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AUTOMOBILE INDUSTRY: NEED OF THE HOUR

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The automotive Industry in India is now working in terms of the dynamics of an open market. Many joint ventures have been set up in India with foreign collaboration. India ranks just behind China with the world's second largest population at over 1 billion people. India also has one of the fastest growing economies, and many U.S. companies view India as a potentially lucrative market. It is expected that the automotive industry will play an important role in helping the economy to continue this growth. This paper gives an overview of Indian Automobile Industry.

Keywords: Indian Automobile Industry, Indian Automobile Industry SWOT Analysis, Forecasts for Indian Auto Industry

INTRODUCTION

Peter Drucker called the automobile industry as "the industry of industries". During the last few years, the production and management systems have been revolutionized in the automobile industry (Karmokolias, 1990). One of the major changes in the industry has been the opening up and growth of several emerging markets. India is one of the most important emerging car economies in the world today. In 1991, the Government of India embarked on an ambitious structural adjustment programme aimed at economic liberalization, based on the pillars of Delicensing, Decontrol, Deregulation and Devaluation. Post-liberalization, the Government of India's new automobile policy announced in June 1993 contained measures, such as delicensing, automatic approval for foreign holding

of 51% in Indian companies, abolition of phased manufacturing programme, reduction of excise duty to 40% and import duties 50% to 110%, and commitment to indigenization schedules. The Government of India's new automobile policy attracted a large number of automobile companies to India. These include General Motors and Ford, and two Japanese, seven European and two Korean companies. Toyota and Chrysler are also seeking to enter the country with suitable Indian partners.

EVALUATION OF AUTOMOBILE INDUSTRY IN INDIA

Indian Automobile Industry growth decades started in the 1970s. Between 1970 and 1984 cars were considered a luxury product; manufacturing was licensed, expansion was restricted; there

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were Quantitative Restriction (QR) on imports and tariff structure designed to restrict the market but starting in 2000, several landmark policy changes like QR and 100% FDI through automobile route were introduced. In 2003, Core group on Automobile R&D (CAR) was set up to identify priority areas for automobile R&D in India. Indian Auto Industry is 2nd in Two Wheelers, 3rd in Small Cars and 5th in Commercial Vehicles among the top 10 in World. India is a global hub of automobile industry having:

- 15 Manufacturers of passenger cars and multi-utility vehicles
- 9 Manufacturers of commercial vehicles
- 16 Manufacturers of 2/3 wheelers
- 14 Manufacturers tractors
- 5 Manufacturers of engines

The evolution of the automobile component industry predictably followed the evolution of the auto industry itself. With the startup of local production of cars, trucks, and two-wheelers in the 1950s, many of the associated component manufacturers (mainly from Europe) started operations in India. Over a period of time, many of the major manufacturers had established plants for manufacture or assembly of parts. These included companies like Bosch (fuel injection systems and spark plugs) and Mahle (pistons) from Germany; Lucas (auto electricals), Girling (brakes), and Lockheed (clutches) from the United Kingdom; and Champion (spark plugs), Armstrong (shock absorbers), and Union Carbide-Exide (batteries) from the United States. From the Indian perspective, these units were primarily intended to aid import substitution. In the process, there was gradual transfer of technology from the parent company. The domestic two-

wheeler industry has grown steadily at a CAGR of 8.5% from 4.2 million in 2001 to 7.43 million in 2009. The motorcycle segment continues to dominate the market. Entry-level bikes (engine power below 125 cc and price in the range of US\$ 850–1,000) account for around 80% of sales. The cost of ownership and economics of operations are key purchase criteria. The premium-bike segment (engine power above 150 cc and price in the range of US\$ 1,200–2,000) is growing at a faster pace than entry-level vehicles; this is an indication of the increasing affluence of customers. Recent trends indicate that 100 cc bikes are being preferred over 125 cc bikes by the market.

