

In Chennai's auto nerve centre, Ambattur, conflict ripples through supply chains, delaying deliveries, testing small manufacturers' resilience

Detroit of Asia sputters as LPG dries up, input costs spike, labour thins

SHINE JACOB

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The restless symphony of clanging metal invites an outsider to the Ambattur Industrial Estate, widely considered South Asia's largest small-scale industrial estate, covering 1,430 acres. As



THE LONG
REACH OF
WAR
PART-VI

one moves deep into the industrial hub, the air is dense with a tang of paint, grease, oil, and chemicals — a signature smell of the region.

The majority of around 1,800 units are key suppliers who play a crucial role in maintaining Chennai's fame as the Detroit of Asia, as the city houses over 30 per cent of India's automotive industry and 35 per cent of its auto components industry. However, the region that braved Covid-19, floods, and even the goods and services tax



Workers at a unit of Delcosys, a major supplier of auto parts in Ambattur

PHOTO: DELCOSYS

blues is now facing a crisis beyond its control — the war in West Asia.

When fuel becomes a fault line

When *Business Standard* reached Chennai Auto Heat Industry, a heat treatment unit at Pattaravakkam, its

Director Ravilla Sekhar was already in discussion with his staff regarding the stock of commercial liquefied petroleum gas (LPG). A unit that used to run on a stock of 10 days of LPG is now in a “hand-to-mouth” situation.

Heat-treatment units are the most affected industry in the Ambattur area due to the crisis. “Earlier, we used to consume around 150 cylinders a month. In March, it came down to 100. In April, we are just managing to run the operations. This is one industry that needs LPG, and there is no other option before us,” Sekhar says.

Chennai Auto Heat Industry is a Tier-III supplier to one of the largest carmakers in the country, with its manufacturing unit in Chennai, and also to an iconic two-wheeler brand with strong export numbers.

Sekhar's company is trying every weapon in the armour to brave the crisis, but with little result.

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Detroit of Asia Ambattur sputters

From having a single LPG dealer until March, the company is now sourcing gas from three dealers, in addition to trying to source gas from private-sector players. However, the cost escalation since March has hit their profits harder than ever before. "For a 19-kilogram (kg) cylinder, we used to procure it at a cost of around ₹1,500; it is now coming to around ₹3,000, doubling our expenses. The government is also giving priority to household cooking gas. We have asked some of our customers to extend delivery time until we tide over the crisis," he adds. Though small in numbers, these heat treatment units play a crucial role in the entire value chain.

The first domino has fallen

To those who consider the Iran-US-Israel war as only an LPG crisis, Ambattur issues a warning. It is having a cascading effect across the value chain.

"Prices of raw materials like steel, aluminium, and copper, among others, have increased by 30-40 per cent since the war started. Some of the raw materials are not even in stock. If the crisis continues, it will affect the auto industry, as we are one of the key arteries of Chennai's and India's auto ecosystem," says Ravichandran G, president of the Ambattur Industrial Estate Manufacturers' Association.

At First Main Road is the office of Delcosys Manufacturing, a major supplier of parts for engines of tractors and cars. Muthiah Balachandran, chief executive of Delcosys, highlights an even more concerning issue — manpower shortage. "Because the 5 kg LPG cylinders are not available, we are not getting employees from North and East India, who form the major workforce. The majority of the units are working on a workforce of 50-60 per cent," he adds.

Though Delcosys even made an innovative move by providing an experimental diesel stove for cooking, it could not bring the employees back.

"Steel prices are up; chemicals like nickel, too, have zoomed. More importantly, rates of plastic items have increased, affecting the industry's existence," says Balachandran. When his company tried to procure high-quality plastic trays last week, it was costing over ₹350 per kg versus around ₹250 before. More importantly, retail players indicate that the same product may well be crossing ₹400-450 soon if the crisis

continues. He too echoes that anything that affects Ambattur will gradually hit major original equipment manufacturers in the auto industry.

Ambattur supplies precision, machined, and forged parts reportedly to major automakers like TVS Motor Company, Honda Motorcycle & Scooter India, Ola Electric Mobility, JSW MG Motor India, Hyundai Motor India, Tata Motors, Maruti Suzuki India, Nissan India, Mahindra & Mahindra, and Yamaha Motor India. Based on rough estimates, the combined revenues of companies in Ambattur come to ₹3,000-3,500 crore.

A N Gireeshan, managing director of Avon Seals, a Tier-I supplier to major water pump manufacturers, including Kirloskar Brothers, Suguna Pumps, Sharp Hydro Products, and CRI Pumps, is also in a spot.

