# The Automobile and Auto-Components Industry in India

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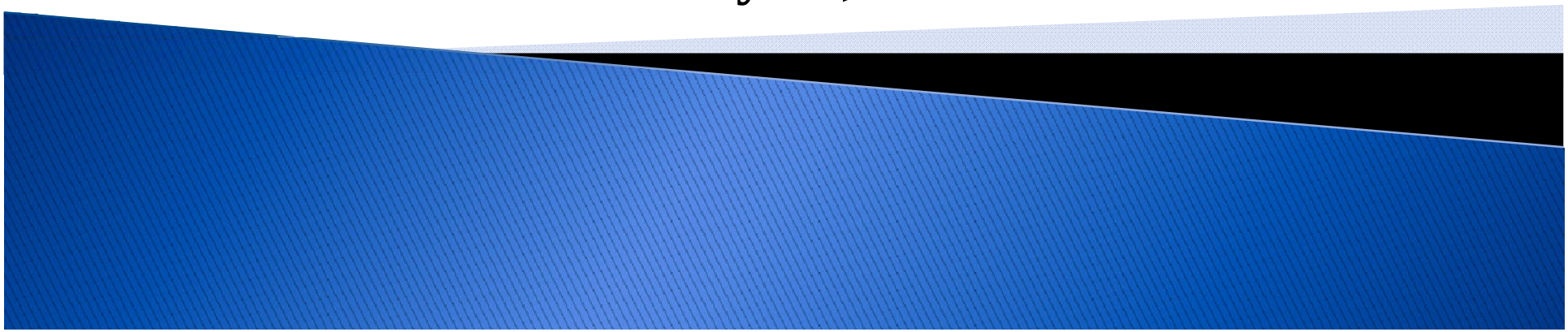
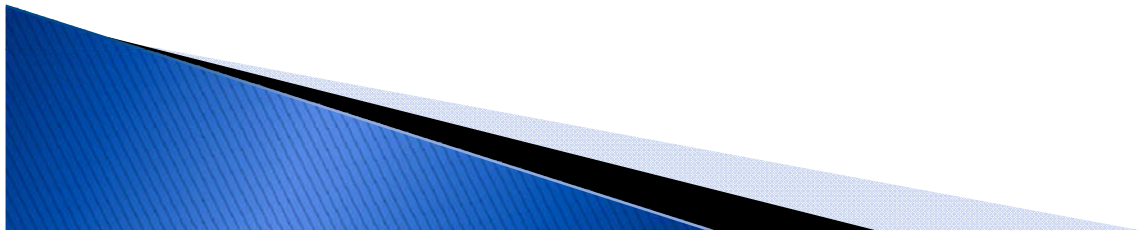


