

# Maruti chalks out road to FY24 with 2.4-mn capacity

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India's largest carmaker Maruti Suzuki is targeting an annual production capacity of 2.3-2.4 million in FY24 by "tweaking" its plants in a bid to cater to any increase in demand for passenger vehicles, said company chairman R C Bhargava.

Elaborating on capacity expansion, Bhargava pointed out that the Manesar unit and the Gujarat plant (parent Suzuki Motor's facility in Hansalpur Becharaji village) shall now have an equal capacity of producing 750,000 vehicles per annum each, on three lines that are up and running. The Gurugram facility has a 500,000-per-annum capacity.

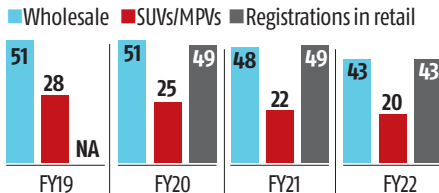
He said: "This capacity can be tweaked to produce more cars and hit around 2.3-2.4 million vehicles in FY24. We can tweak the two factories to boost the capacity in both Manesar and Gujarat to around 850,000 per annum. Then there is Gurugram also, and a bit more of adjustments."

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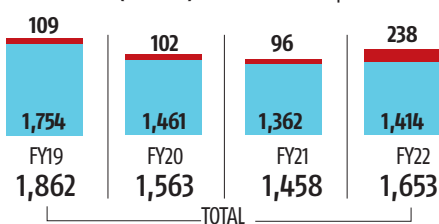


## UNEVEN PATH

### Market share (%)



### Volumes (in '000)



Source: Jefferies

'MARUTI PRODUCTION COST HAS REMAINED CONSTANT FOR YEARS' P2



Close to 10 projects have been stalled for years due to states renegeing on their cost-sharing agreement. For example, the multi-state railways' project to connect Ratlam and Durgapur remained frozen because "the Rajasthan government has expressed inability to share the cost of the project", even as the contract had already been awarded. There was a cumulative expenditure of ₹191 crore. The Angamali-Sabarimala line was also held up after the Kerala government did not honour its 50 per cent cost-sharing agreement, after a cumulative expenditure of ₹264 crore, according to the Railways. In Telangana, the Hyderabad multi-modal transport system saw termination after a sunk cost of ₹840 crore; over ₹400 crore remains due from the state government.

### Environmental concerns

Two coal projects — one each in Chhattisgarh and Madhya Pradesh — may be shelved and removed from the monitoring system because environmental concerns remain unaddressed; there is a sunk capex of ₹105 crore. Three projects of the National Highways Authority of India (NHAI) in Tamil Nadu, connecting the Kerala Border to Villukuri and Kanyakumari, have been stalled following environmental concerns raised by the National Green Tribunal (NGT). The projects are now proposed for shelving.

Several projects in ecologically sensitive areas in Northeastern states are set to be terminated, but no explicit reason has been provided for that.

## Maruti...

The Maruti Suzuki chairman



did not project any sales number for FY24, saying currently, there are too many economic uncertainties.

The fourth plant in Kharkhoda, Haryana, according to Bhargava, will have a capacity of 1 million a year after its completion in eight years. Its first line (of four) will be ready by 2025 and take care of any additional demand.

Bhargava is hoping that the company will be able to sell a record 2 million vehicles in FY23 (the highest was in FY19 when the company sold 1.86 million vehicles, in both India and foreign markets). He had announced this target in the company's AGM for two reasons.

One key differentiator from FY19, according to Bhargava, is that the carmaker will sell around 60,000 vehicles this financial year to Toyota, an opportunity that was not available then. Also, the company is pushing exports, which are expected to more than double and hit around 240,000 in FY23 (in FY19, it was 108,000).

The Suzuki-Toyota alliance has helped the two companies use their capacities relatively efficiently. For instance, Maruti is currently manufacturing two models: the Baleno, which is rebadged and sold as the Glanza by Toyota, and the Brezza, which is sold as the

Urban Cruiser by Toyota.

On the other hand, Toyota is using its surplus capacity in its plant in India to manufacture the Grand Vitara for Maruti (it is sold as Hyryder by Toyota).

Maruti is looking at selling 70,000 to 80,000 units of Grand Vitara, the recently launched mid-size premium SUV. The response, so far, has been good — the carmaker has already received 75,000 bookings, of which 35 per cent are for hybrid. The company has lined up more SUVs — a growth market in India where Maruti had earlier been behind its rivals.

According to Bhargava, the slowdown or deceleration in the under ₹6 lakh entry-level segment is not a major worry. He pointed out that though demand in the segment improved in last quarter due to the festival season, there is no clarity on any reversal in the trend.

"The entry-level market is not going to get better. And chances of robust growth of this segment are virtually looking nil. There is a regulatory burden on this segment (stricter emission norms) and therefore, the cost will only continue to go up. So the question is how will we get new customers upgrading from two-wheelers," he said.

Bhargava noted that though the hatchback segment is 70 per cent of the total market, there is a problem in the under ₹6 lakh market. The premium end of the hatchback market (between ₹6 lakh and ₹9 lakh) is growing. "Given the market realities, we are shifting capacity from lower-end cars to segments like the SUVs, which are growing," he added.