

## Vibrant Gujarat Summit – 13th January 2009

### Address by Shri Aman Chadha, National Chairman, EEPC India

I welcome you to the Session on Engineering & Automobile Industry at the Global Investors Meet in Gujarat. I think the time we have spent since yesterday has been much rewarding to all of us and shows the great potential that Gujarat has, particularly, under the dynamic leadership of Shri Narendra Bhai Modi.

Today, at this session we will be discussing the auto and engineering sectors. With respect to auto, the Nano project has revolutionised the auto industry both as a concept as well as a product. However, let me also remind you that India's automobile industry in India is the tenth largest in the world with an annual production of approximately 2 million units. It is expected to become one of the major global automotive industries in the coming years. A number of domestic companies produce automobiles in India and the growing presence of multinational investment, too, has led to an increase in overall growth. Following the economic reforms of 1991 the Indian automotive industry has demonstrated sustained growth as a result of increased competitiveness and relaxed restrictions.

India's car market has emerged as one of the fastest growing in the world. The number of cars sold domestically is projected to double by 2010, and domestic production is skyrocketing as foreign makers are setting up their own production plants in India. The government's 10-year plan aims to create a \$145 billion auto industry by 2016. According to McKinsey, the auto sector's drive to lower costs will push outsourcing. The auto sector could be worth \$375 billion by 2015, up from \$65 billion in 2002. McKinsey thinks India could capture \$25 billion of this amount. Out of 400 Indian suppliers, 80 percent have the ISO 9000 certificate—the international standard for quality management.

The production of automobiles in India is largely aimed at local consumers. Several Indian manufacturers also export a diverse variety of auto components. Experts predict a sale of 4.2 million four wheeler automobiles in India by 2015. Indian passenger vehicle exports are also expected to rise from 170,000 in 2006 to 500,000 in 2010

#### **Development of India's Automobile Policy**

Let me give you a brief history of how we have become what we are now: In 1953, the government of India and the Indian private sector initiated manufacturing processes to help develop the automobile industry, which had emerged by the 1940s in a nascent form. Between 1970 to the economic liberalization of 1991, the automobile industry continued to grow at a slow pace due to the many government restrictions. A number of Indian manufactures appeared between 1970-1980. Japanese manufacturers entered the Indian market ultimately leading to the establishment of Maruti Udyog. A number of foreign firms initiated joint ventures with Indian companies.

Following the economic reforms of 1991, the automobile section underwent delicensing and opened up for 100 percent Foreign Direct Investment. A surge in economic growth rate and purchasing power led to growth in the Indian automobile industry, which grew at a rate of 17% on an average since the economic reforms of 1991. The industry provided employment to a total of 13.1 million people as of 2006-07, which includes direct and indirect employment. The export sector grew at a rate of 30% per year during early 21st century. However, the overall contribution of automobile industry in India to the world remains low

as of 2007. Increased presence of multiple automobile manufacturers has led to market competitiveness and availability of options at competitive costs. India was one of the largest manufacturers of tractors in the world in 2005-06, when it produced 2,93,000 units. India is also largely self-sufficient in tyre production, which it also exports to over 60 other countries. India produced 65 million tyres in 2005-06.

### **Challenges of the Global Financial Crisis**

As you are well aware, in the aftermath of the Sub-Prime crisis in the US, the auto sector is seen to be one of the major industries that have been affected the most. Clearly, this has affected the India auto and auto component industry as well. It is this immediate challenge that the Indian automobile industry will have to gear up to in the immediate short period through enhancing productivity increases, cutting costs and innovating marketing strategies.

Thank you