NS India chief marketing officer (CMO), Ranjan Dhar, said, "There is no structural reason for this reduction as import parity is still above even June domestic prices."

"We are doing this to kick-start domestic demand after the second wave lockdown and support users to revive fast. Prices could also increase, going forward, on the basis of international price movements and demand improvement," he added.

A major steel producer pointed out that the cost structure had not changed. It said, "Iron ore was still strong and in the last eight weeks, spot coking coal prices (Australia) had moved from $108 a tonne to $199 a tonne."

According to SteelMint data, fines from Odisha increased from ₹9,450 a tonne to ₹10,000 a tonne during May 31 to June 28; lump ore prices moved from ₹13,750 a tonne to ₹14,000 a tonne during the period.

"This correction is temporary and due to Russian intervention. Once the Indian economy opens up, prices are most likely to be revised. On the long product side, for the secondary players, margins were now negative," the producer said.

After the revision, the price of hot rolled coil (HRC) stands at ₹68,500 a tonne (the import price parity is ₹77,000 a tonne).

Rebar prices are now at ₹45,000-51,000 a tonne.

Isha Chaudhary, director, CRISIL Research, also said that despite the recent correction, the gap between global landed and domestic prices continues to remain huge, thereby leading to moderate price cuts.

"We don't expect any free fall in steel prices due to the green policies being played out. China and Russia's focus on production cuts is likely to keep global supply tight, thus supporting steel prices," she said.

The Russian government has proposed a five-month export duty on steel, copper, aluminium and other non-ferrous metals exported outside the Eurasian Economic Union (EAEU), in order to curb prices in the domestic market.

"Export duties on all steel products at the rate of 15 per cent effective August 1, 2021, up to December 31 is on the cards. The base duty rate will be 15 per cent. However, the minimum duty rate per tonne of products has been established. The tax will be charged depending on which rate will be higher," said Chaudhary.

The recent pressure on prices, in fact, was triggered by the proposed Russian export duty. As JSPL sources said, Russian steel company MMK, in the last four days, flooded the market with 150,000 tonnes of steel, putting pressure on international steel prices.

"Spot global steel prices in Europe dropped by $100 a tonne and China reduced prices by the same quantum, including to Vietnam," the source added.

Vietnam is also a big customer for Indian players, and hence, domestic players have had to lower prices for export purposes. However, the Russian export duty could augur well for Indian steel companies.

Chaudhary said, "Russia is the second largest exporter of steel with 31.5 million tonnes exported in 2020. With this (export duty), we foresee, further deficit in global steel trade, thereby leading to higher exports from India on higher realisations and weak domestic sales."

Prior to the recent correction, domestic steel prices surged 1.7x over the last 10 months versus a 2.1x rise in global steel prices.

However, a weak domestic demand led by localised lockdowns in several states coupled with the pressure on global steel prices led to the recent correction.

Business Line 1st July 2021

Steel prices may cool off by ₹3,000/t

Weak demand amid monsoon season to pull down prices

SURESH P IYENGAR
Mumbai, June 30

The second Covid wave has impacted demand from auto and consumer durable sectors REUTERS

After a consistent rally in the last few months, steel prices have come under pressure and are expected to be cut by ₹2,000-3,000 a tonne next month to ₹63,000 a tonne on the back of weak demand amidst the monsoon season across the country.

While long product prices are expected to come under pressure due to slowing construction activity, flat product prices are facing the heat due to weak demand from the consumption sectors such as automobile, white goods and others.

Moreover, steel prices at the company level have been higher by ₹5,000 a tonne than that of the dealers due to consistent price increase and robust demand. Supply in the market was tight due to higher exports.

In June, the demand has slowed down considerably and inventory at the dealers' end has increased and this may either force steel companies to cut prices or offer a discount if they decide to hold prices at the current level, said a Mumbai-based dealer.

Long product prices usually come under pressure before the monsoon season, he added.

Output up

Crude steel production increased 46 per cent last month to 9.2 million tonnes after a dip in April due to the onset of the second Covid wave. The domestic steel output has been driven by increased exports and higher capacity utilisation levels than last year.

Steel demand was up two times at 8.63 million tonne in May, on lower base. On month-on-month, it increased 27 per cent on the back of recovery in demand despite the onset of the second Covid wave. Consumption has not fallen to the levels seen last year when there was a complete shutdown of activities.

However, the second wave has impacted auto and consumer durable demand and partially delayed construction and infrastructure activities. Further, the monsoon could dampen construction and infrastructure demand in the coming months.

PRESS REPORTS
ON
GOVERNMENT POLICY

Business Line 7th July 2021

India seeks inputs from stakeholders

Time till July 25 for suggestions on market access, data protection, fixation rights in IPs

AMITI SEN
New Delhi, July 6

To maximise benefits from the proposed India-UK Free Trade Agreement (FTA), the Commerce Ministry has sent out a detailed consultation format to trade and industry associations and other stakeholders for precisely listing out priority areas, areas of interest, justifiable suggestions on what the pact should achieve, existing positions, challenges and concerns related to the exercise.

"A deadline of July 25 has been set for inputs from stakeholders and the general public on the proposed India-UK FTA as the exercise is time-bound and the government has to firm up its negotiating stance based on the inputs," an official told *BusinessLine*.

"It is understood that an FTA with the UK would allow us to explore futuristic opportunities in trade and investment by making exports easier and promoting investment flows. This would also enable greater access to Indian service providers looking to facilitate services exports and will enable domestic consumers to access a wider range of products and services at competitive rates," the communication stated.

Inclusive trade policy

The Centre is committed to an inclusive trade policy that takes account of the views of all the stakeholders, it added. The suggestions are to be e-mailed to the government.

