

Hero Honda-Bajaj Auto battle intensifies



The battle for the country's lucrative and fast-growing motorcycles market is hotting up big time. Both Hero Honda and Bajaj Auto are aggressively pushing volumes. Hero Honda is looking to win back some of the lost market share from competitors like Bajaj Auto and TVS. The latter two are pursuing their own agendas to catch up with the leader. Major fallout of the cutthroat rivalry in the motorcycle segment, especially between the top two players, is now beginning to hurt badly. Though Bajaj Auto has hiked prices of Platina and Pulsar, the two-wheeler makers are unable to pass on the increase in raw material costs to consumers owing to stiff competition. This has adversely affected margins and bottomlines of the leading players. Hero Honda and Bajaj Auto have been the worst hit, and the two companies are admitting as much. In Q2 FY07, Hero Honda's operating margins were at 13%, down from 15.4% in Q2 FY06. Bajaj Auto's operating margins at 15.1% were down from 17.1% in the same quarter last year.

To address the issue, both Hero Honda and Bajaj Auto are following different tactics. While Hero Honda is betting on its 100-cc models, Bajaj Auto is considering moving out of the 100-cc segment in the next couple of years. "We believe that the 100 cc four-stroke motorcycle is as outdated today as 150 cc two-stroke scooters were 10 years ago. We are confident that we can move a majority of the customers to a different product platform," says Rajiv Bajaj, Managing Director of Bajaj Auto. On the other hand, Pawan Munjal, Rajiv's counterpart at Hero Honda believes that the entry-level segment will keep helping the company stay ahead of competition. To back up his rationale, he has unveiled the new versions of the CD-Dawn and CD-Deluxe. Bajaj Auto plans to upgrade all its current 100 cc models to 125 cc. Which way the cookie crumbles only time will tell. But, the fear is that in the fight between these two elephants, other players like TVS could also get affected.

Nissan scraps Suzuki JV to join Renault-M&M

Competition is also picking up in the four-wheeler segment. This can be gauged from the rush among Indian automobile companies to tie up with foreign partners. Even overseas players are looking to tap the huge potential of the Indian market, besides its low-cost but skilled engineering capabilities. First it was Suzuki and Nissan. Then came Tata Motors' announcement of a strategic partnership with Fiat Auto. Among the commercial vehicle manufacturers, Force Motors has joined hands with MAN AG. Volvo is reportedly eyeing a stake in Ashok Leyland, while DaimlerChrysler is reportedly looking at buying a stake in Eicher Motors. In line with this trend, Renault of France declared a tie up with Mahindra & Mahindra for making the Logan. But, looks like Carlos Ghosn, who heads both Renault and Nissan, wants more action of the rapidly growing Indian car mart.



Against this background, Japanese auto major Nissan has decided to shelve the proposed tie up with Suzuki and instead is considering joining the Renault-Mahindra Joint Venture. Japan's second-biggest automaker said it was in "active discussions" with French partner Renault and M&M on whether and how to participate in their new partnership. Nissan, 44.3% owned by Renault, still plans to buy small cars produced in India by Maruti Udyog Ltd., a majority owned subsidiary of Suzuki for sale in Europe, according to Ghosn. Renault, No. 2 automaker in France, and M&M will build a greenfield plant. M&M will own 50% of the new JV. The remaining stake may be shared between Renault and Nissan. The location of the new factory is not decided yet. Though Suzuki is known for its prowess in making compact cars, the three-way alliance between M&M, Renault and Nissan may prove to be yet another challenge for the market leader.

**Maruti Nov sales up 20% yoy**

Maruti Udyog Ltd. announced that the company sold 52,574 vehicles in the domestic market in November 2006 compared to 43,568 vehicles in the same period last year. Total sales of the company stood at 55,033 vehicles in November 2006, which includes 2,459 units of exports. The company said its domestic volume in A2 segment grew by 32.3% and in C segment went up by 36.2% during the month compared to sales in November 2005.

Tata Motors Nov sales surge 43% yoy

Tata Motors reported a 43.1% increase in total vehicle sales, including exports, in November 2006 at 49,061 units compared to 34,282 units in the same month last year. Passenger vehicle business reported a total sale of 19,475 vehicles in the domestic market in November this year, an increase of 48.4% over the same month a year ago. Commercial vehicles sales in November in the domestic market stood at 25,793 units, as against 17,694 units last year, up 45.8%.

