PREMIUM PLAY

Can MG be Jindal's EV goldmine?

SWARAJ BAGGAONKAR

IN JUNE THIS year Sajjan Jindal confirmed that an alliance with MG Motor India to manufacture electric vehicles (EV) was on the JSW Group's radar. The steel magnate, chairman of the JSW Group, asserted it was time to foray into a consumer-facing business, much like other conglomerates have done. He was looking for a premium play in the EV space. "I feel EVs are going to be a major driver of mobility and we want to be there," Jindal had said in an interview.

Soon thereafter in August, Jindal re-iterated that the Shanghai-based SAIC Motor, the maker of Hector and Astor SUVs, would be its preferred partner if things worked out. Else the Group would make cars on its own. As it turns out, a private entity owned by Jindal might soon pick up a 35% stake in MG Motor with an option to take this up to 49% and 51% post an IPO.

The willingness to buy into MG Motor India reflected something of a softening of Jindal's stance on teaming up with Chinese players. At one point, he had expressed reservations about China's' behavior' saying the rules of engagement on trade and business might need to be different. He maintains of course that he would not work with the Chinese if inter-government relations are hostile. Jindal said in an interview to a television channel, it was a difficult situation. "If the technology is available only in China and the cost structure that the Chinese can provide us, the Europeans cannot, we have to think twice before we really decide," he said.

Jindal has good reason for wanting to partner with SAIC. MG Motor is the country's second largest EV maker and will give him access to top-class technology. As Puneet Gupta, director, S&P Global Mobility, points out, "MG is interesting to JSW because it has access to Chinese technology".

While Gupta is not sure how much of the technology SAIC will share since it may not be in control of the company, others believe Jindal will not cut a deal without getting the fine print right. Also, while SAIC will resist being in the minority this might not be an option. Given the strained political relations between India and China following border clashes in 2020, SAIC's attempts to grow the business in India and infuse capital have made no headway. The necessary approvals are still awaited. "Their edge in technology notwithstanding, they may have to give up control of the company with a stake of less than 40%," a management expert said, adding Jindal will certainly be looking for a majority stake at some point.

SAIC is understandably circumspect about the situation. All it will say is that options are being evaluated to grow its presence in India by bringing in world-class technology and enhancing localisation. But it might not be an entirely bad deal for the Chinese firm.

As a senior consultant observed: "Jindal is an astute businessman with strong political connections and resources and that would help grow the business. While EVs might account for a miniscule share of the passenger car in the country with a penetration of just 1-2%, the auto market itself is crowded, different and difficult."

That is true. Apart from the Tatas and Mahindra & Mahindra, who have a head-start, and others like Hyundai and Maruti who are readying launches, Volkswagen, Skoda, Renault, Nissan, Kia, Toyota and Honda will also be bringing EVs to India at different price points. Tesla might also join the queue.

For Jindal therefore, going it alone could be a risky proposition. Auto experts say that although technology has always been at the core of the automobile business, there is a greater need for state-of- the- art technology in electric cars, which will be powered not by just batteries but by complex software. In fact, along with automobile engineers, EV players are hiring software engineers in large numbers. Some are even upskilling those blue-collar workers who work with EVs.

With MG Motor, Jindal will get a foot in the door. The management has done well to turn out the popular diesel- engine-powered SUV Hector though it may have had limited success with the new compact Comet EV, the small, twin-door city car, priced at an attractive Rs 8 lakh. The company showcased multiple SAIC-developed EV models at the Auto Expo earlier this year. Once a joint venture is inked, these can be launched in India.

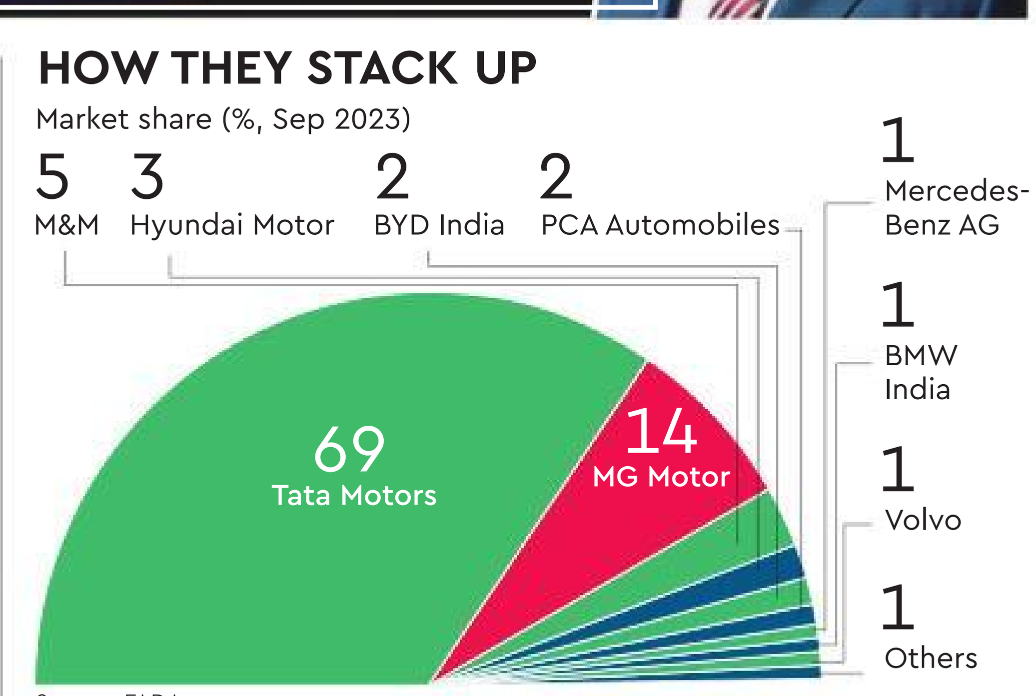
As Jindal has said, the business should require too much capital. By one estimate, MG Motor India is today valued at \$1.2-1.5 billion, much lower than it was a few years back so, he should have no problems buying a 50% stake. Also, the share of EVs is expected to go up to 30% by 2023 with an estimated annual production of two million units and this has whetted the appetites of financial investors. The likes of Temasek and TPG are lining up to back manufacturers so it will not be hard for MG Motor to attract capital. In the long run Jindal can straddle the EV space and build a portfolio of green businesses—renewable energy, batteries, charging stations—which would reduce the group's carbon footprint and make it easier to raise funds from global lenders.