Prime Minister Narendra Modi and his British counterpart Boris Johnson agreed on an 'Enhanced Trade Partnership' at a virtual summit in

For India, the UK is in the list of top five countries, accounting for bilateral trade worth $12.29 billion in 2020-21

May laying the roadmap for more than doubling bilateral trade by 2030 and declaring their intention to negotiate an FTA. Among European countries, the UK was in the top five list accounting for bilateral trade worth $12.29 billion with India in 2020-21.

The UK is interested in an FTA with India mostly because, after its exit from the EU, it wants to consolidate its trade and investment relations with major economic partners through lowering of barriers. India, on the other hand, is keen on the FTA as lower tariffs for certain items, such as textiles and leather, would increase the competitiveness of Indian exporters and liberal visa norms could allow professionals easier entry into the UK. Moreover, New Delhi is also focussing on forging FTAs that are not influenced by China in any way.

Specific areas

In the consultation format, the Commerce Ministry asked stakeholders to identify specific areas of interest such as apparels or pharmaceuticals in the area of market access for goods, information technology in the area of services, data protection or data localisation in area of digital and fixation rights/single equitable remuneration in the area of intellectual property.

Stakeholders have also been asked to provide specific justifiable suggestions on what they would want the Indian government to achieve through an FTA with the UK. These could include demands in the area of tariff liberalisation, identification of other market access issues faced, identification of items where tariff levels must be retained by India, listing of sectors in which domestic industry is under expansion and inputs/intermediate goods are procured from the UK and procedures related to customs and/or certifications that are cumbersome.

The UK is hopeful that formal negotiations with India would begin by the year-end.

The country is seeking reduction of import duties on cars in India, which ranges between 60 per cent and 100 per cent, as well as wines and spirits which face 100-150 per cent. It also wants more access in services such as legal and financial, including banking and insurance.

Business Line 2nd July 2021

Govt clears extension of interest equalisation scheme till Sept 30

Eligible sectors can access credit at lower interest rates

OUR BUREAU
Mumbai, July 1

In a move that will help exporters deal with the ongoing Covid-19 pandemic and the resultant slowdown in global trade, the Government has approved the extension of the Interest Equalisation Scheme up to September 30, 2021.

"Government of India has approved the extension of Interest Equalisation Scheme for Pre- and Post-Shipment Rupee Export Credit, with the same scope and coverage, for a further period of three months, i.e., up to September 30, 2021.

The extension takes effect from July 01, 2021 and ends on September 30, 2021 covering a period of three months," the Reserve Bank of India said on Thursday.

The Interest Equalisation Scheme is popular with exporters as it allows all eligible sectors to access credit at lower interest rates with the government providing a subsidy.

How the scheme works

The scheme extends a subsidy on interest provided to exporters on pre- and post-shipment export credit varying between 3 per cent and 5 per cent.

The banks give credit at lower interest rates to exporters and the government then refunds the difference in amount to the banks.

Business Line 9th July 2021

Policy push for e-mobility worries CNG distributors

City gas distributors fear they may have to recast long-term investments

RUTAM VORA
Ahmedabad, July 8

India's city gas distribution (CGD) companies may hit a roadblock sooner or later. Industry insiders fear that the enhanced policy support for the adoption of electric vehicles (EVs) will stymie the growth of the compressed natural gas (CNG) segment, which forms the largest volume of sales for CGD players.

Industry sources believe that the push for EVs would eventually cut short the CNG story in India, prompting companies to rework their long-term investments in expanding the network of CNG stations. CGD players currently depend excessively on CNG. Data show, for Indraprastha Gas and Mahanagar Gas, which supply gas to Delhi-NCR and Mumbai, respectively, nearly 73-74 per cent of their total gas sales volumes come from CNG. For Torrent Gas it is 85 per cent and for Adani Total Gas (ATGL) it is a little over 50 per cent.

Perception issue

"Companies had hopped on the CGD bandwagon, eyeing big money in CNG. But CNG vehicles may soon face a perception issue when pitched against an EV. Besides the growing traction, even the power tariffs for charging points are subsidised, thereby giving EVs an edge over CNG vehicles," said a source declining to be named. Yet, CGD players are seemingly not losing heart — at least for the short- to medium term.

The largest of them, Gujarat Gas continues to aggressively expand CNG infrastructure by adding 150-200 stations a year. "In the near term, (we are) focusing more on virgin operating areas for increasing CNG penetration. CNG, with a better developed infrastructure, high affordability, a robust ecosystem in place, will continue to grow at a faster pace. With India's energy demand going to more than double by 2040, the government and stakeholders are sanguine about the coexistence of CNG vehicles and EVs," a company spokesperson said. Gujarat Gas is working on increasing CNG use cases in light and heavy commercial vehicles (LCVs, HCVs) and marine vehicles, besides rolling out LNG fuel stations.

Apart from the Centre's extended FAME-II (Faster Adoption and Manufacturing of Electric Vehicles) scheme for EVs, various state governments are incentivising EVs and charging infrastructure to leapfrog into e-mobility.

Gujarat's subsidy

Gujarat was the latest with its ₹870-crore subsidy support to bring nearly 2 lakh EVs — including two-, three- and four-wheelers — on road by 2025. Cars and three-wheelers are seen as major CNG consumers. ATGL sells 50 per cent of its CNG to three-wheelers, 40 per cent to cars and 10 per cent to heavy vehicles. When asked, however, CGD players prefer to overlook the disruptions triggered by EVs.

Sales volumes of top CGD players

Volumes in million standard cubic meters

Company	Total annual volumes FY 2020	CNG volumes	% share in total volumes
Gujarat Gas	3,454	553	16
Adani Total Gas	580.49	291.63	50
Mahanagar Gas	1,080.20	784.32	73
Indraprastha Gas	2,356.85	1,737.80	74

Source: Company, Exchange filings

Business Line 8th July 2021

Industries directed to provide accommodation to workers: CM

Facilities should be in the company premises or nearby locations

OUR BUREAU
Pune, July 7

Maharashtra Chief Minister Uddhav Thackeray asked industries to provide accommodation to workers in the company premises in the case third wave of Covid-19 hits the State.

