II

In this section a brief account of automotive industry in India, its management, administration, key elements, FDI inflows, growth prospects and constraints are mentioned.

The term automotive originated from Greek word *autos* (self), and Latin *motivus* (of motion) to represent any form of self-powered vehicle. This term was proposed by Society of Automotive Engineer (SAE) member Elmer Sperry. The automotive industry covers a wide range of companies and organisations involved in the, research, innovation, design, development, manufacture, marketing, and selling of passenger vehicles, trailer vehicles, motor cycles and mopeds. Revenue wise it is one of the world's most important economic sector. The term automotive industry usually does not include industries dedicated to the maintenance of automobiles following delivery to the end-user such as fuel filling stations.

The automotive industry in India is one of the largest automotive markets in the world. It is a highly technology driven, and capital intensive industry, characterised by substantial economies of scale and varied association with downstream industries making it one of the key industries of the Indian economy with a double digit growth rate. The multifarious auto component sector is the ‘key constituent’ of the automobile industry of India. For almost forty years since India’s independence in 1947, the Indian car market was dominated by two localized versions of ancient European designs-The Morris Oxford known as the Ambassador and the old Fiat. This lack of product activity or choice in the Indian market was mainly due to the Indian government’s complex regulatory system that effectively banned foreign owned operations. The prevalence of infamous license raj made the process of obtaining license extremely difficult for Indian firms wanting to import auto technology. This led to inefficient, unprofitable and technologically obsolete low volume high cost Indian car industry. Both the above car manufacturers, though customised to poor

Indian roads were fuel inefficient as they were based on decumbent technology and outdated design. With government's initiative to reform this sector during 1980s, automotive industry got a fresh lease of life. The automotive industry is involved in the process of designing, manufacturing, and selling motor vehicles. It is estimated that it is a 257 billion dollar market, because it is not just about selling cars to consumers. The services required to maintain cars after the initial sale are part of the automotive aftermarket, these services include the car accessories and repairs vital for the automobile ecosystem to function.

Indian Auto Component Industry covers a wide catalogue of industries that is rubber, iron and alloy steel, plastic, fabrication tools, sheet metal fabrication, mould making, safety gadgets, air conditioning, radiators, oils and grease, electrical fittings, battery industry, interior furnishings, music system, lamps and bulbs, spring manufacturers, etc.

To fulfil the global quality standards the government of India formulated stringent automotive emission regulations, which ensure that vehicles assembled are competitive quality wise and are exportable. FDI in the automotive sector is clearly contributing to India's export growth.

The Indian automotive industry has emerged as a 'sunrise sector'. The Indian automotive sector has been undergoing a stage of rapid growth and capacity formation in recent years. With the government policy regimes on industry , inward FDI , technology and trade evolving from a restrictive phase in pre 1990 to a facilitative one in 1990s and then to a more strategic one in 2000s, both Indian vehicle and component manufacturers have been rapidly upgrading their competitive prowess.

The functioning of automotive industry in India is controlled by ACMA[1] which is the apex body representing the interest of the Indian Auto Component Industry. It was registered under the section 21 of companies' act 1956 and established under the name the All India Automobile and Ancillary Industries Association – AIA and AIA. It is an ISO 9001:2008

[1] Auto Component Manufacturing Association

certified association. The ACMA is actively involved in trade promotion, technology and quality up-gradation, collection, publication and circulation of information related to automotive industry thus playing a very decisive role in the development of this industry. ACMA'S charter is to develop a globally competitive Indian Auto Component industry and step up its contribution to the economy.

ACMA played a very important role in the formulation of policies pertaining to Indian automotive industry. It is being represented on a number of committees of government of India. ACMA is also affiliated with a number of other organisations such as SIAM, ATMA, FICCI, CII, ASSOCHAM etc. All Tier 1 auto component manufacturers are the members of ACMA. The Indian auto component industry is classified into organised and unorganised sector. The organised sector supply to OEMS and after market dealings, supplying high value added engineering components. The unorganised players are mainly catering to replacement market.

ACMA represents around 651 companies distributed across India in the organised sector. It has increased from 543 in the year 2007. Most of the members are concentrated in the Northern and the Western zone. The reason for this concentration is proximity to auto assemblers, skilled labour and availability of power. About 77% of the total auto-industry requirement is fulfilled by organised sector comprised of the members of the ACMA. It was found that there are over 10,000 companies in the unorganised sector.

4.4 INDUSTRY PERFORMANCE:

High interest rate coupled with inflation, weakening of the rupee, volatility in the cost of raw materials and the prices of crude oil, uncertainty in the fuel policy and shaky customer confidence have badly affected the performance of automotive industry in the last couple of years. The coming together of the trough phase of all the segments of the vehicle industry that has further deteriorated the situation. The commercial

vehicles industry has been witnessing de-growth for more than a year and half now, the passenger car sector has hit the road block and for the first time ever the ever buoyant two wheeler segment has also shrunk in growth rate. However the tractor segment has revived due to the impact of a good monsoon. In addition the auto component industry also had to be content with a meagre growth of 5.6 percent during 2012-13, with a turnover of USD 39.7 billion, notwithstanding the average inflation of over 30% in vehicle prices. The revival of the US market and new sweet spots in the emerging markets including Africa give renewed impetus to growth. However ACMA believes that while the market slowdown may have dented the industry's performance in the short- run, significant opportunities exists to enhance the share of automotive industry in the global automotive market. In this direction efforts to build brand India had already been stepped up. Exports have received special thrust through ACMA's participation at several key international Auto shows such as Automechanika Frankfurt, auto show in Hannover, Shanghai, Kuala Lumpur, Johannesburg, Moscow and Dhaka. ACMA actively participated in the India investment Roundtables in Thailand, Indonesia, Vietnam and Iran. It continues to play a key role in promoting a wholesome growth of the component sector. As a special focus to evolve the aftermarket in the country, it entered into a MoU with Messe Frankfurt which culminated into the first ever ACMA Automechanika, New Delhi. Exhibitors from China, Germany, Italy, Russia, Taiwan and United Kingdom participated in the show. ACMA continued its agenda of building stronger linkages between Tier-1 enterprises with Tier-2s & Tier-3s .The Buyer-Seller meet at Pune and Ludhiana received tremendous industry response.

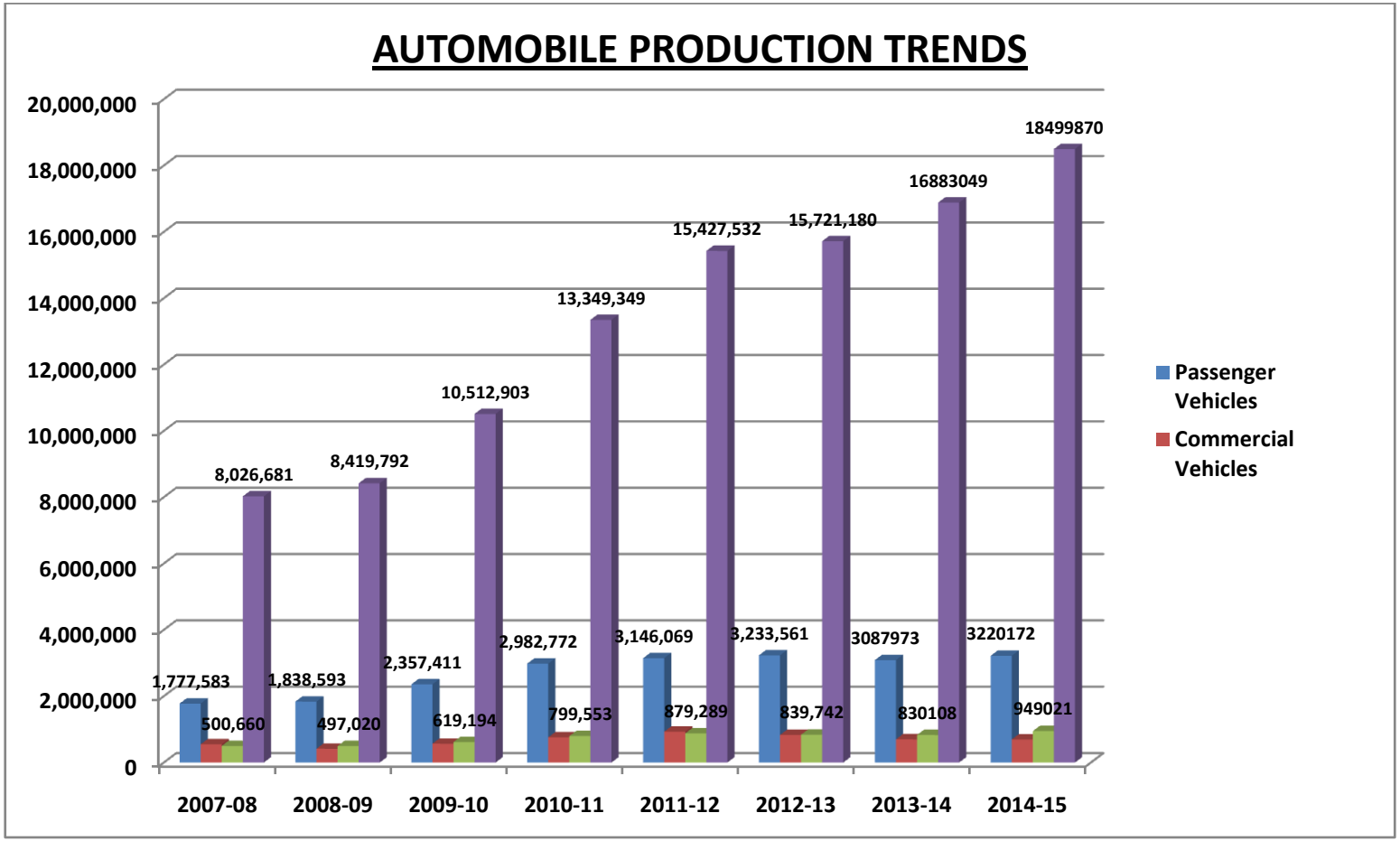
Following tables give a clear picture of the automotive sector in India.

