

HM demerger on course

OUR SPECIAL CORRESPONDENT

Calcutta, Sept. 24: Hindustan Motors (HM) will restructure its auto operations into two entities by the end of this fiscal — with the Chennai plant forming one entity, while the Uttarpara and Pithampur (in Madhya Pradesh) facilities forming the other.

The demerger and restructuring plan was cleared by the company's board in January and received the shareholders' approval at a court-convened meeting on Monday. It now awaits the high court's approval and will come into effect retrospectively from April 2012.

"We have received the shareholders' nod and we plan to have the restructuring in place by the end of this fiscal. This will facilitate better investments for the two entities," Hindustan Motors chief executive and managing director Uttam Bose said at the launch of the Bharat Stage IV-compliant Ambassador Encore here today.

HM, which will have a new financial



Uttam Bose in Calcutta on Tuesday.

A Telegraph picture

investor, will be renamed Hindustan Motors Bengal, while HMFC, a wholly owned subsidiary of the group, will take control of the Chennai facility that manufactures premium Mitsubishi products and will have a new foreign car manufacturer as a partner.

The demerger is supposed to facilitate

investments in the two entities, Bose said.

"Since the DNA of the products manufactured by the Uttarpara and Pithampur facilities on one hand and the Chennai facility on the other is very different, it was getting difficult to get new investors who would be equally interested in all the products. So we decided to separate the two though both will remain within the group," he said.

"The Chennai plant will continue to produce SUVs and luxury vehicles, while the Uttarpara facility will make passenger cars and light commercial vehicles."

The CK Birla group will continue to be the lead promoter.

The company has not zeroed in on any investor or manufacturer, but talks are on. There will be a tripartite agreement among Mitsubishi, HMFC and a new manufacturer with regard to the Chennai plant.

Isuzu Motors has a contract manufacturing arrangement with HMFC till 2015.