# Introduction

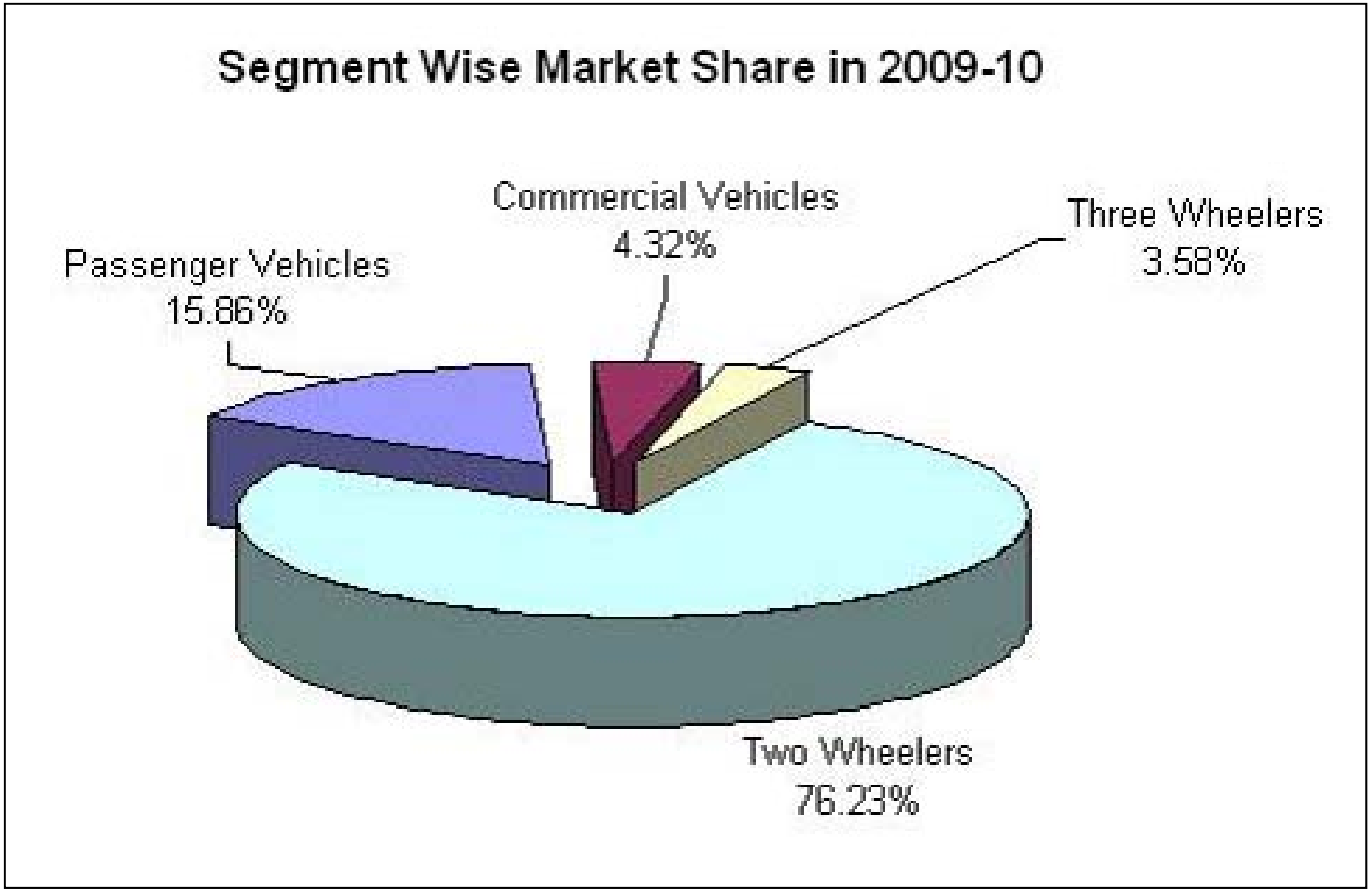
- One of the prime drivers of the economy employing around 13 million people.
- Launched 1940s: Hindustan Motors and Premier Automobiles Ltd.
  1950s - TELCO; 1960s - Setting up of three wheeler industry; 1980s: Maruti-Suzuki Ltd.
- Gradual liberalization and opening up to FDI since 1991.
- High growth trajectory since 1990s, aided by robust economic activity, infrastructure development, growing middle class, growing consumption demand. On the supply side, key strengths are low technology development costs and manpower advantage.
- Today, it is the second fastest growing market in the world after China with well-developed manufacturing facilities, established R&D and testing centres.
- Turnover : US$ 38 billion of automobile, US$ 20 billion of auto-component industry.
- Contribution to GDP: 2.8% in 1992-93, around 5% in 2009-10.
- Contribution to indirect taxes collected by Govt. ~17% of the total.
- Supports industries such as machine tools, steel, aluminum, rubber, plastics, electrical, electronics, forgings and machining.

# India’s Automobile Industry

- India’s automobile industry grew at around 15% between 2000-01 and 2008-09.
- Investment ~Rs. 500 billion in 2002-03, and Rs. 800 billion by 2007.
- Number of manufacturing facilities have grown progressively. At present there are around 20 manufacturers of passenger cars and SUV/MUVs, around 10 manufacturers of commercial vehicles, 12 manufacturers of two/three wheelers and around 5 manufacturers of engines.
- According to SIAM, during 2010-11 the industry is projected to record a growth of 10.5% in production, compared to 26% growth in the previous fiscal year. The passenger vehicle sales is likely to grow at 12-13% in the current fiscal. The commercial vehicles' sales is slated to grow around 17-18%. Two-wheeler sales in the 2010-11 fiscal has been projected to grow by about 10% and three-wheeler segment 7-8%.

