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Automobile Industry Updates

Issue No 3

May 2009

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GM Files for Bankruptcy

It was once an icon for industry. Monday, General Motors became the largest manufacturing company in U.S. history and fourth largest company ever to file for bankruptcy protection.

Senior administration officials said the government will provide \$30 billion in financing to help the automaker through bankruptcy. Those same officials said the Canadian government would provide \$9.5 billion.

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Shifts reduced at Bridgestone factory

Bridgestone has cut three production shifts at its Salisbury factory as demand slumps for its truck and trailer tyres. The company told workers this week it needed to reduce inventory levels to match sales, which have fallen during the economic downturn.

Workers will be given other duties during the seven-week hiatus, which will cut truck and bus tyre production by 20 hours a week.

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Car Exports Up 42% in May

Exports of passenger cars from the country soared 41.64 per cent in May, mainly on the back of robust performance by Maruti Suzuki, although domestic sales increased by a meager 2.48 per cent.

According to the data by the Society of India Automobile Manufacturers (SIAM), passenger car exports from the country stood at 29,619 units in May this year as against 20,911 units during the corresponding month of 2008.

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Barely four months after Mahindra & Mahindra (M&M) rolled out the Xylo; a multi-seater utility vehicle that got a good market reception, the model has run into a production hurdle. The company's Nashik plant, where the Xylo is made, has been paralysed for the past five working days due to an intense labour strike.

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Nashik strike causes production losses of Rs 150 crore to Mahindra's vendors

Ongoing 'tool down' strike, waged by the Nashik plant workers of the automotive major Mahindra & Mahindra (M&M) for the past nine working days, have now started affecting around 350 vendors of M&M across the country. The total production losses to Mahindra vendors alone are estimated at Rs. 150 crore during the last seven days.

More

Global car cos to take Maruti's route

Global carmakers looking to the booming Indian car market to salvage their fortunes are planning to imitate Maruti Suzuki's strategy of launching hatchback and sedan variants of the same model, as they explore ways to cut costs. Now companies like the world's largest carmaker Toyota, Europe's largest car maker Volkswagen, Japan's Honda and America's Ford Motor plan to use the same technology to make both hatchbacks and sedans for their future launches in India.

More

JLR to get 'conditional' support only: UK Govt

In a signal that government support may not come easy for Tata-controlled Jaguar and Land Rover (JLR), the British Government said that it was ready to provide only "conditional" help to the two brands as it had to "protect the interest of taxpayers". The UK government's insistence on "conditions" for lending support is creating problems in a successful loan negotiation for JLR. It is believed to be seeking "unprecedented terms" for the help, including a position on the board of the brands.

More

Audi aims 55 pc growth this fiscal from India

German luxury car manufacturer Audi on Friday said it expected a 55 per cent growth this fiscal from the Indian market and was targeting a sale of 1,500 cars.

Though luxury car sales in various countries was showing a dip following the global meltdown, the Indian market was buoyant, Audi India Managing Director Benoit Tiers told reporters here.

More

Ashok Leyland, Nissan venture delayed 6 months

Commercial vehicles maker Ashok Leyland Ltd said on Friday its joint venture with Japan's Nissan for light trucks has been delayed by 6 months, due to the economic

settlement over tyre ads.

Continental cuts
production at Stoecken
plant

slowdown and delay in land acquisition.

Production from the venture is expected to start in 2011, the company said in a statement while announcing its results for the fourth quarter.

[More](#)

UK Govt-JLR talks back on track

The British government has said that it is in discussions with the Tata Group-owned luxury carmaker Jaguar Land Rover (JLR) on guaranteeing loans.

While making it clear that the primary financial responsibility of the cash-strapped JLR rests with Tata Motors, the British government continues to hold confidential discussions with the company over both short- and long-term financing and business plans, an official at the department of business, enterprise and regulatory reform (BEER) said

[More](#)

TVS can make, sell original Flame: HC

Clearing the decks for TVS Motor to manufacture and market its 125 CC 'Flame' motorcycle, in its original form, the Madras High Court on Monday lifted an order of injunction which restrained the company from using internal combustion engine with three valves and two spark plugs. TVS now sells, Flame under a completely different technology as against the originally planned one.

[More](#)

Tata Motors plans Rs 4,200 Cr debenture issue: Crisil

India's leading automaker Tata Motors, which needs to refinance early next month a bridge loan worth \$2 billion taken for purchase of Jaguar and Land Rover, is planning to raise Rs 4,200 crore (about \$884 million) worth of fresh debt.

The fresh debt would be raised through sale of non-convertible debentures in four tranches, credit rating agency Crisil has said, while assigning its top-grade credit rating for the debenture programme backed with a SBI guarantee.

[More](#)

Ford to Make India Export Hub for Small Cars

Ford will start exporting the small car, due for launch in early 2010, by the end of that year, said Ford India MD Michael Boneham. The company will also export petrol and diesel engines from its new engine plant near Chennai. We will export our small car to regional markets and there is significant opportunity in the Asia Pacific region and Africa. Those markets will be our focus to begin with, Mr Boneham said.

[More](#)

Natural rubber imports might double

As the gap between domestic and overseas price tags of natural rubber (NR) is widening on a day by day basis, a strong pressure is building for heavy import of the commodity. Currently, comparing today's quote of bench mark grade RSS 4, the

overseas market, especially Bangkok, is cheaper by Rs 22 a kg.

[More](#)

High futures leave rubber users high and dry

As the rubber production was hit due to unusually hot temperature, the prices seemed to be hovering at higher end leaving rubber users high and dry while rubber makers go booming on the bourses today.

[More](#)

Apollo Tyres Completes Buy of Vredestein

Apollo Tyres Ltd. said Monday it has acquired the entire stake in Dutch tire-maker Vredestein Banden BV, giving the Indian company its first manufacturing base in Europe. "We completed the entire process on Friday night," Sunam Sarkar, Apollo's chief financial officer, told Dow Jones Newswires by phone. Mr. Sarkar declined to disclose the cost of the acquisition.

[More](#)

MRF lifts lockout; workers continue strike

Tyre-maker MRF has lifted the 10-day lockout at its Arakkonam factory near Chennai, the company announced on Wednesday. However, representatives of the MRF United Workers' Union, which has been demanding management recognition, said that they would not to resume work and continue to fight for their demands. The strike at MRF's Puducherry unit is still on.

[More](#)

Silver lining for Michelin's radial tyre project in TN

The country might still feel the pangs of the economic downturn, but Tamil Nadu is on track to receive its first major investment post elections. French tyre giant Michelin's Rs 4,000-crore project is on the take-off stage, with government machinery swinging into action to ensure that legal issues don't hamper investments. It is tying up all loose ends to allot 1,127 acres for the prestigious radial tyre project in Thervoy Kandigai village, near Gummidipoondi, in Tiruvallur district of TN.

[More](#)

3 Ruia Group firms under lens in sales tax case

Dunlop India, Falcon Tyres and Monotona Tyres are under probe over a tax liability of Rs 23 cr, which may rise. The Maharashtra sales tax department is probing at least three firms owned by Kolkata-based businessman Pawan Kumar Ruia for allegedly running a hawala racket to reduce sales tax liability, according to a media release.

[More](#)

M&M Net jumps 89%, to invest Rs 5,000 cr in 4 yrs

Discarding the impact of global financial meltdown, auto major Mahindra & Mahindra on Thursday posted an impressive an 89.09 per cent jump in its net profit at Rs 418.07 crore for the quarter ended March 31, 2009 and announced investment of Rs 5,000 crore in the next four years.

[More](#)

GM impact minimal: Sundram Fasteners

When reports of General Motors filing for bankruptcy trickled in, it deepened the worries of Indian auto-component makers, who were already coping with low demand in the domestic market. But TVS group company Sundram Fasteners, which has been supplying radiator, caps to GM for the last fifteen years is not worried as it has gradually reduced exposure to the carmaker over the years, a top official said.

[More](#)

Tata Motors net halves to Rs 1k cr

About four years ago, Prakash M Telang, a 37-year veteran of Tata Motors, led a team that engineered and designed a mini-truck that would make it easier for businesses and shops to ship goods within the city. Called Ace, the product quickly went on to become one of the biggest successes of the 64-year-old company. It has sold over 3, 00,000 vehicles since launch, created an entirely new category and spurred competitors to launch me-too products.

[More](#)

GM India not included in US bankruptcy filing

GM India has announced that it continues all its normal operations and is not included in the court reinvention process of GM's US operations.

"We believe this step, which was taken with the support of the US government, is the most efficient and effective means for GM to quickly achieve a competitive and profitable future," said Mr Nick Reilly, GM Group Vice President and President of GM Asia Pacific in Shanghai.

[More](#)

New Product

Logan Edge Connect in-roads of Bhopal

Mahindra Renault Private Limited (MRPL) today launched the Logan Edge Connect, a smart variant of the highly successful Logan Edge, which made its debut in 2008, at a glittering function in the City.

The Logan Edge Connect features a high-end music system with hands-free telephony integrated. An in-built Bluetooth device provides the driver with hands-free option for his bluetooth enabled mobile set. A special remote control device allows you to conveniently operate your mobile from anywhere within the car.

[More](#)

Toyota group co to launch trucks

Japanese truck maker Hino Motors, part of the Toyota group, is launching its premium range of trucks in the country, joining a growing list of firms, including Volvo, Tata Motors and MAN, who have recently launched their truck range in the fast growing Indian market.

[More](#)

Skoda's Yeti gets going!

The Yeti which was unveiled to the world media at the Geneva Motor Show this March, is Skoda's fifth model in its portfolio and the first production models began rolling off the assembly line at Skoda's Kvasiny plant in the Czech Republic. The Yeti is a butch lil' number and will be offered in both front wheel drive and all wheel drive versions when it goes on sale in India.

[More](#)

Tata Motors Rolls Out World Truck

India's largest automobile company by size Tata Motors, on Thursday, launched a new range of premium trucks called the World Truck, which is expected to give its commercial vehicles business a much-needed push. At present, Mercedes and Volvo are in the higher end truck segment.

The product has been jointly developed by Tata Motors and its two subsidiaries Tata Daewoo Commercial Vehicle Company in South Korea and the Tata Motors European Technical Centre in the UK.

[More](#)

Honda launches new version of 'CBF STUNNER'

Honda Motorcycles and Scooter India (HMSI) on Tuesday launched a new version of its 125 cc sports bike - CBF Stunner priced at Rs 64,630 (ex-showroom, Delhi). The launch is part of the company's strategy to increase its sales in the Indian two-wheeler market.

[More](#)

Industry Competition

M&M set to challenge Tata, Leyland in heavy vehicle segment

For years, Ashok Leyland and Tata Motors have ruled the 16.6 tonne-plus medium and heavy commercial vehicle (CV) market. With a market share of over 90 per cent, they sold over 78,000 vehicles last year.

But Mahindra & Mahindra, the country's second-largest CV company by sales, is set to challenge their domination by offering trucks with capacities ranging from 16 tonnes to 44 tonnes by the end of this year.

[More](#)

Honda to Bring Products with India-Specific Engines

Japanese car giant Honda will explore possibilities to bring in products powered by India-specific engines like it has planned with the small car -- Jazz, which will be launched in the country in June.