Thackeray held a meeting with government officials to review the preparations to tackle Covid third wave. He directed district collectors to hold meetings with industrialists and guide them to provide accommodation to workers in company premises so that they don't have to travel and could maintain social distance. Thackeray said that if it is not possible to create accommodation facilities in the company premises, nearby locations must be identified for field residence.

Uddhav Thackeray

"To continue the industrial work and economic activities and stop the spread of coronavirus it is necessary that travel and social contact of workers is restricted. The second wave of Covid-19 has not ended and we have taken a calculated risk to re-start economic activities. It is a must to follow the norms to avoid the spread of coronavirus" said Thackeray.

While asking district collectors to gear up to tackle the third wave, Thackeray said that setting up of oxygen manufacturing plants should be expedited.

Genomic sequencing

Chief Minister Thackeray asked the State Health Department to conduct genomic sequencing in Parner block in Ahmednagar district. Genomic sequencing helps to identify SARS-CoV-2 and monitor how it changes over time into new variants.

The Economic Times 2nd July 2021

ET INTERVIEW **TARUN BAJAJ**
REVENUE SECRETARY

Merger of 12% & 18% GST Slabs Next on Agenda: Bajaj

Govt will discuss inverted duty structure, multiple tax rates soon, put these before council, says revenue secy

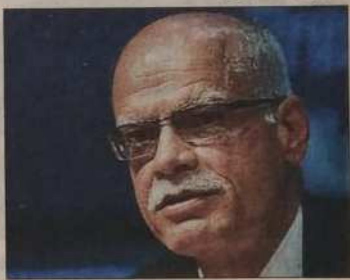
Deepshikha.Sikarwar
@timesgroup.com

New Delhi: The goods and services tax (GST) has significantly lowered the compliance burden on businesses as well as the incidence of taxation on them, revenue secretary Tarun Bajaj said, identifying a reduction in the number of slabs and addressing the inverted duty structure as next on the agenda for the levy that has completed four years.

"We still have issues on inverted duty structure, tax rates. The GST Council will over a period of time take a view on these. These issues have been flagged to the council a couple of times and it is cognizant of that," Bajaj told ET in an interview. "In the next one-two meetings, we will concentrate on these issues to put these before the council to take a decision."

Owing to the Covid, the government hadn't wanted to make too many changes in the past year, he said.

With regard to GST slab rationalisation, Bajaj said there is a recommendation that the merger of the 12% and 18% bands should be considered. "If I look at my figures, 5% is about 22% (items), 12% is 18%, 18% is 47% — these are the three main rates. These can also, over a period, be brought down to two," he said.



5% is about 22% (items), 12% is 18%, 18% is 47% – these are 3 main rates. These can also, over a period, be brought down to two

Business Line 14th July 2021

Maharashtra unveils new EV policy

Targets 10% share in registrations by 2025

PRESS TRUST OF INDIA
Mumbai, July 13

The Maharashtra government on Tuesday announced its new electric vehicle (EV) policy with an aim of making such vehicles achieve 10 per cent share of total registrations by 2025.

The new policy, which has updated the one announced in 2018, was released by Additional Chief Secretary (Transport) Ashish Singh and State Environment minister Aaditya Thackeray and others here.

'Ambitious targets'

"The policy has some ambitious targets. Electric vehicles must comprise at least 10 per cent of total vehicles registered by 2025. We also want to achieve 25 per cent EV share in public transport in Mumbai, Pune, Nagpur, Aurangabad and Nashik. It includes converting 15 per cent of the MSRTC fleet into EVs by 2025. We also intend to make Maharashtra the top producer of battery driven EVs in India in terms of annual production capability," Singh said.

He said another target laid down in the new policy was to establish one gigawatt of battery manufacturing capability in the state.

Speaking on the occasion, minister Thackeray said the conventional fuel-based passenger vehicle market may be hesitant as engines are getting upgraded in Euro-IV and V models but a major change can be brought about in the public transport sector by tapping MSRTC and civic-run undertakings for the EV initiative. "The Union government's FAME-II policy and Maharashtra's new EV policy can be combined for greater effectiveness. We are trying to set up EV charging stations in these five major cities though several incentives, with residential and office areas being on the priority list to set up EV charging stations," Thackeray said.

The Economic Times 8th July 2021

Goyal Calls for Services Trade Pact Among Indo-Pacific Nations

Says abundance of trade agreements in Indo-Pacific has led to decline in tariff rates

Our Bureau

New Delhi: Commerce and industry minister Piyush Goyal on Wednesday called for a services trade agreement among friendly nations of the Indo-Pacific region aimed at liberalising domestic regulations and building capacity in sectors like e-commerce and IT enabled services.

"Given the prospects of services trade, an Indo-Pacific wide services trade agreement should also be considered amongst friendly nations. It can help liberalise domestic regulations and build capacity on e-commerce and IT-enabled services and other areas such as Artificial Intelligence," Goyal said at the India Pacific Business Summit was organised by industry chamber Confederation of Indian Industry, but added that non-tariff measures act as major trade barriers in the region.

Goyal said that the abundance of trade agreements in Indo-Pacific has led to a decline in tariff rates over time.

The Indo-Pacific region comprises Sri Lanka, Australia, Bangladesh, Bhutan, Fiji, India, Japan, Malaysia, Maldives, New Zealand and Singapore.

He further said that trade facilitation can ease the cross-border movement of goods.

India's trade with select Indo-Pacific economies increased to $262 billion in 2020 from $33 billion in 2001, he said. India's key exports to the region include petroleum, diamonds, medicines and light vessels. Its imports comprise coal, petroleum, palm oil, and telecom equipment.