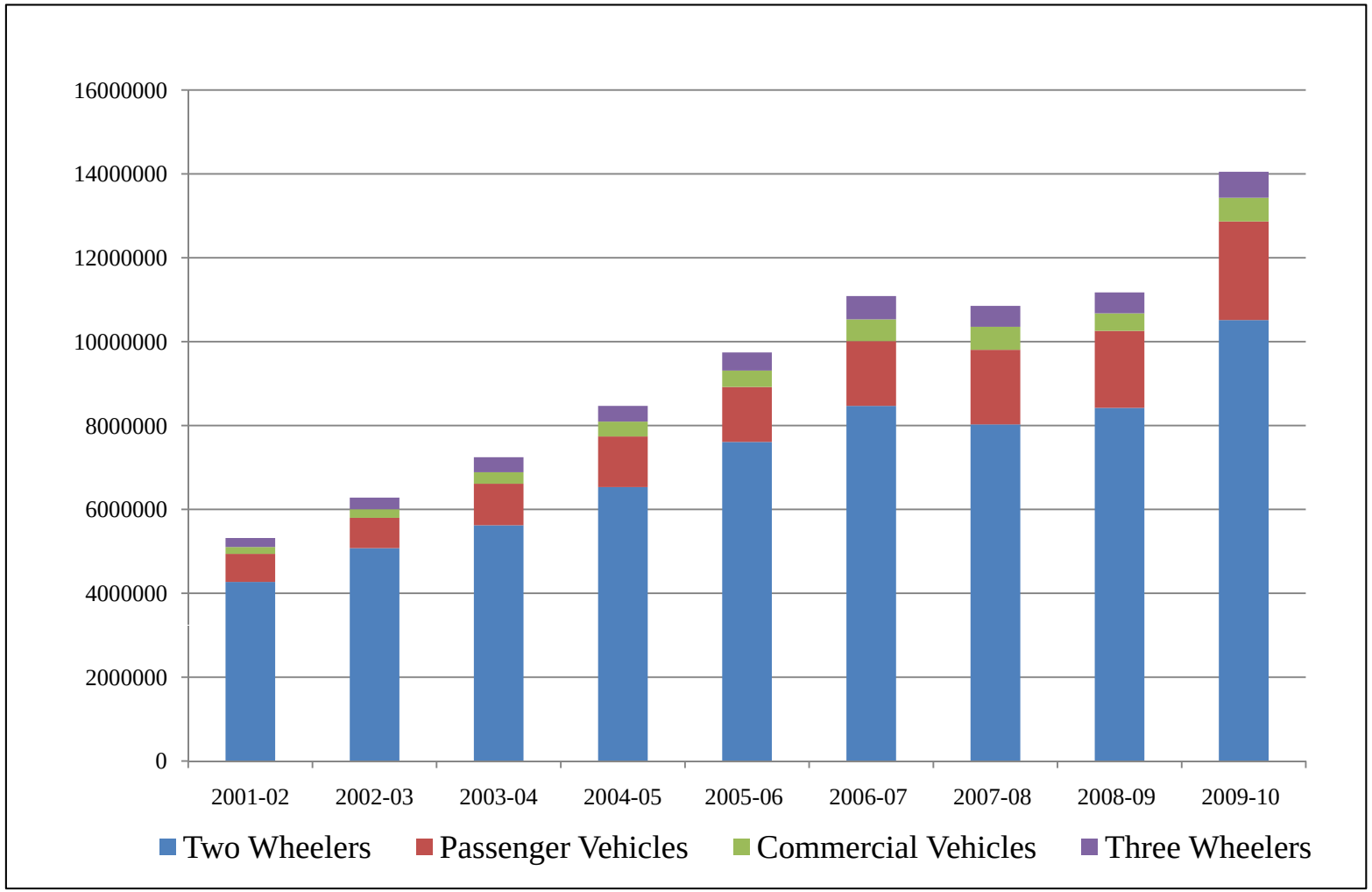


# India's Automobile Industry - Market Share

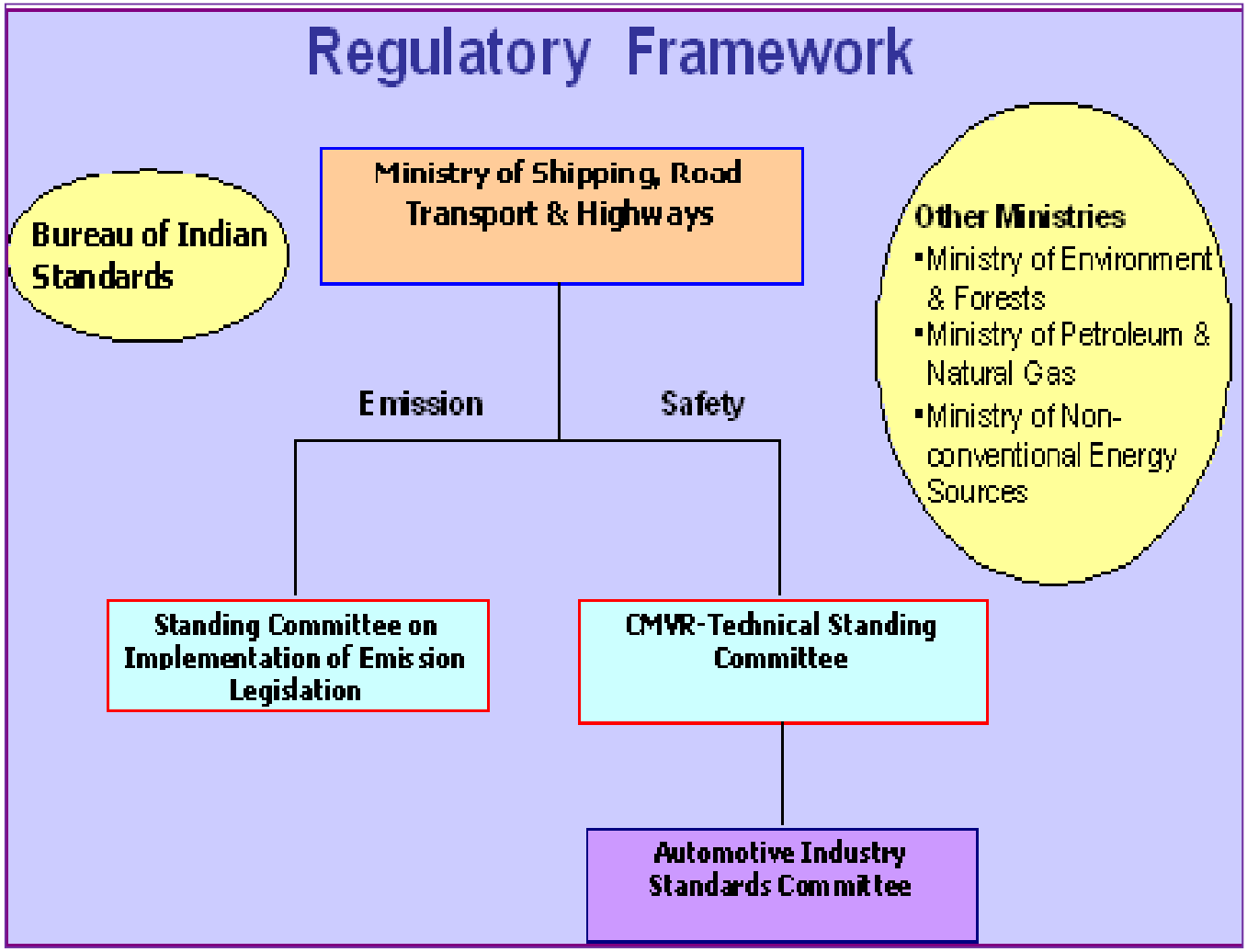



Source: SIAM Statistics

# Production of Automobiles in India (number of vehicles)




Source: SIAM Statistics


Regulatory Framework
Bureau of Indian Standards
Ministry of Shipping, Road Transport & Highways
Other Ministries
•Ministry of Environment & Forests
•Ministry of Petroleum & Natural Gas
•Ministry of Non-conventional Energy Sources
Emission
Safety
Standing Committee on Implementation of Emission Legislation
CMVR-Technical Standing Committee
Automotive Industry Standards Committee

Source: SIAM

# Foreign Investment in India's Automobile industry

- Policy initiatives by the Government to promote FDI in the industry:
  - Automatic approval for foreign equity investment up to 100% on manufacture of automobiles and components.
  - De-licensing of the automobile industry.
- Recognizing India's potential as a big automobile trade mart - Japanese, European, Korean, French, Italian and American automobile companies set up manufacturing base here/joined hands with Indian firms to launch their products.
- India emerged as an outsourcing hub for auto parts for international companies such as Ford, General Motors, Daimler Chrysler, Fiat, Volkswagon, and Toyota.
- Companies are present as wholly owned subsidiaries and joint ventures; manufacture locally and some even own R&D centres.
