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# Auto firms want policy shift to make vehicles affordable

BS-VI norms, high taxes have made buying vehicles an expensive affair, say industry leaders

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NEW DELHI

India's automobile industry on Wednesday asked the government to frame policies that would make vehicle purchases more affordable for customers in a bid to revive sales, impacted by factors such as high prices and the covid pandemic.

Speaking at the annual convention of Society of Indian Automobile Manufacturers (SIAM), senior executives at top automakers said that such a move would help the industry stage a recovery in sales, especially of passenger cars and two-wheelers.

Automobile sales in India have been on the downtrend since the second half of FY19 when the bankruptcy of Infrastructure Leasing and Financial Services caused a liquidity crisis among non-banking financial companies (NBFCs), which are some of the major lenders to the auto industry.

Higher fuel prices, weak consumer sentiment in a slowing economy and an increase in vehicle prices to meet new regulations on safety and emissions led to a decline in car sales in FY20.

The outbreak of the pandemic from March 2020 led to another double-digit decline in sales in FY21 as sales and manufacturing operations came to a halt till May due to a strict nationwide lockdown. The second covid wave derailed a possible recovery in the June quarter.

R.C. Bhargava, chairman of Maruti Suzuki, said automobile sales had been declining even before the outbreak of covid and not many policy measures have been announced to arrest the decline. New regulations such as Bharat Stage VI (BS-VI) emis-



Auto sales have been falling since H2FY19 when the bankruptcy of IL&FS caused a liquidity crisis among lenders.

MINT

sion norms and higher taxes imposed by states have made entry-level cars unaffordable for buyers.

"We have to take into account the economic status of people of India. I don't think the industry will revive, be-

entry-level car like Alto and Wagon R. This coupled with taxes imposed by states have made the increase substantial for a price-sensitive customer.

India's two-wheeler makers have also been urging the Union govern-

fiscals due to an economic slowdown and increase in ownership cost.

Venu Srinivasan, chairman, TVS Motor Company, said the cost of owning a moped has jumped by 45-50% in the past few years due to the transition to BS-VI norms, addition of anti-lock braking system and levy of 28% GST. "We have given away too many low tax structures for other products," Srinivasan said.

Srinivasan urged the Union government to come up with policy support to encourage the recycling of components such as lithium batteries and motors used in electric and combustion engine vehicles.

The policy should take into account the carbon footprint of a product in its entire lifecycle, Srinivasan said.

## BUMPY RIDE

**HIGHER** fuel prices and weak consumer sentiment led to a decline in vehicle sales in FY20

**THE** outbreak of the pandemic from March 2020 led to another double-digit drop in sales in FY21

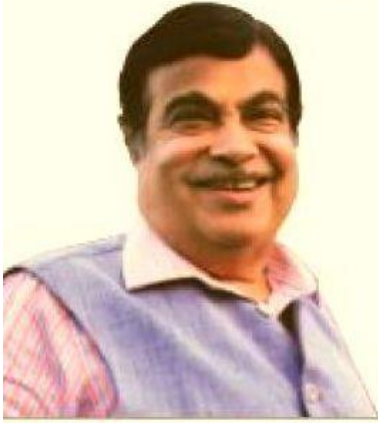
**THE** second covid wave that ravaged the country derailed a possible recovery in the June quarter

**COMPANIES** have been urging the govt to reduce the GST imposed on entry-level two-wheelers

it internal combustion engine or electric, unless we tackle the question of affordability of customers," he said.

He said new regulations like BS-VI have added ₹22,000 to the cost of an

ment to reduce goods and services tax (GST) imposed on entry-level two-wheelers to 18% from the existing 28%. Sales of entry-level two-wheelers have remained subdued over the past two



## ● **DISCOURAGE DIESEL**

Nitin Gadkari, Union road transport and highways minister

I appeal to the vehicle manufacturers to discourage the production and sale of diesel engine vehicles. Diesel-based pollution is extremely hazardous to the environment and human health.