SAJJAN JINDAL, CHAIRMAN, JSW GROUP

"I FEEL EVS ARE GOING TO BE A MAJOR DRIVER OF MOBILITY AND WE WANT TO BE THERE

THE BIG PICTURE

SAIC MAY RESIST A MINORITY STATUS BUT THIS MIGHT NOT BE AN OPTION. ITS GROWTH AND CAPITAL INFUSION PLANS HAVE MADE NO HEADWAY



Fx swap: Banks ready to return \$5 billion to RBI

HITESH VYAS
Mumbai, October 22

WITH \$5 BILLION forex swap between the Reserve Bank of India (RBI) and banks set to mature today, a majority of lenders have arranged for dollars to be delivered to the RBI.

In April last year, the RBI conducted a dollar/rupee (USD/INR) sell-buy swap auction for an amount of \$5 billion. Under the swap, the central bank sold dollars to banks with an agreement to buy back those dollars at maturity, which is October 23. "The market is completely covered (arranged dollars to deliver to the RBI). I don't see any issue," said a forex market dealer. The absorption of \$5 billion forex swap by the RBI will release ₹40,000 crore of rupee liquidity into the banking system.

> Though banks are expecting the forex swap to mature today, they are not certain how the RBI is going to take the delivery of dollars

Higher demand for dollars created some temporary dollar liquidity shortage in the banking system. In order to meet their dollar demand, banks, in the last few days, bought dollars under USD/INR buy-sell swap either from the interbank market or from exporters or other forex market participants to deliver dollars to the RBI. These swaps are of shorter tenure with maturity of one to two days.

Forex dealers said it is the RBI which is supplying dollars to the market through select banks. Though banks are expecting the forex swap to mature today, they are not certain how the RBI is going to take the delivery of dollars.

Some market participants feel that the central bank may stagger the absorption of dollars over a few days so that banks do not have to supply the entire \$5 billion in one go.

Spreading of the dollar delivery will not exert pressure on the rupee. This will also mean that the entire ₹40,000 crore rupee liquidity will not come back to the system in one day.

The RBI has been maintaining that it does not want excessive liquidity in the system as it can pose risks to both price and financial stability.

Bankers said that even if the ₹40,000 of rupee liquidity comes back to the system today, the RBI can use instruments such as variable reverse repo rate auction or OMO-sales to manage liquidity.

"Today, we are in a very odd situation where we have a significant durable liquidity surplus but a frictional liquidity deficit. From a frictional liquidity perspective, ₹40,000 crore of rupee liquidity will make it neutral but from a durable liquidity perspective, this will increase the excess durable liquidity.

So, whether the RBI is going to look more closely at the durable liquidity or frictional liquidity, will determine its action," said a banker. The RBI had announced the forex swap last year to elongate the maturity profile of forward book and smoothen the receivables relating to forward assets.

India-Canada relations in a difficult phase: EAM Jaishankar

INDIA INVOKED THE provision of parity in Canada's diplomatic presence in the country in view of concerns over interference in New Delhi's affairs by Canadian personnel, external affairs minister S Jaishankar said on Sunday.

The external affairs minister said that India is likely to resume issuance of visas to Canadians if it sees progress in the safety of Indian diplomats in Canada. The ties between India and Canada came under severe strain following Canadian prime minister Justin Trudeau's allegations last month of a "potential" involvement of Indian agents in the killing of Khalistani separatist Hardeep Singh Nijjar in June.

Days after Trudeau's allegations, India announced temporarily suspending issuance of visas to Canadian citizens and asked Ottawa to downsize its diplomatic presence in the country. —PTI