- Entry of global auto-majors significantly altered the Indian manufacturing scenario. Changes in design/adaptation of international technologies has enabled the industry to restructure itself, absorb newer technologies and thus compete globally.

# Export Orientation of India's Automobile industry

| Exports as a percentage of total production | | | | | | |
|---|---|---|---|---|---|---|
| **Category** | **2003-04** | **2005-06** | **2006-07** | **2007-08** | **2008-09** | **2009-10** |
| Two Wheelers | 4.7 | 6.7 | 7.3 | 10.2 | 11.9 | 10.9 |
| Passenger Vehicles | 13.1 | 13.4 | 12.8 | 12.3 | 18.3 | 19 |
| Commercial Vehicles | 6.3 | 10.4 | 9.5 | 10.8 | 10.2 | 7.9 |
| Three Wheelers | 19.1 | 17.7 | 25.9 | 28.2 | 29.8 | 28 |
| Grand Total | 6.6 | 8.3 | 9.1 | 11.4 | 13.7 | 12.8 |

Source: SIAM

- Export orientation is continuously increasing.
- Exports of almost all vehicle types: two-wheelers account for around two-third share. Passenger vehicles, three wheelers and commercial vehicles have around 18%, 11% and 5% shares respectively.
- Even during 2008-09, overall automobile exports registered a growth of 26.5% with all segments except commercial vehicles registering positive growth.
- Between 2001-02 and 2007-08, automobile exports from India witnessed a CAGR of >30%. Nearly half of two-wheeler exports in 2007-08 were to **Asia**. A sizeable volume of passenger vehicles were exported to **Europe**, followed by **Africa and L. America**.