# इंडियन ऑयल ने कहा कि विरोध से दूर रहें पेट्रोल डीलर

त्वेष मिश्र

नई दिल्ली, 25 अगस्त

इंडियन ऑयल ने गुजरात के पेट्रोल पंप डीलरों से सप्ताह में एक दिन खरीद बिक्री न करने के विरोध प्रदर्शन में शामिल होने से बचने को कहा है। कड़े शब्दों में लिखे गए पत्र में राजकोट कार्यालय के मार्केटिंग डिवीजन ने डीलरों से कहा है कि फेडरेशन आफ गुजरात पेट्रोलियम डीलर्स एसोसिएशन (एफजीपीडीए) की ओर से आहूत विरोध प्रदर्शन डीलरों से हुए समझौते के विपरीत है।

इंडियन ऑयल के पत्र के मुताबिक इस विरोध प्रदर्शन से जनता को असुविधा होगी।

इंडियन ऑयल के राजकोट डिविजनल कार्यालय के डिविजनल रिटेल सेल्स प्रमुख ने पत्र में कहा है, 'कृपया हमारे कॉर्पोरेशन और आपके बीच हुए

डीलरशिप समझौते को देखें, जिसमें पेट्रोलियम उत्पादों की खुदरा बिक्री के लिए आप हमारे डीलर नियुक्त किए गए हैं और यह डीलरशिप समझौते की सेवा शर्तों के अधीन है। कॉर्पोरेशन के डीलर के रूप में आपसे उम्मीद की जाती है कि आप पेट्रोल, डीजल, कंप्रेसड नेचुरल गैस (सीएनजी) की लगातार बिक्री और आपूर्ति सुनिश्चित करें।'

इसमें कहा गया है, 'इसके अलावा आवश्यक जिंस होने के कारण यह उम्मीद की जाती है कि खुदरा आउटलेट बाधारहित आपूर्ति सुनिश्चित करें और ऐसा कोई काम न करें, जिससे ग्राहकों को कोई असुविधा हो।' ईंधन पंप मालिकों ने गुजरात में सीएनजी की बिक्री 12 अगस्त से हर गुरुवार को एक घंटे के लिए बंद कर दी है। डीलरों ने हर गुरुवार को तेल कंपनियों से डीजल और पेट्रोल खरीदना भी बंद कर दिया है।

# IOC to use drones to check fuel theft

Indian Oil Corp. (IOC) is deploying drones to monitor its network of pipelines across the country as it doubles down on the use of technology to thwart attempts to steal fuel, helping not just save the commodity but also avoid accidents. The country's top oil company already uses a combination of technology and patrolling to detect any leakage from a pipeline network spanning over 15,000km, officials said.

Use of technology helped throttle 34 attempts to pilfer fuel and arrest 53 persons in the last fiscal year, they said, adding the latest incident was in Sonipat, Haryana, on 17 August.

IOC recently started drone monitoring of the 120km Delhi-Panipat section of the Mathura-Jalandhar pipeline. The company has deployed a supervisory control and data acquisition-based system to closely monitor the flow in the pipeline network and is using a leak detection system to identify tentative vulnerable points, officials said.

**PTI**

# Oil holds on to two-day rally with covid impact in focus

Oil clung to the gains from its biggest two-day advance since November, with prices continuing to fluctuate amid concerns about the impact of the coronavirus on global consumption. Futures in London climbed above \$70 on Tuesday, and were little changed near \$71 on Wednesday. Top crude importer China has brought its latest virus outbreak under control, though covid-19 continues to make its presence felt in other big oil consumers, with Japan expected to announce an expansion of its state of emergency. Oil has had a volatile August so far. The stellar year-to-date rally cooled in the first half of the month as concerns grew that the virus's delta variant would hit consumption, while the Federal Reserve flagged plans to taper stimulus measures. Since then prices have recovered, with banks from Goldman Sachs Group Inc. to UBS Group AG underlining bullish calls on the market.

**BLOOMBERG**

# Price hikes likely to keep prospects of CGD companies intact

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City gas distribution (CGD) company Gujarat Gas Ltd is in the news for taking a price hike of about 15% for its industrial gas sales in the Morbi region as well as some price increases in the CNG (compressed natural gas) segment.

Not without reason. The price hikes are aimed at passing on higher gas costs to customers. Spot gas prices are rising consistently. Further, domestically produced gas is also likely to see price hikes in the six-monthly review with rising spot and international gas prices. These will be applicable from 1 October.

"While we believe the price

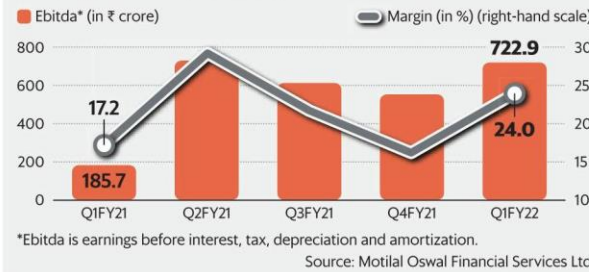
hike will be viewed positively by the market, it is essential to pass on a near quarter-on-quarter doubling in spot LNG input cost (to \$16/mmbtu)," said analysts at Edelweiss Securities Ltd in a note. Mmbtu is million British thermal units and LNG is liquified natural gas. This will not only keep margin and input gas cost in check, but will also aid profitability, said the analysts.