GREEN MOTORING

Automobile manufacturers are increasing the thrust on fuel efficiency than before; the initiatives are mainly through improvements in technology and introduction of new fuel variants, thereby reducing toxic emissions. It may be mentioned that China, the EU, Japan and the USA have already established fuel economy rules or agreements of varying stringency. The FIA's¹ declaration for green motoring has set a fuel economy target of 140 g CO₂/km for passenger cars. Such a global fuel economy target could be used as an international benchmark to assess progress in the fuel efficiency of the global fleet of new motor vehicles. Some countries are also undertaking 'Green Rating' of automobiles

AUTOMOBILE COMPANIES IN INDIA

Hero Honda: Largest two-wheeler manufacturer in the world. Bajaj Auto: Second-largest two-wheeler manufacturer and largest threewheeler manufacturer in India. TVS Motor Co. Third-

largest two-wheeler manufacturer in India; has established a manufacturing facility in Indonesia. Honda Motorcycle and Scooter India (Pvt) Ltd. (HMSIL): Has recently entered the Indian market through its own subsidiary (in addition to its joint venture Hero Honda). Suzuki Motorcycle India Pvt. Ltd. The Company started its India operations in February 2006 through this fully-owned subsidiary. Following are the Top Automobile Companies in India :

- Audi
- Bajaj Auto
- BMW
- Chevrolet
- DaimlerChrysler (Mercedes)
- Fiat
- Ford
- General Motors
- Hindustan Motors
- Hero Honda Motors
- Hyundai Motors
- Mahindra & Mahindra
- Maruti Udyog
- San Motors
- Skoda
- Tata Motors
- Yamaha Motors

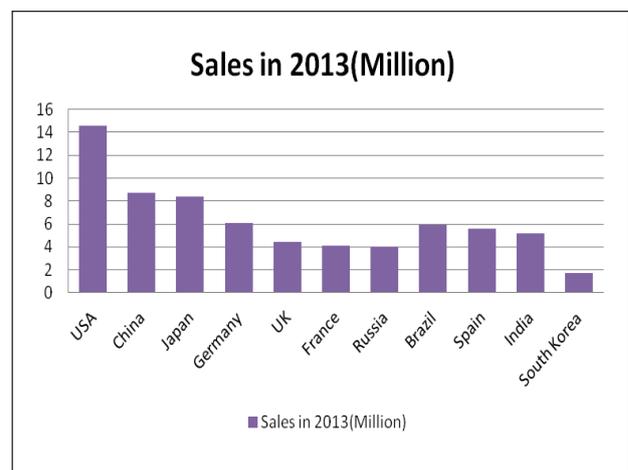
SALES AND FORECASTS FOR INDIAN AUTOMOBILE INDUSTRY

1. Passenger vehicle market of India will even cross Japan by selling about 10 million vehicles by 2018-19.
2. India's passenger vehicle production projections:

In 2021: 19.6 Million Vehicles Apart from many countries, there are top 11 countries which are the sales destination. Top 11 Car sales Destinations are given in Table 1.

Country	Sales in 2013 (Million)
USA	14.6
China	8.7
Japan	8.4
Germany	6.1
UK	4.4
France	4.1
Russia	4.0
Brazil	5.9
Spain	5.6
India	5.2
South Korea	1.7

Source: Automobile Industry Reports 2013-14



INDIAN AUTOMOBILE INDUSTRY SWOT ANALYSIS

A. Strengths

1. Domestic Market is large

2. Government provides monetary assistance for manufacturing units

3. Reduced Labor cost

B. Weaknesses

1. Infrastructural setbacks

2. Low productivity

3. Too many taxes levied by government increase the cost of production

4. Low investments in Research and Development

C. Opportunities

1. Reduction in Excise duty

2. Rural demand is rising

3. Income level is at a constant increase

D. Threats

1. Increasing rates of interest

2. Too much competition

3. Rising cost of raw materials

FUTURE TECHNOLOGICAL DEMANDS IN AUTOMOBILE INDUSTRY

Now from Today, there are some future technological demands which should be fulfil in future, those demands are listed below:

- Fuel Efficiency
- Emission Reduction
- Safety and Durability
- Cost Effectiveness
- Innovative Features

Some of the innovative features are Key Less Entry, Electrically controlled mechanisms,

enhanced driving control, Composites, Long life Components, Soft feel interiors.

VARIOUS CHALLENGES IN AUTOMOBILE INDUSTRY

In Indian Automobile Market, there are some challenges by virtue of which automobile industry faces lot of problems. These challenges should be overcome and the challenges are listed below:

- Growth in input costs
- Fuel price volatility
- Slowdown in demand
- Production cuts
- Growing competition
- Changing consumer preferences
- Chinese competition
- Environmental issues
- Low R&D orientation

THE WAY FORWARD

The future challenges for the Indian automobile Industry in achieving the targets defined in Automotive mission plan would primarily consists of developing a supply base in terms of technical and human capabilities, achieving economies of scale and lowering manufacturing costs, overcoming infrastructural bottlenecks, while at same time stimulating domestic demand and exploiting export and international business opportunities.

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