

Let market decide on diesel price issue, says Rane Group chairman

THE CURRENT slowdown in the automobile sector in India is more local than European or US crisis. The sentiment is weak as far as auto sector is concerned, owing to weakening of rupee, cost of borrowing rates, inflationary pressures, issues such as GAAR/retrospective taxation proposal and in particular government's lack of policy decision on taxing diesel-powered vehicles. In an exclusive interview with **R Ravichandran** of the FE, **L Ganesh**, chairman of the over ₹2,000-crore Rane Group, one of the leading auto components manufacturer in India, says that the government should free diesel as far as pricing is concerned and let allow the market/people to determine on this issue. Sees muted growth in first quarter; which would expand even to Q2 and unsure of whole year's industry growth. Excerpts:

Do you see the European cri-

sis has any say in Indian auto sector?

It is unfair to say that the current crisis in Europe will have any impact on Indian auto sector. It is more of domestic problems than the other way. The exports only contribute 20% to 25% (vary for different cos) to overall sales of the industry and when it comes to Europe it is insignificant.

The investments are not happening as expected because of weakening of Indian currency, inflationary pressures, fuel price hike, government's uncertainty on diesel price issue, issues such as GAAR/retrospective taxation and rising borrowing costs.

Where do you see the trend is heading for as far as auto sector is concerned?

The sentiment certainly is weak now. No infra spending is taking place to drive CV or LCV sales. The turning around is anybody's guess. With Q1 turning out to be a muted



growth, we strongly believe that Q2 will be also the same. It is difficult to predict the growth during the current financial year, may be a single digit growth if industry fares well during second half.

What is your view on the domestic market slowdown in Q1?

Except utility vehicles and two-wheelers (leaving Bajaj and TVS), most of the segments, particularly farm track segment (tractor) and commercial vehicles, are expected to report negative growth owing to weak sentiment. Most of the

companies are expected to report 10% to 15% below their target levels and it may continue in Q2 too.

Despite sluggish trend, every other car maker decided to launch new products. What is your take on this?

To outdo the depressing market conditions and to catch the imaginations of common public, the car makers are involved in pushing new products. It is quite common globally and this trend is catching up in India. For some it is a committed one as they have planned it long before and

for some they need to take on others as well as counter sluggish moment. The car manufacturers have lined up new launches also because to cash in on the changing lifestyle, preference, rising purchasing power and fashion statement of youngsters by giving them new products to choose from.

The ongoing controversy over government's proposal on taxing diesel-powered vehicles?

There is no justification to subsidise the diesel prices. On the one hand, it creates lot of problems and on the other hand, it is not known whether the subsidy is reaching the right people or right cause. It is not a good idea to tax the diesel-powered vehicles/cars or whatever be. Rather the government should free the diesel price issue. Let the people/market determines which way they want to go. By doing so, a lot of inefficiencies with the existing system will

go and lot of innovations will take place in India.

On India continue to be one of the major outsourcing destination as far as parts concerned?

Though India is holding a dominant position for outsourcing due to cost advantage, however, offlate the gap is narrowing down due to rising wage costs (owing to short skill supply and lack of training), increasing infra costs (lack of necessary power supply), rising interest rate costs. The competitiveness is slowly getting eroded. The productivity is not in line with the wages and the land prices are going up across major cities. We need to act now and look at exploiting our intellectual capabilities to meet future demand from global OEMs as body shopping no more acceptable. There is a doubt that instead of capitalising on opportunities whether we are eroding the same.