

Industry

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India Auto and Consumer Daily

 Equity
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- **Hero-Lemforder JV to set up unit for car parts** — ZF Hero Chassis Systems, a 50:50 joint venture (JV) of ZF Lemforder and the Hero Group, plans to set up a new facility in the National Capital Region to manufacture chassis frames, axle systems and sheet metal components for the domestic car market. The company has acquired the facility and will invest ~Rs 1bn in the proposed venture. The first phase is likely to become operational by the end of FY11. *(Business Standard)*
- **Maruti Suzuki to help VW roll out sub-Rs 400,000 car** — Maruti Suzuki India is expected to help VW develop an all-new small car, priced below Rs 400,000, and in return get expertise for manufacturing diesel engines or directly sourcing engines from Volkswagen. Suzuki Motors Corp (SMC) and Volkswagen had announced a global partnership in December which allowed VW a 19.9% stake in SMC. The two companies are keen to explore synergies in emerging markets, particularly India, and especially on the cost front. *(Economic Times)*
- **M&M non-committal on retaining SsangYong staff** — Mahindra & Mahindra (M&M) has not made any commitment on retaining jobs or volume growth in its deal with SsangYong Motor to buy a majority stake in the company. The MoU between the two companies only offers to “honour” the current wage agreements that SsangYong has signed with its unions, mgmt said. *(Economic Times)*
- **Munjals to buy Honda stake in JV** — Honda might exit its 25-year-old joint venture with the Munjals in Hero Honda with the entire deal likely to be wrapped up in the next six months. The deal, which will be executed in two phases, will see the Munjal family - led by Brijmohan Lal Munjal group - form a special purpose vehicle (SPV) to buy out Honda's entire 26% stake in the venture. This would eventually be thrown open for private equity participation. However, Hero Honda mgmt has denied the report. *(Economic Times)*
- **Spicing up the two-minute market** — Nestle's Maggi has faced fierce competition from two key rivals — Hindustan Unilever (HUL) and GlaxoSmithKline (GSK) Consumer. Their brands: Knorr and Foodles, respectively. Maggi still has ~85% of the instant noodle category where GSK with Foodles and HUL with Soupy Noodles have got 5 per cent and 2 per cent share, respectively. But Maggi is feeling reduced market share in new categories, mainly from Knorr. *(Business Standard)*
- **Marks & Spencer India plans domestic sourcing to cut costs** — M&S was earlier a super-premium brand with high-end product range since all the products were imported with 45% import duty. However, the firm has gradually reduced its dependence on imports and began to source from the domestic market in order to save on import costs. With this, it has also been able to bring down the average prices of its merchandise. M&S India currently operates 18 stores in India and plans to increase its store count to 50 by March 2013. *(Financial Express)*

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Company News

The Nano goes upmarket

According to Tata dealers in various cities and towns, 60-80% of Nano buyers already own one or even two cars, but still prefer to purchase another small car. The fact that, in most cases, it is not a first-time car buyer moving up from a two-wheeler to a Nano is reflected in the fact that just 20% of the 100,000 Nanos booked so far were the standard, no-frills version. *(Business Standard)*

Audi plans second shift to double sales

Audi plans to churn out more from its existing plant in India through a second production shift as it aims to more than double its sales by 2015. Company may start a second shift at its factory in Aurangabad to take the production to 3,000 units by next year from 2000 units at present. It has already surpassed last year's total sales of 1,658 cars by selling 1,876 cars in the first eight months of this year and is targeting to end 2010 with sales of 2,700 cars. The mgmt said that the brand is not desperately chasing bigger rivals BMW and Mercedes and would prefer to be the most aspirational brand rather than a market leader in volumes. *(Economic Times)*

GM to open engine plant at Talegaon

General Motors India (GMI) will inaugurate its brand-new engine plant at Talegaon near Pune on November 12. This is GM's first flexi-engine plant anywhere in the world that will produce both petrol and diesel engines. Commercial production at the \$230-mn, 160,000 capacity plant begins from November 1. The plant is capable of manufacturing four engine variants and will start off with the 1 litre engine, which goes on the Beat. *(Economic Times)*