TABLE: 4.7: AUTOMOBILE PRODUCTION TRENDS

(Number of Vehicles)

Category	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Passenger Vehicles	1,777,583	1,838,593	2,357,411	2,982,772	3,146,069	3,233,561	3087973	3220172
Commercial Vehicles	549,006	416,870	567,556	760,735	929,136	831,744	699035	697083
Three Wheelers	500,660	497,020	619,194	799,553	879,289	839,742	830108	949021
Two Wheelers	8,026,681	8,419,792	10,512,903	13,349,349	15,427,532	15,721,180	16883049	18499870
Grand Total	**10,853,930**	**11,172,275**	**14,057,064**	**17892,409**	**20,382,026**	**20,626,227**	**21500165**	**23366246**

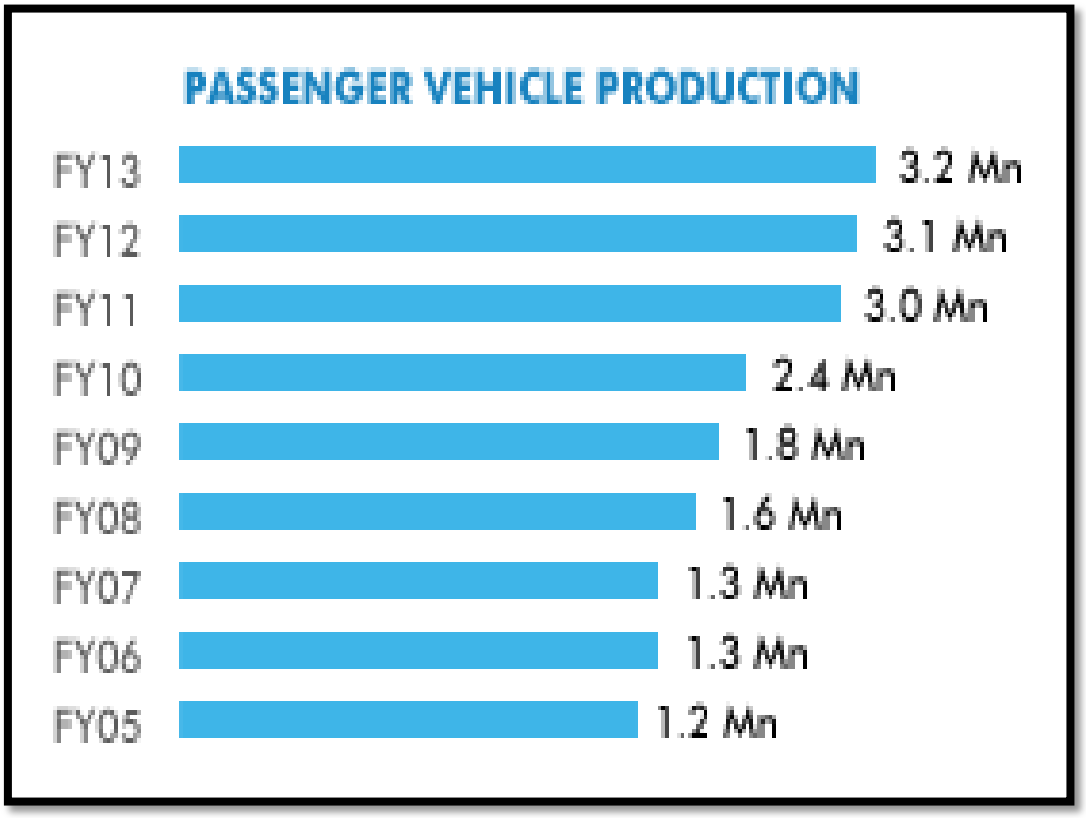
GRAPH : 4 - AUTOMOBILE PRODUCTION TRENDS



As is evident in the table 4.7 the volume of production in different segments of automobile industry has increased sizeably. There has been an increase by 1455978 units in production of passenger vehicles over a period of 6 years (from 2008 to 2013), thus registering a growth-rate of 81.9 % over a period of 6 years till 2012-13 . The next two years, however saw a negative growth rate of -0.33 %. Commercial vehicles segment occupies second position in terms of market share, over a period of 6 years till 2012-13 manufacturing of commercial vehicles increased by 282738 units a growth rate of 51 %. However this industry experienced a fall in its production for three consecutive years, i.e. from 2012-13 to 2014-15. In the two wheelers segment, from 2008-09 till 2012-13 production of two wheelers increased by 7694499 units a growth rate of 95%. In the next two years two wheeler industry registered a growth rate of 17.5 %. This segment of automobile industry has not experienced any negative growth, unlike other segments which have experienced a trend of rise and fall in production. Three wheelers industry after registering negative growth for two consecutive years i.e.2012 to 2014, could recover in the year 2014-15. It registered a positive growth in the year 2014-15. The following chart gives the trend of the production of passenger vehicles. After two wheeler industry, this industry captures maximum market share of Automobile industry in India.

4.5 TREND OF PASSENGER VEHICLE PRODUCTION IN INDIA SINCE 2005 :

GRAPH : 5 - TREND OF PASSENGER VEHICLE PRODUCTION IN INDIA SINCE 2005



Source: Society of Indian Automobile Manufacturers (SIAM) 2014-15

In the above figure the trend of passenger vehicle production in India since 2005 has been presented .This shows that the production has increased three times within a span of nine years. A growth rate of 166.6 percent.

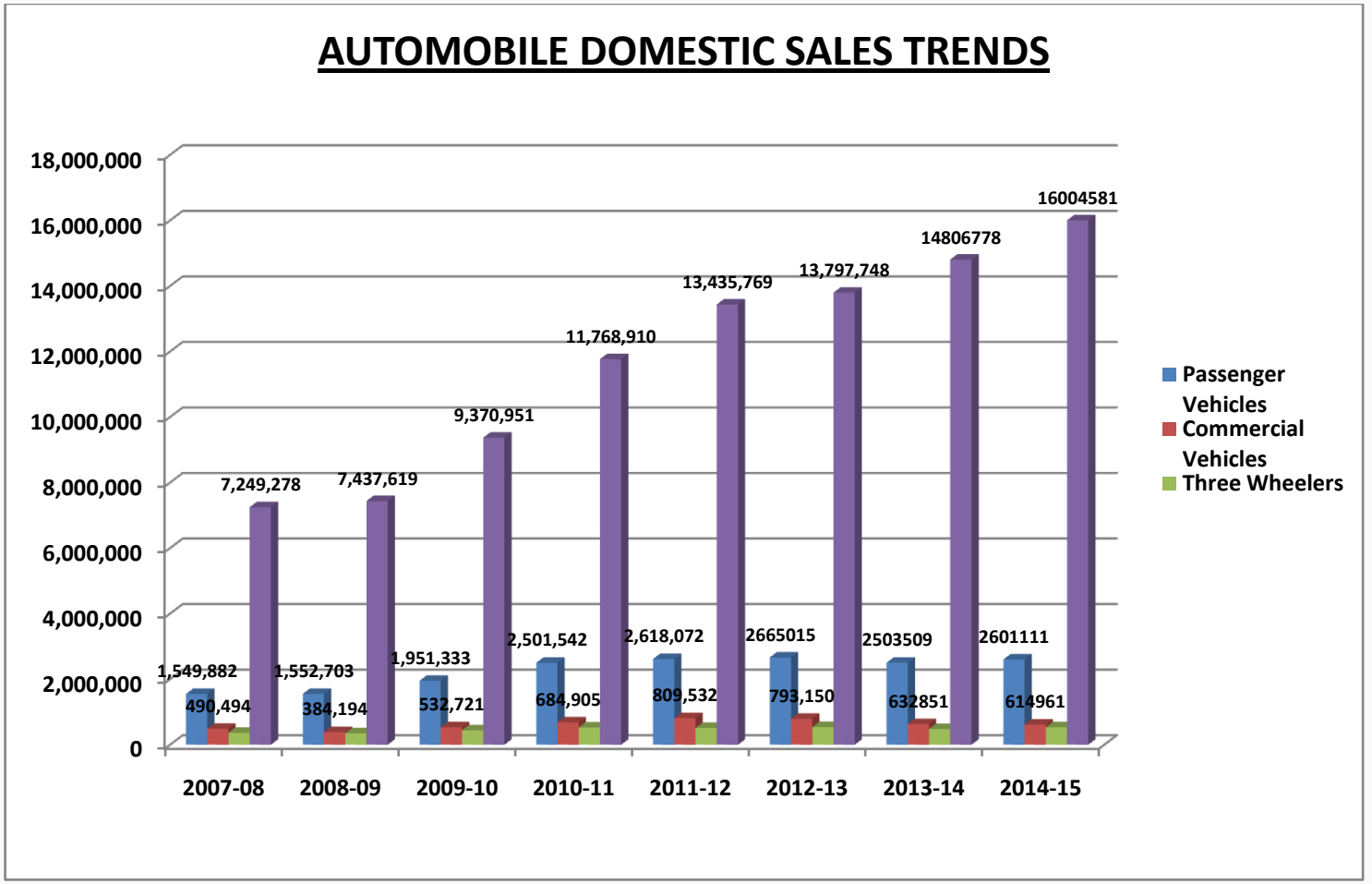
TABLE: 4.8: AUTOMOBILE DOMESTIC SALES TRENDS

(Number of Vehicles)

Category	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Passenger Vehicles	1,549882	1,552,703	1,951,333	2,501,542	2,618,072	2665015	2503509	2601111
Commercial Vehicles	490,494	384,194	532,721	684,905	809,532	793,150	632851	614961
Three Wheelers	364,781	349,727	440,392	526,024	513,251	538,291	480085	531927
Two Wheelers	7,249,278	7,437,619	9,370,951	11,768,910	13,435,769	13,797,748	14806778	16004581
Grand Total	**9,654,435**	**9,724,243**	**12,295,397**	**15,481,381**	**17,376,624**	**17,815,618**	**18423223**	**19752580**

Source-ACMA Industry statistics 2012-13

GRAPH : 6 - AUTOMOBILE DOMESTIC SALES TRENDS



From above tables, it can be seen that automotive production and domestic sales in terms of number of vehicles have increased. Automotive production and domestic sales both have registered increase over a period from 2007-08 to 2014-15. We observe the domestic sales trend in table no.4.8.from 2007-08 till 2010-11. The sales in the domestic market increased by 951660 units, an increase of 61.4%. From 2011-12 there was an overall decrease in production. In the year 2014-15 the production however improved.