The Japanese firm, which is present in India through a joint venture with the Siel Group, has already launched the Jazz in the UK with the same India-specific 1.2 litre

petrol engine, generating 90 PS power, he added.

[More](#)

Goodyear to add 15% capacity

Goodyear Tyres will enhance the production capacity of its Aurangabad plant by 15% to 40 lakh tyres per annum, a top company executive said without disclosing the investments for the project.

[More](#)

Growth from only two models is a concern: Maruti Suzuki

Concerned over sales growth coming mainly from two of its models -- Dzire and Swift - country's largest carmaker Maruti Suzuki India said unless its other products contribute equally the company could face problems in the long-term.

[More](#)

Bajaj to move Supreme Court against TVS

In a setback to Bajaj Auto, the Madras High Court on Tuesday has dismissed the company's appeal seeking a stay on a recent order that allowed its arch-rival TVS Motor to manufacture and market the controversial bike Flame, in its original form. But, Bajaj Auto is not backing down and plans to slug it out by taking TVS to the Supreme Court.

[More](#)

Ashok Leyland stays in profit track through slew of combating measures

When the last fiscal was a turbulent year for the economy and commercial vehicle industry, hit by the global financial meltdown, Hinduja flagship, Ashok Leyland managed to retain its unbroken profit record of 60 years even as it reported a 59.48% drop in net profit at Rs 189.99 crore during 2008-09 against Rs 469.31 crore in the previous year.

[More](#)

International updates

Ford Truck Plant to Build Electric Cars

Amidst one of the auto industry's largest wholesale shifts in modern history, the Ford Motor Company is investing \$550 million to turn a factory that was dedicated to making large and fuel-hungry sport utility vehicles into a modern and scalable small-car plant that will eventually produce an all-electric version of the Focus.

[More](#)

Bridgestone 1Q Group Net Loss Y34.88 Billion Vs Y22.96 Billion Profit Year Earlier

Bridgestone Corp. on Friday reported a net loss of Y34.88 billion for the January-March quarter, as the global economic slump, strong yen and dwindling auto sales weighed on tire demand. The Japanese tire maker posted a net loss of Y34.88 billion in the three months ended March 31, down 124.5% from a net profit of Y22.96 billion a year earlier.

[More](#)

Michellin agrees to settlement over tyre ads.

Michelin North America has agreed to a settlement in an investigation led by the Tennessee attorney general into the tire maker's advertising claims of fuel efficiency.

[More](#)

Continental cuts production at Stoecken plant

German tire maker Continental AG said Tuesday about 425 workers would lose their jobs due to production cuts at the Hannover Stoecken plant, although the company committed to keeping the site open at least until the end of 2010.

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Effects of Recession

GM Files For Bankruptcy

1 June 2009

WWJ.950 Newsradio

Officials said they expect the bankruptcy to last 60-90 days with a result similar to Chrysler. Chrysler is expected to hear Monday if it will be allowed to sell assets to Fiat, creating the new Chrysler Group.

Officials say the size of General Motors makes the Detroit-based company's filing "more complicated."

At the end of the bankruptcy there will be a new General Motors with the government owning a 60% stake in the company. The Canadian government will own 12% equity in the new GM. The United Auto Workers VEBA fund would get a 17.5% share of the company. Bondholders would receive a 10 percent stake with the possibility of increasing their share to 25 percent.

"Today marks a defining moment in the reinvention of GM as a leaner, more customer-focused, and more cost-competitive company that, above all, can quickly generate winning bottom line results," said Fritz Henderson, GM president and CEO.

"The economic crisis has caused enormous disruption in the auto industry, but with it has come the opportunity for us to reinvent our business. We are going to do it once and do it right. The court-supervised process we are pursuing provides us with powerful tools to accelerate and complete our reinvention, as well as strong safeguards for our customers and our business. We are focused on the job at hand, for the benefit of our customers, employees, dealers, suppliers, retirees, taxpayers, investors and other stakeholders," he said.

"We recognize the sacrifices that so many have been asked to make as we have worked to reinvent GM and the automobile," said Henderson.

President Obama is expected to discuss the situation around 11:55 a.m. Monday with GM CEO and President Fritz Henderson scheduled to hold a news briefing shortly after the president finishes. You'll hear live coverage on Newsradio 950 WWJ.

According to a media release, GM has filed various "first day" motions with the Court to ensure the company's continued ability to conduct normal business operations. Upon Court approval, GM will be authorized, among other things, to:

Honor all obligations to customers and continue customer programs, including warranties, without interruption

Respect operating and financing agreements with GMAC, supporting continued wholesale financing for dealers and retail financing for customers

Pay dealers' open accounts and continue warranty and incentive programs

Pay essential suppliers and logistics providers for goods and services provided before and after the company's court filings

Continue pay and benefits for employees and retirees; however, the amount of non-qualified pension for some executive retirees may be affected.

Senior administration officials say the newly organized GM will purchase substantially all of the assets of the old GM needed to implement its business plan out of a chapter 11 in exchange for the U.S. Government relinquishing the majority of its loans to GM. Officials have stressed that the government will not have involvement in "day to day operations."

General Motors worked feverishly in recent days to win concessions from stakeholder groups to ensure a speedy bankruptcy.

A majority of the Detroit automaker's unsecured bondholders have accepted a deal viewed as crucial to reorganization, and Germany agreed to loan \$2 billion to GM's German unit, Opel, as part of its acquisition by a Canadian auto parts supplier.

GM plans to name turnaround executive Al Koch to serve as its chief restructuring officer to help the company through bankruptcy protection, said a person familiar with the matter.

Koch, a managing director with AlixPartners LLP, is a veteran turnaround specialist who helped Kmart Corp. through its Chapter 11 reorganization. He will lead the separation of the automaker's assets into a "New GM" and the remaining parts of the company that will form "Old GM." Koch will lead the management team that winds down the "Old GM" company once the automaker emerges from bankruptcy.

The automaker was founded in 1908 by William C. Durant, who brought several car companies under roof and developed the strategy of "a car for every purse and purpose" in the 1920s that was designed to appeal to consumers of all ages and financial status. The maker of Chevrolet, Buick and Cadillac cars and trucks, GM

commanded more than half the U.S. car market in the 1950s and employed more than 600,000 workers in the late 1970s, making it the largest private employer in the country.

Other parts of the plan outlined include: The GM qualified pension plans for both hourly and salaried employees will be transferred to the New GM as part of the purchase process.--The U.S. Treasury does not anticipate providing any additional assistance to GM beyond the \$30 billion commitment.-After any up-front conditions are in place, the government will protect the taxpayers' investment by managing its ownership stake in a hands-off, commercial manner. No government employees will serve on the boards or be employed by these companies.

As for warrantees: GM will continue to honor consumer warranties. The U.S. Treasury made available the Warranty Support Program to GM and \$361 million was funded to a special vehicle available to provide a backstop on the orderly payment of warranties for cars sold during this restructuring period.

-- During the bankruptcy process, employees will get paid in the ordinary course, including salary, wages and ordinary benefits. Assuming the sale moves forward as expected, Pension Plan and VEBA funding will be transferred to New GM.

For suppliers, General Motors is expected to seek authority at its "first day" hearing to continue to pay suppliers in the ordinary course.

For dealers, officials say GM will seek authority at its "first day" hearing to honor its customer warranties in the ordinary course and seek to continue to honor its dealer incentives for those dealers who are expected to continue to be part of GM's dealer system. There are some dealers that GM has identified that will not continue with GM. It is expected that the terminated dealers will be offered an agreement to orderly wind down their operations over the next 18 months.

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Shifts reduced at Bridgestone factory

15 May 2009

www.news.com.au

Bridgestone has cut three production shifts at its Salisbury factory as demand slumps for its truck and trailer tyres. The company told workers this week it needed to reduce inventory levels to match sales, which have fallen during the economic downturn. Workers will be given other duties during the seven-week hiatus, which will cut truck and bus tyre production by 20 hours a week.

The production shutdown came into force last night and will continue until the end of June. A spokeswoman for Bridgestone insisted the company had not cut any shifts, but that "we have simply adapted our production mix to meet customer needs". "As a result, there has been a simple reallocation of duties for our employees," she said.

The Advertiser understands affected workers are being deployed in cleaning and painting duties. In a notice issued to employees, managing director Shawn Hara said the global financial crisis was affecting the automotive industry particularly hard.

"Truck and trailer manufacturers have recently announced the need to reduce their daily build rates due to falling

customer sales," he said. "Additionally, there has been a decline in commercial TBR (tyre, bus radials) replacement demand (and) as a result we need to adjust TBR inventory levels to the market demand."

The Bridgestone spokeswoman said the situation was "something we normally do as demand fluctuates", but general manager John Signoriello said the adjustment was a result of current economic conditions.

In a factory notice, Mr Signoriello said there would be no change to passenger and light vehicle tyre production as inventory adjustments had been ongoing since February. Last month, the factory closed for two weeks to reduce inventory. There are 600 employees at the Salisbury factory, which is Australia's only tyre manufacturing plant.

Earlier this year, business information analyst IBISWorld ranked tyre manufacturing in its 10 most risky Australian industries for 2009. Bridgestone has previously said it was committed to maintaining tyre production at Salisbury, despite the tough economic conditions.

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Press Release

Car Exports Up 42% in May

9 June 2009

PTI

Exports of passenger cars from the country soared 41.64 per cent in May, mainly on the back of robust performance by Maruti Suzuki, although domestic sales increased by a meager 2.48 per cent.

According to the data by the Society of India Automobile Manufacturers (SIAM), passenger car exports from the country stood at 29,619 units in May this year as against 20,911 units during the corresponding month of 2008.

The export growth was largely driven by the country's largest car maker Maruti Suzuki India as its sales grew 90.69 per cent to 9,012 units in the month compared with 4,726 units during the year-ago period, SIAM said.

The country's largest-exporter Hyundai Motor India reported a jump of 27.77 per cent in exports during May at 20,125 units compared with 15,751 units in the same month last year.

Homegrown auto major Tata Motors, however, witnessed a dip of 25.35 per cent in its overseas sales of passenger cars at 324 units as against 434 units in the year- ago period.

SIAM said exports of total passenger vehicles, including utility cars, grew by 39.22 per cent in May at 29,763 as against 21,378 units in the same month last year.

Domestic passenger car sales increased by 2.48 per cent to 1, 13,490 units in May from 1, 10,745 units in the same month last year, it added. In the two-wheeler segment, total motorcycle exports grew by 5.20 per cent in May at 78,354 as against 74,484 in the year-ago period.

Market leader Hero Honda's sales in the overseas markets grew by 53.81 per cent to 8,472 units from 5,508 units

during May last year. Rival Bajaj Auto's exports rose by 3.71 per cent at 51,419 units compared with 49,581 units during the same month last year.

Total scooter exports, however, dipped 24.17 per cent at 1,584 units as against 2,089 units in the year-ago period.

The downward trend of commercial vehicles continued in the export markets as well with sales slipping by 51.06 per cent to 2,272 units from 4,642 units in May, 2008, SIAM said.

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Nashik strike a setback for Mahindra's Xylo

12 May 2009

Business Standard

Barely four months after Mahindra & Mahindra (M&M) rolled out the Xylo, a multi-seater utility vehicle that got a good market reception, the model has run into a production hurdle.

