CHAPTER I
INTRODUCTION

1.1 Introduction

Indian economy is one of the fastest growing economies in the world. Various sectors contribute to the development of Indian economy. The contribution of service sector to gross domestic product (GDP) is higher than any other sectors. Next to service sector manufacturing sector contributes more to GDP followed by agricultural sector. In the aspect of employment, next to agricultural sector, manufacturing sector gives more employment to people. There are several industries in manufacturing sector, among them automobile industry has been playing prominent role in the aspects of production, sales and employment. Automobile industry is the key driver of Indian economy. It plays a vital role in the economy and industrial development of India. It supports the development of some other industries by the procurement of raw material, those basic industries are steel, metal, plastic, petrochemicals, rubber, glass, and so on. These industries give more employment opportunity to people directly and indirectly. The success of an industry depends on industrial units consisted in such industry. Hence, the study on the units (companies) is getting importance.

The automobile industry is one of the fastest growing industries in India. It is also one of the largest in the world, it is the sixth largest in the
world in terms of passenger car and commercial vehicle manufacturing. This industry also helps to raise foreign currency by exports averagely 1.5 million vehicles every year.¹

The increasing demand for Indian cars on the foreign shores has helped the country’s automobile industry in two significant ways. First, it has decidedly contributed to the economic growth of the industry. Secondly, it has helped to improve the image of Indian manufacturing infrastructure at a global level. The Indian automobile industry is now riding high on success and the bright picture does tend to obscure the problems and challenges that lay on the track of its growth. Poor road conditions, heavy pollution and large scale traffic related accidents are serious impediments in the way of the industry’s growth. However, steps are being initiated by the government to address these problems at various levels, and solutions are being worked out at a steady pace.

Automobile industry in India has grown faster in the post-liberalization period. This is particularly attributable to the rising middle class income in the recent past and consequent rise of the demand for personalized vehicles. The inflow of FDI in this segment as well as equity participation by foreign firm also could happen because of the reforms and Indian producers both assemblers and component manufactures are increasingly pulled into the global value chain. Despite the fact the recent surge in automobile sales is largely because of the release of pent up demand

put hold during pre-reform regime and of the swelling of the middle class, nonetheless large excess capacities exist in the segment primarily because of the following reasons. First, the demand for automobiles is driven by a growth trajectory that combines together rising per capita income on the one hand and the increasing inequality on the other, the second reason being the imperfect nature of the market that is dominated by a few oligopolies.

The competitiveness in the sector largely depends on the capacity of the industries to innovate and upgrade. The industry will also benefit, if it has strong domestic competition, home based suppliers and demanding local customers. There is no denying the fact that the factors like labour cost, duties, interest rate and economies of scale are the most important determinants of competitiveness. But productivity is the prime determination of the competitiveness. The globally successful original equipment manufacturers and auto makers will ultimately make their base in places which are high on productivity factor and where essential competitive advantage of the enterprise can be created and sustained.

The growth of Indian middle class with increasing purchasing power along with strong growth of economy over a past few years have attracted the major auto manufacturers to Indian market. The market linked exchange rate and availability of trained manpower at competitive cost, have further added to the attraction of Indian domestic market. The increasing pull of Indian market on one hand and the near stagnation in auto sector in market of USA, EU and Japan on the other have worked as a push for shifting of
new capacities and flow of capital to the auto industry of India. The increasing competition in auto companies has not only resulted in multiple choices for Indian consumers at competitive costs, but also has ensured an improvement in productivity by almost 20 percent a year in auto industry, which is one of the highlights in Indian manufacturing sector.²

1.2 World Automobile Industry

Starting in the late 1700s, European engineers began tinkering with motor powered vehicles. Steam, combustion, and electrical motors had all been attempted by the mid 1800s. By the 1900s, it was uncertain which type of engine would power the automobile. At first, the electric car was the most popular, but at the time a battery did not exist that would allow a car to move with much speed or over a long distance. Even though some of the earlier speed records were set by electric cars, they did not stay in production past the first decade of the 20th century. The steam-driven automobile lasted into 1920s. However, the price on steam powered engines, either to build or maintain was incomparable to the gas powered engines. Not only was the price a problem, but the risk of a boiler explosion also kept the steam engine from becoming popular. The combustion engine continually beat out the competition, and the early American automobile pioneers like Ransom E. Olds and Henry Ford built reliable combustion engines, rejecting the ideas of steam or electrical power from the start.

² A. Sumathi, 2012, A Study on Financial Performance of Indian Automobile industry. Published thesis soudhgang online.
Automotive production on a commercial scale started in France in 1890. Commercial production in the United States began at the beginning of the 1900s and was equal to that of Europe. In those days, the European industry consisted of small independent firms that would turn out a few cars by means of precise engineering and handicraft methods. The American automobile plants were assembly line operations, which meant using parts made by independent suppliers and putting them together at the plant. In the early 1900s, the United States had about 2,000 firms producing one or more cars. By 1920, the number of firms had decreased to about 100 and by 1929 to 44. In 1976, the Motor Vehicle Manufacturers Association had only 11 members. The same situation occurred in Europe and Japan.

The first automobile was produced for the masses in the US was the three-horsepower, curved-dash automobile; 425 of them were sold in 1901 and 5,000 in 1904--this model is still praised by collectors. The firm prospered, and it was noted by others, and, from 1904 to 1908, 241 automobile-manufacturing firms went into business in the United States. One of these was the Ford Motor Company which was organized in June 1903, and sold its first car on the following July 23. The company produced 1,700 cars during its first full year of business. Henry Ford produced the Model T to be an economical car for the average American. By 1920, Ford sold over a million cars.
At the beginning of the century the automobile entered the transportation market as a toy for the rich. However, it became increasingly popular among the general population, because it gave travelers the freedom to travel when they wanted to and where they wanted. As a result, in North America and Europe the automobile became cheaper and more accessible to the middle class. This was facilitated by Henry Ford who did two important things. First, he priced his car to be as affordable as possible and second, he paid his workers enough to be able to purchase the cars they were manufacturing. This helped push wages and auto sales upward. The convenience of the automobile freed people from the need to live near rail lines or stations; they could choose locations almost anywhere in an urban area, as long as roads were available to connect them to other places. Many states in the US established motor fuel taxes that were used only to build and maintain highways helping the auto highway system become self-supporting.

It is notable that the popularity of the automobile has consistently moved with the state of the economy, growing during the boom period after World War I and dropping abruptly during the Great Depression, when unemployment was high. The World War II saw a large increase in mass transit, because employment was high and automobiles were scarce. The rapid growth of car owners after World War II, particularly in the United States and Western Europe demonstrated the population's favor towards automobiles. During the war, automobile motors, fuel, and tires fell in short of supply. There was an unsatisfied demand, when the war ended and plenty of production capacity as factories turned off the war machine. Many people
had saved money, because there was little to buy, beyond necessities, in the war years. Workers relied heavily on mass transportation during the war and longed for the freedom and flexibility of the automobile.