M&M Nov auto sales rise 11.5% yoy

Mahindra & Mahindra Ltd. reported total sales (excluding tractors) of 13,600 vehicles for November 2006 as against 12,199 vehicles a year ago, registering an increase of 11.5%. The company's tractor sales for the month grew to 7987 vehicles from 7103 last year. Scorpio sales were at 2603 units from 1980 in November 2005 while UV sales stood at 10,250 vehicles as compared to 8929 vehicles in the previous year

Hero Honda Nov sales up 11% yoy

Hero Honda Motors Ltd. said its two-wheeler sales (including exports) last month grew by 11.1% to 287,295 units though compared to October, when it sold 363,480 units, sales in November were down 20.95%. Domestic sales climbed 11.54% to 280,171 units in November while exports fell by 2.5% to 7,124 units. Year-to-date (April-November 2006), Hero Honda's sales are up 12.2% at 2,300,193 units.

Bajaj Auto Nov sales up 33% yoy

Bajaj Auto Ltd. said its total vehicle sales grew by 33% to 243,713 units in November. Compared to October, when it sold 2.79 lakh vehicles, the company's sales were down 12.9%. Sales of Bajaj Auto's motorcycles climbed 36.3% to 214,321 units last month. But, compared to October, when the company sold 2.51 lakh units, sales in November were down 14.7%. Overall two-wheeler sales grew by 29% to 214,329 units while three-wheeler sales surged by 71% to 29,384 units. Exports rose by 56% to 36,086 units.

TVS Motor Nov sales up marginally

TVS Motor Company Ltd. said it sold 1.18 lakh units in November as against 1.13 lakh units in the same month last year, translating into an increase of 4.4%. However, compared to October, when it sold 1.42 lakh units, sales last month were down 16.9%. Motorcycle sales in November stood at 68,874 units compared to 68,122 units in the corresponding month a year earlier. Compared to October, when bike sales stood at 93,328 units, sales last month were down 35%.



DaimlerChrysler to set up new plant

In a move that underlines the surging demand for upmarket luxury cars in the country, DaimlerChrysler India is planning to set up a new manufacturing plant in Pune in the first half of next year, top company officials said last month. "We need a new factory as this is a rented facility", DaimlerChrysler India MD & CEO Dr. Wilfried Aulbur said. "This facility is on a 22-acre premise. We are looking at a much bigger facility of our own." The Indian unit of the German luxury carmaker is at an advanced stage of talks with local authorities for finalising the land for the new facility, according to Suhas Kadlaskar, Director - Finance, DaimlerChrysler India. The new factory will have an annual capacity to manufacture 9,000 vehicles. DaimlerChrysler India is looking at the industrial belts of Chakan, Talegaon and Ranjangaon in Pune for the new plant, Kadlaskar said, without saying how much investment has been earmarked for the same.

Bajaj Auto to build bike plant in Indonesia

Bajaj Auto Ltd. will invest US\$50mn on setting up a motorcycle plant in Indonesia and expects to sell 100,000 vehicles in Southeast Asia's largest economy in the next two years. The company launched the Pulsar DTS-i (Digital Twin Spark Ignition), a 180 cc sports bike. The launch of Pulsar DTS-i marks the entry of Bajaj Auto in Indonesia. Sanjiv Bajaj, Executive Director (Finance) of Bajaj Auto said at a briefing in Jakarta that the motorcycles would be imported from India until the plant is built.

GM starts building new car plant

General Motors Corp. (GM) started construction on its new greenfield plant at Talegaon, near Pune in Maharashtra. Top officials from the US auto giant and senior state government leaders, including Chief Minister Vilasrao Deshmukh, were present at the ground breaking ceremony. The new GM facility will have an initial production capacity of 140,000 vehicles per annum. The US\$300mn plant when completed will manufacture a Chevrolet mini-car for the domestic market in the last quarter of 2008.

...engine & transmission facility may follow

General Motors Corp. (GM) is toying with the idea of building an engine and powertrain plant in India, its President for Asia-Pacific said. "It is an objective ... We will make a decision in the next six months," Nick

Reilly told reporters at Talegaon, near Pune. Reilly did not specify how much the company would spend to build the plant, but said that such facilities typically require an investment of US\$300-400mn.