Price hikes apart, the company has already been adjusting its gas sourcing to cope with the rising gas costs. Its efforts are directed towards changing the gas-sourcing mix towards domestic gas and contract LNG from spot LNG.

Analysts point out that the company is now sourcing more

## Healthy performance

Strong gas demand is driving volume growth while price hikes are ensuring sustained profitability for Gujarat Gas.



SATISH KUMAR/MINT

from low-cost domestically produced gas and contracting more volumes from domestic sellers.

The average cost of the gas-sourcing basket was \$6.3 per mmbtu in Q1FY22 and the cost

has now increased to \$7.2/mmbtu in Q2FY22 till date, said Yogesh Patil, research analyst at Reliance Securities Ltd. "As per our understanding, the company has completely passed on

the price increase to PNG (piped natural gas) industrial consumers and likely to maintain Ebitda per scm (standard cubic metre) of more than ₹6 in Q2FY22," he added.

What's more, Gujarat Gas' volume prospects are bright. According to Motilal Oswal Financial Services Ltd, the addition of new units in the Morbi region, expansions of current units, and the emergence of a new ceramic cluster could result in a volume growth surprise.

Gujarat Gas' dependence on industrial sales is higher compared to peers such as Indraprastha Gas Ltd (IGL) and Mahanagar Gas Ltd (MGL). However, it is expanding its CNG network and plans to add 150 CNG sta-

tions in FY22, taking the total to 700 plus stations. This would make it comparable to IGL, which has a large CNG distribution network in the Delhi-NCR market.

To be sure, IGL and MGL have been sourcing more gas from the domestic market and would also need to pass on any increase in domestic gas prices. However, CNG prices are expected to stay competitive to petrol and diesel, keeping growth prospects firm. IGL sees strong growth prospects driven by rising geographical penetration. MGL, however, faces space constraints in Mumbai for new CNG stations and also growth concerns post completion of the metro rail project.

**mint primer**

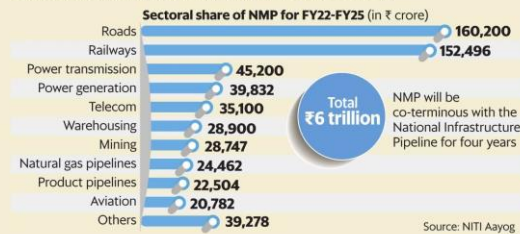
# Will NMP succeed in helping govt earn revenues?

BY ASIT RANJAN MISHRA

The ₹6 trillion National Monetisation Pipeline (NMP) unveiled by finance minister Nirmala Sitharaman on Monday has captured everybody's attention. However, the Opposition has alleged that the government is trying to sell India's crown jewels. *Mint* explains:

## Unlocking capital

The NMP will help the authorities ease fiscal constraints and free up the balance sheets for more greenfield infrastructure creation.



### 1 Why is there a need to monetize assets?

In a country like India, with massive infrastructure deficit, finding resources to build physical assets is a daunting task. Hence, the government wants to monetize existing infrastructure assets by leasing them out to private firms for a fixed tenure under a revenue sharing model. It will help the authorities ease fiscal constraints and free up balance sheets for more greenfield infrastructure creation. For example, a stadium built by the government that remains idle for most part of the year can be leased to a private party that can efficiently manage it by organizing cultural functions and allowing the public to use it for a fee.

### 2 Is the pipeline a new concept?

No. India has been monetizing assets for a long time through public-private partnerships (PPP). The Delhi airport has been built through the PPP mode. The concession period is 30 years after which it will either be renewed or transferred to the Airports Authority of India (AAI). The project that started in 2006 has been completed at a total cost of ₹12,500 crore, enabling world-class infrastructure creation with no additional cost to AAI. In 2020, the Maharashtra State Road Development Corp. Ltd awarded the tolling rights of the Mumbai-Pune Expressway and old Mumbai-Pune corridor for ₹8,262 crore.

### 3 Will the money go directly to the government?

Money from projects monetized by central government departments will go to the government. As most of the projects to be monetized are under various central public sector enterprises (CPSEs), the money accrued will be received by them. But the Centre often forces CPSEs to declare larger dividends so that this money can be transferred to the Consolidated Fund of India.