A historian has said that Henry Ford freed common people from the limitations of their geography. The automobile created mobility on a scale never known before, and the total effect on living habits and social customs is endless. In the days of horse-drawn transportation, the practical limit of wagon travel was 10 to 15 miles, that meant any community or individual farm more than 15 miles from a city, a railroad, or a navigable waterway was isolated from the mainstream of economic and social life. Motor vehicles and paved roads have narrowed the gap between rural and urban life. Farmers can ship easily and economically by truck and can drive to town when it is convenient. In addition, such institutions as regional schools and hospitals are now accessible by bus and car.

Before the advent of automobile, people both lived in the city and worked in the city, or lived in the country and worked on a farm. Because of the invention of the automobiles, the growth of suburbs has allowed people to live on the outskirts of the city and be able to work in the city by commuting. New jobs due to the impact of the automobile such as fast food, city/highway construction, state patrol/police, convenience stores, gas stations, auto repair shops, auto shops, etc. allow more employment for the world's growing population.3

3 http://l3d.cs.colorado.edu/systems/agentsheets/New-Vista/automobile/ Center for LifeLong Learning and Design (L3D)
Table 1.1
Automobiles Industry - World Production Trends

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<th>Country</th>
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<th>Japan</th>
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<th>6</th>
<th>7</th>
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<th>10</th>
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</thead>
</table>

CAGR (%)

| 2005 | 15.30 | -0.24 | -0.99 | 0.26 | 2.03 | 8.90 | 7.18 | 2.20 | -1.35 | -1.15 |

Source: 2015 Production Statistics International Organization of Motor Vehicle Manufacturers
Table 1.1 shows automobile production by top 10 countries in the world for the period of ten years from 2005 – 2014. China stood first in production of automobile in 2014 followed by USA and Japan. India was ranked 6th in automobile production in 2014 with 38,44,857 vehicles in the year. The results of compounded annual growth rate (CAGR) of automobile production of China was higher (15.30%) than other countries. Total automobile production of the country increased from 57,17,619 units in 2005 to 23,73,1600 units in 2014. India stood second in growth of automobile production in the world with the CAGR of 8.90%. Total automobile production of the country increased from 16,38,674 units in 2005 to 38,44,857 units in 2014. The countries Mexico was ranked third in terms of growth of automobile production during the period. Growth rate of automobile production of South Korea, Brazil and Germany were found to be very low. Growth rate of automobile production of USA, Japan, Spain and Canada was negative, it showed that automobile. Production of these countries decreased during the period.
Figure 1.1

Automobiles Industry - World Production Trends

Source: Table 1.1
Figure 1.1 shows the trend of automobile production of top ten countries in the world for the period of ten years from 2005 to 2014.

1.3 Indian Automobile Industry

About hundred years ago, the first motorcar was imported and Import duty on vehicles was introduced. Indian Great Royal Road (Predecessor of the Grand Trunk Road) was conceived. First car was brought in India by a princely ruler in 1898. Simpson & Co was established in 1840. They were the first to build a steam car and a steam bus, to attempt motorcar manufacture, to build and operate petrol driven passenger service and to import American Chassis in India. Railways first came to India in 1850s. In 1865, Col. Rookes Crompton introduced public transport wagons strapped to and pulled by imported steam road rollers called streamers. In 1919 at the end of the war, a large number of military vehicles came on the roads. In 1942, the Hindustan Motors Ltd. was incorporated and their first vehicle was made in 1950. In 1944 Premier Automobiles Ltd. incorporated and in 1947, their first vehicle was produced. In 1947, the Government of Bombay accepted the scheme of Bajaj Auto to replace the cycle rickshaw by the auto and assembly started in a couple of years under a license from Piaggio. Automobile Products of India (API) and Enfield India had already commenced the manufacture of scooters, motorcycles, mopeds and autos from 1955. In 1956, Bajaj Tempo Ltd. entered the Indian market with a
program of manufacturing commercial vehicles, and Simpson for making engines. AIA&AIA (Association of the Component Manufacturers) came into being in 1959, and the Government approved Bajaj Auto Ltd. plans for domestic manufacture of Vespa scooters and granted permission to produce 6000 units annually.

In sixties, two and three wheeler segment established a foothold in the industry. Escorts and Ideal Jawa entered the field in the beginning of sixties. The Association of Indian Automobile Manufacturers was formally established in 1960. Between 1955 and 1960 only API was producing Mopeds. During the first half of the sixties three, companies namely Mopeds India Ltd. (1965), SZUL Gwalior (1964) and Pearl Scooters Ltd. (1962) entered the area. During the decade of 1970s, there was not much change in the four-wheeler industry except the entry of Sipani Automobiles in the small car market. In the Two Wheeler Industry there were many entries during this decade. Scooter India got established in 1972, Kinetic Engineering entered the industry with a licensed capacity of 100,000 units per annum. Three other companies, namely, Kirloskar Ghatge Patil Auto Ltd, Indian Automotive Ltd. and Sen & Pandit Engg. products Ltd. entered the market during 1971-75. They ultimately withdrew in early eighties. Unlike Motorcycle and Scooter segments the Mopeds segment grew rapidly. In the late seventies there were many entries in the Moped Industry.
Since the 1980s, the Indian car Industry has seen a major resurgence with the opening up of Indian shores to foreign manufacturers and collaborators. The first phase of liberalization was announced and unfair practices of monopoly, oligopoly, etc slowly disappeared. It was the beginning of Liberalization of the protectionism policies of the Government. Lots of new Foreign Collaborations came up in the eighties. Many companies went in for Japanese collaborations. Hindustan Motors Ltd. in collaboration with Isuzu of Japan introduced the Isuzu truck in early eighties. The Two Wheeler market has increased since 1982, the Government had permitted foreign collaborations for the manufacturing of Two Wheelers up to 100 cc engine capacity. Foreign Equity up to 40 per cent was also allowed. In 1983, Maruti Udyog Ltd. was started in collaboration with Suzuki, a Japanese firm. The other three Car manufacturers namely, Hindustan Motors Ltd., Premier Automobiles Ltd., Standard Motor Production of India Ltd. also introduced new models in the market. At that time, there were five Passenger Car manufacturers in India - Maruti Udyog Ltd., Hindustan Motors Ltd., Premier Automobiles Ltd., Standard Motor Production of India Ltd. and Sipani Automobiles. Ashok Leyland Ltd. and Telco were strong players in the Commercial Vehicles sector. In 1983-84 the Bajaj Tempo Ltd. entered into collaboration with Daimler-Benz of Germany for manufacture of LCVs. Important policy changes like relaxation in MRTP and FERA, delicensing of some ancillary
products, broad banding of the products, modifications in licensing policy, concessions to private sector (both Indian and Foreign) and foreign collaboration policy etc. resulted in higher growth and better performance of the industry than in the earlier decades.

