

VALUABLE EXPERIENCE OF TAGAZ

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Russian carmaker, TaGaz (Taganrog), the licensed producer of Hyundai vehicles (Accent, Elantra, Sonata, Santa Fe), is ready to launch mass production of internally developed C-100 car. Strangely, Russian mass media gave little coverage to this important news. Meanwhile, we believe that it will be a landmark event for the Russian automotive industry.

TaGaz intends to widen the model range in future with B-100 (B class), D-100 (D class) and Q-100 (crossover) cars. The project requires around \$2 billion, 70% of this amount have been already put into it.

The majority of car parts will be imported from South Korea, and the Taganrog plant will carry out all operations including welding, assembling and painting. TaGaz also has plans to make 1.4, 1.6 and 1.8 liter engines.

After eight years of cooperation with Hyundai the Russian automaker is ready to make its own car based on foreign technology. TaGaz confirmed that licensed vehicle production might be a success while 'Industrial Assembly Mode' with localization of production being one of the main requirements, could bring yet more positive results.

The use of foreign technology will change in accordance with the price policy: there will be the more reasons to step up local production if exchange rates are good, the situation on the market is favorable and people's incomes and competitors' profits lower. If more Russian-produced parts will be used, prices will go down. It will also stimulate import of technology.

Whether the new car models will be a success in the lean market will depend on their cost. The announced B, C and D class car prices are competitive, while the price of Q-100 crossover – \$26,000+ – is obviously too high. It is not clear how dealers will persuade consumers to buy \$26,000 Q-100 vehicles, not a \$24,000 top ranking Santa Fe.

Anyway, other carmakers should study TaGaz' experience. It is likely that some elements of the TaGaz strategy will be used at the Tolyatti and Nizhny Novgorod plants.