On the supply chain resilience initiative launched last year by India, Australia and Japan, Goyal said it is a firm step towards building resilient supply chains.

"We hope to be able to invite other countries to join us in this very important initiative. Our economic future in the Indo-Pacific region will largely be defined by our capacity to build on blue economy potential, regional economic integration and improving connectivity to promote regional trade," he said.

Inviting businesses of the region to avail incentives under India's production-linked investment schemes, which cover 13 sectors and aim at creating global manufacturing champions, Goyal said that the country has taken several measures, resulting in the simplification and rationalisation of many existing rules and regulations.

The Economic Times 14th July 2021

CONCERNS RAISED OVER WAGE & SOCIAL SECURITY CODES

Govt Reviewing Proposed Rules under Labour Codes

New labour minister Yadav to consult industry bodies, trade unions soon

Yogima.Sharma
@timesgroup.com

REVIEW CODE

CENTRE LIKELY TO REVIEW rules under 4 labour codes

NEW LABOUR MINISTER has begun an exercise to vet various provisions

GOVT KEEN TO ENSURE CODES do not increase compliance burden on industry

NO COMPROMISE on workers' interests

GOVT LIKELY TO CALL MEETING with industry bodies, unions

IT MAY NUDGE STATES to fast track rules in their domain

New Delhi: The government is relooking at the proposed rules under the four labour codes in an effort to allay some of the industry's concerns.

New labour minister Bhupendra Yadav has begun an exercise to examine the proposed rules to see if any changes need to be made, sources told ET. The minister is likely to consult industry bodies and trade unions soon.

"Officials have made a presentation to the new minister on the rules," a senior government official said. "It is his prerogative to make any course corrections."

Out of the four codes, the Wage Code and the Social Security Code are expected to have a significant impact on the cost of employment for the industry.

The government has capped allowances at 50% of the wages, which is expected to lead to higher gratuity payout by employers.

Industry bodies representing employers have demanded the government introduce a grandfathering clause for gratuity payment as the new definition of a 'wage' under the codes would significantly enhance the cost per employee. They have also sought some flexibility under the new wage definition, which has capped allowances at 50% of the wage.

Trade unions, on the other hand, want the government to notify social security for gig workers at the earliest, even if implementation of the codes was taking longer.

The labour ministry plans to provide health cover to one million gig workers under the Employees' State Insurance Corporation with the funds contributed by employees and employers.

The unions had, in the past, also raised apprehensions over the proposed 12-hour a day work shift and have been for a long time insisting on implementation of the statutory national floor-level minimum wage at the earliest.

The government is keen to ensure that implementation of the codes does not increase financial or compliance burden on the industry without impacting welfare of employees.

Industry has sought some flexibility under new wage definition, which has capped allowances at 50% of wage

The labour ministry had in March this year firmed up rules under its domain across all four codes. However, it had to defer the roll out of the codes beyond April 1 as none of the states were ready with rules in their domain.

A meeting of states is also likely to be called to nudge them to fast track framing of rules in their domain so that the codes can be implemented at the earliest, another official said.

The Centre consolidated 29 central labour laws into four labour codes. These include the Code on Wages, the Code on Social Security, the Industrial Relations Code and the Occupational, Safety, Health and Working Conditions Code. Parliament had passed the three out of four labour codes in 2020, while the Code on Wages was approved earlier in 2019.

Business Line 3rd July 2021

Govt launches 6 tech innovation platforms

To focus on tech development for competitive manufacturing

OUR BUREAU
New Delhi, July 2

The Ministry of Heavy Industries and Public Enterprises on Friday launched six technology innovation platforms that will focus on development of technologies for globally competitive manufacturing in India.

These platforms have been developed by IIT-Madras, the Central Manufacturing Technology Institute (CMTI), the International Centre for Automotive Technology (iCAT), the Automotive Research Association of India (ARAI), BHEL and HMT in association with IISc, Bangalore.

Minister for Heavy Industries and Public Enterprises, Prakash Javadekar, at the e-inauguration of the technology innovation platforms, in New Delhi on Friday PTI

These platforms will facilitate industry (including original equipment manufacturers, Tier-1 Tier-2 and Tier-3 companies and raw material manufacturers), start-ups, domain experts/professionals, R&D institutions and academia (colleges & universities), to provide technology solutions, suggestions and expert opinions, on issues involving manufacturing technologies, the Ministry said in a statement. Further, it will facilitate exchange of knowledge with respect to research and development and other technological aspects.

Over 39,000 students, experts, institutes, industries and labs have already registered on these platforms.

Prakash Javadekar, Minister of Heavy Industries and Enterprises, said these platforms are a gift to the nation to coincide with 'AzadikaAmrutMahotsav-Celebration of 75 Years of Independence'.

They will help bring together all of India's technical resources and the concerned industry on one platform to facilitate identification of technological problems faced by the Indian industry and crowd-source solutions for the same.

Business Line 6th July 2021

Industry bodies raise concerns over draft e-commerce rules

Ministry extends deadline for comments till July 21

MEENAKSHI VERMA AMBWANI
New Delhi, July 5

Industry bodies such as the Indo-American Chamber of Commerce (IACC) have raised concerns regarding the proposed amendments in the Consumer Protection E-commerce Rules 2020.

In a letter written to the Consumer Affairs Ministry, the IACC has said that the proposed amendments will lead to multiplicity of regulations, increase compliance liabilities and can risk severely impairing the growth of the e-commerce sector.

Industry bodies such as CII, FICCI and Assocham, in a virtual meeting on Saturday, had urged the Ministry to give more

time to give their recommendations on the proposed amendments on the Consumer Protection E-Commerce Rules 2020. The Consumer Affairs Ministry has now extended the deadline for giving comments on the draft rules till July 21.

Flash sales

According to sources, in a letter sent to the Ministry giving its feedback on the draft e-commerce rules, IACC has urged the Ministry to reconsider several provisions including those related to "fallback liabilities" and "flash sales".