Beginning with mid-1991 the government of India has made some radical changes in polices bearing on trade, foreign investment, exchange rate, industry, fiscal affairs and so on. Mass Emission Norms were introduced in 1991 for Petrol Vehicles and in 1992 for Diesel Vehicles. In 1991, new Industrial Policy was announced. It marked the death of the License Raj and allowed the Automobile Industry to expand. Further, tightening of Emission norms was done in 1996. In 1997, National Highway Policy was announced which had a positive impact on the Automobile Industry. The Indian Automobile market in general and Passenger Cars in particular, have witnessed liberalization. Many multinationals like Daewoo, Peugeot, General Motors, Mercedes-Benz, Honda, Hyundai, Toyota, Mitsubishi, Suzuki, Volvo, Ford and Fiat entered the market. Various companies are coming up with the state of-art models of vehicles. TELCO has diversified in Passenger Car segment with Indica. Despite the adverse trend in the growth of the industry, it has been resolutely trying to meet the challenges. Various issues of critical importance to the industry have been dealt with forcefully. In 1999, The Hon’ble Supreme Court passed an order
directing all car manufacturers to comply with Euro I emission norms (India 2000 norms) by the 1st of May 1999 in National Capital Region (NCR) of Delhi. The deadline was later extended to 1st June 1999. The 90s have become the melting point for the car industry in India. The consumer is the king. He is being constantly wooed by both the Indian and foreign manufacturers. Though sales had taken a dip in the first few months of 1999, it was back to boom in course of time. New models like Maruti Suzuki India Ltd.’s Classic, Alto, Station Wagon, Ford’s Ikon and the new look Mitsubishi Lancer have all been launched with an eye on the emerging market.

**1.4 Growth of Indian Automotive Industry**

It is well known that automotive Industry offers huge growth potential in terms of sales volume (including exports) and also immense employment opportunities. The likely future volumes of different vehicle categories were estimated on the basis of projections made by iMaCS, NCAER and AT Kearney. The value of projected domestic output was computed, based on historical average vehicle prices. Export potential was estimated on the basis of current trends and possible opportunities in major export destinations. Demand for after-market auto components and export output was also included in computing growth potential of the industry. The
unit values of different vehicle categories in 2016 have been estimated keeping in view the need for compliance with emissions and crash standards.

It is expected that the world production of Auto-Components would reach USD 1.7 Trillion by 2015. About USD 700 billion worth of auto-components shall be sourced out from low cost countries (LCCs) by 2016. If India targets to get a 10 per cent share of this potential, it would mean USD 70 billion, nearly five times the current total size of the industry in India. However, this Mission Document has set a modest target of USD 25 billion by 2016 for export of auto components.

The projected size in 2016 of the Indian automotive industry varies between USD 122 billion and USD 159 billion including USD 35 billion exports. This translates into a contribution of 10-11 per cent to India’s GDP by 2016, that is, double the current contribution. The total size of the auto component industry in India is expected to become USD 40-45 billion by 2016. This calls for a major focus and policy initiative to market India as an attractive “Manufacturing Destination”.

The automotive industry also promises significant employment opportunities. Large number of workers, both skilled and unskilled, will be required to sustain the increased level of production. A large part of the employment would also be indirect, for sales, finance, insurance, mechanics and other after-sales personnel for both semi-skilled and unskilled workers
in rural and semi-urban areas. While direct employment is by way of workers engaged in the production of automobiles and auto components, indirect employment is generated in feeder and supplier industries of the automotive industry, such as the vehicle financing and insurance industry, vehicle repair, service and maintenance outfits, automobile and auto component dealers and retailers, vehicle drivers, tyre industry, amongst others. It is estimated that, on a conservative basis, 5.3, 13.3, 0.5 and 3.9 units of direct and indirect employment are generated per unit of car, Commercial Vehicles, 2-wheeler and 3-wheeler produced respectively. This translates into an additional employment generation of 25 million by the automobile industry by 2016.

It means, specialists in the areas of R&D, technology, product development, logistics and operations would also be required. Availability of such requirements will not only be an opportunity, but getting adequately trained personnel will also become a major challenge.

1.5 Contribution of Automobile Industry in Economy

Automobile industry gives important contribution to the country’s fast development. It caters to the requirement of equipments for basic industries like steel, nonferrous metals, fertilizers, refineries, petrochemicals, shipping, textiles, plastics, glass, rubber, capital equipment’s, logistics, paper, cement, sugar etc. It facilitates the improvement in various
infrastructure facilities like power, rail and road transport. Due to its deep forward and backward linkages with almost every segment of economy, the industry has a strong and positive multiplier effect and thus, propels progress of a nation. The automotive industry comprises of the automobile and auto component sectors. It includes passenger cars; light, medium and heavy commercial vehicles; multi-utility vehicles such as jeeps, scooters, motor cycles, three wheelers, tractors, etc; and auto components like engine parts, drive transmission parts, suspension and breaking parts, electrical, body and chassis parts etc. In India, automotive is one of the largest industries showing impressive growth over the years and has been significantly making increasing contribution to overall industrial development in the country. The sector has shown great advances in terms of development, spread and absorption of newer technologies and flexibility in the wake of changing business scenario. It is also finding increasing recognition worldwide and a beginning has been made in the exports of vehicles as well as components.

**1.6 The Present Scenario of Indian Automobile Industry**

The Automobile Industry in India is one of the largest and is the fastest growing industries. There has been a dramatic development and change in Automobile Industry, particularly for the last couple of years. Even the Indian automotive industry today operates in terms of the dynamics of an open market like the automobile and the auto-component industries,
which constitute the automotive industry, exhibit a good balance of domestic and foreign players. A Nation’s economy flourishes and becomes well known on account of its transport system. As India’s transport network is developing at a fast speed, Indian Automobile Industry is growing too. Also, the Automobile industry has strong backward and forward linkages, and hence provides employment to a large part of the population. Thus, the role of Automobile Industry is very essential in Indian economy. With many companies now concentrating more on customer needs and price factors, there has been a sharp rise. In the number of Automobile industry includes two wheelers, three wheelers, commercial vehicles and passenger vehicles.

The production trend is given in the table 1.2.

### Table 1.2

Indian Automobiles Industry - Production Trends

<table>
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<tr>
<th>Category</th>
<th>Passenger Vehicles</th>
<th>Commercial Vehicles</th>
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<th>Two Wheelers</th>
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Source: Society of Indian Automotive Manufacturing (SIAM)
It could be seen from table 1.2 that total production of automobile increased during the period from 2005 -06 to 2014 – 15. High rate of increase in total automobile production during 2009 -10 and 2010-11. A small decline was found in total automobile production during 2007 – 08 by 2.11 per cent. It was also found that passenger vehicle went up by 9.42 per cent during the period, production of two wheelers also got a high growth during the study period by 9.29 per cent. Production of three wheelers in India increased by 8.13 per cent during the period, production of commercial vehicles increased during the period, but the rate of growth was comparatively lower than growth rate other automobile products,

**Figure 1.2**

**Indian Automobiles Industry - Production Trends**

Source: Table 1.2
Table 1.3
Indian Automobiles Industry - Sales Trends
(Number of Vehicles)