The company's Nashik plant, where the Xylo is made, has been paralysed for the past five working days due to an intense labour strike.

Says Rajesh Jejurikar, M&M's chief of operations (automotive sector): "The strike will alter delivery schedules. There has been no change in demand."

Although M&M had to ramp up Xylo's production to more than what was projected, it has been falling short of the demand. The company started with producing 60 Xylo a day, which was more than doubled to 135 recently. Despite this, dealers are asking customers to wait for four-six weeks for delivery.

Meanwhile, the 4,400-strong workforce, which has gone on an indefinite strike at Nashik, has refused to relent to any of the management's overtures. Union leaders say M&M has delayed signing a salary agreement for 22 months.

M&M says it is working on a back-up plan. Apart from Nashik, the company has vehicle manufacturing plants at Zaheerabad (near Hyderabad), Hardwar and Kandivli (Mumbai). However, all these plants make other vehicles — pick-ups, soft-top utility vehicles, three-wheelers, light commercial vehicles and buses.

Meanwhile, Xylo's prime competitor, Innova from Toyota Kirloskar, has seen a spurt in production. The company has upped the vehicle's output from 3,000 a month to 3,300.

Sandeep Singh, deputy managing director (sales and marketing), Toyota Kirloskar Motors, said, "Sales of the Innova have gone up after the face-lift it received earlier. The spurt has come from the personalised segment of buyers and from corporate buyers. We are hiking its production to 4,000 units by July to keep pace with the demand."

City-based analysts say M&M will lose new buyers if Xylo's production is not restored soon, the benefit of which will go directly to Toyota's Innova. Toyota officials say the company does not intend to run any promotional scheme, as the Innova already has a waiting period of four weeks.

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Nashik strike causes production losses of Rs 150 crore to Mahindra's vendors

14 May 2009

Business Standard

Ongoing 'tool down' strike, waged by the Nashik plant workers of the automotive major Mahindra & Mahindra (M&M) for the past nine working days, have now started affecting around 350 vendors of M&M across the country. The total production losses to Mahindra vendors alone are estimated at Rs. 150 crore during the last seven days.

On the contrary, the auto major M&M itself has reportedly lost the production of 4,000 units in the past nine working days, which is estimated at around Rs. 225 crore. M&M has said it has enough stock in the pipeline of up to 23 days and hence retails to the customers will not be affected. Short-term loss of production can be recouped by refilling the inventory.

M&M's Nashik plant manufactures utility vehicles Scorpio, Xylo and Bolero. The company also manufacture sedan car 'Logan' at this plant in joint venture with French carmaker Renault. The company outsources components for these four vehicles from 350 vendors across the country. Of which, around 100 vendors are in Maharashtra, including 60 in Nashik district.

Productions of these 350 vendors have been affected by 20 per cent to 100 per cent due to intense labour strike in M&M's Nashik plant. Daily supply of components to Mahindra's Nashik plant (by its vendors) is estimated at around Rs. 22 crore. So far, total production losses to these vendors in the past seven working days are estimated at around Rs. 150 crore, reliable sources told Business Standard.

The vendors, which have been badly affected, include Lear Automotive India Pvt Ltd, JBM Auto, Mungi Brothers, Sharda Motors, Supreme Auto Shell, Alf Engineering, Mahindra UGINE Steel Co Ltd, Mahindra Group's Igatpuri engine plant etc.

"Production at Nashik plant of Lear Automotive India Pvt Ltd, which supplies 500 seats daily to M&M, has been affected 100 per cent. The company has stopped production at its Nashik plant from 6th May 2009, causing the total production loss of Rs. 6.40 crore (Rs. 80 lakh per day loss) in last 8 days. Lear has 277 employees at its Nashik plant, including 150 contract workers, the company's top official, who did not want to be identified, told Business Standard.

M&M outsource engines from its Igatpuri-based (in Nashik district) engine plant for utility vehicles Scorpio, Xylo and Bolero. The Igatpuri plant has reduced production by 425 engines a day due to labour strike in Mahindra's Nashik plant.

Around 80 per cent production in Nashik plant of Mahindra UGINE Steel Company Ltd (MUSCO), which is engaged in the manufacturing of steel products, including tools, alloys, special steel and pressed sheet metal components, have been affected by 80 per cent.

The production at Nashik plant of JBM Auto, which manufactures sheetmetals for Mahindra's utility vehicles, has been affected by 100 per cent. The company has reportedly stopped manufacturing at its Nashik plant.

Mahindra's Nashik facility manufactures 486 utility vehicles daily- 240 utility vehicles, 'Scorpio' & 'Xylo' on the same assembly line, 180 Bolero utility vehicles and 66 sedan car 'Logan'. The Nashik plant has 4450 employees, including

2750 permanent employees, 1200 temporary employees and 500 apprentices.

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Tata, M&M, Maruti join hands for hybrid models

15 May 2009

The Hindu Business Line

In their quest for alternative technology at lower costs, domestic auto makers are now working together to develop future technology. The Tata, Mahindra and Maruti Suzuki are working on a shared technology basis to develop hybrid and battery-powered vehicles. In the first phase, they are aiming to demonstrate their fleet of vehicles for the Commonwealth Games to be held in 2010 in the country.

Under the initiative of the Department of Heavy Industries, Government of India, and the Society of Indian Automobile Manufacturers, these companies will work in key areas such as transmissions, electronic controllers, battery and motor. In all the four areas, there will be a member from each of the three companies, said Mr C.V. Raman, Chief General Manager (Research and Development), Maruti Suzuki.

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Global car cos to take Maruti's route

15 May 2009

The Economic Times

Global carmakers looking to the booming Indian car market to salvage their fortunes are planning to imitate Maruti Suzuki's strategy of launching hatchback and sedan variants of the same model, as they explore ways to cut costs. Maruti's Dzire, the highest-selling sedan in the country, owes its origin to another bestseller, the Swift hatchback. Now companies like the world's largest carmaker Toyota, Europe's largest car maker Volkswagen, Japan's Honda and America's Ford Motor plan to use the same technology to make both hatchbacks and sedans for their future launches in India.

Toyota's will use its small car platform, Yaris, to launch a small and a big car in India next year. Volkswagen's small car Polo as well as Ford's new small car will have additional sedan variants. Dzire, priced at Rs 4.6 - 6.7 lakh (diesel and petrol) sold 60,000 units in the last fiscal, and some of its variants have a delivery lag of over two month owing to high bookings.

Toyota Kirloskar Motor's deputy MD for marketing Sundeep Singh says that the company hopes to achieve its sales target in the country with the twin hatchback-sedan strategy. "We have already begun ground work for the small car. While the premium hatchback is for customers upgrading from entry-level cars, the sedan will target customers wanting a bigger car," he says.

Volkswagen, after launching Passat and Jetta sedans in India, will add a third sedan based on the Polo platform. Its main model under the same brand will be a hatchback.

"India will be the only market where both versions of the Polo will be made available. Both cars will be positioned in a way to avoid competing with Skoda Fabia," said Jorg Muller, Volkswagen India president and managing director. The hatchback will be launched later this year and the sedan version will follow after few months.

Auto analysts tracking the Indian market said that as competition intensifies in India, manufacturers will find ways to cut costs and multi-product platforms will be used to remain competitive. "Dzire is just the beginning and we will see many more companies rolling out two or more cars from a single platform," says Mohit Arora, senior director, JD Power Asia Pacific.

Honda Siel Cars India has gone a step ahead to launch two different cars from a single platform. Its soon-to-be-launched premium small car, Jazz, will be based on the Honda City platform.

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JLR to get 'conditional' support only: UK Govt

15 May 2009

TNN

In a signal that government support may not come easy for Tata-controlled Jaguar and Land Rover (JLR), the British government said that it was ready to provide only "conditional" help to the two brands as it had to "protect the interest of taxpayers".

"We are prepared to help, but not on any terms. It will be a conditional support and there will have to be some conditions as we have to protect the taxpayers' interest," the official spokesperson for UK's Department of Business, Enterprise and Regulatory Reform (BERR) — which is dealing with the matter — told TOI on phone from London.

The official spokesperson for Tata Motors said, "All we can tell you is that we are in discussions with BERR. The content and progress of these discussions cannot be disclosed. We hope you will appreciate our position."

The UK government's insistence on "conditions" for lending support is creating problems in a successful loan negotiation for JLR. It is believed to be seeking "unprecedented terms" for the help, including a position on the board of the brands. Reacting to this tough stand, Tata group chairman Ratan Tata told UK media a few days back that British government "does not appear to care about the manufacturing sector."

The spokesperson refused to agree with Tata's statement and said the government was fully aware of the importance, of the manufacturing sector. "It (Tata's statement) is incorrect. It is not fair to assume that. UK is the world's sixth largest manufacturer and the manufacturing segment is very important to our economy as it is worth £150 billion and contributes 13% to our GDP," the spokesperson said.

The BERR also dismissed reports that suggested that the government was reluctant to provide loan guarantees to the two brands as they were controlled by a foreign company, Indian in this case. Clarifying on the position of talks with JLR, the spokesperson said they were still on and had not collapsed, as was being speculated in certain sections.

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Audi aims 55 pc growth this fiscal from India

15 May 2009

PTI

German luxury car manufacturer Audi on Friday said it expected a 55 per cent growth this fiscal from the Indian market and was targeting a sale of 1,500 cars.

Though luxury car sales in various countries was showing a dip following the global meltdown, the Indian market was buoyant, Audi India Managing Director Benoit Tiers told reporters here.

While in Europe, the US, Japan and Spain, about 25-50 per cent market had declined, Indian market was growing, he said. The company saw growth of 200 per cent in 2008. Already in the first four months of this fiscal there was 55 per cent growth and the same was expected for the rest of the months, he said.

Despite recession, Audi delivered over one million cars worldwide and this year was targeting sale of nine lakh units. From the Kerala market, it expects to sell 80 cars till December and 25 had already been sold.

About 1,000 cars are being manufactured at Audi's Aurangabad plant, where it has invested about 30 million euros. The production capacity can be extended to 3,000 cars here, he said.

With Kerala showing a growing luxury car market potential, Audi today opened the country's first terminal showroom in the city, exemplifying the latest and exclusive terminal architecture of Audi.

The aim of such a terminal is to increase the visibility of the brand through a design that is instantly recognizable in the metropolises around the world. Such terminals are located presently at Tokyo, Geneva, Sydney and Munich. By end of 2012, more than 350 Audi terminals are to be created worldwide, Tiers said.

Audi has nine dealerships in India and three at Ludhiana, Chennai and Delhi -- would be added by the year end.

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Ashok Leyland, Nissan venture delayed 6 months

15 May 2009

Reuters

Commercial vehicles maker Ashok Leyland Ltd said on Friday its joint venture with Japan's Nissan for light trucks has been delayed by 6 months, due to the economic slowdown and delay in land acquisition.

Production from the venture is expected to start in 2011, the company said in a statement while announcing its results for the fourth quarter.

The two companies were also debating optimal use of investments by making use of their existing facilities.

"The two partners are also evaluating the possibility of enlarging the product range in the manufacturing plan, including some additional products from Nissan's global portfolio of light commercial vehicles," it said.