TVS to invest up to US\$100mn in Indonesia

TVS Motor Co. Ltd. plans to invest up to US\$100mn in Indonesia over the next three years to set up a manufacturing facility that will cater to Southeast Asia, BLP Simha, President of PT TVS Motor Co. Indonesia said. Simha told a news conference in Jakarta that the local unit of Chennai, India based TVS Motor would have the capacity to manufacture 300,000 motorcycles a year. The company had made an initial investment of US\$43mn in the Indonesian arm. The investment going up to US\$100mn will be used to increase the local content from 40% to 80%.

VW to start making Passat from next year



Volkswagen AG, Europe's largest carmaker, will begin manufacturing the Passat sedan next year in India as part of its plan to capitalise on the rising consumer demand in Asia's fourth largest economy. The German car major will spend €410mn (US\$540mn) to set up a greenfield plant at Chakan, near Pune. The new factory will have an installed capacity to manufacture 110,000 cars a year starting 2009. The plant will employ about 2,500 workers. Volkswagen said it also plans to develop an India-specific car in the foreseeable future based on the Polo.

REVA gets US\$20mn investment

REVA Electric Car Company, India's first and only electric car, said it has received an investment of US\$20mn. Draper Fisher Jurveston (DFJ) and Global Environment Fund (GEF) led the investment round. Edelweiss Capital acted as exclusive financial advisor to REVA on the transaction. This investment represents a strategic intent by the company to expand and consolidate its position as one of the leading electric car companies globally, REVA said. The company will use this investment to increase production capacity, develop newer models and further enhance its international and domestic distribution, it added.





MFs will be permitted to participate in divestment: report

The Government has reportedly decided to allow Mutual Funds to participate in the disinvestment programme. The sale of its residual stake of 10.27% in Maruti will see local private mutual funds compete with Public sector banks and financial institutions. Earlier this year, the Government sold an 8% stake in Maruti to a limited state-owned banks and financial institutions. Although these institutional investors bid for shares on offer at a premium of 4% to the traded price, the Government now feels that widening the list of potential buyers could boost competition and ensure a higher realisation of proceeds.

Bajaj hikes Platina, Pulsar prices

Bajaj Auto Ltd. hiked the prices of 'Platina' and 'Pulsar' motorcycles. The company increased the prices of Platina by Rs 500 at the ex-showroom level and that of Pulsar new upgrade between Rs2,000-2,200. In September, the company had cut the price of Platina by about Rs2,000, in the face of stiff competition. However, rising raw material costs have put pressure on operating margins of most automobile manufacturers.

Hyundai to hike prices across range by Dec end

Hyundai Motors will reportedly increase prices across its model range, including Santro, Getz, Sonata and Verna, by up to Rs15,000 from December end. According to reports, the rise in input costs, which was putting increasing pressure on the margins, necessitated the increase.

Customer satisfaction...Maruti, Honda rank highest

According to the findings of the 2006 four-wheeler total customer satisfaction study by leading market information provider, TNS, Maruti and Honda rank highest in multiple segments due to higher satisfaction with their overall brand experience. The models ranking highest in their respective segments for total customer satisfaction are: Maruti 800 in "Entry Compact"; Maruti Zen in "Premium Compact"; Maruti Suzuki Swift in "Upper Premium Compact"; Tata Indica Diesel in "Small Car – Diesel"; Maruti Esteem Petrol in "Entry Midsize"; Honda City in "Midsize"; Skoda Octavia in "Premium Midsize"; Ford Fiesta Diesel in "Midsize Car – Diesel"; Honda Accord in "Entry Luxury"; Toyota Innova in "SUV/ MPV"; and Honda CRV in "Premium SUV".

M&M to enter US with SUVs, Pickups

Mahindra & Mahindra Ltd. (M&M) announced its plan to enter the United States market with a Sports Utility Vehicle (SUV) and pick-up. M&M signed a distribution agreement with Global Vehicles USA Inc. for the import and distribution of its vehicles, parts and accessories. "As the market changes, we realize that even to stay on top of the Indian market, we need to be a global player and the US forms a crucial part of our strategy to make Mahindra a truly global company. Close to half of the global sales in SUVs and pickups take place in the US and we want to capture at least a small fraction of that to start with," said Dr. Pawan Goenka, President-Automotive Sector, M&M.