<table>
<thead>
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<th>Category</th>
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<th>Two Wheelers</th>
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<td>7872334</td>
<td>10123988</td>
<td>13.67</td>
</tr>
<tr>
<td>2007-08</td>
<td>1549882</td>
<td>490494</td>
<td>364781</td>
<td>7249278</td>
<td>9654435</td>
<td>-4.64</td>
</tr>
<tr>
<td>2008-09</td>
<td>1552703</td>
<td>384194</td>
<td>349727</td>
<td>7437619</td>
<td>9724243</td>
<td>0.72</td>
</tr>
<tr>
<td>2009-10</td>
<td>1951333</td>
<td>532721</td>
<td>440392</td>
<td>9370951</td>
<td>12295397</td>
<td>26.44</td>
</tr>
<tr>
<td>2010-11</td>
<td>2501542</td>
<td>684905</td>
<td>526024</td>
<td>11768910</td>
<td>15481381</td>
<td>25.91</td>
</tr>
<tr>
<td>2011-12</td>
<td>2618072</td>
<td>809532</td>
<td>513251</td>
<td>13435769</td>
<td>17376624</td>
<td>12.24</td>
</tr>
<tr>
<td>2012-13</td>
<td>2686429</td>
<td>793150</td>
<td>538291</td>
<td>13797748</td>
<td>17815618</td>
<td>2.53</td>
</tr>
<tr>
<td>2013-14</td>
<td>2503509</td>
<td>632851</td>
<td>480085</td>
<td>14806778</td>
<td>18423223</td>
<td>3.41</td>
</tr>
<tr>
<td>2014-15</td>
<td>2601111</td>
<td>61496</td>
<td>531927</td>
<td>16004581</td>
<td>19752580</td>
<td>7.22</td>
</tr>
<tr>
<td>CAGR (%)</td>
<td>8.57</td>
<td>-15.99</td>
<td>3.98</td>
<td>8.54</td>
<td>8.29</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Society of Indian Automotive Manufacturing (SIAM)

Table 1.3 shows that sales of all types of vehicle increased considerably during the period. CAGR of total sales was 8.29 per cent. Total sales of Indian automobile products increased at high rate during 2009 – 10 and 2010 – 11. But during 2007 – 08 there was a decrease in sales of automobile products by 4.64 percent. Sales of passenger vehicles increased considerably during the period by 8.57 per cent. Sales of two wheelers also increased at a considerable rate as per the results of CAGR at 8.54 per cent. Growth rate of sale of three wheelers was low (3.98 per cent) compared to growth rate of passenger vehicles, two wheelers and total sales. But sales of commercial vehicles decreased at very high rate during the period by 15.99 per cent.
Figure 1.3

Indian Automobile Industry Sales Trend

Table 1.4

Indian Automobiles Industry - Exports Trends

(Yearly Growth (In per cent))

<table>
<thead>
<tr>
<th>Category</th>
<th>Passenger Vehicles</th>
<th>Commercial Vehicles</th>
<th>Three Wheelers</th>
<th>Two Wheelers</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>175572</td>
<td>40600</td>
<td>76881</td>
<td>513169</td>
<td>806222</td>
</tr>
<tr>
<td>2006-07</td>
<td>198452</td>
<td>49537</td>
<td>143896</td>
<td>619644</td>
<td>1011529</td>
</tr>
<tr>
<td>2007-08</td>
<td>218401</td>
<td>58994</td>
<td>141225</td>
<td>819713</td>
<td>1238333</td>
</tr>
<tr>
<td>2008-09</td>
<td>335729</td>
<td>42625</td>
<td>148066</td>
<td>1004174</td>
<td>1530594</td>
</tr>
<tr>
<td>2009-10</td>
<td>446145</td>
<td>45009</td>
<td>173214</td>
<td>1140058</td>
<td>1804426</td>
</tr>
<tr>
<td>2010-11</td>
<td>444326</td>
<td>74043</td>
<td>269968</td>
<td>1531619</td>
<td>2319956</td>
</tr>
<tr>
<td>2011-12</td>
<td>507318</td>
<td>92663</td>
<td>362876</td>
<td>1947198</td>
<td>2910055</td>
</tr>
<tr>
<td>2012-13</td>
<td>554686</td>
<td>79944</td>
<td>303088</td>
<td>1960941</td>
<td>2898659</td>
</tr>
<tr>
<td>2013-14</td>
<td>596142</td>
<td>77050</td>
<td>353392</td>
<td>2084000</td>
<td>3110584</td>
</tr>
<tr>
<td>2014-15</td>
<td>622470</td>
<td>85782</td>
<td>407957</td>
<td>2457597</td>
<td>3573806</td>
</tr>
<tr>
<td>CAGR (%)</td>
<td>13.49</td>
<td>7.77</td>
<td>18.16</td>
<td>16.96</td>
<td>16.06</td>
</tr>
</tbody>
</table>

Source: Society of Indian Automotive Manufacturing (SIAM)
It was observed from Table 1.4 that export of total automobile products from India increased substantially during the period from 2005-06 to 2014-15. The calculated vehicle of CAGR of total export of automobile products was 16.06 per cent. Except during 2012–13, during all other years export of automobile products from India increased at high rates. Growth rate of export of three wheelers from India was more than other automobile products (18.16 per cent). Export of passenger vehicles went up by 13.49 per cent during the period. Comparatively low rate of growth was found in export of commercial vehicles from India.

**Figure 1.4**

**Indian Automobiles Industry - Exports Trends**

Source: Table 1.4
1.7 The Future of Indian Automobile Industry

The Automotive Industry of India has a tremendous growth occupying a key place on the canvas of Indian economy, due to the growth of the transportation system in India.

1.7.1 Factors determining the growth of the industry

- Fuel economy and demand for greater fuel efficiency is a major factor that affects consumer purchase decision that will bring leading companies across two-wheeler and four-wheeler segment to focus on delivering performance-oriented products.
- Sturdy legal and banking infrastructure.
- Increased affordability, heightened demand in the small car segment and the surging income of the Indian population.
- India is the third largest investor base in the world.
- The Government technology modernization fund is concentrating on establishing India as an auto-manufacturing hub.
- Availability of inexpensive skilled workers.
- Industry is pursuing to elevate sales by knocking on the doors of women, youth, rural and luxury segments.
- Market segmentation and product innovation.

The Indian automobile industry has a prominent future in India. Apart from meeting the advancing domestic demands, it is penetrating the
international market too. Favoured with various benefits such as globally competitive auto-ancillary industry; production of steel at lowest cost; inexpensive and high skill manpower; entrenched testing and R & D centers etc., the industry provides immense investment and employment opportunities.

For the impressive future of the Indian automobile industry the Government of India and the automotive industry had jointly set a road map for Automotive Mission Plan (AMP) 2006-16. The Automobile Mission Plan (AMP) for the period 2006–2016, designed by the government is aimed at accelerating and sustaining the growth in this sector. Also, the well-established Regulatory Framework under the Ministry of Shipping, Road Transport and Highways, plays a part in providing a boost to this sector.

According to the SIAM website, the AMP was first launched in 2006 for a 10-year period ending in 2016. The plan had a vision that India would emerge as a favorable production location for global automakers, for vehicles and automotive components, with output targeted to reach US$45 billion by 2016, accounting for more than 10 per cent of GDP and providing additional employment for 25 million people by the target year. The plan primarily focused on boosting competitiveness in the domestic vehicle manufacturing industry and the flow of technology, demand, brand building, and infrastructure, export and international business, environmental and safety standards, and human resource development.
The AMP 2016 plan envisioned India as the seventh largest automotive market globally by the target year, as compared to the eleventh position during 2006, and to be the fourth largest truck producer in the world. However, SIAM earlier predicted that the industry would miss the ambitious targets, owing to the weak market conditions in recent years.