These were initially slated to be produced outside India. The investment in the project is still being decided, Chief Financial Officer K. Sridharan told Reuters from Chennai.

For the quarter to March the company's net profit fell about 70 per cent to 533.2 million rupees (\$10.8 million), while sales fell 52.5 per cent to 12.2 billion rupees.

During the quarter the company's profitability was helped by gains made due to new accounting norms for foreign exchange currency translations and accounting for cash flow hedges.

The slowdown in economic activity led to a shift away from heavy trucks and higher capacity vehicles, in which Ashok Leyland has a significant presence.

"We are still not seeing a revival happening...but I think it has bottomed out now," Sridharan said. "For our country, the worst seems over. For the industry, demand for medium and heavy commercial vehicles can swing in single digits in the current year - the upward swing predicated upon a stable, progressive and responsive government at the Centre", Managing Director R. Seshasayee said in the statement.

Industry data shows that sales of trucks and buses have been harder hit by the downturn, falling 26 per cent in 2008/09.

The company has scaled down its capital expenditure plan for 2009/12 to 20 billion rupees from its original 30 billion rupees.

Shares in Ashok Leyland, valued at \$572.5 million, rose 2.8 per cent to 21.95 rupees ahead of the results, while the main Mumbai index rose 2.5 per cent. Its shares have risen 46 per cent so far this year.

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UK Govt-JLR talks back on track

18 May 2009

The Economic Times

The British government has said that it is in discussions with the Tata Group-owned luxury carmaker Jaguar Land Rover (JLR) on guaranteeing loans.

While making it clear that the primary financial responsibility of the cash-strapped JLR rests with Tata Motors, the British government continues to hold confidential discussions with the company over both short- and long-term financing and business plans, an official at the department of business, enterprise and regulatory reform (BEER) said.

Hit by financial crunch amid the global slowdown, Tata Motors had sought assistance from the British government to put the ailing JLR back on track. Tata Motors acquired JLR for £1.15 billion (\$2.3 billion) in April last year from US auto major Ford. JLR, which employs around 15,000 workers, axed 450 jobs in January due to falling demand. "The (British) government wants to see JLR safely through difficult trading times and provide stability for the company and its employees. We regard JLR as a visible company with good long-term prospects. That's why the government is having confidential discussions with JLR and its parent company over both short and long-term financing and business plans. These negotiations are continuing," the BEER spokesperson said.

The British government, which has appointed financial advisors to assist Tata Motors, is prepared to guarantee loans from the European Investment Bank (EIB) on the right terms, the official said. The EIB has already given its approval to a £340 million loan several weeks ago, but cannot dispense the cash until the British government agrees to repay it if JLR goes bankrupt.

Any government financial assistance must, of course, protect taxpayers' money, BEER said, adding the government was prepared to help, although not on any terms.

There were reports in the British media that financial support for JLR from the EIB was in jeopardy as Tata Motors declined to accept the tough conditions imposed by the British government in return for guaranteeing the loan, including the right to veto management decisions.

When contacted, the Tata Motors spokesperson confirmed that discussions with the British government were on. He, however, said the content and progress of the discussions were confidential. Earlier in an interview, Tata Group chairman Ratan Tata had said that he only wanted the British government to facilitate access to credit and not a bailout for JLR. "I would like to see the British government playing only one role. It controls the banks, and all I seek is the facilitation to provide access to credit on commercial terms. It's not a bailout," he had said.

BEER further said that the government's role was not about picking winners or ignoring market signals, but removing barriers which hold business back. "It is about identifying markets that offer significant opportunity for high value-added employment or growth in Britain and where the government can have a positive impact in unlocking the competitive potential of firms and workers in these markets."

Britain pledged in January to guarantee up to £2.3 billion of loans, including £1.3 billion from the EIB, to help its ailing car industry cope with a slump in demand.

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TVS can make, sell original Flame: HC

20 May 2009

TNN

Clearing the decks for TVS Motor to manufacture and market its 125 CC 'Flame' motorcycle, in its original form, the Madras High Court on Monday lifted an order of injunction which restrained the company from using internal combustion engine with three valves and two spark plugs. TVS now sells, Flame under a completely different technology as against the originally planned one.

Bajaj Auto Ltd had accused TVS Motor of copying its patented technology and moved the courts. In a petition, Bajaj claimed that though it had patent for an internal combustion engine with four stroke, two plugs and two valves configuration, TVS had infringed the rights as it had planned a new motorcycle with similar technology. On February 16, 2008, a single judge restrained TVS from using the technology on its new bike model.

TVS officials were tightlipped on the court ruling. "We can comment only after we get copies of the order," a TVS spokesperson told TOI.

On Monday, setting aside the order, a division Bench comprising justice S J Mukhopadhaya and Justice F M Ibrahim Kalifulla said photographs disclosed a marked difference between three valve configuration of TVS and the two valve configuration of Bajaj vis-a-vis the positioning of the twin plugs in the engine.

Concurring with the TVS' submission that its third valve is not merely a cosmetic change, the judges said improved internal combustion working on four stroke principle of Bajaj and the four stroke internal combustion engine with at least two inlet valve and one exhaust valve of TVS were distinct from each other and both were entitled to equal protection of the Patents Act. While Bajaj obtained patent for its engine, TVS said it possessed licence for the same technology from AVL of Austria. The judges said that since TVS was supported by valid patent as licensee no interim injunction should have been granted against it.

The revocation petition filed by TVS was based on formidable grounds such as existence of prior art and obviousness of the product, the judges said, adding that in such cases courts should not grant injunctions.

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Tata Motors plans Rs 4,200 cr debenture issue: Crisil

20 May 2009

PTI

India's leading automaker Tata Motors, which needs to refinance early next month a bridge loan worth \$2 billion taken for purchase of Jaguar and Land Rover, is planning to raise Rs 4,200 crore (about \$884 million) worth of fresh debt.

The fresh debt would be raised through sale of non-convertible debentures in four tranches, credit rating agency Crisil has said, while assigning its top-grade credit rating for the debenture programme backed with a SBI guarantee.

The four tranches of Rs 800 crore, Rs 350 crore, Rs 1,800 crore and Rs 1,250 crore will have tenors ranging from 23 to 83 months, with maturities ranging from March next year to March 2016, Crisil said in a statement.

"The guarantee amount is sufficient to meet the amounts due to investors including the interest, principal and redemption premium payable," it added. Earlier, Standard and Poor's had said: "We continue to expect the company to be able to successfully complete its bridge facility refinance before the June 2, 2009, due date".

To acquire the UK-based Jaguar and Land Rover (JLR), Tata Motors had taken a bridge loan of USD three billion, of which it paid \$1 billion through proceeds from a rights issue and disinvestments in October 2008 and another USD 126 million recently through a voluntary prepayment option.

For refinancing the remaining of the loan, the rating agency said, the company would raise funds through rupee bonds with maturities up to seven years and roll-over the balance amount with loans with maturities up to December 2010.

"The company (Tata Motors) said it is close to completion on both the plans," it added.

On future fund requirements of JLR, S&P had said, the company was in discussions with the UK government for providing guarantees to loans of 340 million pounds sanctioned by the European Investment Bank as well as additional loans from other commercial banks.

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Ford to Make India Export Hub for Small Cars

13 May 2009

The Economic Times

Ford India plans to make the country an export hub for its small cars, and said it would export its soon-to be-launched hatchback to Asia Pacific and African markets.

Ford will start exporting the small car, due for launch in early 2010, by the end of that year, said Ford India MD Michael Boneham. The company will also export petrol and diesel engines from its new engine plant near Chennai. We will export our small car to regional markets and there is significant opportunity in the Asia Pacific region and

Africa. Those markets will be our focus to begin with, Mr Boneham said.

Ford is setting up an engine plant with a capacity to produce 250,000 units. The plant will cater to Indian and regional markets. By 2010-11 small displacement diesel and petrol engines for Asia Pacific and African markets will be sourced from India, Mr Boneham said. Although the car will be exported to the regional markets first, Ford will look at other countries where small hatchbacks are in demand. We will look at markets other than the US where this vehicle can be sold, Mr Boneham said.

That may not include Europe in the immediate future, though Ford isn't ruling out that option. According to him, Europe is a very sophisticated market where Ford has a number of products such as the new version Ka which has just rolled out and the Fiesta. But we may look at it in future. But we will definitely not export to the US, he said.

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Natural rubber imports might double

5 May 2009

Business Standard

As the gap between domestic and overseas price tags of natural rubber (NR) is widening on a day by day basis, a strong pressure is building for heavy import of the commodity. Currently, comparing today's quote of bench mark grade RSS 4, the overseas market, especially Bangkok, is cheaper by Rs 22 a kg.

This will obviously lead to a sharp increase in the import of natural rubber in the current year. The fall in the supply of rubber, mainly because of heavy stocking by growers also lead the tyre majors to opt for the import route. According to Automotive Tyre Manufacturers Association (ATMA), it is likely that the import would be doubled this fiscal thanks to the cheaper availability of the commodity in foreign markets. According to sources at ATMA the import would be more than 160,000 tonne this year. In the last financial year, total import touched 79,927 tonne against 86,394 tonne in 2007-08.

In April – June period (first quarter of the current financial year), the import is likely to touch 50,000 tonne as a major chunk of the heavy orders already put up by the tyre companies would be delivered from May onwards. During Q1 of 2008-09, total import had been 20,233 tonne which was lower by 8.5 per cent than the 24,190 tonne in the same period of the previous financial year. It is not the price alone that makes the tyre industry to opt for imports, but the non-availability of the main input used in tyre making in the local markets.

Though the Rubber Board figures say that the total stock by 31st March, 2009 is 2, 05,000 tonne, rubber is not available in Kottayam and Kochi, the two major markets of the commodity. The industry sources say that if there is such a large stock in the country, why is rubber scarce in the local markets? Why are the growers and stockiest reluctant to release their stock at a time when the local prices are higher by Rs 22 a kg than the global prices. Where is the huge stock being hidden? So the board's estimates are not reliable at all when compared to the ground reality in the domestic market.

The latest estimates of the stockiest and the industry clearly indicate that the stock would be lower than 1, 50,000 tonne. ATMA also raised serious apprehension over the stock and the availability of natural rubber. It also raised a demand for the Rubber Board to physically verify the stock in the country in order to ascertain the correct figures. Though they have not raised the demand officially, they have already intimated the issue to the office bearers of the board.

Meanwhile, export from the country has suffered seriously in the recent months. The total export was 45,538 tonne in 2008-09 and this is likely to fall below 20,000 tonne this year. During the first quarter of 2009-10, export would be meager as against 13,136 tonne in the first quarter of the last financial year.

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High futures leave rubber users high and dry

8 May 2009

Commodityonline.com

As the rubber production was hit due to unusually hot temperature, the prices seemed to be hovering at higher end leaving rubber users high and dry while rubber makers go booming on the bourses today. Rubber producers witnessed high gains on the Bombay Stock Exchange today as rubber Futures gained momentum on the commodity exchanges. Harrison Malayalam Ltd gained over 6% to Rs.59.25, while Apar Industries Ltd traded at Rs.100.30 up by close to 2.5%. Pix Transmission Ltd was trading at Rs.17.85 with a gain of flat 5% on the BSE during the morning trading session.

