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Car exports grow 22% in April-August period this fiscal

Economic Times

12 September, New Delhi: Domestic car sales may be on a downhill drive, but exports from India have risen 22.39% in April-August period this fiscal over the same period last financial year. According to the latest data from Society of Indian Automobile Manufacturers, passenger car exports in April- August period this fiscal stood at 2,17,409 units as against 1,77,634 units in the same period last year. The growth in exports is mainly on account of newcomer Nissan clocking good volumes, while Ford India has also managed to increase its overseas shipments by over three- folds during the period. Nissan Motor India, which sells hatchback Micra mainly in Europe, exported 42,540 units during the period. In the same period previous year it had not started exports from India. Ford India managed to increase its exports, mainly on the back of compact car Figo to 10,118 units during the April-August period against 3,168 units last fiscal. Hyundai Motor saw 1.77% increase in its exports to 1, 07,572 units as against 1, 05,699 units in the year-ago period.

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Tyre dealers seek removal of anti-dumping duty

Dilip Kumar Jha, Business standard

Mumbai December 26, 2011: Squeezed between falling demand from local auto sector and depreciating rupee making imports costlier, domestic tyre dealers have urged the government to immediately notify the removal of anti-dumping duty.

On August 2, the Customs, Excise and Service Tax Appellate Tribunal had set aside the anti-dumping duty levied by the government. The tribunal directed the government to immediately withdraw anti-dumping duty on tyre imports from China and Thailand.

Today, All India Tyre Dealers' Federation (AITDF) said the notification is yet to be published in the official gazette, although the government has honoured the order of the tribunal. "Hence, anti-dumping duty continues to be levied even now," according to S P Singh, AITDF convener.

"We, therefore, urge the government to immediately notify the withdrawal of the duty."

The designated authority, anti-dumping and allied duties, Department of Commerce had imposed duty of $32 to $90 on import of truck or bus radials. A steep decline in the rupee by 23 per cent in last two quarters has crippled the tyre import even for passengers car radial and two and three-wheeler tyres as well.

The inordinate delay in issuance of tyre quality standard certification by Bureau of Indian Standard (BIS) to the more than two dozen foreign tyre brands according to the Quality Control Order, 2009, implemented on May 13, too has further reduced the import of tyres from Brazil, South Africa, Europe, China, Korea, Japan, Taiwan, Malaysia and Indonesia.

This has been exploited to the hilt by the domestic tyre majors causing hardships to local tyre dealers, road transporters and, in turn, high tyre prices and domestic short supply due to steep increase in tyre exports is resulting in higher transportation caused and consequently pushing up the inflation, Singh added.

Depreciating rupee at 52.84 against the US dollar with 23 per cent decline in last five months has caused a drastic drop in tyre imports, coupled with tariff and non-tariff barriers — high prices and shortage of various categories of tyres and tubes despite onset of traditionally low domestic demand winter seasons in the country.

Consequently, the domestic tyre industry is facing huge difficulty on import of various categories of tyres used for commercial vehicles, passenger cars and SUVs, mining equipment and two, three-wheeler vehicles. Since April 2011, tyre imports in the replacement market have dropped by over 70 per cent and the rupee depreciation has raised the exports 30 per cent, leading to high domestic tyre prices and shortage of various categories of tyres and tubes even during winter season in which the demand traditionally falls 5-10 per cent.

Tyre imports for replacement bus and truck markets has slumped to nearly 10,000 units in November as compared to nearly 125,000 units early this year.

The most shocking is the stubborn behaviour of oligopoly of domestic tyre majors refusing to relent voluntarily by rolling back the tyre prices to January 2011 level as natural rubber price has dropped to Rs 200 per kg now from the peak Rs 240 per kg in May this year. Instead, the tyre prices of various categories since January 2011 have gone up by 15-20 per cent.

The removal of anti-dumping duty, according to a tyre dealer, will help the trade and the users of the good. What's more, it would contain runaway inflation, which is being contributed by increasing truck freight for past two years, he added.