The second phase of the AMP, which was first launched in 2006 and lasted until 2016 revealed the latest roadmap for the country's automotive industry, known as the Automotive Mission Plan for 2016–26, with ambitious growth development plans. It is a market with a huge potential for growth, but a China-like market surge is not expected. Indeed, the economic crisis of 2013 and subsequent slowdown has hurt the automotive industry, which has also been dragged down by slower economic growth, inflation, high interest rates and expensive fuel. However, stronger sales recovered over the past little duration have caused renewed optimism. India is also a substantial auto exporter, with solid export growth expectations for the near future. Looking at the facts, there are ample reasons to be optimistic about the automotive industry’s future in India. Ultimately to conclude, the Indian automobile industry seems to be the strongest growing market of all automobile industries present crossways the globe at current.

1.8 Domestic Market Share for 2014-15

The table below shows that, the domestic automobile industry market is divided into four divisions. They are: passenger car, commercial vehicle,
three wheelers and two wheelers. In these divisions, two wheelers segment occupies the highest portion of market share (81 per cent) in the total market.

### Table 1.5

**Domestic Market Share**

<table>
<thead>
<tr>
<th>Domestic Market Share for 2014-15</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Vehicles</td>
<td>13</td>
</tr>
<tr>
<td>Commercial Vehicles</td>
<td>3</td>
</tr>
<tr>
<td>Three Wheelers</td>
<td>3</td>
</tr>
<tr>
<td>Two Wheelers</td>
<td>81</td>
</tr>
<tr>
<td>Grand Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Society of Indian Automotive Manufacturing (SIAM)

#### 1.9 Challenges Faced by The Indian Automobile Industry

Sustaining the growth rate; there is a potential for much higher growth in the domestic market due to the fact that the current car penetration level in India is just 7 cars per thousand persons. The increase in purchasing power at the top income group people in the country, where the per capita income is over USD 1000, implies that passenger car growth in the domestic market is on the verge of a major and sustained boom. It is expected that the passenger car market which was 1 million in 2003-2004 can easily cross the 3 million mark by 2015. This can lead to an increase in the size of the domestic auto-component market from the current level of USD 9.8 billion (2005-06) to at least USD 15 billion by 2015.
1.9.1 Need for innovation: The competitiveness in the sector will largely depend on the capacity of the industries to innovate and upgrade. The industry will also benefit if it has strong domestic competition, home based suppliers and demanding local customers. There is no denying the fact that the factors like labour cost, duties, interest rate and economies of scale are the most important determinants of competitiveness. But productivity is the prime determinant of the competitiveness and also impacts the national per capita income. The globally successful OEMs and auto makers will ultimately make their base in places which are high on productivity factor and where essential competitive advantages of the enterprise can be created and sustained.

1.9.2 Enhancement of share of auto component in global trade: The global auto component industry is estimated to be USD 1.2 trillion in value and is likely to increase to USD 1.7 trillion by 2015. Sourcing from low cost countries is likely to increase from USD 65 billion in 2002 to USD 375 billion by 2015. Although India’s exports are still small (USD 1.8 Billion in 2005-06), it has opportunity to leverage this trend by expanding its supply base to build dominant position amongst auto component low cost countries by 2015. A position in the top two would enable India to achieve export of USD 20-25 billion by 2015. This would increase India’s share of world auto component trade from 0.9 percent in 2005-06 (Provisional) to 2.0-2.5 percent by 2015, inclusive of domestic consumption. Such a high growth in the Auto component Sector is expected to lead to an additional 750,000 direct jobs in tiny sectors besides the indirect employment of 1.8 million
people over the next 10 years. In addition to creating incremental employment of about 2.5 million people in direct and indirect jobs, it is also expected to result in incremental revenue of USD 3.8 billion to the exchequer. It is certain that Investments in this sector would grow by USD 15 billion from the current level of USD 3.1 billion.\(^4\)

### 1.10 Auto Components Industry

The global auto component industry was estimated to be US $1.2 trillion in value and is likely to increase to US $1.7 trillion by 2015. Sourcing from countries like India is likely to increase from US $65 billion in 2002 to US $375 billion by 2015\(^1\).

India has set to emerge as the destination of choice in the world for design and manufacture of automobile and auto components with its annual output reaching a level of US$145 billion, accounting for more than 10 per cent of the GDP and providing additional employment to 25 million people by 2016. The turn-over of the Indian auto component industry was likely to touch US$40 billion by 2015-16.\(^5\)

### 1.11 Employment Opportunities

There are a wide range of jobs available in the automobile industry in 2016. With the number of vehicles available on the road today, the need and requirement for people who can fix these machines is fast increasing. Careers like automobile technicians, car or bike mechanics are a great

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\(^4\) Automotive mission plan 2006-2016.

\(^5\) Automotive Mission Plan of Government of India.
option. Becoming a diesel mechanic is also a significant alternative. Diesel mechanics are responsible for repairing and servicing diesel engines. As they are also required to repair engines of trucks and buses, other than cars, they are provided with hefty wages.

One who is endowed with good communication the opportunity of becoming a salesperson or sales manager in an automobile company. Career opportunities in automobile design, painting, job on the assembly line and insurance of vehicles are also available.

1.12 Employment Trends

The Automotive Mission Plan for the period of 2006-2016 aims to make India emerge as a global automotive hub. The idea is to make India the destination point for design and manufacture of automobiles and auto components, with outputs soaring to reach US$ 145 billion which is basically accounting for more than 10 per cent of the GDP. This would also provide further employment to over 25 million people by 2016 making the automobile the sunrise sector of the economy.

According to the Confederation of Indian Industry, the automobile sector currently employs over 80 lac people. An extension in production in the automobile industry is forecasted, it is likely to rise to ₹ 6,00,000 crore by 2016.⁶

⁶ http://info.shine.com/
1.13 Profile of the Selected Automobile Companies

1.13.1 Tata Motors Limited

Tata Motors Limited is an Indian multinational automotive manufacturing company headquartered in Mumbai, Maharashtra, India and a subsidiary of the Tata Group. Its products include passenger cars, trucks, vans, coaches, buses, construction equipment and military vehicles. It is the world's seventeenth-largest motor vehicle manufacturing company, fourth-largest truck manufacturer and second-largest bus manufacturer by volume.\(^7\) Tata Motors has auto manufacturing and assembly plants in Jamshedpur, Pantnagar, Lucknow, Sanand, Dharwad and Pune in India, as well as in Argentina, South Africa, Thailand and the United Kingdom. It has research and development centers in Pune, Jamshedpur, Lucknow and Dharwad, India, and in South Korea, Spain, and the United Kingdom. Tata Motors' principal subsidiaries include the British premium car maker Jaguar Land Rover (the maker of Jaguar, Land Rover and Range Rover cars) and the South Korean commercial vehicles manufacture Tata Daewoo. Tata Motors has a bus manufacturing joint venture with Marcopolo S.A. (Tata Marcopolo), a construction equipment manufacturing joint venture with Hitachi (Tata Hitachi Construction Machinery), and a joint venture with Fiat which manufactures automotive components and Fiat and Tata branded vehicles.

