
CAPEX cuts - M&M slashes INR 5000 crore CAPEX

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BS reported that Mahindra & Mahindra has decided to curtail its capital expenditure of INR 5,000 crore in view of the ongoing slump in demand for cars and sports utility vehicles in the domestic market.

M&M which makes SUVs such as Scorpio and Bolero had initially set aside the amount to be spent in the next 3 years. The company has opted to cut its CAPEX without providing further details.

On the sidelines of announcing the brand name for the company's latest model Ingenio, which has been rechristened as Xylo, Mr Pawan Goenka president of Mahindra & Mahindra said that "The market is definitely going through a turmoil. We will come down hard on cutting down our CAPEX. However, it does not mean that we will go slowed on our ongoing projects. I am not in a position to provide the exact details of the cut."

Mr Goenka said that "We will take more risks now and do business with new players who will offer us competitive rates to save on costs." Despite posting an overall growth of almost 22% in sales in domestic and 18% growth in export market, the company"

As per report, the company will look at cutting investment in basically three areas. One, it will look at further optimization of its funds, which means that the company will now spend only 5% as buffer funding instead of 10%.

Secondly, the firm will relook at its funding of automation plans at its production facility. Automation is a tool used at manufacturing facilities, which serve the purpose of robots controlled by computers used in building vehicles.

Lastly, M&M has decided to conduct business with new players in the components or allied areas, which will perhaps provide cost benefits to the company. For instance, the company had outsourced a part of the component manufacturing activity to a lesser known Korean player, which in turn offered rates that were half of then prevailing market rates.

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