### 4 Has this worked for other countries?

Asset recycling has been enacted in Australia through the Asset Recycling Initiative (ARI) of the federal government, which during the 2014-15 budget announced the Infrastructure Growth Package (IGP), a 10-year vision of infrastructure investment in the nation. ARI was aimed at encouraging states to recycle assets and utilize the sale proceeds for productivity-enhancing infrastructure by asking private firms to fund and run public infrastructure. This helped unlock more than \$17 billion in infrastructure development across Australia.

### 5 Is the ₹6 trillion target achievable in 4 years?

Achieving ₹6 trillion through asset monetization in four years is a daunting task. This will need a coordinated effort and push from the top. A lot will also depend on market conditions. The Centre expects the global liquidity surplus to help it achieve the target. As these are de-risked infrastructure projects, it may be easier to monetize than sell Air India or Bharat Petroleum Corp. Ltd through strategic disinvestment. However, the government needs to avoid a situation where a few firms capture most of the assets.



# Cabinet clears ₹15,000 cr. NMP-linked FDI proposal

## AIIH to invest in infrastructure sector

**SPECIAL CORRESPONDENT**

NEW DELHI

The Cabinet Committee on Economic Affairs (CCEA) on Wednesday cleared a foreign direct investment (FDI) proposal entailing an investment of up to ₹15,000 crore in Anchorage Infrastructure Investment Holding (AIIH) Ltd., a company incorporated to invest in the infrastructure and construction development sectors.

The government said the investment would prove to be a “significant boost to the recently announced National Monetisation Pipeline (NMP)” as AIIH had proposed downstream investments in some of the sectors covered under the NMP. This would include invest-



**Investment will give a major boost to the recently announced NMP**

ments in leasing out of state-owned infrastructure assets including roads, railways, airports, sports stadiums, power transmission lines and gas pipelines to private operators.

The foreign direct investment proposal also entails the transfer of shares of Bangalore International Airport Limited (BIAL) to Anchorage, and an investment of ₹950 crore in AIIH by 2726247 Ontario Inc., a wholly owned subsidiary of the administrator of OMERS, one of Canada’s largest pension funds.

# Gadkari tells automakers to shift focus from diesel

‘Pollution by the fuel is hazardous’

**SPECIAL CORRESPONDENT**

NEW DELHI

Union Road Transport and Highways Minister Nitin Gadkari urged automobile manufacturers to move away from production and sale of diesel engine vehicles, stating pollution from such vehicles was harmful.

“Protection of ecology and environment must be the way of business and way of life for all of us,” the Minister said, speaking at the annual convention of Society of Indian Automobile Manufacturers (SIAM).

He added, “I appeal to the vehicle manufacturers to discourage the production and sale of diesel-engine vehicles. Diesel-based position is extremely hazardous to the environment and human health. Industry must promote alternative fuel technologies.”



He added the industry must swiftly shift to Indian technologies that allows use of import-substitute, cost-effective, indigenous and pollution-free fuel.

The Minister said the government is promoting the adoption of cleaner and greener alternative fuels such as ethanol, methanol, bio-diesel, bio-CNG, LND, electric and green hydrogen fuel-cell technology to reduce dependency on petrol and diesel.



## **IOC's drones to check fuel pipeline thefts**

NEW DELHI

Indian Oil Corp. (IOC) is deploying drones to monitor its vast network of pipelines across India to thwart attempts to steal fuel, helping not just save the commodity but also avoid accidents. PTI

# Oil spill off Syrian coast spreads



## **NATURE**

**A** massive oil spill caused by leakage from a power plant inside one of Syria's oil refineries is spreading along the coast of the Mediterranean country, Syria's state news agency said and satellite photos showed. SANA said the spill reached the coastal town of Jableh, adding that Syria's environment department and the municipality of the of Latakia have placed all concerned departments on alert. It said work is underway to clean the coast.

# पेट्रोल-डीजल में कोई बदलाव नहीं

**नई दिल्ली।** तेल की कीमतों के तेजी के बावजूद घरेलू स्तर पर पेट्रोल और डीजल की कीमतें यथावत रही। मंगलवार को इनमें 15-15 पैसे प्रति लीटर की कमी की गई थी। पेट्रोल जहां 101.49 रुपये प्रति लीटर और डीजल 88.92 रुपये प्रति लीटर पर स्थिर रहा।