\(^7\) “Financials of Tata Motors Limited” (http://money.cnn.com/magazines/fortune/global 500/2012/snapshots/11629.html). CNN.
The company was founded in 1945 as a manufacturer of locomotives, the company manufactured its first commercial vehicle in 1954 in collaboration with Daimler-Benz AG, which ended in 1969. Tata Motors entered the passenger vehicle market in 1991 with the launch of the Tata Sierra, becoming the first Indian manufacturer to achieve the capability of developing a competitive indigenous automobile. In 1998, Tata launched the first fully indigenous Indian passenger car, the Indica, and in 2008 launched the Tata Nano, the world's most affordable car. Tata Motors acquired the South Korean truck manufacturer Daewoo Commercial Vehicles Company in 2004 and purchased Jaguar Land Rover from Ford in 2008. Tata Motors is listed on the Bombay Stock Exchange, where it is a constituent of the BSE SENSEX index, the National Stock Exchange of India and the New York Stock Exchange. Tata Motors was ranked 5th in the 2014 ET 500 ranking in India.

In 2004, Tata Motors acquired Daewoo’s South Korea-based truck manufacturing unit, Daewoo Commercial Vehicles Company, later renamed it as Tata Daewoo.

On 27 September 2004, Tata Motors rang the opening bell at the New York Stock Exchange (NYSE) to mark the listing of Tata Motors.

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In 2005, Tata Motors acquired a 21 per cent controlling stake in the Spanish bus and coach manufacturer Hispano Carrocera. Tata Motors continued its market area expansion through the introduction of new products such as buses (Starbus & Globus, jointly developed with subsidiary Hispano Carrocera) and trucks (Novus, jointly developed with subsidiary Tata Daewoo).

In 2006, Tata formed a joint venture with the Brazil-based Marcopolo as Tata Marcopolo Bus, to manufacture fully built buses and coaches.

In 2008, Tata Motors acquired the British car maker Jaguar Land Rover, manufacturer of the Jaguar, Land Rover and Daimler luxury car brands, from Ford Motor Company.

In May 2009, Tata unveiled the Tata World Truck Range jointly developed with Tata Daewoo; the range went in sale on South Korea, South Africa, the SAARC countries and the Middle-East at the end of 2009.

Tata acquired full ownership of Hispano Carrocera in 2009.

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11 "Tata Motors, Brazil co form joint venture" (http://www.thehindubusinessline.com/2006/05/06/stories)
In 2009, its Lucknow plant was awarded the "Best of all" Rajiv Gandhi National Quality Award.

In 2010, Tata Motors acquired an 80 per cent stake in the Italian design and engineering company Trilix for €1.85 million. The acquisition formed part of the company's plan to enhance its styling and design capabilities.

In 2012, Tata Motors announced, it would invest around 6 billion in the development of Futuristic Infantry Combat Vehicles in collaboration with DRDO.

In 2013, Tata Motors announced, it would sell in India, the first vehicle in the world to run on compressed air (engines designed by the French company MDI) and dubbed "Mini CAT".
1.13.2 Mahindra and Mahindra Limited

Mahindra and Mahindra Limited (M&M) is an Indian multinational automobile manufacturing corporation headquartered in Mumbai and Maharashtra.\(^\text{14}\) It is one of the largest vehicle manufacturers in India and the largest manufacturer of tractors across the world.\(^\text{15}\) It is a part of Mahindra Group, an Indian conglomerate. It was ranked as the 10th most trusted brand in India, by The Brand Trust Report, India Study 2014. It was ranked 17\(^{th}\) in the list of top companies of India in ET 500 in 2014.\(^\text{16}\)

Mahindra & Mahindra was set up as a steel trading company in 1945 in Ludhiana as Mahindra & Mohammed by brothers K.C. Mahindra and J.C. Mahindra and Malik Ghulam Mohammed.\(^\text{17}\) After India gained independence and Pakistan was formed, Mohammed emigrated to Pakistan. The company changed its name to Mahindra & Mahindra in 1948.\(^\text{18}\) It eventually saw a business opportunity in expanding into manufacturing and selling larger MUVs, starting with the assembly under license of the Willys Jeep in India. Soon established as the Jeep manufacturers of India, the company later commenced manufacturing light commercial vehicles (LCVs)

\(^{14}\) http://www.mahindra.com/


\(^{16}\) ET 500 Companies list 2014


and agricultural tractors. Today, Mahindra & Mahindra is a key player in the utility vehicle manufacturing and branding sectors in the Indian automobile industry with its flagship Mahindra XUV500 and uses India's growing global market presence in both the automotive and farming industries to push its products in other countries.

Over the past few years, the company has taken interest in new industries and in foreign markets. They entered the two-wheeler industry by taking over Kinetic Motors in India. M&M also has a controlling stake in the REVA Electric Car Company and acquired South Korea's SsangYong Motor Company in 2011. In 2010–11, M&M entered in micro drip irrigation with the takeover of EPC Industries Ltd. in Nashik.

Mahindra & Mahindra, branded on its products usually as 'Mahindra', produces SUVs, saloon cars, pickups, commercial vehicles, and two wheeled motorcycles and tractors. It owns assembly plants in India, Mainland China (PRC), the United Kingdom, and has three assembly plants in the United States. Mahindra maintains business relations with foreign companies like Renault SA, France. M&M has a global presence and

21 http://en.wikipedia.org/wiki/Mahindra_%26_Mahindra- Wikipedia, the free encyclopedia
its products are exported to several countries. Its global subsidiaries include Mahindra Europe based in Italy, Mahindra USA Inc., Mahindra South Africa and Mahindra (China) Tractor Co. Ltd.

Mahindra started making passenger vehicles firstly with the Logan in April 2007 under the Mahindra Renault joint venture.\textsuperscript{23} M&M made its maiden entry into the heavy trucks segment with the Mahindra Truck and Bus Division, a joint venture with International Truck, USA.\textsuperscript{24} Mahindra produces a wide range of vehicles including MUVs, LCVs and three wheelers. It manufactures over 20 models of cars including larger, multi-utility vehicles like the Scorpio and the Bolero. It formerly had a joint venture with Ford called Ford India Private Limited to build passenger cars.

At the 2008 Delhi Auto Show, Mahindra executives said, the company was pursuing an aggressive product expansion program that would see the launch of several new platforms and vehicles over the next three years, including an entry-level SUV designed to seat five passengers and powered by a small turbo diesel engine.\textsuperscript{25} True to their word, Mahindra & Mahindra launched the Mahindra Xylo in January 2009, selling over 15,000 units in its first six months.