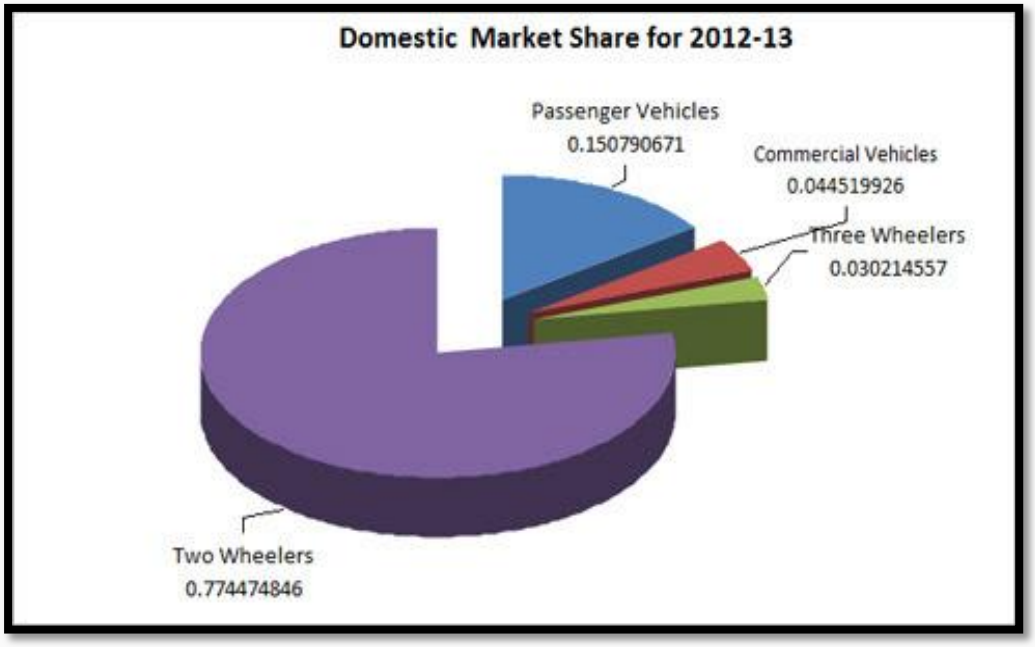
In commercial vehicles segment,, in the year 2007-08, 490494 units were manufactured which increased to 684905, units this increased to 809532 units in the year 2011-12,the following years however saw a fall in the production, in the year 2014-15 the production was 614961,units a fall of 194571 units a negative growth of -24%. The production of three wheelers had also been very volatile, if we observe the trend of last four years as shown in the table, the volatility is apparent. Two wheelers production on the other hand maintained its increasing trend throughout. The overall production has always shown a rising trend in this segment, a growth rate of 120 percent over a period of eight years. Overall domestic sales grew at a rate of 104.59 percent from 2007-08 t0 2014-15.

TABLE: 4.9: AUTOMOBILE DOMESTIC MARKET SHARE FOR 2014-15

Passenger Vehicles	13
Commercial Vehicles	3
Three wheelers	3
Two Wheelers	81
Grand Total	**100**

Source: SIAM Statistics 2014-15

GRAPH : 7 - AUTOMOBILE DOMESTIC MARKET SHARE FOR 2014-15



The above table 4.9 shows that the two wheelers capture the lion's share (81 percent) of Indian automobile market followed by passenger vehicles which share 13 percent of the share , three wheelers and commercial vehicles captures an equal share of 3 percent each of automobile market.

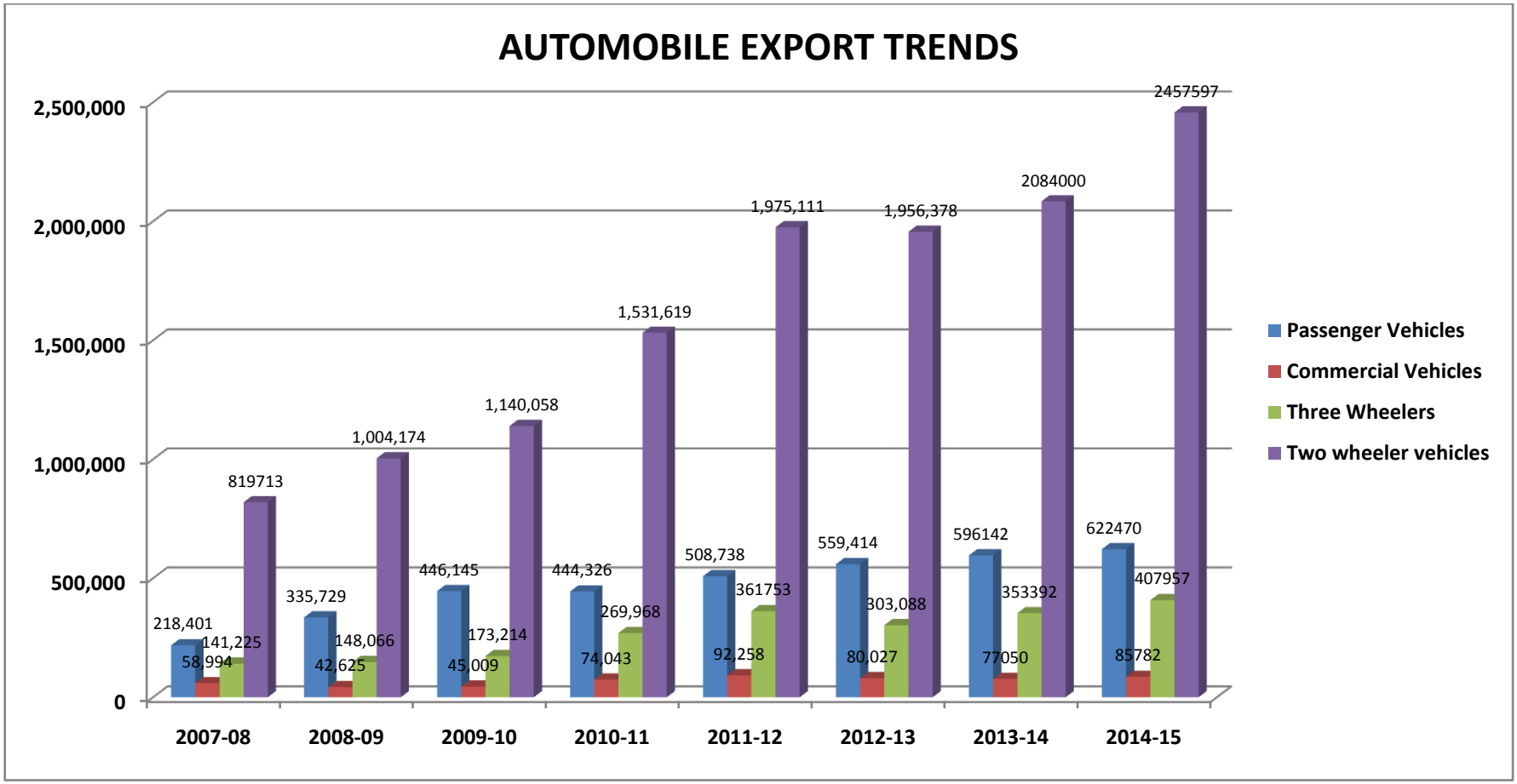
TABLE: 4.10 AUTOMOBILE EXPORT TRENDS

(No. of units)

Category	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Passenger Vehicles	218,401	335,729	446,145	444,326	508,738	559,414	596142	622470
Commercial Vehicles	58,994	42,625	45,009	74,043	92,258	80,027	77050	85782
Three Wheelers	141,225	148,066	173,214	269,968	361753	303,088	353392	407957
Two wheeler vehicles	819713	1,004,174	1140,058	1,531,619	1,975111	1,956378	2084000	2457597
Grand Total	**1,238,333**	**1,530,594**	**1,804,426**	**2,319,956**	**2,937905**	**2,898,907**	**3110584**	**3573806**

SIAM: Statistics 2014-15

GRAPH : 8 - AUTOMOBILE EXPORT TRENDS



It is clear from the analysis of table 4.8 and table 4.9 that two wheeler segment of automotive industry captures major share of domestic market followed by passenger vehicles in India. An export trend of automotive industry for the period 2007-08 to 2014-15 also projects the same trend. It is evident that from the above table that except for the year 2012-13 two wheeler export has always been on the increase. Although if we observe the overall increase in exports of two wheelers then there had been an increase of 115.5 percent from 2009-10 till 2014-15. Passenger vehicles which have second largest share of automobile market have seen an ever increasing trend in export since 2010-11, an increase of 39.52 % since 2009-10. In the year 2012-13 there had been an overall fall in the export of vehicles in all the segments. Commercial vehicles exports registered an increase of 90.58 percent from 2009-10 to 2014-15. Export in three wheeler segment grew at a growth rate of 135.52 from 2009-10 till 2014-15.

In the next section a brief description of major auto players is given in order to understand the composition of automobile industry in India. Also working procedure and investment strategy of these market players' help us to get a vision of future automobile market in India.

4.6 MAJOR AUTOMOTIVE COMPANIES OF INDIA :

4.6.1 BAJAJ AUTO LIMITED :

Bajaj Auto Limited i**s** an Indian motorised vehicle-producing company. Bajaj Auto is a part of Bajaj Group. It was founded by Jamnalal Bajaj at 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 houses the R&D centre. Bajaj Auto produces and exports automobiles, scooters, motorcycles and auto rickshaws. Bajaj Auto is the world's third-largest manufacturer of motorcycles and the second-largest in India. The Forbes Global 2000 list for the year 2005 ranked Bajaj Auto at 1,946. It features at 1639 in Forbes 2011 list.

The company has changed its image from a scooter manufacturer to a two-wheeler manufacturer. Its product range encompasses scooterettes, scooters and motorcycles. Its growth has come in the last four years after successful introduction of models in the motorcycle segment.

The company is headed by Rahul Bajaj who is worth around US$3.4 billion. 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 licence from the government of India to manufacture two- and three-wheelers and it went public in 1960. In 1970, it rolled out its 100,000th vehicle. In 1977, it sold 100,000 vehicles in a financial year. In 1985, it started producing at Waluj near Aurangabad. In 1986, it sold 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. According to the authors of *Globality: Competing with Everyone from Everywhere for Everything*, Bajaj has operations in 50 countries by creating a line of bikes targeted to the preferences of entry-level buyers. Bajaj Auto bought a controlling stake in the Tempo Firodia Company, renaming it "Bajaj Tempo". Germany's Daimler-Benz, a long-time collaborator with Firodia because of their ownership of the original Tempo works in Germany, owned 16% of Bajaj Tempo. Daimler sold their stake back to the Firodia group in 2001, meaning that they once again held a controlling interest, with BAL retaining 24% of the shares. It was agreed that Bajaj Tempo would gradually phase out the use of the "Tempo" brand name, as it still belonged to Mercedes-Benz. The name of the company was changed to Force Motors in May 2005, dropping "Bajaj" as well as "Tempo", over the objections of Bajaj Auto with whom the company shares a long history as well as a compound wall.

4.6.2 HERO MOTOCORP LTD. :

HERO MOTOCORP LTD., FORMERLY **HERO HONDA**, is an Indian motor cycle and scooter manufacturer based in New Delhi India. Hero Honda started in 1984 as a joint venture between Hero Cycles of India and Honda of Japan. The company is the largest two wheeler manufacturer in India. The 2006 Forbes 200 Most Respected companies list has Hero Honda Motors ranked at number108.

In 2010, when Honda decided to move out of the joint venture, Hero Group bought the shares held by Honda. Subsequently, in August 2011 the company was renamed Hero MotoCorp with a new corporate identity. On 4 June 2012, Hero Motocorp approved a proposal to merge the investment arm of its parent Hero Investment Pvt. Ltd. into the automaker. The decision came after 18 months of its split from Honda Motors.

"Hero" is the brand name used by the Munjal brothers for their flagship company, Hero Cycles Ltd. A joint venture between the Hero Group and Honda Motor Company was established in 1984 as the Hero Honda Motors Limited at Dharuhera, Haryana. Munjal family and Honda group both owned 26% stake in the Company. In 2010, it was reported that Honda planned to sell its stake in the venture to the Munjal family.

