

**INDIAN AUTOMOTIVE INDUSTRY
- AN OVER VIEW BY:**

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Indian Automotive Industry is vibrant and upcoming with global standards of quality, commitment to delivery and internationally competitive prices. India is the right destination for outsourcing of Auto components.

Before I take you round the Indian scenario in detail, I would like to give a brief on the World Auto Scenario.

- a) According to a recent survey conducted by famous U.S. Business Consultants- KPMG LLP, Asian Vehicle Brands will increase global market share significantly, as customers shift their preferences from North American and European Markets, in next five year.**
- b) But, due to increased cut throat competition and rising costs, there would be tremendous pressure on profits, even in low cost manufacturing areas like China.**
- c) The formula for success, according to the survey is to meet the Regional and Global demand with high quality products.**
- d) Korean-Chinese-Japanese and Indian Brands would establish & gain sizable presence in the International Market.**
- e) Whereas several U.S manufacturing locations are expected to close down, successful survivors would become more efficient and cost competitive within next 5 years.**

- f) German Association of the Automotive Industry(VDA) have published a report of top 18 car manufacturing countries in 2004, with USA on top having manufactured 11.60 million cars, followed by Japan (8.72), Germany with 5.19 million and France at No. 4 position with 3.16 million cars. India ranks No.12th with 1.18 million.
- g) Other Countries reflected in the Report, are:
- South Korea (3.09), Canada (2.66), Spain(2.43), China(2.32), Brazil (2.07), UK(1.66), Mexico1.49), Russia (1.11), Italy (0.83), Poland (0.52), Sweden (0.49), Turkey (0.45), Czech Republic(0.44), Others(3.29), Total : 52.70 million.
- h. World car production increased from 50.7 million in 2003 to 52.7 million in 2004, an increase of 4%.
- i. Winners were the Asian Countries, with China leaping by 15% and India by 30% from 0.91 million in 2003 to 1.18 million in 2004.
- j. As per BOOZE ALLEN- Hamilton Study, Indian Car market would grow to 3.5 million P.A by 2015. But, my personal opinion is that this target would be achieved by 2010-2012.
2. Past few years have seen quantum leap in the Indian Automotive manufacturing sector. Although figures at the close of the year 2005 are not available with me, as yet, but, based on SIAM (Society for Indian Automobile Manufacturers) indicators, the year is expected to close with:

TYPE OF VEHICLE	MFG. IN 2005 (MILLION)
- PASSENGER CARS	1.70
- COMMERCIAL VEHICLES	0.30
- LIGHT COMMERCIAL VEHICLES	0.20
- THREE WHEELERS	0.50
- TWO WHEELERS	9.00

Major manufacturers in India are:

MARUTI-SUZUKI, SKODA , FIAT , FORD, CHEVROLET, MITSUBISHI, HYUNDAI, OPEL, TOYOTA, TATA, HONDA SIEL, MAHINDRA, EICHER, SWARAJ-MAZDA, PIAGGIO, HERO HONDA, HONDA, YAMAHA, BAJAJ, SUZUKI, TVS, KINETIC, LML ETC.

The Passenger Car industry has exhibited a CAGR (Compounded Average Growth Rate) of 17% in last 10 years, with 2-wheeler segment growth in the decade @14%.

Export performance has been 1.25 hundred thousand cars and 2.65 hundred thousand two wheelers in 2004 against 28,000 cars and 83,000 two-wheelers in the year 2000.

- 3. India is the 4th largest car market in Asia(after Japan, Korea & China. For commercial vehicles, it holds 5th spot in the world. Whereas, for 2-wheelers, India is the second largest market, next only to China, with both countries accounting of over 50% of global two wheeler production and sales.**

The Tractor segment is also making steady progress in India.