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Higher import duty to affect auto exports to Sri Lanka

Shally Seth Mohile, Livemint

April 4, 2012: Indian auto makers exporting to Sri Lanka will pass on the burden of an import duty hike to consumers, hitting demand, analysts said.

In a bid to contain the rising fiscal deficit, the local government sharply increased the import duty on automobiles with effect from 1 April. The import duty on cars has gone up from 120-291% to 200-350%; on three-wheelers, it has gone up from 51-61% to 100%, and on two-wheelers, from 61% to 100%.

Duty on buses, trucks and tractors remains unchanged.

Sri Lanka is an important export destination for several Indian auto makers, including Bajaj Auto Ltd and Maruti Suzuki India Ltd.

Executives at the auto firms conceded sales would get affected at least in the medium term as the market is price sensitive.

Bajaj Auto, India's largest exporter of motorcycles and three-wheelers, draws 20% of its total exports from Sri Lanka. In the fiscal year ending March 2012, the Pune-based firm exported 10,7691 units, an expansion of 54% over last year.

Rakesh Sharma, president, international business, at the firm, said, "The increase is so significant that we have no choice but to pass it on (to consumers)." The hike, according to Sharma, is likely to deter consumers from buying new vehicles at least for the time being.

With Sri Lanka's economy improving and showing a fundamental upward trend, buyers will come to terms with the price hike over a period of time, he said.

With Bajaj Auto having a relatively high exposure to the Sri Lankan market, it will feel the maximum impact among Indian auto makers, wrote Joseph George, analyst at brokerage IIFL Ltd in a 2 April research report.

While Bajaj Auto's three-wheelers have 80% of the Sri Lankan market, its two-wheelers account for half, he said. "Sri Lanka accounts for 35-40% of Bajaj's three-wheeler and 10% of two-wheeler exports. This is equivalent to about 7% of Bajaj's total revenue and an estimated 9% of earnings before interest, tax and depreciation," the IIFL report said.

The firm estimates that the import duty hike led to a 20-30% increase in the price of vehicles.

Car market leader Maruti Suzuki's 5% of exports sales comes from Sri Lanka. Mayank Pareek, managing executive officer, marketing and sales at Maruti Suzuki, said: "It's quite a significant market for us and bound to have an adverse impact on sales as Sri Lanka is a price-sensitive market." The company is awaiting clarity on duty on second-hand vehicles in the market.

Currently, duty on pre-owned cars in Sri Lanka is higher than new vehicles. If there is no change, it will give a boost to the second-hand car market in the region, which accounts for 80-85% of total car sales, said Pareek.

Although Sri Lanka is a big market for TVS Motor Co. Ltd and Hero MotoCorp Ltd, overall exports are not as big a revenue generator for these companies as they are for Bajaj Auto, said IIFL's George. *Mint* wasn't able to reach these two firms for comment.

Among other measures including a half percentage point hike in the policy rate, imposing credit growth targets for banks and substantial price hikes on petroleum products, the higher import duty on vehicles has been viewed favourably by the International Monetary Fund, which recently disbursed the last tranche of $427 million of the $ 2.1 billion it had committed to the country, wrote analysts Anushka Shah and Rohini Malkani in a 3 April report by Citi Investment Research and Analysis.

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Auto industry against inclusion in India-EU FTA

Pankaj Doval, The Times of India

16 May 2012, New Delhi: With the proposed India-EU free trade agreement (FTA) in its final leg, the domestic auto industry has raised alarm bells against including the sector in the trade agreement, saying it will kill investments and technology inflow and jeopardise the targets set under the government's muchtouted Automotive Mission Plan (AMP 2006-16), released by PM Manmohan Singh in January 2007.While the domestic industry lobby Society of Indian Automobile Manufacturers (Siam) argues against the FTA inclusion, a section of the global industry - mainly European auto companies - feel the opposition is protectionist and not in sync with current economic realities.