Stating that e-commerce firms are already registered with the Ministry of Corporate Affairs, the industry body believes that the proposed provision of mandatory registration by e-commerce firms with the Department of Promotion of Industry and Internal Trade will lead to a dual registration process leading to additional burden for e-commerce firms.

"Lack of categorisation regarding what constitutes an e-commerce entity poses the same burden to a small retailer with an online presence to that of a very large platform. In its present form even logistics players ...may be considered as e-commerce entities," it said. Stating that the categorisation needs to be defined better, it added that instead of stringent definitions, light touch regulations is a better approach to take.

PRESS REPORTS ON ECONOMY

Business Line 3rd July 2021

Retail, wholesale traders now get MSME tag; opens bank credit lines

2.5 crore traders will also get the benefit of govt schemes

MEENAKSHI VERMA AMBWANI

New Delhi, July 2

Accepting a long-standing demand, the Centre, on Friday, included retail and wholesale traders under the MSME (micro, small and medium enterprises) classification making them eligible for priority sector advances by banks and financial institutions per RBI guidelines.

Minister of MSME and Road Transport and Highways Nitin Gadkari said the government has revised the guidelines, with the inclusion of retail and wholesale traders as MSMEs.

"Retail and wholesale trade were left out of the ambit of MSME. Under the revised guidelines, the Ministry of MSME has issued an order to include retail and wholesale trade as MSME and extending to them the benefit of priority sector lending," he said, adding that this would benefit 2.5 crore retail and wholesale traders, and they will now be able to register on the Udyam Registration Portal.

This comes at a time when retail and wholesale traders have been facing severe liquidity crunch after sales were hit by the Covid-induced local lockdowns. According to a survey by Retailers Association of India (RAI), the sector, dominated by which small traders, saw a 79 per cent contraction in monthly sales in May compared to pre-Covid levels due to lockdown-like restrictions imposed by States to

curb the pandemic's second wave.

Access to better finance

Kumar Rajagopalan, CEO of RAI, said, "This landmark decision will have a structural impact for the sector, helping it get formalised by giving better finance options for businesses that want to get structured. It will give retail MSMEs the support they need to survive, revive and thrive."

The Confederation of All India Traders (CAIT) said the demand for MSME status was on for more than a year, and will benefit crores of small businesses. Praveen Khandewal, Secretary General, CAIT, said, "The Covid pandemic-affected traders will now be able to restore their businesses by obtaining finances from banks, which was earlier denied to them. This will prove to be a milestone step in reviving not only the economy but even the retail sector."

Khandelwal said besides being able to get loans from banks and financial institutions, traders will now be eligible for several government schemes.

On June 28, the Finance Ministry increased the emergency credit line guarantee scheme (ECLGS) to ₹4.5-lakh crore, mainly for the MSME sector.

Business Line 9th July 2021

Mission $400-billion exports

Commerce Ministry looking at product-, region-wise opportunities

AMITI SEN

New Delhi, July 8

The Centre is working on a detailed strategy to achieve the ambitious goods export target of $400 billion set for the current fiscal.

It is looking at region-wise and product-specific approach to accelerate growth, according to officials close to the development.

"The Commerce Minister has asked officials of various regional divisions to objectively assess the growth potential in different countries keeping the overall target in mind. Subsequently, items, too, will be identified and sub-targets set," the official told *BusinessLine*. "The idea is to zero-in on areas where there is maximum potential for growth and work towards it," he added.

The $400-billion target, although ambitious, considering the export was $290.63 billion in 2020-21, can be achieved with the private sector, MSMEs, engineering, agriculture, automobile and steel working together, Commerce & Industry Minister Piyush Goyal had recently said addressing the media.

'Tough environment'

"Even when compared to exports of $313 billion in 2019-20, when production and trade was not affected by the Covid-19 pandemic, the target of $400 billion is a challenge," the official added.

However, given the fact that in April-June 2021-22, India recorded the highest ever merchandise export in a quarter valued at $95 billion, surpassing the previ-

India reached exports worth $290.63 bn in 2020-21

ous record of $90 billion in January-March 2020, the Ministry is hopeful that the $400 billion annual target may not be beyond reach.

'Identify scope'

Commerce Ministry officials will now examine details of India's exports to various regions such as Europe, North America, South America, Australia, New Zealand, Asia and Africa and identify where there is scope for growth.

"The government has to first see where the additional export market of $110 billion can be created. The thrust sectors and items also need to be simultaneously identified," the official said.

Once the exercise is carried out, officials may consult the industry to identify the constraints that are being faced in the identified areas and markets and see how these could be removed, he added.

"Some incentives may also be considered but right now the focus of the government is to first finalise the input duty refund rates under the new RoDTEP scheme that exporters are patiently waiting for," he said.

Top sectors, which performed well during the first quarter 2021-22 growth were iron ore, rice, cotton yarn/fabs/made-ups, handloom products, engineering goods, plastics and linoleum, chemicals, electronic goods, petroleum products, marine products and drugs and pharmaceuticals.

Business Line 2nd July 2021

RBI's FINANCIAL STABILITY REPORT

MSME, retail NPAs may rise as relief measures get wound down

Urges banks to use favourable market conditions to shore up capital position

OUR BUREAU
Mumbai, July 1

Shaktikanta Das

The Reserve Bank of India on Thursday cautioned that banks face the prospect of a rise in non-performing loans, particularly in their small and medium enterprises (SME) and retail portfolios, especially as regulatory relief is wound down.

The RBI's latest *Financial Stability Report* (FSR) noted that banks remained relatively unscathed by pandemic-induced disruptions, cushioned by regulatory, monetary and fiscal policies.

The report reflects the collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC-SC) on risks to financial stability.

"Within the domestic financial system, credit flow from banks and capital expenditure of corporates remain muted.

