

# AutoData

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Image/Hyundai

# Hyundai seeking Inovar-Auto extra IPI discount

André Barros, from Atibaia | [andreb@autodata.com.br](mailto:andreb@autodata.com.br)

Three years after the beginning of the HB20 production in the country, the company's first locally produced model, Hyundai introduced aesthetic and mechanical modifications in the hatchback, in a type of more profound facelift. In addition to, of course, moving the market and trying to attract the consumer to the dealers, the changes in the second best-selling

model at the retail level has another clear objective: meet the requirements of the Inovar-Auto program.

The automotive regime that was established for the country's industry in 2012, among others, allows an extra discount on the IPI tariff for vehicle manufacturers that manage to achieve a certain energy efficiency ratio. It can reach up to two percentage





points for those who achieve a consumption reduction in their portfolio of models of 18.84% up to 2017.

According to Antônio Sérgio Rodrigues, executive director of sales and marketing at Hyundai Motor Brazil, this is the vehicle manufacturer's big objective: "There is a possibility of paying less tax and we are going after that. Everything that can benefit our consumer and the dealer network is positive."

The new HB20 will be presented to the press on Monday evening, 21. It is equipped with features that indicate this objective. New spark plugs, pistons, and rings, a new alternator management system, plus oil that offers less attrition, are some of these features. The aesthetic changes enabled the model to gain aerodynamic improvement and all versions are equipped with green tires.

According to the company, the 1.0-liter HB20 reduced fuel consumption by 6% when compared to the previous generation, resulting in a 3% energy efficiency gain. In the 1.6-liter version, fuel

consumption dropped 6.5%, with a 4% increase in energy efficiency. Both are now classified in the A category of the PBEV, Inmetro's Brazilian Program of Vehicle Labeling.

Rodrigues has a few more cards up his sleeves to improve the efficiency of the brand's portfolio. In the coming months, the market should receive modified versions of the HB20S, sedan, and the HB20X, the adventure hatchback. The three models account for 100% of Hyundai Motor Brazil's local production and represent the base for calculation used to determine the energy efficiency ratio.

In 2016, the company plans to take another important step towards energy efficiency improvement: the company's Research and Development Center is expected to be inaugurated during the second semester of next year. The R&D center is located within the Piracicaba manufacturing complex and required an investment of R\$ 100 million. Its major objective is to expand the development of flex engines.

WE

# Sabó: exports are the way.

André Barros | [andreb@autodata.com.br](mailto:andreb@autodata.com.br)

The good revenue performance achieved by Sabó through the sale of seals, gaskets, and other sealing materials in the foreign and aftermarket markets should enable the company to maintain the same revenues of R\$ 350 million, registered last year, despite the negative scenario of the Brazilian domestic market.

“We have always been very strong in exports, and this year, the US dollar has collaborated. Foreign and aftermarket markets have provided relief to our situation,” stated Lourenço Oricchio Júnior, Director-General of Sabó Américas. “The order is to increasingly leverage exports.”

The company has a strong presence in a number of markets in North America, Asia, and Europe. According to the executive, the objective is to expand sales to these countries, taking advantage of the good competitiveness the country's industry achieved through the new level of the US dollar.

Such competitiveness enables Sabó to reap more fruits, since, due to the high ratio of exports in its revenues - traditionally around 30% of total revenues - it had to expand so that the increased value of the real during the past years would not affect the company's financial health. The plant in Mogi-Mirim, in the state of São Paulo, therefore received strong investments in automation to improve competitiveness.

The forty old lines were replaced by fifteen new lines, capable of delivering eight times more production output when compared to the previous ones, in addition to more quality.

“We have been working strongly since 2011 to

upgrade the plant through investment in state-of-the-art technologies. We now have a lean, more automated line with little interference from workers, as well as robust processes throughout each phase of production. This guarantees products with more quality.”

According to Oricchio, the company's quality ratio in OEM large-volume products is close to 5 ppm, parts per million. However, the executive guarantees that the search is for a lot bolder ratios: “There are already vehicle manufacturers talking about one defective part for each one billion parts produced.”