Rubber Futures remained high with a gain of Rs.195 at Rs.9937 per quintal for MCX May contract. However, MCX spot prices hovered at Rs.10175 per quintal. The rise in rubber prices impacted rubber users with losses. The stocks of leading tyre companies traded in red during the morning trading session on the BSE. Apollo Tyres Ltd traded at Rs.25 down by 1%, while CEAT Ltd traded down by 0.5% at Rs.56.85. MRF Ltd too reported marginal losses at Rs.2353 down by 0.35 from its previous closing. JK Tyre & Industries Ltd was marginally down by 0.1% at Rs.55.55 during the morning trading session on the BSE.

Experts believed that with lower production of rubber, the prices are expected to remain high in the short run. Secondly, recession does not seem to have impacted the domestic tyre makers as the demand for tyres remained upbeat even for the export market. Experts opined that the prices might touch the levels of Rs.110 per kg in near term and would remain at that level for some weeks.

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Apollo Tyres Completes Buy of Vredestein

May 18, 2009

Online.wsj.com,

Apollo Tyres Ltd. said it has acquired the entire stake in Dutch tire-maker Vredestein Banden BV, giving the Indian company its first manufacturing base in Europe. "We completed the entire process on Friday night," Sunam Sarkar, Apollo's chief financial officer, told Dow Jones Newswires by phone. Mr. Sarkar declined to disclose the cost of the acquisition.

Earlier in the day, a person familiar with the situation said Apollo has acquired Vredestein Banden, a fully owned unit of Russia's largest tire-maker Amtel-Vredestein NV for €175 million (\$235.5 million). Rothschild advised Vredestein Banden on the transaction, the person said. "We will fund the acquisition with our internal (cash) accruals and debt," Sarkar said, adding, Nomura Holdings Inc. advised Apollo on the transaction.

Apollo's board had approved the plan on April 30. Amtel-Vredestein was declared bankrupt in April by a Dutch court. The Russian company, however, said Vredestein Banden and its European units had separate financing arrangements and were ongoing concerns. The acquisition will provide Apollo an immediate manufacturing facility in

Europe with access to Vredestein Banden's technology in high-performance tires and sales and distribution channels in Eastern European countries.

Vredestein Banden can produce 5.5 million passenger-car tires each year at its manufacturing plant near Amsterdam, Apollo said in a statement to the Bombay Stock Exchange. The acquisition is being done via a special-purpose vehicle, the statement said. According to Vredestein Banden's Web site, the company gets 85% of its €300 million annual turnover from outside the Netherlands. Apollo will revisit its earlier plan to build a new manufacturing facility in Europe depending on the global demand for tires, Mr. Sarkar said.

Apollo had abandoned the plan to build a €200 million factory in Hungary because of problems in acquiring land. The Hungarian plant was to serve as Apollo's base for the European and North American markets. Apollo currently exports tires to about 60 countries, including in the Middle East, Southeast Asia, Latin America and Africa. "We will now use Vredestein as a manufacturing base for Europe and North America," Mr. Sarkar said.

Apollo has four manufacturing facilities in India and is building a fifth plant near the southern city of Chennai. It also has two plants each in South Africa and Zimbabwe that it took over after its acquisition of South Africa's Dunlop Tyres International Pty Ltd. in January 2006. It currently produces 850 metric tons a day in India and another 200 metric tons daily in South Africa and Zimbabwe.

The acquisition comes as overseas expansions by Indian companies - a growing trend in recent years - have fallen dramatically because of the economic slowdown and the liquidity crunch that has affected access to financing. There was a 90% drop in outbound acquisitions so far this year by Indian companies, according to data provider Dealogic.

Including the latest deal by Apollo, there have been 37 transactions worth a total of \$693 million so far this year, compared with \$7.9 billion the same period last year. The second-largest deal so far in 2009 is Essar Group's planned acquisition of ICT Group Inc. for \$135 million, Dealogic said.

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MRF lifts lockout; workers continue strike

27 May 2009

www.mydigitalfc.com

Tyre maker MRF has lifted the 10-day lockout at its Arakkonam factory near Chennai, the company announced on Wednesday. However, representatives of the MRF United Workers' Union, which has been demanding management recognition, said that they would not to resume work and continue to fight for their demands. The strike at MRF's Puducherry unit is still on.

MRF's Arakkonam plant, which makes tyres for two-wheelers, was under lock-out since May 17, due to a sit-in strike by a section of workers. In a statement, the company said that the management was lifting the lock-out from the first shift of May 27, and claimed that about 1,000 workmen reported for work on the first shift. However, V Prakash, honorary president, MRF United Workers' Union, claimed that only 15 permanent workers and 40 contract workers attended work at the tyre plant, while five permanent workers and 300 contract workers went inside the tube plant in addition to 120 trainee staff at the factory. "No production happened today. We will continue to fight for recognition as we are the majority union representing over 1,100 workers and even contract workers are also supporting us," he said.

According to union sources, the company claimed losses of about Rs 3.5 crore per day at the Arakkonam factory and Rs 2.1 crore a day at the Puducherry factory because of the strike and lockouts. MRF officials could not be accessible for any clarification. Meanwhile, MRF's statement said: "The recognised MRF Arakkonam Workers' Welfare Union, after a prolonged bilateral discussion with the MRF Management, signed a settlement on May 9. The settlement envisages substantial benefits to the workmen including increases in house rent allowances, washing allowance, attendance allowance, shift allowance, conveyance allowance, among others.

With this settlement, some of the employees will receive up to Rs 5,000 as a hike in their monthly package. Many of the long-pending issues were also sorted out. Each workman also received an ad-hoc payment of Rs 15,000 as agreement benefit. The retirement age, which was earlier 55, has now been increased to 58 years."

The problem arose when a group of workmen demanded recognition for their union and wage discussions with them. With the workers' strike and lockouts cropping up at its factories from time to time, the top line of MRF has been impacted. Last year, the lockout at Tiruvottiyur factory had affected the company's top lines for the December quarter.

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Silver lining for Michelin's radial tyre project in TN

26 May 2009

Economic Times

The country might still feel the pangs of the economic downturn, but Tamil Nadu is on track to receive its first major investment post elections. French tyre giant Michelin's Rs 4,000-crore project is on the take-off stage, with government machinery swinging into action to ensure that legal issues don't hamper investments. It is tying up all loose ends to allot 1,127 acres for the prestigious radial tyre project in Thervoy Kandigai village, near Gummidipoondi, in Tiruvallur district of TN.

It hasn't been smooth sailing for the Michelin project. But there was a silver lining on Tuesday, when a petition challenging the land allotment to the tyre-major was heard at the Madras High Court (MHC). The court observed that projects of public importance bringing in investments and employment are the need of the hour. Mega projects such as this one cannot be stalled citing environmental concerns.

The court is expected to pass the order on Wednesday. The settlement of the land allotment issue would augur well for DMK, which swept the state during the recent LS polls. When the case came up for hearing, advocate T Mohan, representing Thervoy Gramma Munetra Nala Sangam (an association of about 4,000 villagers) sought to point out that allotment of "grazing" land would affect the livelihood of the predominantly Dalit community.

The action of land transfer was challenged before the MHC on the ground that it was classified as grazing poramboke land and the villagers' contended that establishment of industrial park is not automatic as it needed clearance from environment department. The court had granted an injunction against TN's industries promotion body, Sipcot, on May 12, 2009, from removing trees and clearing the bushes.

However, the division bench, comprising Mr Justice V Dhanapalan and Mr justice M M Sundaresh, held on Tuesday that public projects must come, though efforts would be made to resolve public grievances. Considering the significance of the project in terms of investment magnitude and employment generation potential, the bench said the fruition of such a project would benefit the public at large.

“You are right about environment protection but it cannot be done by stalling a project. There cannot be any progress in a country then. We are also concerned. Public interest litigation cases to stall companies, which bring in thousands and thousands of crores, are unreasonable,” the bench said. Repeated attempts to point out that the vegetation character of the land had been changed failed to impress the bench.

Sipcot advocates, in their counter, said a chunk of the land parcel was dry and unusable with a lot of thorny bushes and classified as government grazing poromboke. Apart from not being used for grazing purposes, it had been kept vacant for over a decade. “Moreover, the said land is located in the industrially backward area where the educated youth are plenty and unemployed.”

According to them, Sipcot had a proposal to develop greenery/fodder in an extent of around 1,000 acres. During a public meeting held between all the parties on January 23, 2009, it was unanimously decided that the respondent would allot 100 acres for fodder development. On behalf of Sipcot, TN additional advocate general P Wilson said the land transfer to the nodal agency has been done through a government notification dated November 13, 2008. Under this, Sipcot was directed to provide an alternate grazing land subject to approval from the department of animal husbandry and permitted to go ahead with removing the encroachers.

In the petition, it submitted that TN had proposed to enter into a pact with an MNC, which has 69 plants in 19 countries with an annual production of 190 million tyres and three technology centres and two natural plantations. The MNC had planned to invest Rs 4,000 crore for setting up a radial tyre project in a new technology without polluting environment.

It also said Sipcot had proposed to set up an industrial park that was projected to bring in an investment of Rs 25,000 crore and generate employment to 15,000 people. Moreover, the proposed industry in this industrial park would maintain TN pollution control board guidelines of zero level discharge programme. Hence, the apprehension of polluting industry coming up in this area is not maintainable.

Environment clearance is not required for establishing industrial parks and if any industry comes up, environment clearances could be obtained from the Centre or the state as the case may be, noted additional solicitor general Ravindran, appearing on behalf of the Centre. After hearing both sides, the bench highlighted the importance of large public projects, which could not be stalled under the guise of environment problems. It also said Sipcot would be directed to comply with environmental laws.

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3 Ruia Group firms under lens in sales tax case

29 May 2009

www.livemint.com

Dunlop India, Falcon Tyres and Monotona Tyres are under probe over a tax liability of Rs 23 cr, which may rise. The Maharashtra sales tax department is probing at least three firms owned by Kolkata-based businessman Pawan Kumar Ruia for allegedly running a hawala racket to reduce sales tax liability, according to a media release. Kolkata-based Ruia Group is not connected with the Mumbai-based Ruia family, which owns the Essar Group and has interests in telecom, shipping and logistics, and oil, among others.

The firms under investigation are Dunlop India Ltd, Falcon Tyres Ltd and Monotona Tyres Ltd, all of which make and supply tyres and rubber products. The investigation branch of the department began its enquiry in January and the

sales tax liability on the companies is Rs23 crore. However, the tax liability could increase as the matter is still under investigation, said two sales tax officials. They declined to be identified because the investigation is still on.

The investigation wing of the sales tax department had on 15 January raided the premises of Adhirath Commercial Pvt. Ltd at Malad, a western suburb of Mumbai, that houses five Ruia Group companies—Girish Commercial Pvt. Ltd, Chandani Commercial Pvt. Ltd, Perfect Vinimay Pvt. Ltd, Teerth Traders Pvt. Ltd and Jessop and Co. Ltd. The release did not divulge further details of the case. According to officials, all these five firms belong to the Ruia Group. The group took over Jessop in 2003, and Dunlop in 2005.