"Companies dependent on LPG may be as few as 5 per cent in Ambattur, especially those having furnaces. I have a unit that produces premium-quality sintered carbon, which is a high-strength, porous material. Because of the LPG shortage, I had to stop operations there and shift employees to my other units," says Gireeshan.

Sintered carbon is used in water pumps, and the company has now requested customers to accept a downgraded version of the same product. "My main factory is not affected, as I have downgraded the quality of the product," he says.

Ayyappan Kandasamy's Hybrid Auto Cast is a leading precision manufacturer of aluminium and zinc pressure die-cast components. Kandasamy's concern is the aluminium shortage.

Close to 170 container ships carrying aluminium were reportedly stuck in the Strait of Hormuz. Adding pressure to the rising costs, Bahrain's Alba, one of the world's largest aluminium smelters, has declared force majeure on deliveries and cut output by 19 per cent, citing its inability to ship through the Strait of Hormuz.

"Prices increased from ₹240 per kg to around ₹365 per kg, up by over 50 per cent following the crisis. Scrap is also not available in the market. As of now, there is a severe scarcity of aluminium alloys," he says. Aluminium suppliers have also stopped offering credit to these units, which used to make payments a month earlier. "Now, we are sourcing it on a cash-and-carry model," Kandasamy says. He

also adds that even if he procures products, workers from Bihar and Odisha have gone back due to the LPG crisis, signalling the manpower crisis is an even bigger concern.

The machines fall silent, not the resolve

As one moves out of the

hub, the clatter of metal and the hum of machines gradually fade. But the words of Balachandran continue to echo in the ears: "Whether it is a pandemic or war, the show will go on. Ambattur will sustain."

Series concludes

Mkts slip, crude spikes as US-Iran truce hopes fade

Despite heightened rhetoric, there were tentative signs that the ceasefire was largely holding, with a noticeable decline in attacks across the Persian Gulf.

Amid the volatility, Morgan Stanley remained constructive on the medium-term outlook. Ridham Desai, head of India research and chief India equity strategist at Morgan Stanley, said domestic equities could be on the cusp of a sharp move, backed by improving macro signals and valuations. "The market appears set up for a big move: The trailing 12-month performance is almost the worst in history and relative valuations are at previous troughs," Desai said.

Market breadth remained mixed, with 2,180 stocks declining and 2,121 advancing on the BSE. Sectoral trends were also evenly split. Financials led the losses, with the

Nifty Financial Services, PSU Bank, and Private Bank indices each falling over 1 per cent. In contrast, metal and health care stocks bucked the broader weakness.

Over two-thirds of Sensex constituents ended in the red, with HDFC Bank slipping 2.3 per cent, the biggest drag on the index. Experts said the key question for investors was whether negotiations would lead to a durable de-escalation, and the conflict's impact on global growth and earnings.

Foreign portfolio investors (FPIs) sold shares worth ₹1,711 crore, while domestic institutional investors bought equities worth ₹956 crore. For a second straight session, the intensity of FPI selling remained below the average of around ₹7,000 crore per session seen since the conflict began.

Call on Tata Sons' listing likely soon

While answering a query on when this year's upper layer NBFC list will come out, Malhotra spoke about the new framework.

The new framework is expected to indicate if Tata Sons will continue to be categorised as an upper-layer NBFC or not. Based on that clarity, Tata Sons will possibly take action on listing, a source said.

Within the Tata universe, the view on listing the holding company is split. While Tata Sons had sought an exemption from mandatory listing by turning net debt-free more than a year ago, its opinion on the issue seems to be guarded now, according to a person in the know. Tata Sons' largest shareholder, Tata Trusts, is also a divided house on listing. Tata Trusts Vice-Chairman Venu Srinivasan was quoted in the media on Thursday, supporting listing of Tata Sons. Some other trustees are also learnt to be backing Tata Sons listing.

However, Tata Trusts Chairman Noel Tata reportedly asked Tata Sons

Chairman N Chandrasekaran (Chandra as he's popularly known) in February to give an assurance that Tata Sons would remain a private unlisted company. Noel Tata also raised questions over financial viability of some of the group businesses, linking it to Chandra's tenure getting renewed. This came just months after Tata Trusts recommended a third five-year term for Chandra as executive chairman of Tata Sons starting February 2027.

If Tata Sons is listed, the special veto rights of Tata Trusts, under Article 121A, may have to go away.

Shapoorji Pallonji Group, the second largest shareholder in Tata Sons with an 18 per cent stake, has been pushing for Tata Sons' listing.

The company was caught in a lengthy legal battle with the Tata group after Cyrus Mistry (scion of the Shapoorji Group) was ousted as Tata Sons chairman in 2016. Shapoorji Group, keen to monetise its stake in Tata Sons to reduce its debt, called the listing of Tata Sons a moral and