Tata Motors cuts prices of pick-up

Tata Motors reduced the prices of its pick up vehicle '207' range by up to Rs35,000. The rationalisation quantum is about Rs30,000 to Rs35,000, excluding operating discounts. "In the pick-up market, it has been the practice of different companies to offer retail discounts, varying from market to market depending upon local needs. Since managing such schemes is complex, we have decided to rationalise prices of its 207 range," a Tata Motors spokesperson said. Under the revised pricing, 'Tata 207' with mechanical steering would now come at Rs3.50 lakh, while the power steering version would cost Rs3.75 lakh. The power steering and crew cab version would sport a price tag of Rs4 lakh.

AVTEC & Allison chalk out growth plans

AVTEC, part of the GP-CK Birla group with 30% equity participation from Actis, and Allison Transmission of General Motors, signed a MoU to expand their 25- year business alliance. The Power Products Division of AVTEC has built transmissions for the Off Highway Market in their Hosur facility since 1981 under a technical license from Allison. Since 2000, AVTEC has represented Allison in the On Highway market segment supplying transmission systems to domestic OEMs. Through this alliance, AVTEC and Allison are seeking to grow both domestic and export opportunities.

Apollo Tyres sees US\$1bn revenues in FY07

Apollo Tyres Ltd. expects consolidated revenues to cross US\$1bn in the current fiscal year, Joint Managing Director and Chief Operating Officer Neeraj Kanwar said. "We expect to be a US\$2bn company by 2010," Kanwar said. The company plans to launch truck radials in six months, Chief Strategist Sunam Sarkar said. Initially, the company will manufacture 20,000 truck radials per month, which will be ramped up to 80,000 units over five years, Sarkar said. Around 9% of the company's revenues come from passenger car tyres while 75% comes from the truck segment.

Honda Motor India commences operations

Honda Motor India Pvt Ltd (HMI), the wholly owned subsidiary of Honda Motor Co. Ltd. formally begun its India operations. The plan to set up HMI was first announced in July this year by Takeo Fukui, President and CEO, Honda Motor, during his visit to New Delhi. Starting with a capital is Rs150mn, HMI has targeted a turnover of Rs1.8bn for 2007-08. Formation of HMI is part of the overall strategy to strengthen and integrate operations of Honda companies in India with respect to spare parts. HMI will take over the parts operations of Honda Siel Cars India (HSCI) and gradually integrate operations of Honda Siel Power Products and Honda Motorcycles & Scooters India Ltd. HMI will study the possibility of establishing a similar synergistic relationship with the fourth Honda company, Hero Honda Motors Ltd in the near future.

M&M acquires majority stake in Hinoday

Mahindra & Mahindra Ltd. (M&M) entered into an agreement to acquire a 66% stake in DGP Hinoday Industries Ltd. The company would acquire the shares from the existing shareholders, DG Piramal Group and India Private Equity Fund Mauritius. Hitachi Metals holds the balance 34% equity stake in Hinoday. This acquisition marks the entry of the company into the sophisticated SG Iron casting space, M&M said. The company will leverage Hinoday's expertise in SG Iron as a platform to help grow into one of the leading casting players in the country, it added.

Lumax Auto Tech announces IPO



Lumax Auto Technologies Ltd. announced its Initial Public Offer (IPO) of 30,12,000 equity shares of Rs10 each for cash at a price of Rs75 per share. The fixed price issue will raise Rs226mn. Lumax Auto Technologies is part of the DK Jain group of companies whose flagship company is Lumax Industries Ltd. The issue will open for subscription on December 14 and close on December 21. It would constitute 25.90% of the fully diluted post issue paid up capital of Lumax Auto Tech.

The issue proceeds will be utilised for setting up of a chassis assembly at Bhosari, besides expansion and modernization of current manufacturing facilities at Chakan and Waluj, and modernization of developing centre at Chinchwad. The company will also invest money in a subsidiary, which will set up automotive lighting unit at Pantnagar, in Uttaranchal. The company will also set up a leveling motor unit and will enhance infrastructure facilities at Manesar.



DaimlerChrysler launches new E-Class



DaimlerChrysler India announced the launch of its new generation Mercedes-Benz E-Class in India. Some 2000 parts in the E-Class are new or further developments. The debutant replaces its hugely popular predecessor, which had already sold over one million units globally, since its introduction in spring of 2002. The new E-Class has both petrol and diesel options and comes in two variants - Classic and Elegance. There are three models available: E 200 K, E 280 and E 280 CDI. They are priced between Rs40-42 lakh (ex-Mumbai). The price is about Rs1 lakh higher than the current set of E-Class models available in India.

