

## *Mitsubishi small car plans for India on hold for lack of funds*

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**M**itsubishi Motor Corporation's plan to produce a volume-generating compact car from India has been indefinitely deferred for lack of funds and sliding demand.

The company planned to launch the premium compact car through its technical tie-up with the Birla Group-promoted Hindustan Motors in 2011-2012.

The original plan involved either re-engineering a compact car from Mitsubishi's global portfolio for the Indian market or building a new car from scratch, possibly for export later.

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To accommodate the new compact car and some other models, Hindustan Motors had planned to increase annual production at Chennai from 12,000 to 100,000 units.

Asked about its capex plans,



A worker makes a final inspection of a Mitsubishi Motors Corp Pajero vehicle in Japan. BLOOMBERG

Ravi Santhanam, managing director, Hindustan Motors, said, "The (automobile) market has become very volatile, so it's hard to make a prediction even two months down the line. In view of this we have decided to revise our capital expenditure for 2009-10." He declined to discuss details.

Mitsubishi's premium compact car would have had to battle Hyundai's i20, Skoda's Fabia, and yet-to-be launched models like the Fiat Grande Punto, Honda Jazz and offerings from Toyota and Ford.

Mitsubishi currently sells three sports utility vehicles (Outlander, Motero and Pajero) and two sedans (Lancer and Lancer Cedia) in India. None of these have picked up appreciable market share.

Meanwhile, Hindustan Motors is reducing its dependence on the automotive sector by investing in units for forgings, casting and spare parts, mostly for power equipment and rail manufacturers.

The company is also building an integrated township on 314 acres of land in West Bengal.