JSW, MG Motor look to solve royalty maths

China's largest auto firm keen to get higher royalty fee; JSW group wants to go with industry benchmark

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SAIC Motor, China's largest automotive (auto) company, and the JSW group have commenced negotiations on the royalty fees to be paid by their joint venture (JV) in India, which would manufacture and sell electric vehicles (EVs) in the country.

The talks are crucial for the JV as SAIC Motor is eager to secure a higher royalty fee, considering its technical expertise in the EV segment. However, the JSW group aims to align with the industry benchmark.

Maruti Suzuki India currently pays 3.6 per cent of its net sales as a royalty fee to its parent Suzuki Motor Corporation, considered an industry benchmark, according to a banking source.

"Both sides are currently working on the royalty fee to be paid by the JV. JSW, which would own 35 per cent of the JV, also plans to bring in other financial investors," said a source close to the development. "We realised that to achieve the ₹15-20 lakh magic figure car profitably and to achieve scale, China was the right model compared to European or American carmakers. Hence JSW started discussions with MG, which wants to continue with an Indian partner," said a source close to the development. "The royalty fee is an important component to make the JV a success," the source added.

JSW executives were not available for comment.

The new JV will be independent of SAIC Motor's existing operations in India — MG Motor India — and no decision has been made yet on whether to carve out the EV business from SAIC's Indian subsidiary to the JV. "The talks are currently on whether to include the EV business of MG Motor and whether the JV should buy Ford's Chennai plant to increase its capacity," the source said.

JSW executives stated that in the past five years, Indian players have not moved aggressively in the EV segment, including the Tatas and Mahindras.

The current vehicles made by some of the electric car companies are a retrofit of internal combustion engine cars and are not EVs by design. Some of the EVs designed for India will be launched only by 2025, said a source.

According to officials, the Indian auto market, currently at 4 million a year, will double by 2030, and a large chunk of the market will be cornered by EVs.

"We believe that at least 30 per cent of the 8 million vehicles will be EVs, hydrogen-fuelled/alternative fuels and not petrol or diesel engines. Hence, we felt it was a big opportunity and we started looking at getting a technology partner and studied partners from all over the world," informed a source.

Sajjan Jindal-led JSW group plans to bring in other financial investors in the joint venture

JSW's US unit to raise $145 mn loan for capex

JSW Steel USA, a unit of the Indian conglomerate, is raising $145 million to finance capital expenditure and improve slab casting machines and other facilities at its plant in Jefferson County in Ohio.

The Jefferson County Port Authority has proposed to issue the company $145-million bonds, which have got 'Ba1' rating from Moody's. Proceeds from the bond will be loaned to JSW Steel USA Ohio, Inc (JSW Ohio). The tax-exempt senior unsecured bonds will be guaranteed by JSW and carry a tenor of around 30 years, said Moody's in a statement.

Moody's also affirmed JSW's Ba1 corporate family rating (CFR). It also affirmed Ba1 ratings on JSW's senior unsecured notes, and the $40 million guaranteed senior unsecured revenue bonds issued by the port authority. **ABHIJIT LELE**