- India overtook China in auto exports in 2009 and is challenging Thailand and S. Korea as an alternative production centre in Asia.

# Some Key Players in India's Automobile Industry

| Segment | Sub-Segment | Examples | Operations |
|---|---|---|---|
| Cars and MUV/SUV | Compact Cars | Maruti Suzuki India Limited (India-Japan) | Design, mfg, and exports to several countries. |
| | | Hyundai Motor Company (S.Korea) | Second largest car manufacturer and largest exporter, exports to >110 countries. |
| | Mid-size and full-size cars | Tata Motors (India) | Design, mfg and exports to African countries, Europe, Middle East, Asia. |
| | | Ford Motor Co. (USA) | Design, manufacturing and exports. Dedicated plant for car/engine exports in A.Pacific and Africa. |
| | Luxury/ Premium | BMW (Germany) | India-based mfg unit mainly caters to local markets. |
| | | Merc. Benz (Germany) | India-based mfg unit mainly caters to local markets. |
| | SUVs/ MUVs | M&M (India) | Design, mfg, export to US,Europe,S. Africa, Australia. |
| | | Toyota (Japan) | Design, manufacturing and exports |
| Two Wheelers | Motorcycles | Royal Enfld M. (India) | Design manufacturing and exports |
| | | Hero and Honda (Japan) | |
| | Scooters | LML (India) | |
| | | Bajaj Auto (India) | |
| | Scooterettes/ Mopeds | TVS Motors (India) | |
| | | Kinetic Motors (India) | |
| Three wheelers | | Bajaj Auto (India) | Design, manufacturing and exports |
| | | Piaggio SpA (Italy) | |