During the 1980s, the company introduced motorcycles that were popular in India for their fuel economy and low cost. A popular advertising campaign based on the slogan 'Fill it – Shut it – Forget it' that emphasised the fuel efficiency of the motorcycle helped the company grow at a double-digit pace since inception. The technology in the bikes of Hero Honda for almost 26 years (1984–2010) has come from the Japanese counterpart Honda.

Hero MotoCorp has three manufacturing facilities based at Dharuhera, Gurgaon in Haryana and at Haridwar in Uttarakhand. These plants together are capable of churning out 3 million bikes per year. Hero MotoCorp has a large sales and service network with over 3,000 dealerships and service points across India. Hero Honda has a customer loyalty program since 2000, called the Hero Honda Passport Program.

The company has a stated aim of achieving revenues of $10 billion and volumes of 10 million two-wheelers by 2016–17. This is in conjunction with new countries where they can now market their two-wheelers following the disengagement from Honda. Hero Moto Corp hopes to achieve 10 per cent of their revenues from international markets, and they launched sales in Nigeria by early-2012. In addition, to cope with the new demand, the company is coming up with their fourth factory in Neemrana, Rajasthan while their fifth factory is planned to be set up in Gujarat. In the year 1965 Hero Cycles company was formed in Ludhiana. In the year1975 Hero Cycles became the largest bicycle manufacturer in India.

4.6.3 MARUTI SUZUKI INDIA LIMITED (MARUTI SUZUKI) :

MARUTI SUZUKI INDIA LIMITED (MARUTI SUZUKI) commonly referred to as Maruti and formerly known as Maruti Udyog Limited, is an automobile manufacturer in India. It is a subsidiary of Japanese automobile and motorcycle manufacturer Suzuki. As of November 2012, it had a market share of 37% of the Indian passenger car market. Maruti Suzuki manufactures and sells a complete range of cars from the entry level Alto, to hatch back Ritz, A-Star, Swift, Wagon-R, Zen and sedans DZire, Kizashi and SX4; in the 'C' segment Eco, Omni, Multi Purpose vehicle Suzuki Ertiga and sports utility vehicle Grand Vitara. The company's headquarters are on Nelson Mandela Road, New Delhi. In February 2012, the company sold its ten millionth vehicles in India.

4.6.4 MARUTI UDYOG LIMITED (MUL) :

MARUTI UDYOG LIMITED (MUL) was established in February 1981, though the actual production commenced in 1983 with the Maruti 800, based on the Suzuki Alto kei car which at the time was the only modern car available in India, its only competitors - the Hindustan Ambassador and Premier Padmini - were both around 25 years out of date at that point. Through 2004, Maruti Suzuki has produced over 5 Million vehicles. Maruti Suzukis are sold in India and several other countries, depending upon export orders.

The company exports more than 50,000 cars annually and has domestic sales of 730,000 cars annually. Its manufacturing facilities are located at two facilities Gurgaon and Manesar in Haryana, south of Delhi. Maruti Suzuki's Gurgaon facility has an installed capacity of 900,000 units per annum. The Manesar facilities, launched in February 2007 comprise a vehicle assembly plant with a capacity of 550,000 units per year and a Diesel Engine plant with an annual capacity of 100,000 engines and transmissions. Manesar and Gurgaon facilities have a combined capability to produce over 14, 50,000 units annually.

About 35% of all cars sold in India are made by Maruti. The company is 54.2% owned by the Japanese multinational Suzuki Motor Corporation of Maruti Suzuki. The rest is owned by public and financial institutions. It is listed on the Bombay Stock Exchange and National Stock Exchange of India.

During 2007 and 2008, Maruti Suzuki sold 764,842 cars, of which 53,024 were exported. In all, over six million Maruti Suzuki cars are on Indian roads since the first car was rolled out on 14 December 1983. Maruti Suzuki offers 15 models, Maruti800 , Alto, Maruti Alto 800, Wagon R, Estilo, A-star, Ritz, Swift, Swift D Zire, SX4, Omni, E eco, Gypsy, Grand Vitara, Kizashi and the newly launched Ertiga. Swift, Swift DZire, A-star and SX4 are manufactured in Manesar, Grand Vitara and Kizashi are imported from Japan as completely built units (CBU), all remaining models are manufactured in Maruti Suzuki's Gurgaon Plant. The Suzuki Motor Corporation, Maruti's main stakeholder, has been a global leader in mini and compact cars for three decades. Suzuki's strategy is to utilise light-weight, compact engines with stronger power, fuel-efficiency and performance capabilities. Nearly 75,000 people are employed directly by Maruti Suzuki and its partners. It has been rated first in customer satisfaction among all car makers in India from 1999 to 2009 by J D Power Asia Pacific. Maruti Suzuki introduced a new 800 cc model in 2012.The model is supposed to be fuel efficient, and therefore more expensive. With increasing market competition in the small car segment, a new model along with Wagon R was the Stingray, these were the fresh products for Maruti Suzuki India (MSI) to defend its market share amid the ever increasing competition.

4. 6 .5. MAHINDRA & MAHINDRA LIMITED (M&M) :

M & M is an Indian multinational automobile manufacturing corporation headquartered in Mumbai, Maharashtra, India. It is one of the largest vehicle manufacturers by production in the Republic of India. It is a part of Mahindra Group, an Indian conglomerate. The company was founded in 1945 in Ludhiana as Mahindra & Mohammed by brothers K.C. Mahindra and J.C. Mahindra and Malik Ghulam Mohammed. After India gained independence and Pakistan was formed, Mohammed immigrated to Pakistan. The company changed its name to Mahindra & Mahindra in 1948. It is ranked number 21 in the list of top companies of India in Fortune India 500 in 2011.

Mahindra & Mahindra was set up as a steel trading company in 1945. It eventually saw business opportunity in expanding into manufacturing and selling larger MUVs, starting with assembly under licence of the Willys Jeep in India. Soon established as the Jeep manufacturers of India, the company later commenced upon the task of expanding itself, choosing to utilize the manufacturing industry of light commercial vehicles (LCVs) and agricultural tractors. Today, Mahindra & Mahindra is a key game player in the utility vehicle manufacturing and branding sectors in the Indian automobile industry with its flagship UV Scorpio. It had swiftly exploited 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 controlling stake in REVA Electric Car Company and acquired South Korea's SsangYong Motor Company in 2011.

The US based Reputation Institute once ranked Mahindra amongst the top Ten Indian companies in its 'Global 200: The World's Best Corporate Reputations' list. 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 Mainland China (PRC) and the United Kingdom and has three assembly plants in the United States. Mahindra maintains business relations with foreign companies like Renault SA, France and Navistar International, USA.M&M has a global presence and its products are exported to several countries. Its global subsidiaries include Mahindra Europe Srl. 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. M&M will make its maiden entry into the heavy trucks segment with Mahindra Navistar, the joint venture with International, USA. 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 is 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. True to their word, Mahindra & Mahindra launched the Mahindra Xylo in January 2009.

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. Vehicles assembled at the plant in Bramont, Manaus, include Scorpio Pick Ups in single and double cab pick-up body styles as well as SUVs.

Mahindra planned to sell the diesel SUVs and pickup trucks starting in late 2010 in North America through an independent distributor, Global Vehicles USA, based in Alpharetta, Georgia. Mahindra announced it will import pickup trucks from India in knockdown kit (CKD) form to circumvent the Chicken tax. CKDs are complete vehicles that will be

assembled in the U.S. from kits of parts shipped in crates. On 18 October 2010, however, it was reported that Mahindra had indefinitely delayed the launch of vehicles into the North American market, citing legal issues between it and Global Vehicles after Mahindra retracted its contract with Global Vehicles earlier in 2010, due to a decision to sell the vehicles directly to consumers instead of through Global Vehicles. However, a November 2010 report quoted John Perez, the CEO of Global Vehicles USA, as estimating that he expects Mahindra's small diesel pickups to go on sale in the U.S. by spring 2011, although legal complications remain, and Perez, while hopeful, admits that arbitration could take more than a year Later reports suggest that the delays may be due to an Mahindra scrapping the original model of the truck and replacing it with an upgraded one before selling them to American. In June 2012, a Mass tort lawsuit was filed against Mahindra by its American dealers, alleging the company of conspiracy and fraud.

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 has launched its relatively heavily publicised SUV, XUV 500, code named as W201 in September 2011. The new SUV by Mahindra has been designed in-house and it is developed on the first global SUV platform that could be used for developing more SUVs. In India, the new Mahindra XUV 500 comes in a price range between Rs 11.40 lakh to Rs 15 lakh. Besides India, the company also targets Europe, Africa, Australia and Latin America for this model. Mahindra President Mr Pawan Goenka stated that the company plans to launch six new models this fiscal. The company launched CNG version of its mini truck Maximo on 29 June 2012. A new version of Verito in 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.

4.6.6 TATA MOTORS LIMITED :

TATA MOTORS LIMITED (FORMERLY TELCO), short for "Tata Engineering and Locomotive Company") is an Indian multinational automotive manufacturing company headquartered in Mumbai, Maharashtra, India. Its products include passenger cars, trucks, vans, coaches, buses and military vehicles. It is the world's eighteenth-largest motor vehicle manufacturing company, fourth-largest truck manufacturer and second-largest bus manufacturer by volume. 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 centres in Pune, Jamshedpur, Lucknow and Dharwad in India, and in South Korea, Spain, and the United Kingdom. It has a bus manufacturing joint venture with Marco polo (South Africa), a construction equipment manufacturing joint venture with Hitachi and a joint venture with Fiat in India. 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 launched the first fully indigenous Indian passenger car, the Indica. Tata Motors acquired the South Korean truck manufacturer Daewoo Commercial Vehicles Company in 2004.Tata Motors purchased the British premium car maker Jaguar Land Rover (Jaguar, Land Rover and Range Rover cars) 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 is ranked 314th in the 2012 Fortune Global 500 ranking of the world's biggest corporations. The company was established in 1941 and negotiated with Chrysler Corporation for licenses to build a Plymouth car and a Dodge truck, sold

under the Dodge, Plymouth, DeSoto, and Fargo names starting around 1949. In the early years, quality was considered good by both Chrysler and the Indian Department of Defence. In 1949, parts were being made in India, starting with simpler components and gradually building up to more complex pieces.

4.6.7 ASHOK LEYLAND :

ASHOK LEYLAND is an Indian automobile manufacturing company based in Chennai, Founded in 1948, it is second largest commercial vehicle manufacturer, manufacturing vehicles such as trucks and buses, as well as emergency and military vehicles. 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% (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 presence in the entire truck range starting from 7.5 tons to 49 tons. The joint venture announced with Nissan Motors of Japan would improve its presence in the Light Commercial Vehicle (LCV) segment (7.5 tons).Ashok Leyland's UK subsidiary Optare 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 Sherburn-in-Elmet.