"While banks' exposures to better rated large borrowers are declining, there are incipient signs of stress in the micro, small and medium enterprises (MSMEs) and retail segments," the report said.

The FSR underscored that the demand for consumer credit across banks and non-banking financial companies (NBFCs) has dampened, with some deterioration in the risk profile of retail borrowers becoming evident. Subdued credit growth in a low-interest rate scenario could impact banks' net interest income levels, it warned.

Stable NPA ratios

The gross and net NPA ratios of banks remained stable during the second half of 2020-21, at 7.5 per cent and 2.4 per cent, respectively, in March 2021. As at September-end 2020, the ratios had been 7.5 per cent and 2.1 per cent, respectively.

On the other hand, special mention account (SMA) ratios, which reflect incipient stress, deteriorated, the report said.

The report said banks must prepare contingency strategies to deal with segment-specific asset quality pressures, especially when regulatory reliefs get rolled back.

Per the FSR, macro-stress tests for credit risk show that scheduled commercial banks' GNPA ratio may increase from 7.48 per cent in March 2021 to 9.80 per cent by March 2022 under the baseline scenario and to 11.22 per cent under a severe stress scenario.

Stress tests also indicate that SCBs have sufficient capital, both at the aggregate and individual level, even in the severe stress scenario.

Monitor MSME, retail loans

As banks and other financial institutions have resilient capital and liquidity buffers, balance-sheet stress remains moderate in spite of the pandemic, the report said. But it emphasised a close monitoring of MSME and retail credit portfolios. This calls for banks to shore up their capital position when favourable market conditions prevail, it added.

"The banking sector will be required to specifically guard against adverse selection bias while being alive to the credit demand from productive and viable sectors.

"In the most optimistic scenario, the impact of the second wave should be contained within the first quarter of the year, while frictional inflation pressures work their way out over the first half of the year," the FSR said. The report said financial intermediaries need to internalise these expectations into their outlook while staying on guard against potential balance-sheet stress with sufficient capital and liquidity buffers and governance structures.

Govt borrowings

Referring to the surge in the government's market borrowings, with a significant share of public debt being absorbed by banks, the FSR noted that going forward, however, their absorptive capacity may be circumscribed by the likely expansion of bank credit as economy recovers.

The Economic Times 5th July 2021

DETAILS TO BE WORKED OUT IN OCT, ROLLOUT LIKELY FROM 2023

India Joins G20-OECD Tax Framework Deal

Framework seeks to stop profit-shifting to low tax jurisdictions; India has to roll back equalisation levy

A Global Tax Deal

130 countries/ jurisdictions join OCED-G20 tax agreement

TWO-PILLAR DEAL

- Fairer distribution of MNC profits and local taxing rights
- Corporate tax floor rate, proposed at 15%

IMPACT ON EQUALISATION LEVY

Equalisation levy imposed by India will have to be rolled back

India will need to evaluate tax under new regime against equalisation collections

Finmin has called for meaningful and sustainable revenue to local market

Our Bureau

New Delhi: India joined the G20-OECD inclusive framework deal that seeks to reform international tax rules and ensure that multinational enterprises pay their fair share wherever they operate, the finance ministry said on Friday.

However, India will have to roll back the equalisation levy that it imposes on companies such as Google, Amazon and Facebook when the global tax regime is implemented.

The OECD said signatories amounted to "130 countries and jurisdictions, representing more than 90% of global GDP." Details of the regime and the implementation schedule will be drawn up in October, it said.

ET had reported last month that India favours a wider application of the law to ensure that the country won't collect less under the proposed framework than it gets through the equalisation levy.

"The principles underlying the solution vindicates India's stand for a greater share of profits for the markets," the finance ministry said. "Some significant issues including share of profit allocation and scope of subject to tax rules, remain open and need to be addressed," it said.

Business Standard 5th July 2021

Engineering goods exports face container shortage hurdle

ADITI DIVEKAR
Mumbai, 4 July

With exports demand for engineering goods looking strong in the coming months of 2021, continued non-availability of shipping containers could play a bigger spoilsport than even the likely third wave of Covid-19.

"Freights have gone up three times and people are willing to pay as well, but there is just no availability of containers. No one knows how to tackle the situation even though the export market looks robust," said Suranjan Gupta, executive director of Engineering Export Promotion Council (EEPC) of India.

According to the preliminary official data, EEPC said India's engineering goods exports continued the uptrend and posted a 52.61 per cent increase in June 2021 over the same period last year.

India's merchandise exports in June was $32.46 billion, 7.34 per cent higher than the figure in the year-ago month and an increase of 29.7 per cent over the same month in 2019.

The shortage of shipping containers started in January when India's exports started to pick up after the first of Covid-19. Over the months, however, the situation worsened because of the second wave, said industry officials.

"There is a serious shortage of containers on the eastern coast of India. Now the only option is to speak to shipping lines to get commitment from them for these containers," said Gupta.

However, a likely third wave of Covid-19 is not expected to hit trade as it did in the first two waves, said industry experts.

"The governments — both the Centre and states — are much better prepared for the third wave than they were for the first two," said an exporter on the condition of anonymity.

Products such as auto components, hand tools, and medical devices were part of engineering exports. Requirement for these products was strong particularly from Europe, the US, Saudi Arabia, and the UAE for the past few months.

Pent-up demand and increased usage helped engineering goods since economies are opening up after the second wave, said another EEPC official.

The first two waves gave rise to sizable manpower issues over the past one-and-a-half year, but increased pace of vaccination in coming months should sort out the issue to some extent, Gupta said. "As far as export volumes are concerned, the pick-up will also look strong since it will be on a relatively lower base," said Gupta.

EEPC India is a trade and investment promotion organisation sponsored by the Ministry of Commerce & Industry and caters to the Indian engineering sector. As an advisory body, it actively contributes to the policies of the Union government. Currently, EEPC India has a membership base of over 12,000, of which 60 per cent are small-and-medium enterprises.