# Some Key Players in India's Automobile Industry Contd.

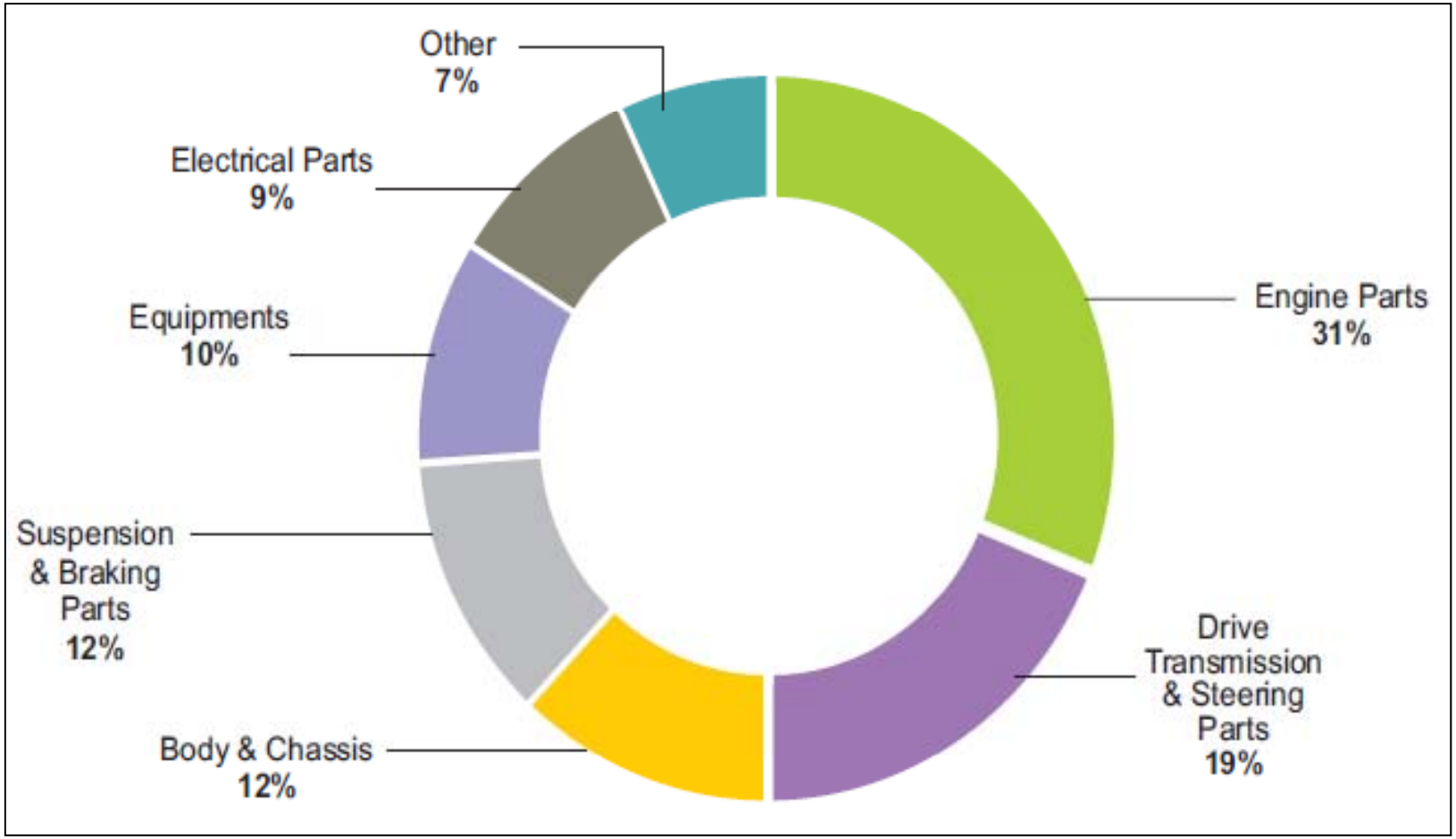
| Segment | Sub-Segment | Examples | Operations |
|---|---|---|---|
| Commercial Vehicles and Buses | Buses | Ashok Leyland (India) | Design, manufacturing and exports |
| | | Volvo (Sweden) | Manufacturing and plans to export in neighbouring markets of Asia |
| | Trucks | Swaraj Mazda (India) | Design, manufacturing and exports |
| | | Volvo (Sweden) | |
| | Tractors | Escorts Ltd. (India) | |
| | | Swaraj Enterprise | |
| | Defence Vehicles | Mahindra & Mahindra (India) | Design and manufacturing, plans to access neighbouring export markets in near future. |
| | | Tata Motors (India) | |
| Marine | Ship-building | Bharati Shipyard Apeejay Shipping Ltd. | Design and manufacturing |
| Aviation | Aircrafts and helicopters | State-run Hindustan Aeronautics Limited. | Manufactures, exports aircraft and helicopters |
| | | Raj Hamsa Ultralights | Aircraft manufacturing and exports |
| Railways | Locomotives | EMD (USA) | Manufactures diesel locomotives in India |
| | | Bombardier (Canada) | Manufactures metro cars |