4.6.8 FORCE MOTORS :

FORCE MOTORS FORMERLY BAJAJ TEMPO, is an Indian manufacturer of three-wheelers, multi-utility and cross country vehicles, light commercial vehicles, tractors, buses and now heavy commercial vehicles. It was originally named Firodia Tempo Ltd. and later after partial

acquisition by Bajaj as Bajaj Tempo Ltd. The company was founded in 1958 by N. K. Firodia. Bajaj Auto bought a controlling stake in the company, renaming it "Bajaj Tempo". Germany's Daimler-Benz, a long-time collaborator with Firodia because of their ownership of the original Tempo works in Germany, owned 16% of Bajaj Tempo. They sold their stake back to the Firodia group in 2001, meaning they once again held a controlling interest. It was agreed that the company would gradually phase out the use of the "Tempo" brand name, as it still belonged to Mercedes-Benz. The name of the company was changed to Force Motors in May 2005, over the objections of Bajaj Auto with whom the company shares a long history as well as a compound wall.

Force Motors started production of the Hanseat three-wheeler in collaboration with German Vidal & Sohn Tempo Werke and went on to establish a presence in the light commercial vehicles field with the Matador, the proverbial LCV (light commercial vehicle) in India. Bajaj Tempo was associated with Mercedes-Benz since 1976 and in 1982 they began building the Mercedes-Benz OM616 diesel engine. Through the 1980s and 1990s, and especially in the last five years with a major product development effort, Force Motors has introduced new light commercial vehicles, a face lifted series of Tempo Trax utility vehicles, new tractors, and a new range of three-wheelers. The Matador, which defined the light commercial segment in India, saw sales collapsing in the late 1990s and Bajaj Tempo began a substantial program of developing modern vehicles to replace it. Bajaj Tempo also built the diesel engines used in the Mercedes-Benz W124, and later W210, as manufactured in India. This was a small-scale endeavour, but while it did not get much profit they benefitted from the connection, both in terms of reputation and technology.

The company which mainly operates in commercial vehicle segment, entered into the "personal vehicle" segment in August 2011 with the launch of its first SUV, named Force-One. The company manufactures trucks at Pithampur, the industrial hub of Madhya Pradesh in Indore in a joint venture, Man Force Trucks Pvt. Ltd, with Man AG of Germany. MAN Force trucks are exported overseas to countries such

as Sri Lanka, Indonesia, and certain African nations; markets where a low selling price is essential. The JV was dissolved as on March 2012 with Force Motors having sold and transferred remaining 50% of Man Force shares to MAN AG for Rs 10 per share.

Tractors are built under the Balwan and Ox (formerly Tempo Ox) brands. The tractor field was entered by (then) Bajaj Tempo in 1996-1997, and vehicleswere developed indigenously, rather than depending on imported technology.

Force Motors manufactures a range of vehicles including Small Commercial Vehicles (SCV), Light Commercial Vehicles (LCV), Multi Utility Vehicles (MUV), Sports Utility Vehicles (SUV), Heavy Commercial Vehicles (HCV) and Agricultural Tractors.

4.6.9 HINDUSTAN MOTORS :

HINDUSTAN MOTORS is an Indian automaker based in Kolkata, West Bengal, India. It is part of the Birla Technical Services industrial group. The company was the largest car manufacturer in India before the rise of Maruti Udyog.

It is the producer of the Ambassador car, widely used as a taxicab and as a government limousine. This car is based on the Morris Oxford, a British car that dates back to 1954. One of the original three car manufacturers in India founded in 1942 by Mr. B. M. Birla, it was a leader in car sales until the 1980s, when the industry was opened up from protection. All through its history, the company has depended on government patronage for its sales and for survival by eliminating competition.. It began in Port Okha near Gujarat; in 1948, it moved to West Bengal. Hindustan Motors Limited (HML), India's pioneering automobile manufacturing company and Flagship Company of the C.K. Birla Group was established just before Indian independence, in 1942 by Mr. B. M. Birla of the industrious Birla family. Commencing operations in a small assembly plant in Port Okha near Gujarat, the manufacturing facilities later moved to Uttarpara, West Bengal in 1948, where it began the production of the Ambassador.

Hindustan and General Motors have had several tie-ups in the post independence era to produce Bedford Trucks, Vauxhall Motors (1980 to 1990), Allison Transmissions and off-road equipment. In 1994, GM and Hindustan (C K Birla) formed a 50-50 joint venture, to manufacture Opel Astra cars which turned out to a disaster mainly due to the reputation Hindustan Motors has in India. The production of Astra was wound up within a few years. GM bought out the Halol, Gujarat plant from Hindustan in 1999.

(i) ***Earth Mover Machine:***

Hindustan motors used to make earthmovers, initially in collaboration with Terex, USA and Fermac UK; and from 1984 with Caterpillar Inc. at the HMEED plants in Thiruvallur, near Chennai and Pondicherry. It was sold to Caterpillar in 2000 and HM quit the earthmover business. HML continue to be a joint venture partner with Caterpillar in Hindustan Power Plus, which manufactures diesel engines and generator sets.

(ii) ***Hindustan Tractors:***

The company began in 1959 as Tractors and Bulldozers Private Ltd and imported tractors. Manufacturing of tractors began in 1963, in collaboration with Motokov-Praha (Zetor) of Czechoslovakia, and was known as Hindustan Tractors & Bulldozers Ltd. In 1967, it became Hindustan Tractors Ltd. The tractors were based on the Zetor tractor design and sold under the Hindustan brand. In 1978, the Indian government formed Gujarat Tractors from the ailing company. In 1999, Mahindra Tractors purchased 60% of the company, and in 2001, completed purchasing the rest of the company, renaming it Mahindra Gujarat Tractors Ltd. Hindustan collaborated with Isuzu to manufacture engines and transmission for the Contessa in late 1980s at Pithampur near Indore, Madhya Pradesh. Initially the joint venture made a 4-cylinder G180Z 1.8L petrol engines and 5-speed transmissions. Later,

a 2.0L Isuzu diesel engine was added to the production line to power the Contessa and the Ambassador. The technical collaboration lasted from 1983 to 1993. The Indore plant has since expanded to manufacture engines for a number of other manufacturers like Opel and Mahindra.HML also assembled and sold a small number of Isuzu F series - JCS trucks in India in the early-mid 1980s. These trucks came from the factory with a fully built metal cabin which was not common with Tata and Ashok Leyland trucks at the time. They were well known for their reliability and fuel consumption, but were discontinued mainly due to falling sales poor service facilities and since HML could not sell them for an affordable price. Mitsubishi Joint Venture Hindustan has a joint venture with Mitsubishi that started 1998. The plant is located in Thiruvallur, Tamil Nadu and mainly makes outdated models wound up by Mitsubishi elsewhere. Eicher Motors Limited (EML) (BSE: 505200, NSE : EICHERMOT) incorporated in 1982, is an Indian automaker company based in Gurgaon, India. Eicher Motors Limited is the flagship company of the Eicher Group in India and a leading player of the Indian automobile industry. Its 50-50 joint venture with the Volvo group, VE Commercial Vehicles Limited, designs, manufactures and markets reliable, fuel-efficient commercial vehicles of high quality and modern technology, engineering components and provides engineering design solutions. Eicher Motors also manufactures and markets the iconic Royal Enfield motorcycles that lead the premium motorcycle segment in India. The oldest motorcycle company in continuous existence, Royal Enfield has witnessed a huge surge in demand in the recent past; recording a growth of over 50% year on year for each of the last two years. EML's 50:50 strategic joint venture with US based Polaris Industries Inc., Eicher Polaris Pvt Ltd. will design, develop, manufacture and sell a full new range of personal vehicles. In 2012, Eicher Motors recorded the highest ever sales of Rs. 7,000 crores.

(iii) ***Premier and Hindustan Motors :***

Premier and Hindustan Motors of Calcutta. The early years of Premier and Hindustan were marked by very low sales, due to the size of the market; only about 20,000 vehicles per year were made in India, in 65 different models. To prevent foreign companies from dominating by mass-producing parts to be assembled into cars in India, the government set up steep import duties on imported parts in 1954, allowing Indian parts-makers to survive. Premier licensed and manufactured a version of the Fiat 1100 D (beginning in 1964 continuing almost unchanged into the late 1990s). The car was initially marketed as a Fiat ("1100 Delight") and subsequently as the Premier Padmini with a 40 hp (30 kw) 1100 cc engine and manufactured at the now defunct Kurla factory in suburban Mumbai. Later models included the Premier 118NE (named after its 1171 cc Nissan A12 engine and with a transmission from the Nissan Cherry), a version of the 1960s. Fiat 124 built in a then-new (but now defunct) factory at Kalyan. The 118NE was considered a luxury car in India until the influx of modern cars in the 1990s.With market liberalisation, Premier teamed up with Peugeot to build an outdated model of the popular Peugeot 309 in India. Initial demand was high but labour problems and poor dealer service led to problems which were compounded when Premier also aligned with Fiat to manufacture the Fiat Uno. Peugeot pulled out of the venture around 2001 after only a few thousand cars were sold. Labour and service issues also plagued the Fiat venture and a strike finally caused the plant to shut down around 2001. Fiat and Premier faced severe criticism in the media. There were various criminal cases against its promoters and the Consumer Courts of India were flooded with complaints for non-refund of the car booking. The Promoters of Premier Automobiles have also been confronted with Criminal cases in various consumer courts of India under section 27 of Consumer Protection Act. A customer Association based at Gujarat - Rajkot called Pal Car Customer Association has made various representations against the Premier Automobiles Ltd.

In November 2004 Premier restarted operations by building a small diesel powered van called the Sigma. It was based on a 1980s Mitsubishi Varica design licenced from China Motor in Taiwan, originally intended to be fitted with Peugeot's TUD5 diesel engine. The production version, as finally presented in late 2004, instead had a Hindustan-built 2-liter Isuzu diesel unit. It has 58 hp (43 kw) and is mated to a four-speed manual gearbox, while the car offers from five to nine seats. A multitude of other versions have since been developed, and as of December 2009 the engine has been replaced by a 1.5 liter IDI diesel (with or without turbo) or by the CNG-powered 1.8-liter 4 ZB1 (both still manufactured by Hindustan). The facelift also meant improved suspension. There was also a pickup version of the Sigma, called the Premier Roadstar.

Today, Premier has two business segments: Engineering and Automotive. The Engineering segment has two activities - CNC Machine Division and Engineering while the automotive segment consists of Light Utility Vehicles and Sports Utility Vehicles. Originally based in Mumbai, Premier is now located at an ISO 9001 certified plant in Chinch wad, Pune. Spread over 27 acres, this plant now serves as the centralized research, development and manufacturing for all activities.

In October 2009 Premier re-entered the Indian passenger vehicle market with a compact SUV named Rio. Rio is assembled from CKD kits of Zotye Nomad I made by Zotye Auto of China, and went on sale in December 2009. This vehicle is itself a license-built copy of Daihatsu's old Terios model. Following table shows the total sales of different automotive company since 1991-2013.