Honda launches new CR-V in India

There is good news for all the SUV fanatics in the country. Honda SIEL Cars India unveiled the all-new Honda CR-V, a premium variant of its globally popular SUV. But, those who want to own this new beauty from Honda will have to shell out at least Rs 2.5 lakh more than the existing offering. The new CR-V will be available in two versions - a six-speed manual transmission model and an automatic transmission one. The two models will be priced at Rs 17.7 lakh (ex-showroom Delhi) and Rs 18.4 lakh (ex-showroom Delhi), respectively.



Zen launched in new avatar



Maruti Udyog Ltd. (MUL) is all set to unveil a completely new Zen. The new incarnation of the popular compact car will be called Zen Estilo. The new Zen doesn't bear any resemblance

to the old model, and is in fact looks more of a tweaked version of the WagonR. This Zen Estilo will be available at Maruti showrooms nationwide from the second week of December. The Estilo meaning 'style' in Spanish is expected to compete with the Hyundai Santro, Tata Indica and may end up cannibalizing Maruti's own WagonR or even the Swift. Estilo is nothing but Suzuki's popular hatchback MR Wagon, launched in 1999 in Japan and other countries. It would be one of the first of the five models Maruti promises to launch in India over the next five years.

Maruti introduces limited edition Alto

Maruti Udyog Ltd. launched a limited edition variant of Alto. The new version of the company's best selling model will be costlier by about Rs 8,000. The 'Alto Xfun' would be available in two variants - LX and LXi. The new Alto variants would be priced at Rs 2.77 lakh and Rs 2.95 lakh (ex-showroom Delhi), respectively. The launch of the new limited edition Alto marks the model's five-lakh sales milestone in a span of just six years. Maruti has sold one lakh Altos in the last six months.

Hero Honda unveils new CD-Dawn, CD-Deluxe

Hero Honda, the world's largest two-wheeler manufacturer, has launched the new CD Deluxe & CD Dawn with a 100cc engine. CD Deluxe and CD Dawn will be available in four vibrant colours and 5 stripe combinations - Black (2 stripe combinations), Candy Blazing Red, Classy Maroon Metallic & Boon Silver Metallic. The CD Deluxe is attractively priced at Rs34,900 (Delhi ex-showroom). The CD Dawn is attractively priced at Rs31,900 (Delhi ex-showroom).

Tata Motors launches new Indica V2 Xeta

In order to take advantage of the excise duty benefits for small cars, Tata Motors launched a new Indica V2 Xeta with a smaller engine. The 1.2 litre petrol variant costs Rs25,000 less than the existing 1.4 litre models. The 1.2 litre V2 Xeta now comes with an ex-showroom price tag of Rs2.3 lakh in Mumbai. The price discount is an introductory offer for a limited period.

"Four of the five existing Indica V2 Xeta variants - the GV, GVE, GVS and GVG - have been replaced with a smaller heart. The GLX model still continues with the 1.4 litre engine as a top of the line option," a city dealer said. "With the new smaller engine, the company will be able to reduce the total cost of production. This will reflect on its bottom line," said an industry analyst.



Xenitis to launch Xoom bikes in January

The Xenitis Group will launch its two-wheelers in India in January. Branded 'Xoom', these motorbikes would be available in four variants - 100cc, 125cc, 150cc and 180cc. The launch will mark the foray of the diversified Xenitis Group into the automobile sector. At present, it makes branded computers. It has set up a factory in technical collaboration with Unitek Computers Co Ltd., China. Global Motors will manufacture two-wheelers at its plant in Hooghly, West Bengal. Guangzhou Motors is providing technical support to Global Motors for setting up the assembly line, production process and service network. It would also assist the Indian partner in product strategy, marketing and selling.

Yamaha to launch premium bikes: report

Yamaha India, a 100% subsidiary of Yamaha Motors of Japan, is reportedly planning at least two launches in the 150cc and the 180cc category next year. Industry experts say the new bikes will be priced in the range of Rs 50,000 to Rs 60,000. Yamaha's 150cc bike is likely to be launched in April-May 2007 followed by the 180cc model. The bikes will be produced at the company's existing plant in Faridabad and Surajpur (UP) as the company already has the infrastructure in place. The new Yamaha models will compete against Bajaj Auto's Pulsar range, besides Honda Motorcycles and Scooters India's (HMSI) Unicorn, Hero Honda's CBZ and TVS Motors' Apache.

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