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Exports dispel domestic woes as auto cos ride weak rupee

Business Standard

Mumbai, 3 September 2013: India's export pack has an unlikely driver: the automobile sector. Passenger car and two-wheeler exporters have made the most of currency depreciation and posted significant increases in foreign sales in August, which helped them partially offset subdued domestic sales.

Hyundai Motor India, the country's second largest car maker, posted 29 per cent growth in exports for August at 24,008 units as demand from non-European markets boosted shipments. It was this push that helped the company increase overall sales by a healthy 11.58 per cent even as its domestic sales grew less than 1 per cent. Rakesh Srivastava, senior vice-president, sales and marketing, Hyundai Motor India, said, "Exports have shown decent growth on account of strong demand from non-European markets. The domestic market continues to witness pressure."

Exports of Maruti Suzuki, the country's largest car maker, nearly trebled during the month to 11,305 units, an increase of 181 per cent compared to 4,025 in the same month last year. Maruti Suzuki Chairman R C Bhargava said, "It is a welcome sign that exports have done well. I hope it stays that way." Bhargava had earlier said the devaluation of the rupee helped the company export more but cautioned that global markets were not buoyant either.

The depreciation of the rupee by over 25 per cent from January has helped auto companies improve margins on exports substantially. Bajaj Auto, India's largest exporter of two- and three-wheelers, reported an increase of 10 per cent in exports at 144,160 units even as overall sales remained 9 per cent down during the month. The market leader in most of the big African markets earns twice as much on a motorbike exported as it does in the domestic market, according to a senior executive. Rajiv Bajaj, managing director, says margins have improved as export prices have not been slashed to boost volumes.

Chennai-based TVS Motors posted export growth of 53 per cent to 27,425 units in August as against 17,934 in the same month last year. That saved the day for the company as its domestic sales fell 6.2 per cent. Exports now account for 18 per cent of its total sales as against 12 per cent in the corresponding month last year.

Yaresh Kothari, analyst, Angel Broking, said, "The long-term plan will be to benefit from increasing exports. The outlook for the coming months will be of growth from festival demand." Domestically, the car and utility vehicle segment grew just 7 per cent in August at 165,447 units sold by the top eight companies, and that too because Maruti Suzuki's numbers benefited from a low base due to a factory lock-down in August last year. Maruti Suzuki reported a rise of 52 per cent in domestic sales during August at 76,018 units. Its July sales stood at 75,145 units. The sales of Hyundai Motor India remained flat at 28,311 units in August as against 28,257 in the same month last year.

Tata Motors, which does not have substantial exports, reported a fall in sales to nearly half in August at 11,564 units from 22,311 in the same month last year.

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Fresh blow to car exports to EU; import duties to go up from January

Gireesh Chandra Prasad & Roudra Bhattacharya, Financial Express

New Delhi, 13 December 2013: India's export of cars to Europe, which has already slowed down in the last two years because of the economic slowdown, may face another blow from January next year with the European Union (EU) about to raise customs duty on them from 6.5% at present to 10%.

The move, which is expected to lead to a significant cost increase of around Rs15,000 per car, comes even as auto makers grapple with declining demand and profits at home. EU's decision is part of its new policy of denying preferential tariff to exports from developing nations that have become sufficiently competitive that they no longer require a tax incentive.

EU is the single-largest trade block in terms of car exports from India. In FY13, about 40% of India's total passenger vehicle (PV) exports of 5.54 lakh units went to the EU, 80-90% of which were small cars. Nissan-Renault, Hyundai and Maruti Suzuki, followed by Ford and Mahindra, are currently among the largest exporters of passenger vehicles from India to the 28-nation union.

EU's decision is to graduate a host of exports from India such as motor vehicles, bicycles, aircraft, mineral products, chemicals, raw hides, skins, leather, ships and boats from its Generalised System of Preferences (GSP) as imports of each of these products from India have crossed 17.5% of overall import of these items into EU from developing nations.

In the case of textiles, the threshold for denying duty benefit is kept at 14.5%. Preferential customs duty to exports from developing nations under GSP is an exception to the WTO obligation of member states to give every other member equal and non-discriminatory treatment under the 'Most Favoured Nation' status.

A Maruti Suzuki executive told FE that though the share of EU in its total exports has come down to 35% from 70% four years back, it still remains the single-largest trade block. "Of course there will be an impact of higher duties. EU sales are down because of the economic slowdown and the move will hurt margins further," he said.

Hyundai Motor India director (finance) R Sethuraman added, "There will be obviously impact because our costs will rise and EU is a very important export market for us. We are trying to de-risk our exports by developing other markets in Africa, South-East Asia and Latin America." For Hyundai, India's largest car exporter with about 40% of production meant for global sales, around a third of exports go to the EU. Nissan Motor India's CFO Sunil Rekhi confirmed that the impact will be significant as the company's cost per car will go up by 150-175 Euros (about R15,000) on average. However, he said that Nissan will be able to absorb the higher costs because of the gains from the recent depreciation of the rupee versus the Euro.

"We cannot increase our prices because the EU market is very tough right now, but we have enough room to absorb it within our margins. With the higher import duty, EU is trying to encourage local manufacturing and blocking imports from developing countries. The good thing is that our exports to EU are up 20% in value terms in FY14 because of rupee depreciation," he said.