Ruia could not be contacted because he was travelling. Calls made to his mobile phone were not answered or returned. The group's spokesperson Dhrubajyoti Nandi said he didn't have any comments to offer because Ruia was not around.

Sales tax is levied on the sale of a commodity, which is produced or imported and sold for the first time. If the product is sold subsequently without being processed further, it is exempt from sales tax. The modus operandi followed by the companies involved in the racket was to issue sales and purchase bills to each other without actually carrying out the transactions in order to avail of the input tax credit running into huge amounts, said the release, dubbing the system as hawala.

Input tax credit is the amount of tax paid by the dealer on purchases for which credit can be claimed. Input tax credit thus sets off the input tax paid against the amount of output tax plus a value-added tax collected from the buyer. One of the officials said that the total amount of fake purchase bills issued by the firms is about Rs1, 200 crore.

Hawala is an informal money or value transfer system for remitting money in which a financial obligation between two parties is settled by transferring it to a third party. Typically, a debtor passes on the responsibility of payment of his debt to a third party. Since hawala is a paperless mechanism for settling international accounts, and operates largely through cash transfers on the basis of trust, it is hard to investigate.

According to its website, the Ruia Group is a "fast emerging industrial conglomerate with interest in infrastructure and engineering, tyre and rubber products, sugar and electronics". The Ruia Group has a workforce of "about 9,000 skilled, committed and qualified professionals", the website said. It has manufacturing facilities at Kolkata and Sahaganj (West Bengal), Chennai, Mysore, Kamlapur (Uttar Pradesh) and Hirakud (Orissa), and offices in New Delhi, Mumbai, Chennai, Bangalore and Bhubaneswar. The group also has offices in New York, Kuala Lumpur, Singapore and Guangzhou (China), and manufacturing units in London and Kuala Lumpur.

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M&M Net jumps 89%, to invest Rs 5,000 cr in 4 yrs

28 May 2009

PTI

Discarding the impact of global financial meltdown, auto major Mahindra & Mahindra on Thursday posted an impressive an 89.09 per cent jump in its net profit at Rs 418.07 crore for the quarter ended March 31, 2009 and announced investment of Rs 5,000 crore in the next four years.

"We plan to invest Rs 5,000 crore in the four-year period from FY09 to FY12 and launch several new vehicles," Mahindra & Mahindra (M&M) President Automotive Pawan Goenka told reporters here at the sidelines of the press

meet.

It will invest Rs 2,500 crore in its Chakan plant, which will have a capacity to manufacture 2,50,000 vehicles. It plans to add more variants to its four-wheeler category in the third quarter of FY10 and medium heavy trucks by December-January.

M&M reported an 89.09 per cent jump in its net profit at Rs 418.07 crore in the last quarter of the past fiscal against Rs 221.10 crore in the same period last year.

Gross revenue and other income increased to Rs 4,171.6 crore in the period under review against Rs 3,666.3 crore during corresponding period last year.

"The Q4 quarter continued to be an extremely challenging one for both the auto and tractor business. Though there was some improvement in the consumer sentiment and credit availability, the after-effects of the global financial meltdown continued to be felt during the quarter," M&M Vice Chairman and Managing Director Anand Mahindra said.

The board declared a dividend of 100 per cent at the rate of Rs 10 a piece, on shares of the face value of Rs 10 each.

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GM impact minimal: Sundram Fasteners

29 May 2009

The Economic Times

When reports of General Motors filing for bankruptcy trickled in, it deepened the worries of Indian auto-component makers, who were already

coping with low demand in the domestic market. But TVS group company Sundram Fasteners, which has been supplying radiator caps to GM for the last fifteen years is not worried as it has gradually reduced exposure to the carmaker over the years, a top official said.

"Last year, of our total sales of Rs 1,260 crore, GM contributed Rs 11 crore. At one point, the supply was huge but now it's less than 1% of revenues. We have diversified our exposure over the years," Sundram Fasteners chairman and managing director Suresh Krishna told ET NOW on Friday.

The auto-component business has been going through a rough patch, as it is directly dependent on the auto segment, which has seen sales dwindling in the last year. Auto-component companies have seen inventories pile up as sales fell because of weak economic sentiment.

On the industry outlook, Mr Krishna said, "Last year, while the first half was very good, October onwards, the entire industry took a dive. But, now, with revenues inching upwards and a stable government, we should get better."

Also, though the passenger vehicle segment is growing, the commercial vehicle or CV segment hasn't shown growth yet and there is always a lag of at least a quarter or more between the two.

A recent result note by IDFC SSKI India research said Sundram Fasteners' domestic revenues would remain muted

in 2009-10, as commercial vehicle volumes are not expected to recover over the next 6-8 months.

Further, exports are also expected to slow down going forward. While raw material prices have softened, the auto-ancillary companies may be forced to pass on most of the benefits to the original equipment manufacturers (OEMs).

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Tata Motors net halves to Rs 1k cr

30 May 2009

The Economic Times

About four years ago, Prakash M Telang, a 37-year veteran of Tata Motors, led a team that engineered and designed a mini-truck that would make it easier for businesses and shops to ship goods within the city.

Called Ace, the product quickly went on to become one of the biggest successes of the 64-year-old company. It has sold over 3,00,000 vehicles since launch, created an entirely new category and spurred competitors to launch me-too products.

As the 61-year-old Telang prepares to take charge as the new MD of Tata Motors, investors and employees must be praying for the same set of skills and aptitude to work wonders at the company whose fortunes have suffered a rude fall. On Friday, it announced a steep 51% falls in full-year net profit to Rs 1,001 crore.

Huge loans, rising interest cost, a stricken overseas acquisition, and slumping domestic demand for cars and trucks have made Tata Motors one of the biggest victims of the downturn that began last year. Its shares have fallen 40% in the past year.

Interest costs more than doubled to Rs 673.7 crore, while operating margin fell to 6.13% from 9.57%. Sales slipped 11.13% to Rs 25,354 crore.

The demand contraction was triggered by high interest rates and unavailability of finance throughout the year, particularly in the October-December quarter, after global financial market upheavals. The impact on heavy commercial vehicles was more severe, abetted by reduction in freight movement in different segments.

Tata Motors relies heavily on easy availability of finance both for the sales of its trucks and cars. The interest burden shot up due to the loans taken for the acquisition of Jaguar Land Rover purchased last year for \$2.3 billion.

However, Ace and Magic continue to improve penetration, said C Ramakrishnan, CFO, Tata Motors. Ace sold 1.10 lakh units, a 12-15% growth in year when sales of most other products were sluggish.

In the current year, Tata Motors is hoping to rev up sales and profits through Nano, the ultra low-cost car that was launched in April and has attracted over 200,000 bookings and new launches of Indigo, Ace and JLR products that it hopes to roll out.

The company has accelerated cost reduction measures and proactively managed working capital to contain the impact. Tata Motors will now spend Rs 2,500 crore to Rs 3,000 crore annually as capital expenditure compared with the earlier plan of Rs 4,000 crore. "Focus will continue to be on product development, but we'll go slow on capacity expansion," Mr Ramakrishnan added.

"We expect some amount of preponement of vehicle purchases this year due to the new emission standards coming into place in 2010. The economy is set to revive coupled with the lowering of raw material cost is likely to improve profitability for the company," said outgoing managing director Ravi Kant.

Shares of Tata Motors ended up 1.2% to Rs 336 on the Bombay Stock Exchange. The earnings don't include finances of Jaguar Land Rover.

"Stimulus packages have, to an extent, helped regenerate overall sales, but growth is yet to revive to earlier levels," said Mr Kant. Mr Kant will now take over as non-executive vice chairman of the company. ET was the first to report about Mr Telang's appointment as MD and Mr Kant's elevation as vice-chairman on May 28.

A company executive said the new MD, Telang, would take over from June 2, 2009. "Over the past few months, he has been closely monitoring the company's passenger vehicle business, which includes Indica, Indigo, Sumo and the Fiat brands," said the executive who didn't want to be named.

Mr Telang, 61, has anchored Tata Motors through its roughest patch and has been the architect of the company's cost-reduction drive. By championing the use of e-procurement and other innovative approaches, he has played a vital role in initiating a complete makeover in the company's operations and leveraging domestic and international growth opportunities. He has led the team for many offerings under the Tata brand, including Ace. Tata Motors hasn't yet announced the replacement for Mr Telang, as the ED of commercial vehicles.

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GM India not included in US bankruptcy filing

1 June 2009

The Economic Times

GM India has announced that it continues all its normal operations and is not included in the court reinvention process of GM's US operations.

"We believe this step, which was taken with the support of the US government, is the most efficient and effective means for GM to quickly achieve a competitive and profitable future," said Mr Nick Reilly, GM Group Vice President and President of GM Asia Pacific in Shanghai.

GM India operations are not included in the US filing for Chapter 11. Consequently, all GM India dealers, warranty and customer support services will remain unaffected and continue to function as normal.

"We are committed to ensuring that our customers continue to receive a top-notch sales, service, spare parts and warranty coverage experience. Our dealers will also continue to receive all our carlines, while our suppliers will continue to work with us to supply parts and components for our cars, which we will continue to build at our state-of-the-art Talegaon and Halol facilities, in the normal course of business. We have no intention to modify our product, brand or other business plans including new product launches, the all new Chevrolet Cruze from our mother plant in Halol and an all new Chevrolet mini car from our new state of the art plant at Talegaon," said Mr Karl Slym, President and Managing Director, General Motors India.

Its country-wide dealership network and service centres will continue to do business as usual and customers can visit

their local dealer for service and warranty coverage, while dealers will receive new vehicles and spare parts as usual.

“We will remain aggressive in all areas of our business and continue to introduce new and exciting products that are best in class, in order to contribute to our own long-term viability and the bottom-line of our company as a whole. Our product programs and other plans for the future remain on track.

“In its 14 years of established operations in this country, GM India has invested over Rs.5000 crore to create a manufacturing capacity of 225,000 vehicles per annum. We are deeply committed to this market, our customers, suppliers, dealers and all other stakeholders to continue our rapid story of successful growth in India. Over 4000 people are directly employed by GM India at our manufacturing plants in Halol and Talegaon, our Engineering, R&D and Design Centre in Bangalore and our corporate office in Gurgaon. We are not going anywhere and we are here to stay for the long term,” added Mr. Slym.

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New Product

Logan Edge Connect in-roads of Bhopal

12 May 2009

Central Chronicle

Mahindra Renault Private Limited (MRPL) today launched the Logan Edge Connect, a smart variant of the highly successful Logan Edge, which made its debut in 2008, at a glittering function in the City.

With its eye-catching exteriors, plush interiors and innovative features, the Logan Edge Connect is an extension of the Logan Edge brand experience, redefining luxury for the Indian car buyer. Bluetooth technology, the unique Driver Information System and four vibrant colours are some of the striking features of the Logan Edge Connect which has been developed on the basis of evolving customer needs, said Chief executive Officer, Mahindra Renault Private Limited Nalin Mehta.

The Logan Edge Connect features a high-end music system with hands-free telephony integrated. An in-built Bluetooth device provides the driver with hands-free option for his bluetooth enabled mobile set. A special remote control device allows you to conveniently operate your mobile from anywhere within the car.