The divided house - where the domestic manufacturers oppose any duty reduction and European majors seek a cut - comes at a time when indications suggest that the government is looking to include the auto sector in the FTA, following which import duty on a specified number of cars may fall to 30% from the existing 60%. The government is looking at allowing cheaper import of a specified number of cars under tariff rate quota (TRQs).The concession, is expected to benefit not only luxury carmakers like Audi, BMW and Mercedes, but also mainline players like Volkswagen, Fiat, Skoda and Peugeot.

"The AMP targets were kept based on certain consistency in policy. If the auto industry is included in the India-EU FTA, the entire equilibrium will be haywire and India will not meet the AMP target," Sugato Sen, senior director at Siam, says, denying that domestic players were being protectionist in their demands.

Domestic industry fears that cheaper imports from Europe have the potential to hit them badly and may see a flight of manufacturing investments from India, hurting employment and technology flow. The AMP 2006-16 had envisaged an investment of $40 billion in the auto sector by 2016, while doubling its contribution to the GDP to over 10% and creating 25 million new jobs.Siam says that these targets will be impossible to meet in case the auto industry is included in the EU FTA.

However, the European companies differ."The auto sector should definitely be included in the India-EU FTA," says John Chacko, chief India representative for the Volkswagen group that sells brands like Audi, VW and Skoda. He said Indian manufacturing is "very competitive" and cannot be threatened even if imports from Europe become cheaper. "Manufacturing in Europe is very expensive and we do not stand any chance in the volume segments in India." "It is a misnomer that the Indian industry will suffer if the duty is lowered. While we support the argument that duty should remain high where competitive volume products are there in the market, there is no argument to support any talk of maintaining higher duty for the luxury-end of the market," Debashish Mitra, director for sales & marketing at Mercedes-Benz India, had said in an earlier interaction.

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You may have to pay just 10% duty on Porsche and BMW

Amiti Sen, Economic Times

New Delhi, July 30, 2012: Cars manufactured in the European Union, including luxury makes such as Porsche and BMW, could be available in India at prices only marginally higher than in Europe as the government is likely to agree to a 10% duty on a fixed quota of cars imported from the EU as part of a free-trade agreement being negotiated between the two sides.

India is considering allowing imports of 2.5 lakh cars on which only a 10% tariff will be levied, compared to the normal rate of 60%, marking the first significant challenge the heavily protected Indian automobile industry has had to face from imports. The imports will be spread over five years, starting with 40,000 cars in the first year and rising by 5,000 units every year thereafter.
"We may bring down tariff to a low level of 10% for a fixed quota of cars every year for five years. We think our industry can deal with this," a government official told ET.

New Delhi is also considering reducing import tariffs by half from 60% to 30% for cars outside the quota once the proposed India-EU free trade agreement is implemented.

The European Union is keen that India commit itself to extending the liberalized import regime for the quota of 2.5 lakh cars beyond five years, but New Delhi has said that it will review the situation after five years.

"We want to keep some room for maneuver if the need arises,' the official said. Greater market access for automobiles, wines & whiskies is on top of the EU's wish list for the FTA, formally called the bilateral trade and investment agreement.

In exchange, India expects to get more visas for its professionals, a relaxation of EU norms that require manufacturers keep elaborate database on chemicals used in their products.
India's wishlist also includes recognition as a data secure country for carrying out off-shore operations, a quality certificate for its herbal products and lower duties on labour intensive products such as leather and textiles.

The concessions on automobiles and alcohol, if they form part of the final agreement, will be unique as they are absent in similar agreements it has entered so far with countries like Singapore, Japan, Malaysia, South Korea, Sri Lanka and the ten-member Asean.

The Indian automobile industry has criticized the government's move to liberalise imports.
SIAM has warned that imports will deter investments as foreign car makers would prefer to export their cars to India rather than set up manufacturing facilities.

French carmaker Peugeot has put off its plans to invest in India, reportedly, in the hope of reaping benefits of lower duties once the India-EU FTA gets implemented.

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