- 4. According to McKinsey Report – “ Auto Components Industry: Vision 2015,” the Indian Auto Components Industry is envisaging to grow to US\$ 33-40 Billion, by 2015 from around US\$ 7 Billion, at present. This figure includes US\$ 20-25 billion in exports during the same period.**

McKinsey Report further envisages that the Indian Auto Components Industry to cater to 40% of the global auto components market of US\$ 650-700 Billion.

5. – A.T. KEARNEY Consultants conducted an interesting survey in 2004, asking US AUTO MFRS. for their preference for Off Shoring jobs. India was preferred over China- Mexico- Brazil, on the basis of Competitive Cost- Quality Commitment & Cad Applications.
- COMPANIES INTER VIEWED were VOLVO-GM- FORD- FIAT- TOYOTA- DELPHI NAVISTAR- CUMMINS- CATERPILLAR, and following is the voting position:

<u>COUNTRY</u>	<u>VOTES POLLED %</u>
INDIA	24
CHINA	15
MEXICO	13
BRAZIL	10
CZECH	8
PHILLIPINES	3
THAILAND	2
OTHERS	25

6. Auto Components Sector is well developed in North-West and South India-East is also catching up fast in the race of development.
7. To achieve ambitious performance target, the : Indian Auto Components Industry is creating strong foundations in operational performance to meet global bench marks on cost, delivery, quality, customer satisfaction, instilling continuous improvement capabilities in technology & productivity, up gradation of research capabilities, building a large capability of brain power, a large outlay in using IT, CAD and upgraded Tool Room capabilities. All this is being done in close co-operation with the Govt., Technologically advanced customers, outsourced technology partners, Research Organizations, in-house capabilities, and support from UNIDO and ACMA.

8. **Manufacturers of Auto Components in India are conforming to world class performance standards, by achieving most stringent ISO-TS-16949-2002 standard.**

9. **Indian Auto Component manufacturers are conscious of issues of Warranty & Product liability, IP Regime, OHSAS, Environment issue, and very prompt re-action to customer response issues, skills up gradation, continuous learning, besides, creating a culture to adopt and practice:**

Q-C-C-D-A:QUALITY-COST-CONSISTENCY-DELIVERY-ATTITUDE, to create ultimate excellence .

10. **Govt. of India is concerned about Control of Pollution from Automobiles “Auto Fuel Policy” of the Govt, emphasizes on upgrading Automobile Technologies taking care of environment concerns with corresponding Fuel quality. The Govt. has chalked out a road map for the next decade to take care of environment & energy issues in the Auto Sector.**

11. **Automotive Sector in India is guided by:**

SIAM - Society of Indian Automobile Manufacturers
ACMA - Auto Components Manufacturers Association
FADA - Federation of Automobile Dealers Association
FISPDA- Federation of Indian Spare Parts Dealers Association
ARAI - Automobile Research Association of India.

12. **India Auto Components Industry is happy that the European Union(EU) has relaxed the import norms, so that Companies can sell directly in the after sales or replacement market, as earlier OEM’s would not allow them to sell directly.**

13. To set its bench marks, and on a situation of healthy competition, India is ambitiously aiming at to out beat, current Chinese achievement of US\$ 30 billion and the sales target set by China for Auto components, of US\$ 58 billion by 2009.
14. a. Finally, the **STRENGTHS** of Indian Auto Components Industry are:
- It is globally cost competitive
 - Adheres to strict quality controls
 - Has access to latest technology.
- b. **OPPORTUNITIES:-**
- May serve as sourcing hub for global automobile majors.
 - Significant export opportunities may be realized through diversification of export basket.
- c. **WEAKNESS**
- Industry by and large(baring a few dynamic examples) have low research and development capability, but, over coming it very fast.
 - Industry is exposed to cyclical downturns in the automotive industry.
 - Most component companies are dependent on global majors for technology.
- d. **THREATS**
- Pressure on prices from OEM's continues:
 - Imports from FTA Regime Countries, in certain component segments are a threat to local industry.
 - Smaller players who do not upgrade to global standards, would get extinct.