# India's
# Auto-Component Industry

# India's Auto-Component Industry

- During 2006-07, the auto-component industry has emerged as one of the fastest growing sectors recording 21% growth in output, a turnover of over US$ 15 billion, and exports of US$ 2.9 billion during the year.
- There are around 400 large firms in the organized sector catering largely to OEMs and automotive vehicle manufacturers (AVMs). More than 5000 small-scale firms operate in unorganized sector operate in low technology products, cater to Tier I/II suppliers and serve the replacement market.
- Except some downtrends during recession, the sector has been on a growth trajectory since mid-1990s - witnessing high sales turnover, exports and establishment of manufacturing and marketing bases abroad.
- On the demand side, the trend has been aided by high economic activity and infrastructure development, and growing middle-class. On supply side, skilled inexpensive manpower, strengths in IT and electronics built a favorable environment.
- Global majors such as Delphi Systems, Visteon and Bosch have entered the segment. More than 25 foreign OEMs (GM, Ford Motors, Cummins International, Volkswagen, MAN Trucks and JCB etc.) have IPOs in India to source their global requirements. Indian OEMs such as Tata and M&M are leading on the global scene.

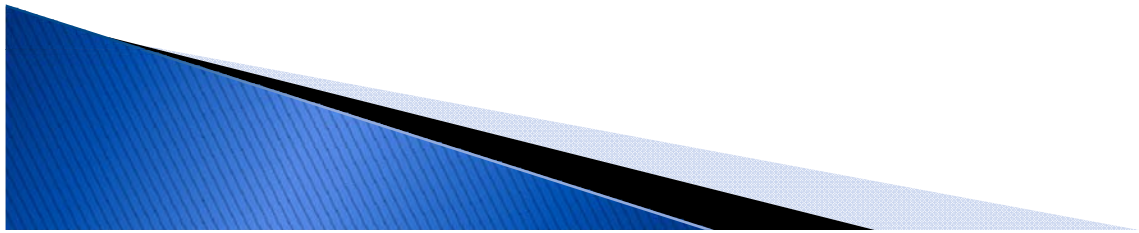
# India's Auto-Component Industry: Product Range




