

MSIL to buy Suzuki Gujarat plant to boost efficiency

Maruti will take over EV production at Gujarat site

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Maruti Suzuki India Limited (MSIL) announced on Monday that it would acquire the Gujarat plant from parent company Suzuki Motor Corporation (SMC) to boost the efficiency of its production and supply chain.

“How this equity will be acquired and in what form is yet to be decided. For that, we have a subsequent board meeting in the next seven days... The production, costs, and profits will not be affected due to this transaction,” MSIL Chairman R C Bhargava told reporters during a virtual press briefing.

MSIL expects to complete the transaction by March 31, 2024. The plant in Hansalpur, Gujarat, was run by Suzuki Motor Gujarat (SMG), which is SMC's subsidiary. SMG has been manufacturing cars such as the Baleno, Swift, Dzire, and the Fronx for MSIL under a con-

SCALING UP

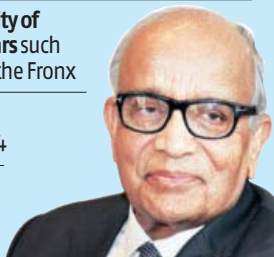
▶ Suzuki Motor Corporation currently owns 100% in Suzuki Motor Gujarat (SMG)

▶ SMG signed contract manufacturing pact with Maruti Suzuki in 2015; production began in 2017

▶ The plant, with annual capacity of 750,000 units, manufactures cars such as the Baleno, Swift, Dzire, and the Fronx

▶ Maruti expects to complete the transaction by March 31, 2024

▶ Mode of acquisition and amount to be paid to be finalised in next board meeting



R C Bhargava, MSIL Chairman

Robust sales drive Maruti profit over 2x to ₹2,525 cr

Maruti Suzuki's consolidated net profit surged over two fold to ₹2,525 crore for the June quarter on the back of robust sales, improved realisation, cost reduction efforts, and higher non-operating income. 2 ▶

tract manufacturing agreement (CMA) signed in 2015.

“This CMA worked perfectly well for eight/nine years. Since then, the overall situation in the car industry and the country has changed

substantially. MSIL now has the capacity of about 2 million cars per annum. You are aware that we are moving towards a 4-million-cars-per-annum capacity by 2030-31,” noted Bhargava. Turn to Page 6 ▶

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MSIL...

MSIL currently has a total production capacity of 2.25 million units per annum, of which the Hansalpur plant manufactures about 750,000 units per annum.

“Since we want to reduce the carbon footprint, we are considering several technologies available to us in India, which makes the whole problem of coordinating production, distribution, spare parts supply, etc., more complex. The number of car models and total volume sales have also increased substantially. Therefore, we have concluded that keeping in mind the next 10 years, the existing arrangement is not going to work satisfactorily,” observed Bhargava.

“We need to think about an arrangement that will facilitate whatever organisation MSIL decides in the next 12 months on how we want to go in the next decade and deal with all issues that I mentioned,” he said.

To make any such reorganisation happen, if there is production — which is a quarter of MSIL’s total production — in one company (SMG) that is not managed and owned by MSIL,

there will be complications in the whole management structure going forward, he said.

“Both MSIL and SMC discussed this matter and came to the conclusion that it would be better for MSIL if we could now ensure that all the production and production-related activities of any kind are brought under a single management,” he said.

“We have today in the board decided that the CMA will be terminated by mutual consent of both the parties and buy 100 per cent equity in SMC’s Gujarat plant,” he said.

Bhargava said that the first electric vehicle (EV) production would now be done by MSIL instead of SMG. MSIL will launch the first EV next year. He also said that SMC’s plan to establish a battery plant in Gujarat has nothing to do with this transaction.

MSIL’s Gujarat journey started around 11 years back in 2012. Then SMC chief Osamu Suzuki had met then Gujarat chief minister Narendra Modi around August 2012 and set the ball rolling for setting up a manufacturing unit at Hansalpur, about 110 kilometre (km) from Gujarat’s commercial capital Ahmedabad, and 60 km from its automotive (auto) hub Sanand.

The nondescript hamlet of

Hansalpur soon transformed into a busy construction site after the state government offered 640 land parcels to the auto giant from its land bank. Land prices had soared to ₹ crore for an acre near the factory site, from a level of ₹2-3 lakh in 2009-10.

SMG, a 100 per cent subsidiary of SMC for the production of automobiles in India, had finished construction of Plant A at the site, and it started operations in February 2017.

Plant B and the powertrain came on stream in January 2019. Thereafter, in October 2020, SMG became the fastest production site of Suzuki to achieve cumulative automobile production of 1 million units.

The third plant at the site — Plant C — started production in April 2021, taking the total annual capacity to 750,000 units.

All automobiles produced in SMG will be supplied to MSIL. Suzuki has invested ₹12,680 crore in the Hansalpur site so far.

The site will also make EVs for MSIL, starting from 2024-25. The production number and investment are not yet disclosed.

On Monday, shares of MSIL ended 1.6 per cent higher on the National Stock Exchange at ₹9,820.75.