

# Free swot analysis of indian automotive industry case study sample

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## **India: An Automobile Hub in the Making**

### Part 1

Prior to 1991, India had protective investment policies that prevented foreign direct investment to flow into the country. For the financial stability, India depended on the bilateral loans from politically closer countries. Foreign firms were allowed to have equity less than forty percent and that too were overlooked by government authorities. The laws were against propagation of foreign brands, but Indianised hybrid brands were allowed for example Hero-Honda, Maruti -Suzuki, etc. Because of the restrictive trade and investment practices, India was not connected to technologies available in the developed countries. Also, India lost many labor -intensive export opportunities in contrast to other East Asian countries. Because the government regulated the foreign entry, the domestic manufacturers paid little or no attention to improve quality, innovation and new market development. The Indian companies relied on the domestic needs, and did not explore export markets. However, though restricted, the country depended on excessive imports, leading to acute balance of payment deficits.

In the first few decades after India got independence, the government did not give importance to automotive industry. Because of the Government's attitude, the industry grew at snail's pace. Increase in rural and urban population presented huge demand for transportation solutions and demand on the then auto makers i. e. Hindustan Motors, FIAT, and Maruti-Suzuki. But the domestic manufacturers could not meet the demand for quantity as well as quality. Yet the companies thrived because of the protective government

policies. The consumers were deprived of the better quality vehicles.

However, after 1991 the attitude changed in favor of not only automotive industry, but also in health care, telecommunications, tourism, etc. A number of reforms instituted in the last decade of the twentieth century changed the economic situation in India and proved to be beneficial to many sectors, especially the automobile industry.

## **Part 2**

In the process of reforms by Indian government, automotive industry is one among many other sectors that received focus and special attention. The importance of this industry is well recognized and laws were made in favor of this industry. The vibrant democracy and political stability give the foreign companies a safe environment to invest. As an encouragement to the industry, the government has not set up any minimum criteria for foreign investment and provided tax deduction facilities for R&D initiatives. As per the current demographic and economic trends, India presents a bright prospect for automotive industry. The booming middle class provides an enormous opportunity for growth, and the presence of large younger population is likely to boost the passenger car market.

The rising salary levels and disposable income of the Indian working class is yet another situation that predicts bright future for the automotive industry. The strong banking and financial system offers affordable and easier access to finance has positive effect on purchase of cars on loan. English speaking population and engineering capabilities of the supplier enterprises, offers opportunities to OEM companies to export the vehicles or its parts. General

education and employable skills are improving among Indian youths, which can be utilized to improve workmanship and competitiveness. Another important characteristic of Indian situation is that the consumers and government prefer green vehicles. The need for transportation and personal vehicles is on the rise and at least twenty automotive companies can survive and grow in this country. The fuel and vehicle service network is yet another important factor that supports automotive industry.

India has strengths in various dimensions. A positive attitude towards FDI, low cost labor, rise in middle class income, large younger population, plenty of engineers and capability to shift the quality of work are some of the strengths of India. Opportunities too are good for the automotive companies. Growing customer base, rise in living standards, increase in income levels, government expenditure in transportation infrastructure such as roads, bridges etc. all contribute to the car manufacturing companies. Lower quality, lower productivity, higher interest rates, disinclination to R&D, and rising unionism presents as the weaknesses to the automotive companies. The threats to the company are higher employee turnover, sudden tax imposition by the government, rise in density of vehicles in large cities such as Delhi, Mumbai, etc.; ever rising fuel prices, etc. are the manifested threats to the investors.

### **Part 3**

In many countries automotive industry is one of the pillars to economy. Among all countries, India holds sixth position in total manufacturing of cars. There are about thirty five auto makers in India offering different type of

vehicles, and all put together produce vehicles equivalent to 7 percent of Indian GDP, and this industry employs about 7-8 percent of the total employed population. These trends are due to the liberalization policies and the impact of the disciplined approach to car manufacturing by outside companies. By encouraging product innovation and quality, the automakers along with their suppliers aligned themselves to global standards. The supplier companies and other allied organizations, attached to the foreign companies have implemented, TQM, Lean, Six Sigma, etc. The OEM companies influenced smaller companies and showed them the value of innovation. With the help of local suppliers the OEMs have established research centers. The government too has benefitted in many ways. By listening to the real stories from car companies, government has encouraged expenditure in infrastructure development, human capital development, sustainability measures and promotion of innovation.

## **Part 4**

Till now most of big automotive manufacturers were attracted to India because of its domestic market potential. But, seeing the growth in exports by Maruti and Hyundai, many other companies are also thinking of starting manufacturing in India. Companies that move into India also expect to serve export market as well. Toyota, Ford, Volvo, etc. are increasingly making cars in India and exporting to countries such as Europe, USA, Africa, etc. It is predicted that by 2020, India can overtake Thailand, a current manufacturing hub of vehicles, in terms of exports.

Many factors determine the emergence of India as a hub of automotive

manufacturing. First is the attraction towards the size of the market; currently India is the only country that has largest youth population. Other larger countries have lesser population of youth. Second reason for choosing India as a hub is the lower transit time (ships reach Europe from Mumbai in 22 days, other countries take more than 29 days). Another important factor is availability of design and development skills within India.

The roles of component vendors within India are changing. Many vendors are investing on behalf of OEM in R&D, product innovation and process improvement. Due to changes in supplier -OEM relationship, the vehicle companies are likely to be with the supply cluster and consolidate the relationship and zero defect product. The availability of raw materials, large pool of suppliers, engineers, and managers, make India a preferred manufacturing hub by the OEM companies.

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