Addressing the media Mahindra Renault senior manager Harsh Bhatt said that this car is an indulgence and it is meant for Indian roads and made according to conditions and Indian environment. He revealed that a customer had remarked that the colour is what made me buy it. Interiors of the car are appealing. It has sporty and aggressive look.

Replying to the query of a journalist about the time taken to make the car available Harsh said that it is available immediately. Car which operates on petrol gives mileage of 16 kilometers. He further said that about 125 to 150 cars are marketed per month in the country. He reasoned that now customer mindset is changing and they prefer such cars. Senior manager maintained that the music system in the Logan Edge Connect is an indulgence in both acoustics and communication.

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Toyota group co to launch trucks

15 May, 2009

The Economic Times

Japanese truck maker Hino Motors, part of the Toyota group, is launching its premium range of trucks in the country, joining a growing list of firms, including Volvo, Tata Motors and MAN, who have recently launched their truck range in the fast growing Indian market.

Hino will initially import the truck chassis and cabin from its units in Thailand and set up manufacturing facilities once volumes pick up, a senior company official told ET. Hino had recently ended its technology tie-up with Ashok Leyland.

Globally, Toyota's marketing and sales network helps in the distribution of Hino's products. Hino Motors will, however, market the trucks in India through Japanese trading giant Marubeni, as Hino wants to have an independent set up in India.

The Japanese truck major is upbeat on the medium and higher end commercial vehicle, where sales have fallen in recent months with only the light commercial vehicle range, showing positive growth. "There is demand for higher technology, premiumly-positioned trucks, and we see the market picking up," said the Hino official.

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Skoda's Yeti gets going!

21 May 2009

The Economic Times

The Yeti which was unveiled to the world media at the Geneva Motor Show this March, is Skoda's fifth model in its portfolio and the first production models began rolling off the assembly line at Skoda's Kvasiny plant in the Czech Republic.

The Yeti is a butch lil' number and will be offered in both front wheel drive and all wheel drive versions when it goes on sale in India. Having very compact proportions (built on a 2578mm wheelbase with 4233mm length, 1793mm width and 1691mm height) this could be a car which was sorely needed in the Indian market and judging by the way Skoda has priced its wares, expect the Yeti to be introduced in the country with at a price point around Rs 10-11 lakhs. Contemporary crossover and pseudo-SUVs at this price point are virtually non-existent in the Indian market and Skoda could just be on the money with such an offering.

The Yeti is being offered with both petrol and diesel propulsion and one expects the India versions to feature the 2.0-litre TDI for sure. However what will determine the success for this vehicle is its ability to tackle the rough with the smooth and here its 180mm ground clearance coupled to its ideal angles of arrival and departure will make it a mean performer on our terrain. With its nimble car-like controls and handling ability plus its most versatile interior packed with its VarioFlex seating system, the Yeti could be the ideal single vehicle for a family for both work and play. In fact with the rear seats folded flat, the Yeti offers massive 1760-litres of luggage space.

One of the key aspects of the 4x4 versions of the Yeti will be a feature mostly found on very high SUVs. I am referring to the downhill assistant, a feature which enables drivers to tackle steep slopes, especially when motoring downhill, in complete control without working up a sweat.

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Bajaj Pulsar New Model

12 May 2009

The Financial Express

Bajaj Auto on Monday unveiled the new 2009 Pulsar 150 DTS-I and 180 DTS-i. The new range offers unique feature with sportier styling to further strengthen the Company's dominant position in the premium segment. The 150 DTS-I is priced at Rs 59,580 while the 180 DTS-I is priced at Rs 63,148, ex-showroom.

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Tata Motors Rolls Out World Truck

29 May 2009

The Economic Times

India's largest automobile company by size Tata Motors, on Thursday, launched a new range of premium trucks called the World Truck, which is expected to give its commercial vehicles business a much-needed push. At present, Mercedes and Volvo are in the higher end truck segment.

The product has been jointly developed by Tata Motors and its two subsidiaries Tata Daewoo Commercial Vehicle Company in South Korea and the Tata Motors European Technical Centre in the UK.

The auto major has made an investment of Rs 1,000 crore in developing the world truck. The new trucks will have a capacity that ranges from 10 to 75 tons and is expected to be priced at a premium compared to its current range. This is meant to be for transforming the way we do trucking in the country, said Prakash Telang, executive director for Tata's commercial vehicles business.

The company will not immediately phase out the current range of trucks. It is believed that at a later stage, the company may also export the World Trucks to other countries. The range of trucks includes multi-axle trucks, tractor-trailers, tippers, mixers, and special application vehicles.

Besides India, we will also gradually be introducing (World Trucks) in South Korea, South Africa, the SAARC countries and the Middle East, the company said in a statement.

This move to introduce new range of trucks is viewed as the company's attempt to transform itself into a global auto power. Tata Motors in April sold 37,462 vehicles in India and exported 1,261 units.

Meanwhile the Tata Motors is negotiating with the Jharkhand government to acquire 300 acres of land to set up a vendor park on the lines of the one in Pantnagar (Uttar Pradesh), a senior company official said. Such a facility would help vendors keep their operational costs low, he said.

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Honda launches new version of 'CBF STUNNER'

27 May 2009

PTI

Honda Motorcycles and Scooter India (HMSI) on Tuesday launched a new version of its 125 cc sports bike - CBF Stunner priced at Rs 64,630 (ex-showroom, Delhi).

"Last fiscal we sold about 10.7 lakh units of two-wheelers and this year we are targeting 12 per cent increase at 12.5 lakh units. And the CBF Stunner will play an important role," HMSI Chief Executive Officer Shinji Aoyama told reporters here.

The new bike will be equipped with PGM-FI (Programme Fuel Injection) technology, which gives more power, the company said. It will be available in the market by the first week of June, it added.

According to Society of Indian Automobile Manufacturers (SIAM), the total two-wheeler sales in the last financial year increased by 2.60 per cent at 74, 37,670 units compared to 72, 49,278 units in FY'08.

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Industry Competition

M&M set to challenge Tata, Leyland in heavy vehicle segment

14 May 2009

Business Standard

For years, Ashok Leyland and Tata Motors have ruled the 16.6 tonne-plus medium and heavy commercial vehicle (CV) market. With a market share of over 90 per cent, they sold over 78,000 vehicles last year.

But Mahindra & Mahindra, the country's second-largest CV company by sales, is set to challenge their domination by offering trucks with capacities ranging from 16 tonnes to 44 tonnes by the end of this year.

These large CVs will be manufactured by its joint venture company, Mahindra Navistar Automotive Ltd (MNAL), which was set up in 2005. Mahindra holds 51 in the JV. Navistar International Corporation is one of North America's largest CV makers.

"We will launch in the 16-44 tonne category in the fourth quarter of 2009. There will be more models in this segment," said Pawan Goenka, president, Automotive Sector, Mahindra & Mahindra (M&M). The planned yearly capacity is 50,000 units.

Goenka said the company would also launch its below-one-tonne truck, a segment dominated by Tata Motors' Ace, around the fourth quarter of this year. The company will roll out this vehicle independently.

This 16-44 tonne segment is divided into two segments, rigid vehicles and tractors/trailers. M&M will make both.

The medium-large CV market has, however, witnessed a major downturn due to the current slowdown. For the year ended March 2009, sales of rigid vehicles in the 16-tonne and above capacity dipped by 38 per cent, while those in the tractor trailer segment fell by 60 per cent.

"Since larger CVs are dependent on many sectors like infrastructure, mining, exports and construction, a slowdown in these has had a direct impact on sales. However, we see a demand pick-up in the second half of this year," says

Rajive Saharia, executive director (Marketing), Ashok Leyland.

Industry analysts say the timing is right for Mahindra's entry as the launch will happen just as the demand is expected to pick up.

Mahindra Navistar's entry will make it the seventh company in this segment. Apart from the big two, there are Eicher Motors, Asia Motor Works, Volvo India, Tata Vectra Motors and Mercedes Benz.

Vaishali Jajoo, analyst at Angel Broking, says it will take a full year or more for the combine to establish its dealership network and to take on established players like Tata Motors. Jajoo adds: "Since the recovery in sales of heavy and medium CVs is expected in the second half of 2009, the M&M launch is at the right time."

Saharia says the buyers of these large vehicles are established players who operate a fleet of more than five vehicles each. "Currently, there's overcapacity. Once economic activities revive, the demand will pick up."

In 2007, Mahindra signed a second JV with Navistar to manufacture diesel engines for CVs. The joint venture, called Mahindra Navistar Engines Ltd, also has 51 per cent equity participation by M&M. The 16-40 tonne vehicles will be manufactured at the company's Chakan facility near Pune.

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Honda to Bring Products with India-Specific Engines

11 May 2009

PTI

Japanese car giant Honda will explore possibilities to bring in products powered by India-specific engines like it has planned with the small car -- Jazz, which will be launched in the country in June.

"The Jazz, which will be launched in India this June, has an engine, which has been specially developed for India keeping in mind the conditions here," Honda SIEL Cars India Vice President Marketing Jnaneswar Sen told media.

The Japanese firm, which is present in India through a joint venture with the SIEL Group, has already launched the Jazz in the UK with the same India-specific 1.2 litre petrol engine, generating 90 PS power, he added.

Asked if the company would develop more products specially meant for the Indian market, Sen said: "As and when the opportunity arises, we cannot rule out such a possibility. All our products are introduced after detailed study."

He, however, said currently there were no plans to introduce more India-specific products apart from the Jazz.

Sen said as per Automotive Research Association of India (ARAI) certification, the Jazz would give a mileage of 16.1 km per litre under standard testing conditions.

The new small car would be positioned as a premium hatchback as Honda looks to strengthen its presence in the Indian market. The company currently sells premium sedans -- City, Civic and Accord, along with sports utility vehicle CR-V

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Goodyear to add 15% capacity

22 May 2009

Economic times

Goodyear Tyres will enhance the production capacity of its Aurangabad plant by 15% to 40 lakh tyres per annum, a top company executive said without disclosing the investments for the project. The Indian arm of the US tyre maker is looking at higher volumes with the launch of a new product, Dura Plus which would cater to high-volume small cars such as Alto, WagonR, Santro and Indica, accounting for the largest segment of Indian car market.

Goodyear MD Rajeev Anand said, "The Indian car market has grown exponentially in the past few years, specially the hatchback segment, for which we have developed this new tyre. Dura Plus will basically cater to the huge replacement market and in addition, we are also negotiating with few car makers to sell it as an original fitment in new cars."

Goodyear, a public listed entity in India, which also has another plant at Ballabgarh in Haryana, is also eyeing potential market for its puncture resistance tyres. It is planning to import these tyres also known as Run Flat Tyres (RFT) for BMW, Audi and other luxury car makers in the country. RFT price range starts from Rs 10,000 upwards. It had earlier launched another set of tubeless tyres for top-end cars which is also pegged in the same price bracket.

"We are now concentrating on the car and the farm equipment segments, which are more stable and has posted robust sales even in times of downturn," Goodyear head consumer affairs DP Singh said.

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Growth from only two models is a concern: Maruti Suzuki

26 May 2009

PTI

Concerned over sales growth coming mainly from two of its models -- Dzire and Swift -country's largest carmaker Maruti Suzuki India said unless its other products contribute equally the company could face problems in the long-term.

