

Persistent chip, logistics woes frustrate car delivery timelines

Open order books in February at over 700,000; wait period for some models exceeds a year

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Automotive (auto) companies are staring at a long road to delivery as open order books (as of February) range between 700,000 and 720,000 units, with waiting periods for some models stretching into more than a year. Maruti Suzuki India (MSIL) could only produce 700 units of the Ciaz, its midsize sedan, in February, leading to sales of 792 units — a 58.5 per cent drop year-on-year.

“We have production issues for the Ciaz. We could produce only 700 units. Retail sales of the model were much better,” says Shashank Srivastava, senior executive officer, marketing and sales, MSIL. He says the company doesn’t have clarity yet on its March production. There are, however, weekly updates on semiconductor chip obtainability.

Of the 700,000-odd units of open bookings, MSIL has 369,000 units of pending deliveries.


Manish Raj Singhania, president, Federation of Automobile Dealers Associations, says that Mahindra & Mahindra (M&M) will have open bookings of 200,000-odd units, followed by Tata Motors at 100,000-125,000 units.

Singhania admits that while the semiconductor chip shortage issue persists, there is a deluge of bookings for the high-end models. “January saw record-high registrations,” he says, adding that some manufacturers, including Tata Motors, have handled the semiconductor shortage rather adeptly.

Analysts concur.

Ashwin Patil, senior research analyst, LKP Securities, says in a recent

THE WAIT FOR SPEED



MODEL	COMPANY	WAIT PERIOD
• AMG G63	Mercedes	12-16 months
GLS Maybach	Mercedes	8 months
Grand Vitara	Maruti Suzuki	30 weeks
Vitara Brezza	Maruti Suzuki	25 weeks
Ertiga	Maruti Suzuki	36 weeks
Creta (top-end)	Hyundai	8-9 months in metros
Scorpio Classic	M&M	up to a year
XUV (all variants)	M&M	up to a year
Thar 2WD	M&M	more than a year

Sources: Companies, LKP Securities, Motilal Oswal

report: “The supply of smart conductors remains an issue in four-wheelers. Yet, Tata Motors has been managing this issue well with alternative sources, buying semiconductors at higher rates...” Tata Motors did not respond to queries sent by *Business Standard*.

Luxury cars that use more chips are facing a bigger challenge.

Santosh Iyer, managing director and chief executive officer, Mercedes-Benz India, says, “The unavailability of parts continues to pose a significant challenge, although we have ramped up production to meet rising market demand. We have a healthy order bank currently. However, the unavailability of parts and semiconductor shortage, leading to a prolonged waiting period, may affect in the short run.”

Iyer says while Mercedes-Benz is doing its best to condense the waiting period with additional allocations for its top-end completely built units, it is only realistic to expect this shortage to sustain for a few quarters more.

Mercedes-Benz’s sport utility vehicle (SUV) — the AMG G63 — has a waiting period of 12-16 months.

To drive home a GLS Maybach, the wait, however, is eight months.

Meanwhile, dealers point out that even in the mass segment, the high-end models have longer waiting periods.

Naveen Philip, one of the promoters and a non-executive director of Kerala-based Popular Vehicles & Services, says: “Some of the higher-end vehicles across brands have issues related to supply. It is not just because of chip shortage. The entire logistics globally started with the pandemic. Some of the cars in the price band of ₹20-25 lakh have a 14-16-month waiting period.” The Grand Vitara has around 37,000 open bookings and a 30-week wait period. The Vitara Brezza has 61,500 open bookings, with a 25-week wait period. The Ertiga, one of the most in-demand cars from the MSIL stable, has over 94,000 open bookings and a waiting period of 36 weeks.

Analysts say that the issue is more

pronounced in premium cars, sedans, utility vehicles, multi-purpose vehicles, and premium hatchbacks, especially the top-end variants and auto gear shift (AGS) variants and automated manual transmission (AMT) of all these models.

AGS and AMT versions of all vehicles of MSIL attract higher waiting periods of four to six months, observes Patil.

He adds, “Hyundai Motor Company dealers are also facing similar problems as the company is unable to cater to the full demand for its top-draws — the Creta and the Venue. Inventory levels in MSIL, Tata Motors, and Hyundai are as low as 15-20 days.” Hyundai Creta’s top-end variant now has a waiting period of about eight to nine months in metro cities, while M&M’s Scorpio Classic and the top versions of all the XUV variants come with huge waiting periods of up to a year, highlights LKP Securities. However, with little visibility on the supply of components, auto-makers stare at a long road to delivering the pending order book.