Atul Auto looking to acquire majority stake in Scooters India

Three-wheeler maker, Atul Auto, is interested in acquiring a majority (not less than 51%) stake in Scooters India, a public sector undertaking in which the Government is mulling a divestment. Heavy Industries and Public Enterprises Minister, Vilasrao Deshmukh, had earlier said the Government was scouting for a joint venture partner to revive Scooters India. Apart from Atul Auto, there is speculation that other majors such as Bajaj Auto, M&M and Piaggio are also eyeing a stake acquisition in the Lucknow-based company. *(Economic Times)*

Decision on reinstating Hyundai workers deferred to Sep 13

A decision on reinstating 35 dismissed workers of Hyundai Motor India was deferred for the third time to Sep 13, with Tamil Nadu Labour Minister T M Anbarasan seeking more time to prepare a report on the issue. The Hyundai management and Hyundai Motor India Employees Union (HMIEU), which is affiliated to CITU, had signed a memorandum of understanding (MoU) in June. As per the MoU, a review committee was constituted to prepare a report on the reinstatement of the dismissed employees. But the committee has failed to come up with a solution in its two meetings earlier. *(Economic Times)*

Marks & Spencer won't source from Gurgaon

After a British weekly's revelation that a Gurgaon-based factory used by British retail major Marks & Spencer was abusing its workers, the company has stopped placing orders with the factory. However, M&S said it had stopped placing order with Viva Global in Gurgaon for commercial reasons. **(Economic Times)**

Acquisitions to drive Tata Global's foods foray

Tata Global Beverages' foods foray will happen via acquisitions, said Peter Unsworth, chief executive officer. Tea accounts for 67% of FY10 turnover, down from over 90% five years earlier. The company's plan is to continue building the firm's non-tea portfolio. **(Business Standard)**

Reckitt sues Bharti, Wal-Mart JV

Reckitt Benckiser India, the maker of Dettol antiseptic soap and Cherry Blossom shoe polish, has served a legal notice to Bharti Walmart demanding that the cash-and-carry joint company withdraw its Great Value toilet cleaner, as it infringes upon the 'bottle design and cap' of Reckitt's Harpic brand, the domestic market leader in this category. **(Economic Times)**

Britannia to invest Rs 1bn in 2 new plants

Britannia Industries will invest around Rs 1bn to set up a plant each in Bihar and Orissa to scale up production to cater to the growing market. The company has a plant with less than 1,000-tonne capacity in Myurbhanj district of Orissa through franchise agreement. However, it now wants to set up its own unit. **(Economic Times)**

Industry News

Whiskies: Indian brands in high spirits

One more whisky brand from the country has made it to the list of 10 largest selling spirit brands in the world. Officer's Choice Whisky, the single brand from the Kishore Chhabria-headed Allied Blenders and Distillers (ABD), is now the tenth-largest selling spirit brand in the world, with sales crossing 12 million cases. The other two Indian brands already in the list are Bagpiper and McDowell No.1, the flagship brands of United Spirits Ltd (USL). **(Economic Times)**

Copra shortage to keep coconut oil prices high

A lower copra output this year due to unseasonal rains in Tamil Nadu and Kerala has hit coconut oil production. Copra production is estimated to be down by 15-20%. The total milling copra production in India is around 900,000 tonnes, of which Tamil Nadu and Kerala together account for 70%. The rest is produced by Andhra Pradesh and Karnataka. The total coconut oil production in the country is around 500,000 tonnes, of which over a half is consumed by Kerala. **(Business Standard)**

Hike in fodder prices bleeds Tamil Nadu cattle farmers

Sharp spike in feed prices for the past few months has left cattle farmers in Tamil Nadu high and dry. According to the Tamil Nadu Milk Producers Welfare Association, unless the procurement price of both cow and buffalo milk is

increased by Rs 5 per litre by the state-run procurer Tamilnadu Co-operative Milk Producers' Federation, cattle farmers would have to look elsewhere for greener pastures. The procurement price of cow milk with 4.3% fat and 8.2% solid not fat (SNF) is currently at Rs 15.54 per litre while it is Rs 23 per litre for buffalo milk with 7% fat and 8.8% SNF content. The last revision in prices was made in September 2009. Though there has been only a Rs 5.50 per litre increase in procurement prices in the last five years, the retail price increase to the end customer has risen to nearly Rs 11 per litre, association members said. If the procurement price is at Rs 15.54 per litre, the welfare association gives away Rs 15.04 per litre to the farmer and retains 0.50 paise to meet overheads. **(Financial Express)**

Appendix A-1

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