For Nissan's India unit, EU accounts for up to 20% of total sales. Nissan exports the Micra from its plant near Chennai, which is sold as the 'March' across Europe, while alliance partner exports the 'Duster' compact SUV from the same plant to the UK. Interestingly, Nissan has already decided to make the next generation Micra for Europe out of Renault's plant in France from 2016.

Small cars have traditionally dominated India's PV exports to the EU, though the trend is now changing in FY14 as exports of compact SUVs like the Ford EcoSport and Renault Duster have gained strength. In fact, the growth in India's total passenger vehicle exports, which were up 9% in FY13, has increased to 13.5% in April-October FY14 largely because of the SUV exports the addition of new companies like Honda, Toyota Kirloskar and Volkswagen to the list of car exporters from India.

Puneet Gupta, principal analyst at IHS Automotive said, "The EU has been putting pressure on India to reduce import duties, so this may be seen as a negative reaction from them. This may force companies to look at other global manufacturing destinations for European exports, especially since margins on small cars are low."

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Korea wants duty cuts for auto, machinery exports to India

Nayanima Basu, Business Standard

New Delhi, 29 January 2014: South Korea has demanded a deep cut in tariffs on its goods entering India, under the Comprehensive Economic Partnership Agreement, signed by the two countries in 2009 and taking effect from 2010.

The two governments had decided to revise the pace, during the recent visit here of South Korea's President Park Geun-hye.

"We have been urging India to liberalise tariff duties, especially in automobiles, auto parts and Korean machinery. We want drastic reduction in this," Dong Seok Choi, director-general, Korea Trade-Investment Promotion Agency, told Business Standard.

Talks for revising the pact are expected to begin by the middle of this year. The first round will be in Seoul, said Dong.

The Indian government has asked South Korea for greater market access for its information technology export, generic medicine and textiles. Dong said Korea was aware of these wishes.

India's trade deficit with Korea rose from $5.1 billion in 2009-10 to $8.9 bn in 2012-13. The matter was raised by commerce and industry minister Anand Sharma with South Korean counterpart Yoon Sang-jick during a meeting here early this month.

On the pending approval for the $12-bn project in Odisha of Posco, the Korean steel giant, Dong said this would induce more Korean companies to invest. "Korean SMEs (small and medium enterprises) are very keen to do business here and Posco will give them a boost. Korea is also keen to invest in India, mainly in aerospace, ship building, construction and urban development," he added.

He also said some Korean companies, such as Hyundai, Samsung and LG, had planned to expand in the country in the next couple of years. "Many Korean companies want to make India their research and development hub," he said.

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Antidumping duty likely on Chinese, Korean, Thai alloy wheels

PTI

New Delhi, 23 January 2014: Government is likely to impose anti-dumping duty on a certain type of aluminium alloy auto wheels imported from China, Thailand and Korea, to protect domestic players from below-cost imports.

In its preliminary findings, the Directorate General of Anti-dumping and Allied Duties (DGAD) has recommended imposition of duty ranging between USD 1.18 and USD 2.15 per kg on imports of cast aluminium alloy wheels from the three countries, the Commerce Ministry said in a notification.

It further said the import duty has been suggested for alloy wheels of diameters ranging from 12 inches to 24 inches.

The restrictive duty is recommended by the Commerce Ministry, while the Finance Ministry imposes it.

The Directorate's recommendation comes on the basis of its findings that the product has been exported to India from these countries "below its normal value, thus resulting in dumping of the product".

"...imposition of anti-dumping measures would remove the unfair advantages gained by dumping practices, would prevent the decline of the domestic industry and help maintain availability of wider choice to the consumers of the goods," it added.

However, it said that the imposition of the duties might affect the price levels of the products manufactured using cast aluminium alloy wheels.

The DGAD, which is under the Commerce Ministry, has initiated the investigations in December 2012. The period of investigation for the purpose was from July 2011 to June 2012.

"Authority considers it necessary and recommends imposition of provisional anti-dumping duty," it said.

Import of the wheels from China, Korea and Thailand increased to 12,497 tonnes (during July 2011 to June 2012) from 3,066 tonnes in 2009-10. The imports stood at 4,719 tonnes in 2010-11 and 12,039 tonnes in 2011-12.

Countries initiate anti-dumping probes to check if domestic industry has been hurt because of a surge in below- cost imports.

As a counter-measure, they impose duties under the multilateral WTO regime.

Unlike safeguard duties, which are levied in a uniform way, anti-dumping duties vary from product to product and from country to country.

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Dumping duty on Chinese nylon tyre cord fabric to continue

K. R. Srivats, Business Line (The Hindu)

New Delhi, 20 May 2014: The Finance Ministry has extended by one more year the validity of anti-dumping duty on nylon tyre cord fabric imports from China. The anti-dumping duty, which was earlier valid until April 28 this year, will now be applicable until April 28 next year, the revenue department has said.

NTCF finds application in different kinds of automotive tyres such as bus and truck tyres, two-wheeler tyres, cycle tyres and light commercial vehicle tyres.

This fabric is used for reinforcement of tyres.

This revenue department move follows the Designated Authority in the Commerce Ministry initiating a sunset review on anti-dumping duty imposed on NTCF imports from China.

The Association of Synthetic Fibre Industry on behalf of two of its member companies—SRF Ltd and Century Enka – had filed a petition requesting sunset review by the Designated Authority in the Commerce Ministry.

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