TABLE: 4.11 TOTAL SALES OF AUTOMOTIVE COMPANY (in No's)

Year	Hindustan Motors	Tata Motors	Maruti Suzuki	Ashok layland	Hero motors	M & M	Premier	Hyundai	Bajaj motors	BMW	Bajaj Auto ltd	Total sales	Average sales
1991	6373.8	25012.7	15118.6	9444.3	2118.8	9983	6193.1					74248.2	10606.9
1992	6065.6	30243.6	19406.4	10580.4	2713.8	11967.3	3825.6					84802.7	12114.5
1993	6959.2	28759.4	21715.4	9766.2	3015	14584.5	3661.7					88461.4	12637.3
1994	8783.6	35430.9.	28270.2	12176.6	3646	16741.8	7284.2					112333.3	16047.6
1995	9862.5	55114.6	41960.1	15410.8	4771.2	20391.4	7083.9					154594.5	22084.9
1996	12147.6	76364.6	64647.5	20503.9	6326.6	27831.4	7083.9					214905.5	30700.7
1997	12547.1	97683.2	77826.3	25230.1	7677.1	35214.4	5119.5					261297.7	37328.2
1998	12988.9	70265	83059.5	20790.4	11502.6	39976.3	1292.6	1.6				239876.9	29984.6
1999	15827.6	63178.9	78855.6	21135.3	15364.7	41020.3	541.2	5097.3				241020.9	30127.5
2000	19791.3	86162.1	94407	26916.8	22537.5	43207.9	541.2	23338.6				316902.4	39612.8
2001	17414.6	79123.6	90615	26845	33698.8	42778.7	269.5	30342.8	1022.9			322110.9	35790.1
2002	12063.5	86418.1	92313	27210	46381.8	39360.5	301.1	33859.4	1275.5			339182.9	37686.9
2003	10759.7	106077.3	92038	31400.2	52860	44997.1	528.6	39930.4	1526.4			380117.7	42235.3
2004	8592.8	152087.4	111281	39953.4	69244.9	58888.4	378.8	58426	1775.2	1973.3		502601.2	50260.1
2005	13976.4	202174.2	134859	49080.3	87924.6	76547.7	466.3	76400.5	2052.9	624.3		644106.2	64410.62
2006	5534.4	234394.1	151252	62005.4	102540.6	92764.9	1476.7	88987.5	2274.5	420.8		741650.9	74165.09
2007	8069.6	310007.1	174580	85139.3	117317.5	112384.9	891.7	103539.1	2566.8	656.9		921065	92106.5
2008	8531	324347.8	212212	91922.7	125188.3	130147.7	1193.3	122150.1	2947.5	1698.3	98033.9	1115425	111542.5
2009	7713.2	285132.8	234337	68269.6	141442.4	146681.3	1372.2	178691.8	3426.1	3180.8	95902.5	1166150	106013.6
2010	7353.3	381618.7	322336	80717.5	174103.7	203961.2	1585.9	214722	4023.5	5119.3	123999	1519540	138140.0
2011	8048.6	510050.7	405864	123927.8	211489.7	255281.4	2431.1	211776	4727.5	6798.3	173322	1913817	173983.3
2012	5924.3	591991.7	391499	141340.8	255441.4	343536.3	2840	243605.2	5755.9		204792	2186726	218672.6
2013		491789									211361	703149	351574.5

Source: CMIE- Prowess Data. Self constructed Table.

The above table describes the sales trends of major automobile manufacturing companies in India. Hindustan motors has seen a rising trend in sales till the year 2000, following years till 2004 saw the downfall in sales .It picked up in the year 2005 when the company saw a growth rate of 62.65 percent over the previous year. After 2005 the sales of the company had been very volatile. The sales of Tata motors till 1997 had experienced an increasing trend. After that the sales trend of the company experienced much volatility, this was checked in the year 2002. After that the overall sales of the company had experienced continuous rise, it fell once gain in the year 2013, the company grew at a rate of 1866 % over a period of 22 years. Maruti Suzuki also experienced an increasing trend in its sales till 1998, the following years till 2003 saw upward and downward swings in its sales, after this the company maintained its rising trend in sales till 2012 ,the next year however saw a decline in sale by 14365 units.

Hero motors have maintained its rising trend of sales throughout the period of 22 years, a growth rate of 11958% over a period of 22 years. Mahindra and Mahindra Company also maintained an illustrious record of rising sales barring the years 2001 and 2002. Premier Padmini is the company that has seen a very humble growth rate in sales, rather sales experienced decreasing trends for most of the time. However the sales of the company improved from 2008 to 2012. Bajaj motors registered a growth rate of 462.7% in its sales from 2001 till 2011. As is evident, the volatility in the domestic market as well as international market has affected the sales of the companies drastically in the recent years.

4.7. GROWTH OPPORTUNITIES FOR AUTOMOTIVE FRANCHISE :

According to the Franchise Business Economic Outlook 2011, automotive franchise establishments are expected to increase at a rate of 3.9% from the previous year. The size and importance of the automotive industry have created many opportunities for people to get involved. Automotive industry trends in general and an improving economy are unfolding opportunities in the auto industry.

In some parts of the automotive aftermarket industry, there is a significant advantage through franchising versus starting one's own shop. In the oil change and lubrication market, the top few companies reap in a significant amount of the entire industry's profits. There are also other opportunities that exist which people can benefit from. Auto repair shops will have fewer demands for the time being, leaving them to fix existing cars on the road. However, as these new cars begin to age, demand for these shops will start to increase.

Electric and hybrid cars will need some specialized care in handling these new forms of cars. Parts and Repair franchises who offer services that also help these new cars will have an increased demand for their services. The trend to hold cars for longer period benefits the entire automotive aftermarket ranging from repairs and maintenance, accessories, and auto body jobs. Car washes also benefit as people need a way to keep their cars clean from the constant driving.

Car rentals demand is increasing as more and more people are going on trips. Auto repair will continue to play a big role in the automotive industry. There is going to be higher demand for specialized parts and repairs required of hybrid and electric cars, in addition to the routine car and repairs that every car owner must go through. Currently, there is a low supply of shops capable of fixing these hybrid cars despite its increasing demand. The auto repair industry includes numerous franchising segments including automobile body, transmissions, and oil franchises.

The auto accessories market is a $32 billion dollar market with data showing that 92% percent of consumers are willing to buy auto accessories. With consumers holding their cars longer and disposable income increasing, auto accessories are beginning to look like a frugal investment for car owners. At present the car rental market, is seeing a bounce back from the damage the financial crisis created. Companies are hiring more cars and switching their old cars for newer, fewer mileage cars.

4.8 OPPORTUNITIES IN AUTOMOTIVE FRANCHISE:

Automotive Repair	Automotive maintenance and repair is useful for any owner regardless of the age or type of vehicle. A wide variety of services are offered by these franchises that handles the sustainability of both the outside and inside of the vehicles.
Car Rentals	With a surge in the field of tour and tourism car rentals are important for travellers needing a drive to their destinations. Indians and people from all over the world plan vacation inside and outside their countries this will enhance the demand for car rentals.
Auto Accessories	As people are keeping cars for longer time auto accessories are helping owners improve the appearance of their vehicles. The auto accessories franchises have greater scope of growing as spending for maintaining cars have increased this will directly benefit these franchise.
Auto Transmission	To prevent cars from overheating and burning out its transmissions, regular Auto transmission checks and services are important There are different levels of protection these franchises can provide depending on the personal choice of the owner.
Car Washes	As people hold their cars longer now car washes are becoming popular to maintain their cars in a good condition. These services may include stationary automatic car washes, full-service or only exterior.
Auto Body	To amend the damages from car collisions and any wear and tear on the surface of the vehicle auto repairs like body mending, paint, and glass are necessary, thus this sector also has great growth potential .
Motorcycles	Motorcycles require more specialized services as they are different than regular cars .This will provide opportunities for people who understand the specific needs of motorcycles and want to show their knowledge of them.
Oil Change	Changing of oil is a routine maintenance procedure that vehicle owners should be familiar with. The 50 biggest oil change companies control 35 percent of the entire industry's revenues. As this industry is highly fragmented it provides a good prospect for franchisees.

Apart from above mentioned sectors the following components seem to have good prospects for business growth and are considered as growth drivers of the automotive industry.

Electronics (Engine side and Body side)-The localisation proportion of electronic components in Indian cars remains low as of now .To meet the advancing safety and emission regulations in cars there is growing need to offer driver information system and emission control system, the use of electronics in Indian cars is likely to see a proliferation in the times to come. This will provide a strong impetus to growth for auto ancillaries having capabilities.

Plastic- Most of the OEMs' are focusing on adopting light weighting technologies, making this segment quite competition intensive. There already exist several instances where material of components has been changed by OEMs from sheet metal to plastic, auto component manufacturers having strong capabilities have fair potential of growth in this sector.

Aluminium Die Casting- The auto component industry has experienced significant capacity constraints for aluminium die –cast components in the boom period of 2009-10 and 2010-11.For engine components, OEMs are likely to demand tighter product tolerances to meet the stringent emission control norms which in turn are likely to increase per unit demand for auto ancillaries manufacturing such components.

4.9 FDI IN AUTOMOTIVE SECTOR IN INDIA :

The Indian government made a few attempts to reform the automotive industry during 1980's in order attract foreign investors. Also the government entered into a joint venture with Suzuki of Japan in the early 1980s. A small but fuel efficient car model (Maruti 100) was launched by this joint venture popularly known as Maruti Udyog limited. This joint venture now produces three small car models, a van and a utility vehicle at a rate of more than 250,000 a year. Almost 70 % of Indian car market is captured by Maruti Udyog.

In the year 1996 automotive industry was opened up to foreign direct investment (FDI) in India. Following this the government of India lifted all equity caps for foreign automotive investors and allowed 100% FDI flows through automatic route. The "transportation industry" was the fourth largest recipient of FDI from August 1991 through December 2006.Though most of the initial period FDI in automotive industry had been focused on sales to the local market, but recently, many automotive firms are investing in establishing production bases for export. The reduction in the import duty on automobile components as a part of liberalised measures of the government brought significant results. These measures spurred the growth of the Indian economy in general and the automotive industry in particular. The spectacular growth rate of Indian automotive industry had lured the automakers from all around the world to venture in Indian automotive industry and hold their stake.

At present automotive sector is considered as one of the highest performing sectors of the Indian economy. According to the department of Industrial policy and promotion (DIPP) the auto sector accounts for 4% of total FDI inflow in India. The automotive sector is a fully de- licensed industry. Government has allowed free imports of auto components . The global automobile majors are expecting to take advantage of India's cost-competitive manufacturing practices and are assessing opportunities to export SUVs to Europe, South Africa and Southeast Asia. India is expected to emerge as a supply centre to feed the world demand for SUVs. Furthermore, India has the largest base to export compact cars to Europe. With the evolution of fuel efficient hybrid and electronic vehicles in the field of automobiles, India is being considered as one of the key potential markets for these cars. Manufacturers in India and abroad are honing their efforts to evolve innovative technologies and supply chains in India. In terms of productivity and quality, Suzuki, Hyundai and Toyota, the top auto multinational companies mark their Indian production facilities right on top of their global ranking order.