Regarding the Brazilian market, the executive believes that it should register sales of 2.5 million vehicles in 2015, with an estimate of the same amount of units sold next year. However, there is nothing that has changed his vision for the future of the country's automotive market, which he believes is promising - so much so that the company's plans to invest US\$ 10 million per year has been maintained for the next five years. **WE**



Image/Hyundai





Image/Archive

Once again, the default rate on vehicle loans to individuals remained the same. According to data divulged by the Brazilian Central Bank on Wednesday, 23, delays in loan payments totaled 3.9%, the same ratio as in July, June, May....

This is the ninth consecutive month without changes in the ratio, which has been the same 3.9% since December of last year. The last time it presented any variation, it dropped, from 4.1% to the current 3.9%, between November and December of last year.

The default rate has not grown since April to May of last year, when delays increased from 4.9% to 5%.

When compared to August of last year, the ratio dropped 0.7 percentage points.

According to the Central Bank, default rates of more than 90 days in all loans within the financial system increased 0.1 percentage points in August, when compared to July and the same month last year - this was the second consecutive month in which there was an increase. The default rate closed at 3.1%.

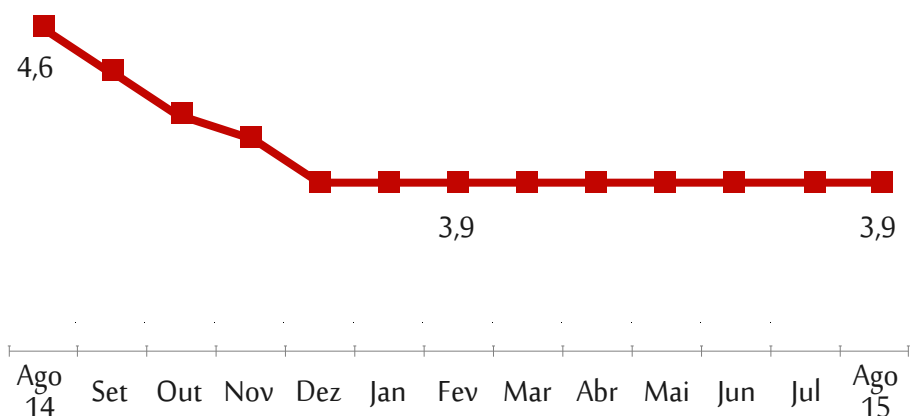
The default in credit to families increased 0.1 percentage points, closing at 3.3%, while in operations to companies, it remained at 3.4%.

## Default: one more month at 3.9%.

André Barros | [andreb@autodata.com.br](mailto:andreb@autodata.com.br)

### Inadimplência para veículos em %

Fonte: Banco Central do Brasil





# Extra tax could make imports unviable



Image/Kia

Márcio Stéfani, from Itu | [marcio@autodata.com.br](mailto:marcio@autodata.com.br)

Entrepreneur José Luiz Gandini, president of Kia Motors Group, the biggest importer of vehicles currently active in the country, stated on Wednesday, 23, in Itu, state of São Paulo, that the current sales crisis experienced by the automotive sector in the country and, in particular, the segment of imported vehicles, represents a most delicate moments ever experienced by the companies who work with imports in Brazil.

“Regarding the sector of imported vehicles, this is certainly the worst crisis we have ever experienced in Brazil.”

According to him, with the dollar reaching more

than R\$ 4.00, as seen during the past few days, in addition to the tax legislation, which, after the adoption of the Inovar-Auto program, applied an increase of approximately 80% in taxes - IPI +35% import tax +30% tax on vehicles that exceed the quota - on vehicles outside the individual import quotas, the business of imported vehicles has been deteriorating and could become unviable very quickly.

It is never too much to remember that, according to the last figures divulged by Abeifa, the Brazilian association of manufacturers and importers of automotive vehicles, sales of imported vehicles in Brazil

totaled 42,647 units up to August, representing a drop of 30.3% when compared to the same period last year. Kia, the biggest importer, accounted for approximately 11,000 units, representing around 29% of the total.

“Today, our biggest problem is that those who are acquiring imported cars are not really acquiring cars. They are investing in the exchange rate and buying at a R\$ 2,80 exchange rate, since we are unable to pass along the current change in the exchange rate and are selling our products at completely de-phased prices. And this will certainly influence our future purchasing volumes traumatically.”

Gandini said it is currently a lot more difficult to issue any type of forecast, especially when related to the last months of the year and for 2016: “We are in a very difficult political moment, which is worse than the economic one. And this complicates any projection

related to the development of the market, especially when we are looking at the short term future.”