\textsuperscript{23} Mahindra-Renault Launch Logan (http://timesofindia.indiatimes.com/NEWS/India_Business/Mahindra-Renault_launch_Logan/articleshow/1852835.cms), additional text.
\textsuperscript{24} The Hindu on Mahindra International (http://www.hindu.com/2005/11/18/stories/2005111800721800.htm),.
\textsuperscript{25} Mahindra Looking for Expansion ttp://www.allaboutauto.us/2008/02/13/mahindra_jEEP_another_american_indian_deal_in_the_works.html
Also in early 2008, Mahindra commenced its first overseas CKD operations with the launch of the Mahindra Scorpio in Egypt, in partnership with the Bavarian Auto Group. This was soon followed by assembly facilities in Brazil. The vehicles assembled at the plant in Bramont, Manaus, include Scorpio Pik Ups in single and double cab pick-up body styles as well as SUVs. Mahindra & Mahindra has a controlling stake in Mahindra Reva Electric Vehicles. In 2011, it also gained a controlling stake in South Korea's SsangYong Motor Company.

Mahindra launched its relatively heavily publicised SUV, XUV500, code named as W201 in September 2011. The new SUV by Mahindra was designed in-house and it was developed on the first global SUV platform that could be used for developing more SUVs. In India, the new Mahindra XUV 500 came in a price range between 1,140,000–1,500,000. The company was expected to launch 3 products in 2015 (2 SUVs and 1 CV) and an XUV 500 hybrid. Mahindra's two wheeler segment launched a new scooter in the first quarter of 2015. Besides India, the company also targeted Europe, Africa, Australia and Latin America for this model. Mahindra’s President Mr. Pawan Goenka stated that the company planned to launch six new models in the year. The company launched the CNG version of its mini truck Maxximo on 29 June 2012. A new version of the Verito a diesel and petrol options was launched by the company on 26 July 2012 to compete with Maruti's Dzire and Toyota Kirloskar Motor's Etios.
On 30 July 2015, Mahindra released sketches of a brand new compact SUV called the TUV300 slated to be launched on 10 September 2015. The TUV300 design took cues from a battle tank and used a downsized version of the mHawk engine found on the XUV500, Scorpio and some models of the Xylo. This new engine was christened as the mHawk80.

### 1.13.3 Maruti Suzuki India Limited

Maruti Suzuki India Limited, commonly referred to as Maruti and formerly known as Maruti Udyog Limited, is one of the top leading automobile manufacturers in India. It is a subsidiary of Japanese automobile and motorcycle manufacturer Suzuki. As of November 2012, it had a market share of 37 per cent of the Indian passenger car market. Maruti Suzuki manufactures and sells a complete range of cars from the entry level Alto, to the hatchback Ritz, Celerio, A-Star, Swift, Wagon R, Zen and sedans DZire, Kizashi and SX4, in the 'C' segment Eeco, Omni, Multi Purpose vehicle Suzuki Ertiga and Sports Utility vehicle Grand Vitara.

The company’s headquarters are at No 1, Nelson Mandela Road, New Delhi. In February 2012, the company sold its ten millionth vehicle in India.26

Maruti Udyog Limited was established in February 1981, though the actual production commenced only in 1983. It started with Maruti 800,
based on the Suzuki Alto kei car which at the time was the only modern car available in India. Its only competitors were Hindustan Ambassador and Premier Padmini. Originally, 74 per cent of the company was owned by the Indian government, and 26 per cent by Suzuki of Japan. As of May 2007, the government of India sold its complete share to Indian financial institutions and no longer had any stake in Maruti Udyog. Maruti's history begins in 1970, when a private limited company named Maruti Technical Services Private Limited (MTSPL) was launched on November 16, 1970. The stated purpose of this company was to provide technical know-how for the design, manufacture and assembly of "a wholly indigenous motor car". In June 1971, a company called Maruti Limited was incorporated under the Companies Act and Sanjay Gandhi became its first managing director. "Maruti Limited" went into liquidation in 1977. On 23 June 1980 Sanjay Gandhi died when a private test plane he was flying crashed. A year after his death, and at the behest of Indira Gandhi, the Indian Central Government salvaged Maruti Limited and started looking for an active collaborator for a new company. Maruti Udyog Ltd was incorporated in the same year.

In 1982, a license & Joint Venture Agreement (JVA) was signed between Maruti Udyog Ltd. and Suzuki of Japan. At first, Maruti Suzuki was mainly an importer of cars. In India's closed market, Maruti received the right to import 40,000 fully built-up Suzukis in the first two years, and even after that the early goal was to use only 33 per cent indigenous parts. This
upset the local manufacturers considerably. There were also some concerns that the Indian market was too small to absorb the comparatively large production planned by Maruti Suzuki, with the government even considering adjusting the petrol tax and lowering the excise duty in order to boost sales. Finally, in 1983, the Maruti 800 was released. This 796 cc hatchback was based on the SS80 Suzuki Alto and was India’s first affordable car. Initial product plan was 40 per cent saloons, and 60 per cent Maruti Van. Its local production commenced in December 1983. In 1984, the Maruti Van, with the same three-cylinder engine as the 800, was released. Installed capacity of the plant in Gurgaon, reached 40,000 units.

In 1985, the Suzuki SJ410-based Gypsy, a 970 cc 4WD off-road vehicle, was launched. In 1986, the original 800 was replaced by an all-new model of the 796 cc hatchback Suzuki Alto/Fronte. This is also when the 1,00,000th vehicle was produced by the company. In 1987, followed the company's first export to the West, when a lot of 500 cars were sent to Hungary. Maruti products had been exported to certain neighboring countries already. By 1988, the capacity of the Gurgaon plant was increased to 1,00,000 units per annum.27

1.13.4 Bajaj Auto Limited

Bajaj Auto Limited is an Indian two-wheeler and three-wheeler manufacturing company. Bajaj Auto manufactures and sells motorcycles,
scooters and auto rickshaws. Bajaj Auto is a part of the Bajaj Group. It was founded by Jamnalal Bajaj in Rajasthan in the 1930s. It is based in Pune, Mumbai, with plants in Chakan (Pune), Waluj (near Aurangabad) and Pantnagar in Uttarakhand. The oldest plant at Akurdi (Pune) now becomes for houses the Research and Development Centre.

Bajaj Auto is the world's third-largest manufacturer of motorcycles and the second largest in India. It is the world’s largest three wheeler manufacturer. On 31 March 2013, its market capitalisation was INR 520 billion (US$9.57 billion), making it India's 23rd largest publicly traded company by market value. The ET 500 list for the year 2014 ranked Bajaj Auto at 57th position.28

The Bajaj Auto came into existence on 29 November 1945 as M/s Bachraj Trading Corporation Private Limited. It started off by selling imported two- and three-wheelers in India. In 1959, it obtained a license from the Government of India to manufacture two-wheelers and three-wheelers and it became a public limited company in 1960. In 1970, it rolled out its 1,00,000th vehicle. In 1977, it made a record of selling 100,000 vehicles in a financial year. In 1985, it started producing at Waluj near Aurangabad. In 1986, it created another record of selling 500,000 vehicles in a financial year. In 1995, it rolled out its ten millionth vehicle and produced and sold one million vehicles in a year. With the launch of motorcycles in

28 http://www.bajajauto.com
1986, the company has changed its image from a scooter manufacturer to a two-wheeler manufacturer.

