



The Automotive Industry – gearing up towards the future

The progress of Auto industry is one of the major indicators of progress of economy of a country. While the Indian economy is progressing, the Auto sector is also progressing well.

The Government has noticed this and realizes that the Auto sector should contribute more to GDP. The Auto Mission Plan aims at doubling the contribution of Auto sector in GDP from the current 5% to 10% by 2016.

The Indian Automotive Industry has flourished like never before in the recent years. This extra-ordinary growth that the Indian Automotive Industry has witnessed, is a result of two major factors, namely, the improvement in the living standards of the middle class, and an increase in the level of disposable income.

Moreover, the liberalization steps, such as, relaxation of the foreign exchange and equity regulations, reduction of tariffs on imports, and refining the banking policies, initiated by the Government of India, have played an equally important role in bringing the Indian Automotive industry to great heights. The Indian Auto sector has grown at the rate of 17% for last five years. The current turnover is Rs. 165,000 crore (34 billion USD).

The current investment in the Auto sector is Rs. 50,000 crore and another Rs. 35,000 crore are in the pipeline. We are World no.1 in production of Tractors and 3-wheelers. We are no.2 in two-wheeler segment, next to China. In the Global Car output, we stand at no.11.

The increased demand for Indian automobiles has resulted in a large number of multi-national auto companies, especially from Japan, U. S. A., Europe and Korea, entering the Indian market and working either in collaboration with the Indian firms or on their own. Also, the institutionalization of automobile finance has further paved the way to sustain a long-term high growth for the industry.

The growth rate of Asia Pacific countries is very high. Due to stagnancy and/or negative growth in Europe, Nafta and Japan the focus has shifted to Asia Pacific countries, particularly India and China.

With the arrival of MNCs in India, the Automobile industry is maturing along with the Automotive Component industry. The country is rapidly achieving global competitiveness both in terms of Cost and Quality. Many MNCs are now making India a hub for manufacturing and exporting to other countries. This has given tremendous boost to the Automobile industry along with Automotive Component industry. However, as we gear up for such a massive growth, there are some important factors, which will have to be addressed by the industry.

People

With Rs. 35,000 Cr of investment to set up plants and ramp up operations, the key to success would be employer's ability to retain good people through incentives, motivation and good corporate governance.

Since good people are very high in demand, they will be

allured by either competition or by other growing industries with higher salary package. People are ready to take high challenges, provided they get enough incentives.

There has to be enough motivation to the people, which may be by way of empowerment or a prospective career growth, etc.

A good corporate governance always brings in transparency in an organization where people feel comfortable to work.

At Exide for instance, besides giving a decent salary package, we delegate and empower our people. We encourage bottom-up suggestions and the management gives attention to such suggestions. Our Corporate governance is excellent and transparent. All these make an excellent environment to work with and we have been able to attract good people.

Quality and Cost

Globally the Automobile industry is a fiercely competitive industry. With all the major OEMs of the World in India, competition is going to be severe. With more and more opening up of the economy, the boundaries between the Domestic market and International market will recede. In terms of Cost and Quality, our industry will have to be globally competitive.

Service and Reach

While Quality and Cost play a major role, customers are becoming bigger and bigger Kings. They know they have alternatives and so they are demanding. While assessing value for money, Service and Reach will play a very important role in the mind of the customer. They want Product and Service to be conveniently available. Any inconvenience in Service brings bitterness, which travels by word of mouth to multiple customers. The brand takes serious hit. Successful companies will have to establish a deep network of distribution and service.

None of the major MNCs in the world consider themselves having a good global strategy, as long as they do not have a strategy for India and China, India will continue to receive much attention from the MNCs. Local players have learnt this and are quickly gearing up to come in line with the World's Standard and many of them are doing extremely well. However, India has a long way to go and should aim to beat China who at the moment is getting more attention than India.

We being the world's second largest and fastest growing population, with high literacy and ability to speak English, there is no denying that India's potential in the Auto sector is very high. We are a country of very young population and our GDP growth is very impressive. We have an emerging middle class, which is growing very fast. We have substantial strength in Software design and our Research and Development are getting more attention.

All this leaves us with a good future to look forward.



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