TABLE: 4.12 FDI INFLOWS INTO THE AUTOMOTIVE SECTOR-(2000-10)

Sub Sectors	Amount of FDI inflows Rupees in crores US $ in million		% with total FDI inflows
Automobile industry	6,830.35	1,479.20	1.16
Passenger cars	13,516.25	3,008.04	2.37
Auto ancillaries parts	2,857.06	635.44	0.50
Others(transport)	2,768.93	617.47	0.49
Total of above	**25,972.59**	**5,740.16**	**4.52**

Source : Compiled from RBI Monthly Bulletin (Various Issues)

As it is clear from the table passenger cars segment attracts maximum share of FDI. This segment is followed by auto ancillaries parts in terms of FDI inflows.

GRAPH : 9 - FDI INFLOWS INTO THE AUTOMOTIVE SECTOR-(2000-10)

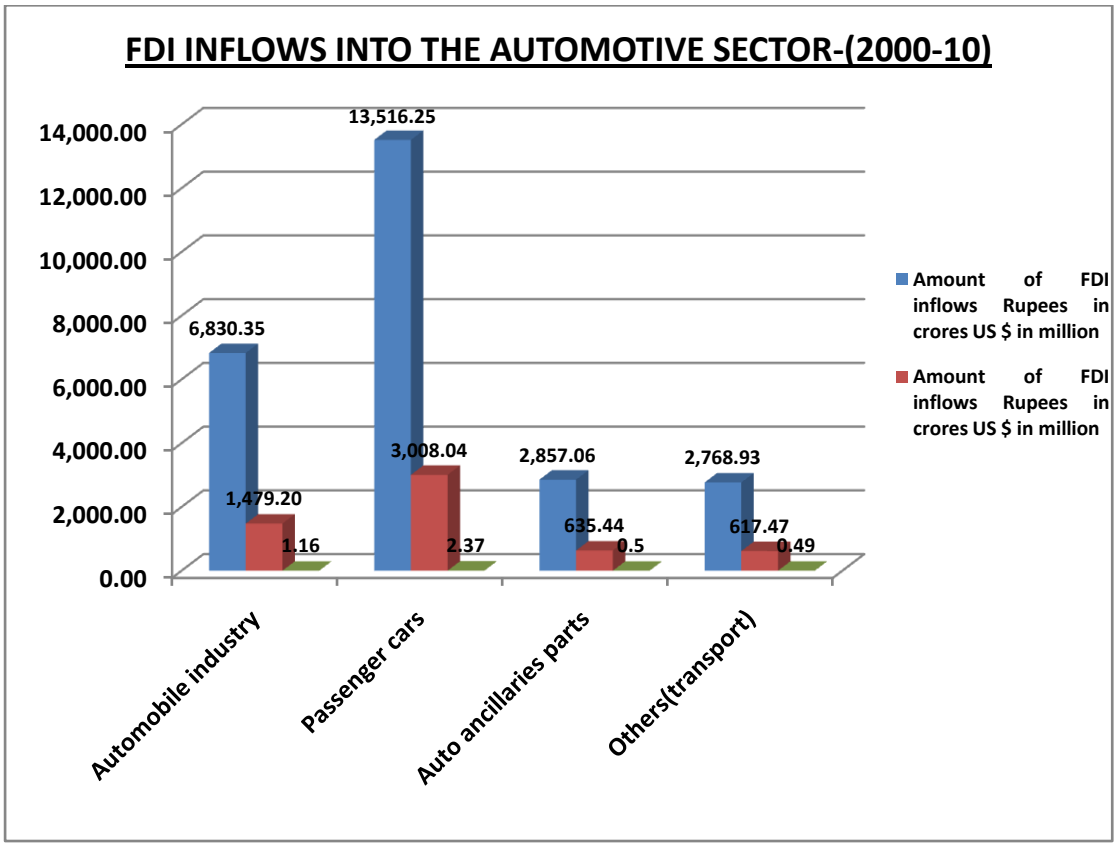
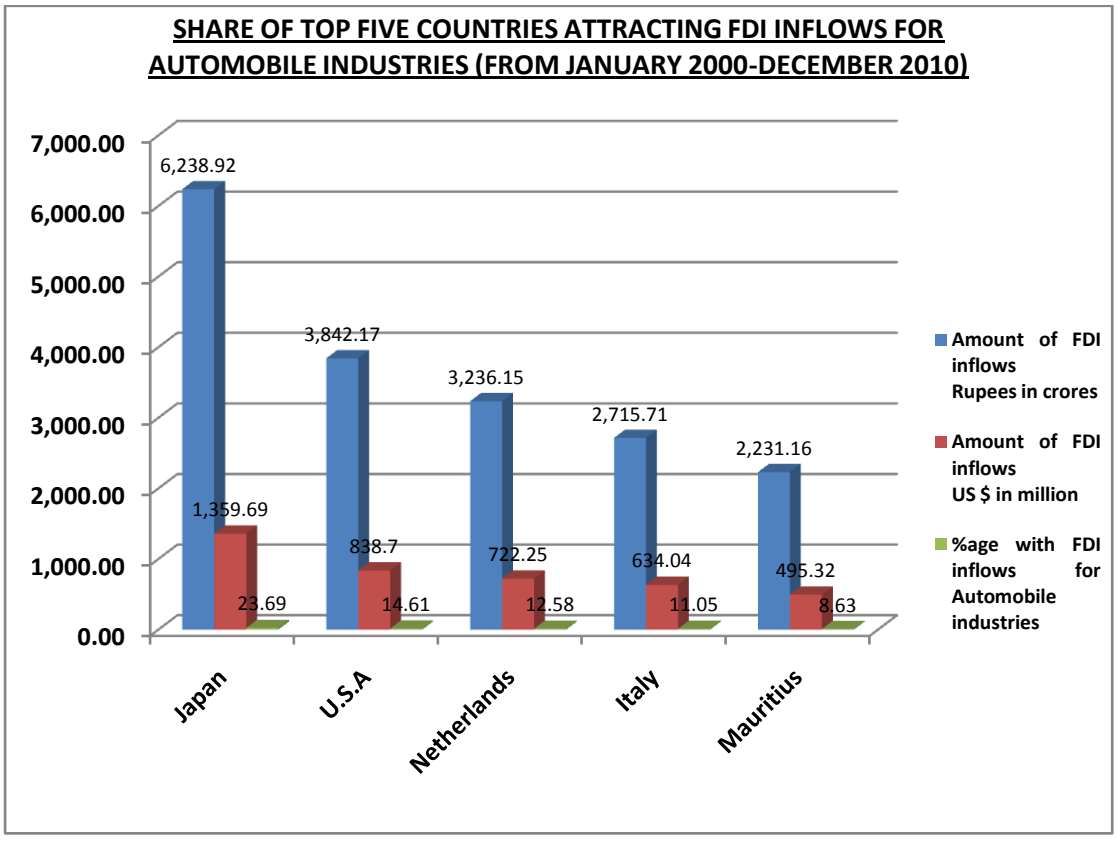


TABLE: 4.13 SHARE OF TOP FIVE COUNTRIES ATTRACTING FDI INFLOWS FOR AUTOMOBILE INDUSTRIES

(FROM JANUARY 2000-DECEMBER 2010)

Ranks	Country	Amount of FDI inflows		%age with FDI inflows for Automobile industries
		Rupees in crores	US $ in million	
1.	Japan	6,238.92	1,359.69	23.69
2.	U.S.A	3,842.17	838.70	14.61
3.	Netherlands	3,236.15	722.25	12.58
4.	Italy	2,715.71	634.04	11.05
5.	Mauritius	2,231.16	495.32	8.63
Total of above		**18,264.11**	**4,060.00**	**70.56**

GRAPH : 10 - SHARE OF TOP FIVE COUNTRIES ATTRACTING FDI INFLOWS FOR AUTOMOBILE INDUSTRIES (FROM JANUARY 2000-DECEMBER 2010)



Note:

i. Amount includes the inflows received through FIPB/SIA route acquisition of existing shares &RBI's automatic route only; and

ii. The amount of FDI inflows in respect of the Country & Sector specific data is not provided by RBI, prior to January 2000.

Note:

- Country & Sector specific analysis is available from the year 2000 onwards, as Company wise details are provided by RBI from April, 2000 onwards only
- Data on Re-invested earning & 'other capital, are the estimates on an average in monthly basis ,based upon data for the previous two years ,published by RBI in monthly bulletin dated :10.12.2012.

TABLE:4.14 : INFLOWS OF FDI IN INDIAN AUTOMOBILE INDUSTRY

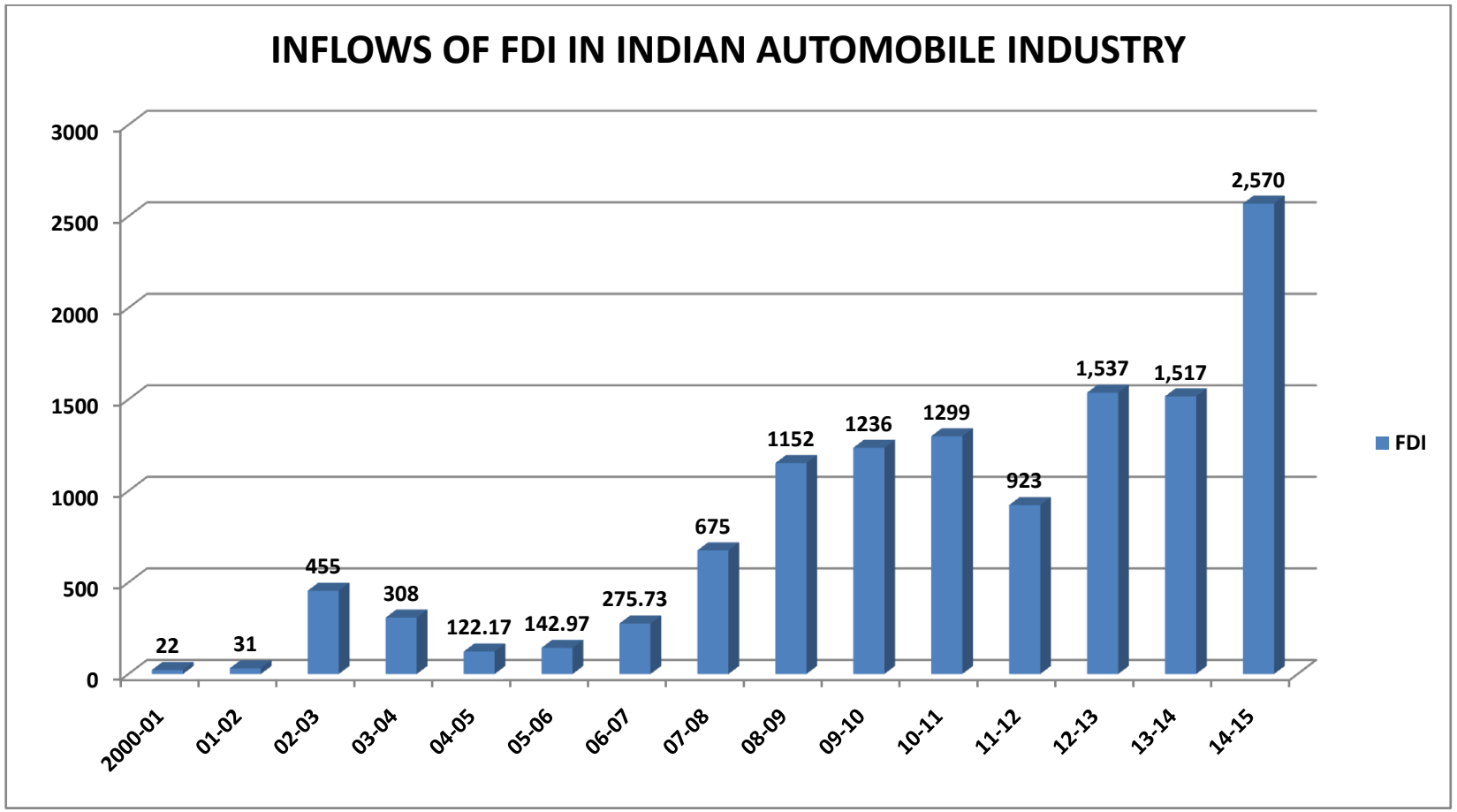
(USD $ Million)