Business Line 7th July 2021

The good and the bad of global corporate tax plan

DATA FOCUS

LOKESHWARRI SK

Chennai, July 6

On July 1, India, along with 130 other countries which are signatories to the OECD's BEPS (Base Erosion and Profit Shifting) framework, agreed to bring about changes in their corporate tax framework. The move has been spearheaded by US Treasury Secretary, Janet Yellen, who has spent the last few months trying to bring about a consensus among the countries on this proposal.

The list of countries who have come on board include the G7 countries, many emerging economies and even some low-tax jurisdictions such as Switzerland, Singapore, Bermuda, and the Cayman Islands. Some such as Barbados, Ireland and Hungary have not signed the proposal.

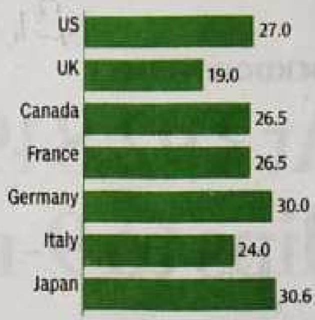
A lot of work is yet to be done before these proposals are implemented in 2023. But prima facie, the minimum corporate tax proposal appears conducive for India while the proposal on taxing digital companies will need some tough negotiations.

Advanced economies suffer due to low tax jurisdictions

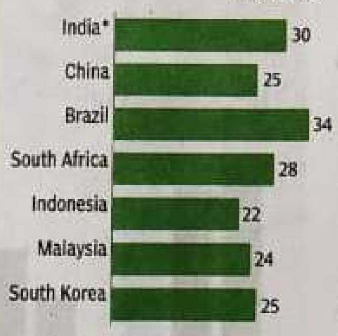
Corporate tax rate

Average corporate tax in America is far above global average *in 2021 (%)*

Germany and Japan have the highest rates among the G7 *in 2021 (%)*



Most emerging economies moving towards lower rates *in 2021 (%)*



Large variation in rates among low corporate tax jurisdictions *in 2021 (%)*

Bahamas	0.0
Bahrain	0.0
Barbados	5.5
Bermuda	0.0
Cayman Islands	0.0
Cyprus	12.5
Hong Kong	16.5
Ireland	12.5
Mauritius	15.0
Singapore	17.0
Switzerland	14.9

Source: KPMG *Effective tax rate

The proposals

Pillar one of the agreement is applicable on multi-national enterprises (MNEs) with profitability ratio (PBT/revenue) above 10 per cent and global turnover of €20 billion. Around 20-30 per cent of the profit, exceeding normal return of 10 per cent of revenue, will be allocated to countries where the sales take place. Extractive industries and financial services are carved out of these rules.

Under the second pillar, the signatories have agreed to a minimum effective tax rate of 15 per cent. Companies with global turnover above € 750 million will be covered by these rules, while the countries can decide to tax smaller domestic MNEs too. Pension funds, holding vehicles and international shipping services are excluded.

Benefits from pillar 2

It can be seen from the accompanying table that India has among the higher effective tax rates, at 30 per cent. While the corporate tax rate in India was slashed to 22 per cent in 2019 for companies willing to forego all tax incentives or deductions, the effective rate continues to be high, with not too many companies opting for this leeway. The cess and surcharges further increase the effective tax rate. The tax rate in India also continues to be higher than global and Asian average. Adopting the 15 per cent tax proposed will leave the government with sufficient room to move rates lower in the future, if necessary.

Surprisingly, many of the advanced economies including the US, France, Germany and Japan levy very high tax rate on corporates, which is leading to the MNEs shifting their base to low-tax jurisdictions. Corporate tax rate in the US was, in fact, at a steep 40 per cent until Trump slashed it to 27 per cent in 2017. The ongoing attempt is a result of the Biden administration wanting to raise corporate tax again.

With Indian government also losing revenue due to the innovative tax arrangements of MNEs operating in India, such minimum tax can help the Indian revenue authorities too.

Need tough negotiations

The US has been quite enthusiastic about pillar 2 but it has been more tepid about pillar 1, which affects many of the large digital MNEs based in the US. The US administration has, in the not-so-distant past, supported its digital companies such as Google, Amazon and Facebook against digital taxes imposed by countries including India.

Indian authorities therefore need to weigh the consequence of pillar 2 carefully. There are three main issues with these proposals. One, it applies to mainly larger companies, with global turnover above €20 billion. The smaller e-commerce operators will not be covered by these rules.

Two, the tax is only on extra profits above 10 per cent of revenue. With many of the retail and e-commerce companies operating with razor thin margins, and with many of them being loss-making, it is moot whether there will be extra profits to tax. US is likely to retain the right to tax the larger chunk of the profits of these companies.

Three, if India scraps its equalisation levy after adoption of these rules, it will not have the tool to tax the medium and small-sized digital MNEs. It needs to be seen if India can retain the right to levy witholding tax on other smaller digital MNEs.

MISCELLANEOUS REPORTS

Business Line 5th July 2021

A call to preserve the 'value' of MSMEs at any cost

A 12-point agenda that could form the basis for a genuine and whole-hearted approach to support such units

S ADIKESAVAN

Swaminathan Gurumurthy, member of the Board of the Reserve Bank of India, is an original thinker who follows the 'Third Way' propounded by the likes of Deendayal Upadhyaya and the labour movement leader Dattopant Thengdi when it comes to questions of finance and economics.

Recently, he wrote about how lenders should prevent illiquidity from leading to insolvency for enterprises, particularly in the MSME sector.

From a banker's perspective, there is no better way to encapsulate what lenders should do under the current conditions for borrowers.

The primary focus

Even though fresh investments and new units ought to be supported, the primary focus now should be on protecting the units already working because the negative demonstration effect of MSMEs collapsing will be disastrous.

