



Hindustan Motors keen to maximise Chennai plant capacity

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Hindustan Motors Ltd (HML) is in discussion with its technology collaborator Mitsubishi Motors Corporation (OOTC:MMTOY) of Japan for higher capacity utilisation at its Chennai plant where all Mitsubishi cars are assembled.

Mr Manoj Jha, Managing Director of HML, told newsmen here on Thursday that currently one-fourth of the plant's installed capacity of 25,000 per year is utilised. Either the unutilised capacity needed to be freed for commercial use through contract manufacturing for any other carmaker or Mitsubishi should increase utilisation by a substantial extent to 50 per cent, said Mr Jha.

"It is now Mitsubishi's call," he added. At present, HM-Mitsubishi rolls out five cars, mostly SUVs, from the Chennai plant.

Mr Jha suggested a holistic assessment was being made and by January-March quarter a decision on the issue was likely to be thrashed out.

Mitsubishi's decision would be significant in the context of HML's poor operational cash generation and the need for its faster financial recovery.

Mr Jha said HML, a CK Birla group company, was striving to increase efficiency through de-bottlenecking manufacturing, increasing capacity utilisation at its Uttarpara plant and reducing costs. He felt the company would turn cash-positive in the fourth quarter.

The company has raised around Rs 30 crore (net of tax) through sale of its city office in Chennai and sale of its stake in Avtec Ltd to other group companies. He, however, ruled out selling stake to outsiders for raising funds.

Our Chennai bureau adds: Mitsubishi will focus on the premium sport utility vehicle segment in the next couple of years to consolidate its position, according to Mr Y.V.S. Vijay Kumar, Executive Vice-President and Business Head, Hindustan Motors Ltd.

Sales in the premium SUV segment are buoyant and the company has aggressive plans with the planned launch of the Pajero Sport and the Outlander Sport next year. He told reporters that Mitsubishi's premium SUVs, the Outlander, Pajero and the Montero, priced between Rs 15 lakh and Rs 40 lakh, would contribute to doubling the output at HM's Chennai facility. Output is set to more than double to 5,000-6,000 units in the current year against 2,500 units made last year.

The Outlander has led the growth for Mitsubishi, he said. Pajero sales range around 120-150 a month and the top-end Montero, which is imported as a CBU and is priced close to Rs 40 lakh, is sold 16 this month.

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