Year	**2000-01**	**01-02**	**02-03**	**03-04**	**04-05**	**05-06**	**06-07**	**07-08**	**08-09**	**09-10**	**10-11**	**11-12**	**12-13**	**13-14**	**14-15**
FDI	22	31	455	308	122.17	142.97	275.73	675	1152	1236	1299	923	1,537	1,517	2,570

Source : DIPP statistics

As shown in the table there has been a sharp increase in FDI inflows into automotive sector. In the year 2000-01 the inflows were US D22 million which increased to USD 1236 million. In the year 2013-14 the inflows reached to the level of USD 1517 million. Though the year 2011-12 have seen a decline of inflows but very next year i.e. in the year 2012-13 the inflows were as high as USD 1537 million. An increase by 66.52 %.

GRAPH : 11 - INFLOWS OF FDI IN INDIAN AUTOMOBILE INDUSTRY



4.10 GROWTH PROSPECTS OF DIFFERENT SEGMENT OF AUTOMOTIVE INDUSTRY IN INDIA:

Since the revenues of the auto component industry are derived from supplies to the domestic Original Equipment Manufacturers, the growth prospects of the auto components are mostly determined by performance of the user OEMs. ICRA has given volume growth expectations related to single automobile segments:

(i) ***Passenger Vehicle Segment:*** Amongst the various automobile segments, the passenger vehicle (PV) segment is the largest by value and accounts in India. It constitutes half the size of the auto OEM segment, followed by Commercial Vehicle segment (CV) and the Two Wheeler (2W) that together account for the balance half in an almost equal proportion. Given the large size of the PV segment, its pace of growth has a relatively higher influence on the growth prospects of the auto components industry as a whole. After recording a robust volume growth in 2009-10 and 2010-11, the PV segment growth rate was marred by guarded consumer sentiment that impacted demand and also supply constraint due to tsunami in Japan, production disruption in country's largest PV manufacturer Maruti Suzuki factory during June-October 2011 and then disruption caused by floods in Thailand during the period from Nov-to Jan 2012.The supply side got affected up to a certain extent due to labour unrest at factories of auto component manufacturers such as Ceat, Mahindra forging .At present both supply and demand side constraints have been settled and ICRA[2] expects PV industry of India to grow at CAGR of 11% for the next couple of years.

(ii) ***CV (Commercial Vehicle) Segment:*** After registering a strong 30% plus volume growth over 2009-10 and 2010-11, the growth in the CV industry has somewhat slowed down. Steadily rising interest rates, contracting industrial output and a considerable increase in vehicle prices along with high base of previous years have been the main factors constraining growth in this segment. Declining capacity utilisation and stagnant freight

[2](Investment information and credit rating agency of India)

rates are exerting pressure on the profitability and cash flows of fleet operators. Due to these factors ICRA expects this segment of automotive industry to defer capacity addition. The growth prospects of this segment over the near term appear subdued and new vehicle sales will also experience a slowdown. M&HCV segment are also tend to be influenced by macroeconomic indicators and is likely to register a weaker performance in near term as against the steadily growing LCV segment. The expansion of the Hub and Spoke model, better connectivity of roads in rural area and strong demand from rural people in the LCV segment over the medium term spells a good growth prospects in the near future.

(iii) ***2W Segment:*** In an environment where the northward movement of inflation , fuel prices and interest rates have been the nemesis of the Indian automobile industry at large, the two wheeler industry however has remained resilient in the period of sagging demand .The growth of the 2W segment has been supported by various structural positives which include favourable demographic profile, moderate 2W penetration levels (in relation to several other emerging markets), growing urbanisation, underdeveloped public transport system and expected strong replacement demand. Thus the revenue growth of the automotive industry is likely to be a close reflection of the blended growth of individual automotive segments.

4.11 SOME CONSTRAINTS FOR AUTO COMPONENT MANUFACTURERS:

Although localisation of auto components is on high priority for Indian Auto OEMs, the free trade agreements (FTAs) between India and other countries/ regions including ASEAN, Japan, South Korea European Union etc are a significant risk. This may push OEMs to go for global sourcing. This will affect the auto ancillary business located in India. Another risk factor which should bother Indian OEMs is the meek growth prospect of Chinese automobiles in short run, the surplus capacity of Chinese auto component manufacturers and the low cost of Chinese auto components might push them to enter into India.

4.12 CONCLUSION :

The policies of economic liberalization that India has adopted since the early 1990s included greater role for FDI, foreign capital in the economy. In doing so two long term strategy was adopted first, to allure FDI which is seen in addition to net increase of capital as a bundle of resources like technology, skills, management techniques and route to foreign markets and two ,to strengthen portfolio capital flows which help develop capital markets and relax financial pressure of Indian enterprises . FDI in India started slowly and later on picked up moderately till the middle of 2000s. It picked up robustly after that. There were considerable discussions and concern amongst the policy makers and planners that FDI in India did not match the potential that India posseses. It was far lesser than the initial expected potential and expectations. However the robust growth in FDI inflows after the mid of 2000 was able to project the confidence of international investors and MNCs in India's growth potential. Data suggest that there is apparent shift in the sectoral composition of inflows with non manufacturing sector dominating the FDI share. According to UNCTAD World Investment Reports, the share of the manufacturing sector in global FDI flows declined from 34.2 percent to 24.0 percent between1989-1991 and 2005-2007.The corresponding figure for developing economies for the same period was 30.8 percent to 56.7 percent. Within services sector the financial sector has grown in importance in the latter period. In India also services sector has attracted a large share of FDI flows to India in the recent period. This sector has the potential to create more employment for skilled and semi skilled and unskilled people. It has also been observed by the empirical studies that IT/BPO services created greater job opportunities in India compared to manufacturing sector .Policy makers needs to give a boost to service sector apart from manufacturing sector as it encompasses both low end localized services and highly sophisticated and globally competitive services.

It was found that the inflows of FDI on mining sector were confronted due to various socio-economic issues. Issues like acquisition of land, forest and environmental clearances, rehabilitation and resettlement of the project affected people, naxalite movement in Chhattisgarh, Orissa, Jharkhand all these intractable socio- economic issues finally led to the decision of quitting India by steel giants POSCO and Arcelor Mittal. With the central government thrust towards development of the infrastructure and given the large potential of Mining sector with a number of large FDI projects in the pipeline in this sector, both the central and the state governments should arrive at a consensus at the earliest.

The automotive industry in India is one of the largest automotive markets in the world. It is a highly technology driven, and capital intensive industry, characterised by substantial economies of scale and multifarious association with downstream industries making it one of the key industries of the Indian economy. The dynamic and diverse auto component sector is the 'key link' of the automobile industry of India. Today automotive industry of India has significant opportunities to take the giant leap. This sector stands seventh in terms of drawing the total share of FDI inflows into the economy. The size of domestic market is attracting OEM players who have a strong need for localization from around the world. Also global markets are hunting for low cost dealers to enjoy scale economies. Policies of economic liberalization that India adopted since the early 1990s included greater role for FDI into this particular sector. It was intended to increase net capital as a bundle of resources like technology, skills, management techniques in this sector and en route Indian automobiles to foreign markets and also, to strengthen portfolio capital flows which help develop capital markets and relax financial pressure of Indian enterprises .

Economically and socially, automotive products –cars, trucks, and buses are much more than means of transportation or realization of abundance. They are powerful creations, which project linkages backwards and

forwards, resulting in a long and complex economic chain before, during and after its manufacturing. The automotive industry is an industry with follow up in major chains such as iron and steel, electronic, computers, fuels and agribusiness, and a multitude of services. For its extensive reach, the automotive industry is a strong economic chain with multiple effects on the economic and social fabric of a nation. The new vehicles and products keep generating new revenues and taxes for years, moving new businesses, employment and investment. It is expected that the automotive manufacturer will continue to vary depending on their revenue mix (OEMs/Replacement market), Segment leaning (PV, CV, 2W) and geographical diversification (domestic and exports). Although the disposition of this industry is rather cautious and low as the growth rate has shown moderate increase. Nevertheless the long term prospects are strong, as India is poised to be one of the fastest growing automotive markets worldwide over the next decade and is slated to move from number 8 position to number 3 position in the passenger vehicle market. And to harness this opportunity, effective management of the short term challenges and implementation of sustainable strategies is the key to robust industry growth. The manufacturers who have a growing presence in the replacement market and also have geographically diversified and dispersed market base are likely to be better equipped to offset the moderate volume growth of selected domestic automobile segment. India is probably the most competitive country in the world for the automotive industry. India needs to change or adjust its export strategies in order to become one of the top global automotive powers. India needs to focus on developed automotive markets in order to make the most of the increasing drive to source from low cost destinations, a trend followed by developed economies. In addition to this, exploring partners in other emerging automotive markets and initiating export relationships will help diversify the business portfolio and grow the exports business and thus invite foreign investors to invest in Indian economy. There are no minimum

investment criteria in automotive industry. India is emerging as one of the world's fastest growing passenger car markets and second largest two wheeler manufacturer. It is also home for the largest motor cycle manufacturer and fifth largest commercial vehicle manufacturer. It is also emerging as a centre for exporting sports utility vehicles (SUVs).Thus we can conclude that automotive industry has immense potential of growth in near future. Thus this sector is poised to draw a major share of FDI inflows into the country in future.

It can be concluded by suggesting that the government at the state and at the central level should coordinate towards framing policies related to different sectors, minimising the formalities and legal procedures, reducing the delay in the approval mechanism and thus creating a very conducive investment environment.