He believes that, this year, sales of the Kia Group in Brazil should total 16,000 vehicles, which, if achieved, would be equivalent to almost the same average in sales obtained during the past three years: “Our initial projection was that we would arrive at 24,000 units this year, which represents exactly the same volume needed to maintain our network of 185 dealers at a reasonable rhythm.”

For next year, with the entry into operation of the new Kia plant in Mexico, Gandini believes in easier access to the market, principally with a few thousands of vehicles that should be imported from there, benefiting from tax exemptions due to the automotive agreement between Brazil and Mexico:

“In addition to the 4.8 thousand units that we





already have in our quota, which are added to the commercial vehicles produced in Uruguay, they will also be able to rely on cars produced in Mexico at our plant that will be inaugurated there in May.”

Overall, he said that there is a good probability that the volumes may return to the level of 24,000 units. The company should bring the new generation of the Cerato from its Mexican plant. This should be the first car produced there and, during the second semester, the new Rio.

Gandini believes the government needs to carefully analyze the import quotas imposed by the Inovar-Auto program in order to guarantee the continuity of future business in this sector: “we are big generators of tax and, if the government was to continue with our collaboration, it needs to review its position.”

According to him, the current exchange rate enables the automotive sector in Brazil to forgo this type of protection: “I recently spoke with technical people at the MDIC, and they are all in favor of reviewing this position. I am not certain of this, but I believe that these 30 additional percentage points could be revoked still in 2016, because this imposition was made in another time, when the US dollar exchange rate was R\$ 1,60. Today, this no longer makes any sense.”

Gandini said that in 2011, when Kia sold 85,000 units in Brazil, it collected US\$ 1.65 billion in taxes, equivalent, at the time, to R\$ 2.7 billion: “Today, with the drop in sales, we are not even close to this, and we need to become tax collectors at that level again in order to guarantee the employment of 7000 persons who are involved in our operations and at our 135 dealers.”

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Image/Kia





Image/BMW

# BMW Brazil studies export program

Marcos Rozen | [rozen@autodata.com.br](mailto:rozen@autodata.com.br)

**B**MW Brazil is studying, with determination, the implementation of a consistent export program at its Araquari plant, in the state of Santa Catarina. The initiative represents a turnaround in the Bavarian-origin manufacturer's initial plans in Brazil.

A year ago, when the company inaugurated the plant, it spoke about assigning priority completely to the domestic market, in detriment of the foreign markets, because it believed there was no competitiveness for such. A few shipments, in the initial program, were

scheduled to occur only in 2020.

However, the new exchange rate of the real and the deepening of the shrinking of the country's economy have caused changes to the programmed route. In an exclusive interview, Arturo Piñeiro, president and CEO of BMW Group do Brasil, revealed that "producing in Brazil is more expensive than at other plants of the Group in the world, but the current exchange rate may compensate."

The possible destinations of the BMW's Made in Brazil are still under study, but one thing is for sure:





contrary to what one could imagine, the neighboring countries as well as the Mercosul partners are not in the list.

“Since our local content ratio is still low, we would not be able to comply with the local content demands of the bloc and, in this manner, we will not be competitive in these markets.” In addition, he added, “Argentina has also been facing a drop in sales and this is why the volume (for this country) would be very small.”

That is, one can dream about shipments to mature markets such as the United States and Europe, and China as well. “We are still studying the possible options.”

There are three major scenarios in favor of the country, in addition to the US dollar exchange rate.

The first relates to the broad capacity available in Camaçari: this year, only 11,000 units, from a total of 32,000 units in production capacity on two shifts, should be produced, being that, Piñeiro confirmed, “We can reach

up to 100,000 units/year without any major difficulties.”

The second relates to the broad range of five models, produced locally: the BMW Series 3 and 1, the X1 and X3 will be joined in the coming days by the Mini Countryman. For the sake of logistics comparison, the closest plant in the group, which is located in South Africa, only produces the Series 3.

Lastly, the third scenario relates to the entry into series production operation of the stamping and painting lines, which will, in turn, transform the plant in the state of Santa Catarina into a complete unit - both areas will be officially inaugurated on Wednesday, 30, when the plant completes its first anniversary.

Foreign markets will also represent a way of facing a more realistic domestic scenario: according to the executive, the double-digit growth in the premium market registered in Brazil in 2015 will not repeat itself next year: he believes in stability, or, even a small retraction. **WE**