

Chip woes continue for auto OEMs

Firms struggle to increase production as supplies yet to fully normalise

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The semiconductor chip supply-chain nightmares that had shaken up the automotive (auto) industry during the pandemic may be behind us. But with component supplies yet to fully normalise, automakers are struggling to ramp up production to full capacity.

Ajay Seth, chief financial

officer of the country's largest passenger car-maker Maruti Suzuki India (MSIL), highlighted during the company's third-quarter (Q3) results of 2022-23 (FY23), the supply shortage of electronic components had marginally increased in comparison to the previous quarter.

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LONG WAIT

(Pending order book as of Q3FY23)

Maruti Suzuki:

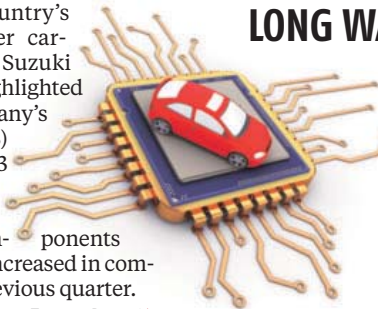
363,000

M&M:

266,000

JLR:

215,000



Wipro in a statement said: “Our talent is our biggest asset. We remain committed to our strategy of hiring the best talent, and freshers are a key pillar of our talent and growth plan. We have onboarded 17,000 freshers so far this fiscal year.”

Infosys stood by its management commentary after the Q3FY23 results. To a question on hiring during the media briefing, Salil Parekh, CEO and managing director, had said: “On FY24, we have no comments at this stage. We will absolutely look at it at the end of the quarter in Q4. On hiring, we have the number of hiring based on what we saw on the demand, and we have also had very strong hiring for the full year in FY23 and also before that. And we are making sure that all of that hiring goes through our various training and is ready for deployment.”

Industry experts, however, say for any meaningful placements to happen for this batch, the process has to be over before they begin for academic year 2024 students.

Chip woes...

“The company could not produce 46,000 vehicles in Q3. Limited visibility on the availability of electronic components is a challenge in planning production. The electronic component shortage is still limiting production volume,” Seth had said. He added that pending customer orders stood at about 363,000 vehicles at the end of the quarter, of which about 119,000 orders were for recently launched models.

Even as M&M announced capacity ramp-up plans - ₹10,000 crore for EVs in Maharashtra; ₹1,000 crore for electric three-wheeler and last-mile connectivity commercial vehicles in Telangana — it is unable to utilise its existing capacity up to the hilt by virtue of supply disruptions. Rajesh Jejurikar, executive director,

M&M, said while the firm is on schedule to add capacity, it is unable to take full advantage of it because of disruptions in the global supply chain. There are at least 200 types of semiconductor chips that go into the making of the Scorpio and the XUV700. M&M has open bookings of 266,000 units of the sport utility vehicles yet to be delivered. Of these, 119,000 bookings are for the Scorpio.

Piyush Arora, MD and CEO of Škoda Auto Volkswagen India, said while it is looking positively at 2023 in terms of customer demand, the supply situation will determine what it can cater to the Indian market. In terms of the supplier situation for semiconductors, it was extremely widespread, he observed. Many of the sub-suppliers were affected. That situation has eased, he said.

On the other hand, JLR has put agreements in place with critical suppliers across high-risk chips, as these provide greater visibility over near-term supply. In the Q3FY23 earnings call, Adrian Mardell, interim CEO of JLR, highlighted that constraints are expected to continue through 2023. The firm continues to closely manage supply chains to ensure allocation to more ‘profitable’ vehicles. Mardell had said: “So we do think we’ve made a lot of progress on supply, particularly on semiconductors, principally for this calendar year. But there are still challenges, of course. Covid in China is a challenge... And we’ve had to go into the marketplace to buy premium chips to keep the supply going.”

Tata Motors ED Girish Wagh mentioned, “With the Covid situation globally, we did bring the semiconductor supply situation back on our radar... we will continue to keep this, as well as the EV aggregates, on our radar”. OEMs are trying to work around the issue to ensure quicker deliveries.

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