Addressing its dealers at their annual meeting in Bangkok yesterday, MSI Maruti Suzuki India (MSI) Managing Director and CEO Shinzo Nakanishi said: "My concern is about the quality of our growth. Although we achieved good overall national numbers, the region-wise and model-wise performance was not uniform. We relied mostly on Dzire and Swift to power our growth."

The company's performance in many other models was not up to the mark, he added. "The wide range of models and our national presence are competitive advantages for us. We have to take full benefit of these competitive advantages and focus on all models and all regions.

Without improvement in these areas, we may be able to grow for one or two years, but we will face a problem in the long term," Nakanishi said.

Last fiscal, the company recorded a rise of 3.57 per cent in its sales at 7, 92,167 units compared with 7, 64,842 units in the previous fiscal. In April, 2009, MSI sold 71,748 units as against 62,336 units in the year-ago period, a growth of 15.10 per cent. Maruti Suzuki, however, did not share the sales figures of individual models.

Commenting on the road ahead, Nakanishi said MSI had identified new areas of growth during the last financial year and would continue to strengthen those areas.

"Last year, we identified new opportunities in the rural market and government employees. Those efforts are being strengthened and will further power our growth this year," he added.

Nakanishi further said that irrespective of economic and market situations in the country, MSI would have to sell "much more than competition".

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Bajaj to move Supreme Court against TVS

26 May 2009

The Economic Times

In a setback to Bajaj Auto, the Madras High Court on Tuesday has dismissed the company's appeal seeking a stay on a recent order that allowed its arch-rival TVS Motor to manufacture and market the controversial bike Flame, in its original form. But, Bajaj Auto is not backing down and plans to slug it out by taking TVS to the Supreme Court.

The division bench, comprising Mr justice V Dhanapalan and Mr justice MM Sundresh declined to grant a stay of order and adjourned the application for stay by two weeks.

Meanwhile, the order granted last week by the division bench, comprising Mr justice Mukhopadhyay and Mr justice Ibrahim Kalifulla continues to be operational.

While senior counsel AL Somayaji and PS Raman appeared for TVS Motor, Bajaj auto was represented by A Mohan of Mohan Associates' and senior counsel Nalini Chidambaram.

After more than a year of legal battle, the court ruled last week that TVS Motor can manufacture and market 125-cc Flame in its original form. A two-member bench lifted an interim injunction that prevented TVS from using an engine with two spark plugs and three valves. Simultaneously, the application filed by TVS Motor against Bajaj from interfering in the manufacturing and marketing of 125-cc Flame with 3 valves and 2 spark plugs was allowed, with the result that TVS Motor can manufacture and market 125-cc Flame.

But Bajaj sought a stay on this order, that the injunction should be extended for another two weeks. With its plea dismissed, the next step for Bajaj is to file an appeal at the Supreme Court. Its lawyers said this will be done in the next few weeks.

TVS Motor was forced to re-launch its 125-cc Flame motorcycle last year, in the wake of an engine technology patent row with Bajaj Auto. The re-launched version came with a single spark plug, replacing the twin spark plug that triggered the legal tussle between the companies.

But the division bench ruled last week that the product manufactured by TVS has a distinctive feature, which is different from Bajaj's patent. So, the bench set aside the order of the single judge and discontinued the injunction granted by him.

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Ashok Leyland stays in profit track through slew of combating measures

15 May 2009

The Economic Times

When the last fiscal was a turbulent year for the economy and commercial vehicle industry, hit by the global financial meltdown, Hinduja's

flagship, Ashok Leyland managed to retain its unbroken profit record of 60 years even as it reported a 59.48% drop in net profit at Rs 189.99 crore during 2008-09 against Rs 469.31 crore in the previous year.

On the back of 34.7% drop in sales volume to 54,431 vehicles (Rs 83,307 vehicles, last year, net sales too took a beating with a 22.74% drop at Rs 5981 crore (Rs 7742.58 crore).

The board has trimmed dividend to Rs 1 per share (100%) from Rs 1.50 (150% paid in the last two years. On a paid up capital of Rs 133 crore, the company had reserves and surplus of Rs 1976 crore at the end of March 31, 2009 (Rs 1993.57 crore).

Financial expenses rose to Rs 118.71 crore (Rs 49.74 crore) due to borrowings for capex and working capital requirements at higher interest. Provisions for income tax dropped to Rs 12.45 crore (Rs 161.84 crore) and fringe benefit tax Rs 6 crore (Rs 7 crore).

ALL MD, R Seshasayee said in Chennai on Friday, "It was one of the traumatic years in the 61 year old history of the company. When the global economic tsunami hit the market, the medium and heavy commercial vehicle industry was hurt the most. There was lack of cash, confidence and capital".

Further he said, " During the very turbulent and the most challenging year, the company had retained its unbroken profitable and dividend paying record of 60 years. Also, financially it remained robust (with debt: equity ration of less than 1:1) as it had the ability and resilience to take on the shock".

Last year, the company focused on non-cyclical businesses like buses, genset engines and power solutions business. Their share increased to 50% of the turnover from 34% in 2007-08. In buses, ALL regained its market leadership with a share of 46% while in trucks it lost 1.87% mainly due the steep in south, its traditional strong hold.

He expects the market and company to stage recovery in the second half of this year with new Government expected to support investments on infrastructure. With the interest rates softening, savings are expected to decline, a consumption driven pick up is expected to aid the recovery.

Last year, the company unveiled a slew of combative measures to manage the situation. These included reducing working days, effecting a 20% cut in wages and salaries for all, reducing operating cost by Rs 90 crore, containing employee costs to Rs 566 crore (Rs 616 crore) and benefiting from the lower raw material cost.

It scaled down the investment plan for 2009-12 from Rs 3000 crore to Rs 2000 crore but protected the outlay for product development. Utrakahnd unit is slated to go on stream by this fiscal end with an initial capacity of 50,000 vehicles. Trial production has begun at the bus plant in al Khaimah.

Mr Seshasayee said the joint ventures with Nissan and John Deere are intact and they are progressing. FIPB has cleared the JV with JD for the manufacture of construction equipment; he said referring to reports of objections from Tata Motors.

He expected the captive financing arm to take off in two months after getting RBI approval. Last year, exports to Sri Lanka and Middle East suffered but he expected it to pick up this year.

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International Updates

Ford Truck Plant to Build Electric Cars

6 May 2009

The New York Times

Amidst one of the auto industry's largest wholesale shifts in modern history, the Ford Motor Company is investing \$550 million to turn a factory that was dedicated to making large and fuel-hungry sport utility vehicles into a modern and scalable small-car plant that will eventually produce an all-electric version of the Focus.

The Michigan Assembly Plant, known as one of the world's most profitable manufacturing sites during the S.U.V. boom of the 1990s, was once the hub for the Ford Expedition and Lincoln Navigator. The plant is expected to begin building the new Ford Focus next year, followed by production of the all-electric Focus in 2011.

The electric Focus will be Ford's first all-electric passenger car for the mass market. In addition to the electric Focus, the company plans to sell an electric version of its Transit Connect commercial vehicle in 2010.

Ford has previously promised that they will deliver four new electric vehicles to the American market by 2012.

"The transformation of the Michigan Assembly Plant embodies the larger transformation under way at Ford," said Ford's president and chief executive, Alan Mulally, in a statement. "This is about investing in modern, efficient and flexible American manufacturing. It is about fuel economy and the electrification of vehicles."

The electric Focus is part of a larger strategy announced by Ford in January to develop electric vehicles for North America quickly using its global reach and capability to keep the cars affordable.

In addition to the Michigan Assembly Plant, Ford is retooling two other factories to build new cars in the face of global market changes. The company's Cuautitlán Assembly plant in Mexico is slated to begin building the new Fiesta subcompact early next year, and its Louisville Assembly plant in Kentucky is also expected to begin producing small vehicles based on the Focus platform beginning in 2011.

"We're changing from a company focused mainly on trucks and SUVs to a company with a balanced product lineup that includes even more high-quality, fuel-efficient small cars, hybrids and all-electric vehicles," said Mark Fields, Ford's president of the Americas. "As customers move to more fuel-efficient vehicles, we'll be there with more of the products they really want."

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Bridgestone 1Q Group Net Loss Y34.88 Billion Vs Y22.96 Billion Profit Year Earlier

8 May 2009

Easybourse.com

Bridgestone Corp. on Friday reported a net loss of Y34.88 billion for the January-March quarter, as the global economic slump, strong yen and dwindling auto sales weighed on tire demand. The Japanese tire maker posted a net loss of Y34.88 billion in the three months ended March 31, down 124.5% from a net profit of Y22.96 billion a year earlier.

Bridgestone, which competes neck-to-neck with France's Michelin for the top spot in global tire sales, swung to an operating loss of Y12.35 billion from an operating profit of Y39.8 billion a year earlier.

Sales sagged 28.8% to Y567.67 billion in the quarter ended March from Y797.84 billion. The tire maker further lowered its earnings forecast for the first half ending July 30, expecting a group net loss of Y62 billion from a Y21 billion net loss forecast in February, and an operating loss of Y40 from an initial forecast of Y12 billion. The company reports earnings under Japanese accounting standards.

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Michellin agrees to settlement over tyre ads.

14 May 2009

Waaytv.com

Michelin North America has agreed to a settlement in an investigation led by the Tennessee attorney general into the tire maker's advertising claims of fuel efficiency. The settlement reached Thursday will require the Greenville, S.C.,-based company to have reliable scientific evidence supporting any claims used in advertising and to pay the 17 states involved a total of \$375,000.

Michelin officials said they provided test data demonstrating that its tires were the most fuel efficient in most of the 37 categories of tires and will make only minor changes to its advertising claims. Scott Clark, chief operating officer of Michelin Americas Small Tires, said the only complaint they received regarding the ads came from a competitor - Nashville, Tenn.-based Bridgestone Americas Tire Operations.

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Continental cuts production at Stoecken plant

19 May 2009

www.forbes.com

German tire maker Continental AG said Tuesday about 425 workers would lose their jobs due to production cuts at the Hannover Stoecken plant, although the company committed to keeping the site open at least until the end of 2010.

Hannover-based Continental said it would cut back its heavy vehicle tire production at the plant, but would maintain a work force of about 300 employees and a yearly capacity of 500,000 tires there to the end of 2010. The company will decide in June 2010 whether to continue production at the site in 2011.

Continental, like many companies, saw demand for its products fall sharply as the global recession took hold. If the decision is taken to not continue production at Stoecken, then the 300 workers will be cut from the work force through the end of 2010, Continental said in a statement.

Continental said the plant's management and the workers' council would currently agree on a socially acceptable severance plan "To allow around 200 employees to leave the plant in 2009. A further group of approximately 225 employees will be phased out of the plant work force over the first three quarters of 2010," the statement said.

Continental said it had reached the decision with trade unions and employee representatives, while the state government of Lower Saxony also played a positive role. Continental has also seen protests over job cuts turn violent in France in recent weeks. Earlier this month, workers burned tires outside the Sarreguemines plant near the French-Luxembourg border and in April workers destroyed furniture and windows at the Clairoux factory north of Paris.

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