Gurmurthy's construct assumes relevance here. If bankers can internalise this spirit and implement the government's and RBI's schemes for MSMEs – tailoring /customising them appropriately – MSMEs can weather the Covid impact.

As one of the world's few full-service regulators, RBI Governor Shaktikanta has been admirably proactive right from January 2019 in supporting all MSME units facing financial stress through a restructuring scheme (without it resulting in downgradation of the asset as is the norm).

After board-level discussions on November 18, 2018, the first of these instructions were issue on January 1, 2019, valid up to March, 2020.

Restructuring

The special provision encouraging banks to offer restructuring to all eligible unitswas extended soon after the Covid-induced lockdown in April 2020, and now in the wake of the second wave impact, again up to September 30, under the Covid2.0 resolution framework.

Coupled with the Modi government's Emergency Credit Line Guarantee Scheme, increased from ₹3-lakh crore to ₹4.5-lakh crore last week, the attempt is to ensure that money is available to all eligible units.

The RBI has also been supporting the liquidity requirements of banks by giving three-year money under its Long Term Repo Operations. Consequently, the average daily liquidity in the system is of ₹4 lakh crore.

Enough cheap money to go around, the government stepping in to guarantee loans, the regulator permitting a liberal restructuring of debt – banks cannot ask for more to support MSMEs and negotiate their cash flow problems.

What needs to be done?

So what are the practical steps to be taken up by banks? The following could be a 12-point template for this process.

1) Considering that the only condition stipulated by RBI is that the maximum moratorium as part of the restructuring should not exceed 2 years, a liberal restructuring scheme should be implemented forthwith.

2) The primary skill needed will be the ability to take a call on the intrinsic viability of the business and whether with support, the business will survive.

3) While all efforts are worth taking to keep the business afloat, in the very rare cases where the borrower is seen as unable to carry on activities even with additional support, it is better to take a decision early not to support. One of the fundamental principles of credit is that a 'no' today is often better than a 'yes' five/six months later.

4) The RBI has advised that the process of restructuring should be implemented and completed within 90 days of application by the borrower.

5) The usual tool kit of restructuring like conversion of erosion of working capital loan into a Working Capital Term Loan, conversion of unpaid interest into a Funded Interest Term Loan, rephasement of unpaid Term Loan instalment, additional need-based working capital loans, a term loan for meeting further cash losses for one year, and reduction in interest rates, along with moratorium on all repayments, should be extended to all requiring this assistance.

4) There may be need to conduct crash courses for loan officers as the average ticket size of the loans requiring recasting will be low and there will be knowledge/skill gaps at those levels. Terms like WCTL/FITL/ Dimunition in Fair Value (a key factor in restructuring) and the Right of Recompense may be alien to many officials.

5) There is need to advertise and publicise this restructuring facility. Many borrowers and, sometimes branch officials, may not be aware of the scheme, its import and intent.

6) There will be requirement for hand holding by Chartered Accountants in preparing reasonable projections so that these units do not end up in another cul de sac again. Most often, banks do not receive the detailed workings required to put up restructuring proposals.

7) Often, it is found that date-keeping of the process is not proper. Borrowers need to be aware of their rights too as per RBI directions.

8) The RBI has instructed that "a register/ electronic record should be maintained by the bank wherein the date of receipt, sanction/rejection/ disbursement with reasons thereof, etc. should be recorded. Banks should provide acknowledgement for loan applications received under priority sector loans". This will apply to all restructuring requests, too.

9) It may be a good idea to build in the provision for sanction of a 'Standby Cashflow Mismatch Credit Facility' (with suitable margin stipulations) as part of all fresh loans both for working capital and term loans initially itself – akin to a proxy Debt Service Reserve – as most often, after a loan account has started exhibiting signs of stress, no officer wants to recommend/sanction additional finance for fear of being pulled up in accountability studies later on.

10) Declining of any credit facility, whether fresh or for rephasement, should be only with the approval of the next higher authority in banks.

These 12 points could form the basis for a genuine and whole-hearted approach to support MSMEs.

MSMEs represent entrepreneurship at its best and are our Swadeshi Start-ups. Indeed, the Union government has done well in now including retail and wholesale trade as part of MSMEs for priority sector lending. An executive order of the government of India in 2017 had excluded trade from MSMEs.

Clearly, a liquidity problem is bugging most MSME units now. We owe it to our next generation to tune our collective approach to value-preservation and not value-negation of these entrepreneurs. It is worth remembering that today's MRF started as a toy-balloon manufacturing unit in 1946. That is the promise and the prospect MSMEs hold.

Business Line 1st July 2021

More lockdowns will destroy business, jobs and the economy: Rahul Bajaj

OUR BUREAU

Mumbai, June 30

More lockdowns will destroy business, employment and the economy without necessarily controlling the spread of the disease, Rahul Bajaj said in his last letter to shareholders as the Chairman of Bajaj Auto.

The letter written on April 29 was made public on Wednesday as part of the company's annual report.

"Let us hope that rapidly accelerated vaccinations coupled with a strict enforcement of masks and social distancing will soon bring the second wave under control," Bajaj said.

After the full national lockdown during 25 March to 30 April 2020 and partial lockdown that continued in varying stages up to 30 November 2020, things were gradually moving for the better, he said.

Rahul Bajaj

"Subsequent to the first and second quarters of FY2021 — when real GDP crashed by 24.4 per cent followed by another 7.3 per cent — we were beginning to see some green shoots of recovery. October-December 2020 showed a small but positive GDP growth of 0.4 per cent. We were looking forward to another quarter of positive growth in January-March 2021. With the second wave that started in March 2021, I doubt whether we will see that growth. More worryingly, I am concerned about Q1 FY2022 and what a series of state-wide lockdowns might do to businesses and economic growth," Bajaj said.