### 1.13.5 Ashok Leyland Limited

Ashok Leyland was founded in 1948 by Raghunandan Saran, a freedom fighter from Punjab. After Independence he was persuaded by India’s first Prime Minister Nehru, to invest in modern industrial venture. Thus, Ashok Motors was incorporated in 1948 as a company to assemble and manufacture Austin cars from England, and the company was named after the founder’s only son Ashok Saran. The company had its headquarters in Rajaji Saalai, Chennai (then Madras) with the plant in Ennore, a small fishing hamlet in the North of Chennai. The Company was engaged in assembly and distribution of Austin A40 passenger cars in India.

It is the 2nd largest commercial vehicle manufacturers in India, 4th largest manufacturer of buses in the world and 16th largest manufacturer of trucks globally. Operating six plants, Ashok Leyland also makes spare parts and engines for industrial and marine applications. It sells about 60,000 vehicles and about 7,000 engines annually. It is the second largest commercial vehicle company in India in the medium and heavy commercial vehicle (M&HCV) segment with a market share of 28 per cent (2007–08). With passenger transportation options ranging from 19 seaters to 80 seaters, Ashok Leyland is a market leader in the bus segment. The company claims to carry over 60 million passengers a day, more people than the entire Indian
rail network. In the trucks segment Ashok Leyland primarily concentrates on the 16 ton to 25 ton range of trucks. However, Ashok Leyland has its presence in the entire truck range starting from 7.5 tons to 49 tons. With a joint venture with Nissan Motors of Japan, the company made its presence in the Light Commercial Vehicle (LCV) segment (<7.5 tons). Ashok Leyland's UK subsidiary Operates has shut down its bus factory in Blackburn, Lancashire. This subsidiary's traditional home in Leeds has also been vacated in favour of a purpose built plant at Sherburnin-Elmet.29

Its founder Raghunandan Saran negotiated with Leyland of Britain for assembly of commercial vehicles as he had envisioned commercial vehicle were more in need at that time than were passenger cars. The company later under Madras State Government and other shareholders finalised for an investment and technology partner and thus, the British based Leyland Motors joined in 1954 with equity participation by Leyland Motors, changing the name of the company to Ashok Leyland. Ashok Leyland then started manufacturing commercial vehicles. Under Leyland's management with British expatriate and Indian executives, the company grew in strength to become one of India's foremost commercial vehicle manufacturers.

The collaboration ended sometime in 1975, but the holding of British Leyland, now a major British Auto Conglomerate as a result of several

mergers agreed to assist in technology, which continued until the 1980s. Post 1975, changes in management structures saw the company launch various advanced vehicles and pioneering innovations in the Indian market, with many of these models continuing to this day with numerous upgrades over the years.

In 1987, the overseas holding by Land Rover Leyland International Holdings Limited (LRLIH) was taken over by a joint venture between the Hinduja Group, the Non-Resident Indian transnational group and IVECO, part of the Fiat Group. Ashok Leyland’s long-term plan to become a global player by benchmarking global standards of technology and quality was soon firmed up. Access to international technology and a US$200 million investment programme created a state-of-the-art manufacturing base to roll out international class products.

In 2007, the Hinduja Group also bought out IVECO’s indirect stake in Ashok Leyland. The promoter’s shareholding now stands at 51 per cent. Today the company is the flagship of the Hinduja Group, a British-based and Indian originated trans-national conglomerate after Hinduja has bought Iveco’s remaining ownership stakes.

Ennore, Tamil nadu in North Chennai [estb. 1948] – Trucks, Buses, Engines, Axles etc.
Hosur, Tamil nadu in Krishnagiri District [estb. 1980] – Two adjacent plants (Hosur-1, Hosur-2, CPPS) for Trucks, Special Vehicles and Power Units.

Alwar, Rajasthan [estb. 1982] – Bus Manufacturing Unit

Bhandara, Maharashtra [estb. 1982] – Gearbox Unit

Pantnagar, Uttarakhand [etsb. 2010] – 75,000 annual capacity in Green field Unit for new generation Platforms and Cabs.


1.13.6 TVS Motor Company Limited

TVS Motor Company Limited, which is part of TVS Group, manufactures motorcycles, scooters, mopeds and auto rickshaws in India. TVS was established by Thirukkurungudi Vengaramaswamy Sundaram Iyengar. He began with Madurai’s first bus service in 1911 and founded T.V.Sundaram Iyengar and Sons Limited, a company that consolidated its presence in the transportation business with a large fleet of trucks and buses under the name of Southern Roadways Limited. When he died in 1955, his sons took the company ahead with several forays in the automobile sector, including finance, insurance, manufacture of two-wheelers, tyres and components. The group has managed to run 33 companies that account for a combined turnover of nearly $3 billion.

http://en.wikipedia.org/wiki/Ashok_Leyland - Wikipedia, the free encyclopedia
Sundaram Clayton, then the flagship company, was founded in 1962 in collaboration with Clayton Dewandre Holdings, United Kingdom. It manufactured brakes, exhausts, compressors and various other automotive parts. The company set up a plant at Hosur in 1978 to manufacture mopeds as part of a new division. A technical collaboration with the Japanese auto giant resulted in the joint-venture Ind Suzuki Limited in 1982 between Sundaram Clayton Ltd and Suzuki Motor Corporation. Commercial production of motorcycles began in 1984.

TVS and Suzuki shared a 19 year long relationship that was aimed at technology transfer to enable design and manufacture of two-wheelers, specifically for the Indian market. Rechristened as TVS-Suzuki, the company brought out several models such as the Suzuki Samurai, Suzuki Shogun and Suzuki Fiero. Differences in opinion on how to run the joint venture eventually led to the partners going their separate ways in 2001 with the company being renamed TVS Motor, relinquishing rights to use the Suzuki name. There was also a 30 month moratorium period during which Suzuki promised not to enter the Indian market with competing two-wheelers. The company also got over a period of labour unrest that required Chairman Venu Srinivasan to take tough measures to resurrect a company that was in a state of turmoil. He would go on to invest in new technology, nurture in-house design, and implement Toyota-style quality programs.
Over the years TVS Motors has grown to be the largest in the group, both in terms of size and turnover, with four state of the art manufacturing plants in Hosur, Mysore and Nalagarh in India and Karawang in Indonesia. TVS Motors is credited with many innovations in the Indian automobile industry, notable among them being the introduction of India's first two-seater moped, the TVS 50cc. The company became the leader in its category of sub 100 cc mopeds, having sold 7 million units. It also introduced the TVS Scooty, which is India's second largest brand in the scooterette segment. The TVS Jive launched in November 2009 became India's first clutch-free motorbike aimed at a stress-free rider experience while the unisex scooter TVS Wego is targeted at urban couples, featuring body-balance technology for easier handling. On 1 June 2012, TVS Motors reported a dip of 5 per cent in its total sales for May 2012. In July 2012, TVS Motors and BMW Motorrad were reported to be in talks for technology sharing. On 8 April 2013, BMW Motorrad and TVS Motor Company signed a cooperation agreement with the aim to develop and produce motorcycles in the segment below 500cc. In July 2013, TVS Motors announced plans to construct a motorcycle assembly plant in Uganda and to introduce two new models suited to the East African environment. The new plant was expected to become operational in 2014.\(^{31}\)

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