Source: ACMA Statistics

# India's Auto-Component Industry Contd.

- India has emerged as a significant exporter of auto components since the last decade. In 2007-08, exports were valued at ~US$ 3.6 billion and imports ~US$ 3.3 billion, but export orientation is increasing as it rose from 11% in 1997-98 to over 20% in 2007-08.
- Main export partners: Developed countries (USA, Germany and UK) and Asian countries (Bangladesh, Sri Lanka and Nepal).
- Competition from other countries (China, Thailand) is also emerging. Imports of auto-components and (bus and truck) tyres has significantly risen in past few years on account of cost differences, low customs duty and liberal license issuance in India. Between 2007 and 2009, significant decline in these components' exports from India was also recorded.
- However, with increased competition from the global players, OEMs have also been upgrading their technology and are manufacturing better-quality products now.
- India is estimated to become one of the top auto component manufacturing economies by 2020. ACMA has estimated that the exports would reach US$ 20-22 billion by 2015.



# Some Key Players in India's Auto-component Industry

| Primary Specialisn | Examples | Operations |
|---|---|---|
| Electrical parts | Motherson Sumi (India-Japan JV) | Product design, manufacturing, development support and exports; subsidiaries, representative offices in 20 countries. |
| | Delphi (USA) | Manufacturing and exports |
| Equipment | Motherson Sumi (India-Japan JV) | Product design, manufacturing, development support, exports with subsidiaries, representative offices in 20 countries. |
| | Rico Auto Industries (India) | Design, mfg and exports to USA, Europe and Japan |
| Suspension, braking parts | Brakes India (India-UK JV) | Design, manufacturing and exports |
| | Motor Ind. Co. Ltd. (Germany) | Design, manufacturing and exports |
| Drive and transmission steering parts | Bharat Forge (India) | Design, manufacturing and exports to USA and Europe Manufacturing facilities in China, Europe and USA. |
| | Sona Koyo Steering (India-Japan) | Design, manufacturing and exports |
| Engine parts | Hindustan Forge (India) | Manufacturing, exports and supplies |
| | Sundram Fasteners (India) | Design, manufacturing and exports a range of auto-component systems. Mfg. facilities in China, Europe and Malaysia. |
| Fuel mgmt products | UCAL Fuel Sys. (India-Japan JV) | Manufacturing and Exports. Manufacturing facilities in USA |
| Others | Tata Auto Component Syst. (India) | Design, mfg. and export of a range of auto-comp. systems |
| | Visteon (USA) | Mfg, exports a wide range of auto-component systems |
| R&D | Rico Auto Ind. (India), GM, Daimler Chrysler, Bosch (Germany), Suzuki (Japan), Visteon (US) etc. - software development centres for automotive solutions to cater to global requirements. | |

# To sum up...

- The industry has been evolving over the years, meeting up with challenges/transitions, consolidating/restructuring and adapting to new market conditions.
- The domestic demand is increasing due to a number of factors.
- With saturation of traditional automobile markets (EU, USA and Japan), growth opportunities for emerging markets such as India are increasing.
- India is emerging as a global outsourcing hub/manufacturing base for both segments esp. for vehicle design and engineering services (along with China and Mexico).
- The Ministry of Heavy Industries and Public Enterprises has envisaged the Automotive Mission Plan (AMP) 2006-2016 to promote high growth in the sector. Its targets are:

- Increase turnover to US$ 122-159 billion by 2016 from US$ 34 billion in 2006.
- Increase export revenue to US$ 35 billion by 2016.
- Account for >10% of GDP and provide additional employment to 25 million people.
- Provide employment to additional 25 million people by 2016.

# The challenges ahead...

The Government of India is promoting development of public transport and the overall logistics sector. In the coming years, the sector is expected to witness a number of changes - segment shifts, driven by rising incomes, desire for safety/comfort and imposition of government regulations.

- Infrastructural constraints.
- Rising oil prices
- Recession in the west: Expanding and reaching out to a wider export market
- Innovating new technologies and new models with higher fuel efficiencies.
- Adapting to use alternative energy
- Use of recyclable materials

# THANK YOU