

Prime time for Innovations in Indian Auto Industry

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India's automobile industry is growing steadily over the last decade. Taking a closer look gives you a perspective. For example, exports have grown consistently from \$4.5 billion in 2009 to \$12 billion in 2013. However, more can be done to accelerate the growth.



This is important because Indian automobile industry accounts for 22 per cent of the country's manufacturing gross domestic product (GDP) and is one of the biggest job creator. India is currently the seventh-largest automobiles producer in the world with annual production of 17.5 million vehicles and is poised to become the fourth largest automotive market in 2015.

According to Ford Motor, India will become third largest auto manufacturer in the world by 2020. It is no coincidence that India is largest three wheeler market in the world, second largest in two wheeler market and in the tractor market it ranks as the fourth largest in the world. Everything looks healthy so far and opportunity for rapid growth lies ahead.

First on the upside. The two-wheeler auto segment has been great success story of Indian automobile industry. India is third largest exporter of two wheelers, with China and Japan leading the pack. India exported 2.4 million units, and sold over 16 million units in domestic market. Bajaj Auto alone exported 1.56 million bikes, while others like HMSI (1.9 lakh units), Hero (2 lakh units), TVS Motor Company (3.12 lakh units) and Yamaha (1.72 lakh units) chipped in their bit. ASEAN, SAARC and Latin American markets proved to be strong export markets for Indian two-wheelers. Hero Honda stands out as the largest two wheeler manufacturer in the world, while Bajaj Auto ranks as largest three wheeler manufacturer. This definitely instills a sense of pride and degree of accomplishment.

A silver lining in Indian auto sector is that leading auto maker Enfield, outpaced Harley Davidson of US as the most sold bike in the world. Not only that, Enfield's global sales grew by 70 percent in 2014 while that of US based bike market was only 3 percent. This is a stunning & confidence boosting turnaround. Enfield has planned to consolidate its gains and strengthen network in Western Europe and the US.

Taking a note on where innovations are happening, a look at the core patents filings in auto segment in India point to vehicles, combustion engines, thermal insulation, measurement & testing and electrical distribution. More opportunities exist in batteries, electric motors, transmission, paints, safety systems, Internet of Things (IoT) and fuel saving components amongst others.

In the US, auto-related patents have been filed by Apple, Google, Korea's Samsung, electric carmaker Tesla Motors. India, which is sitting with large thorium deposits can emerge as leader in lithium-ion batteries. Companies like Apple, Google and Korea's Samsung are vying for production of these batteries. iPhones need these batteries, so do electric car manufacturers. So, the scope of market potential is obvious. It is up to India to seize this wave of opportunities & innovations.

Now, look at the strategic progress Indian auto industry made. The Chennai Auto Hub - dubbed Detroit of Asia, is poised to become the largest auto hub in the world by 2016. Major auto manufacturers based in this hub include - Hyundai, Ford, Renault, Volvo, Mitsubishi, Nissan, BMW, Hindustan Motors, Daimler, Caparo, Mini, and Datsun. Chennai auto hub accounted for 35 percent of revenue share and 60 percent of India's auto exports.

The other two auto hubs are - western auto cluster in Chakan corridor along Mumbai - Pune belt, and the northern auto cluster around National Capital Region. The western cluster includes auto majors - Audi, Volkswagen, Skoda, Mahindra and Mahindra, General Motors, Tata Motors, Mercedes Benz, Land Rover, Jaguar Cars, Fiat, and Force Motors and accounts for 33 percent of market share, while the NCR cluster with the presence of India's largest manufacturer Maruti-Suzuki contributes to 32 percent of market. Gujarat is fast catching up with Tata Nano - producing world's lowest cost car, Ford, Maruti Suzuki, and Peugeot-Citroen auto plants.

A word on the flip side. Top branded cars like Alfa Romeo, Cadillac, Chrysler, Lexus, Audi etc. are being imported at steep duties. Valuable forex is being spent on auto imports. Something needs to be done to address this issue.

Innovation opportunities for India exist big time in key sectors of electric, hybrid vehicles and hydrogen fuel cells. Production of indigenous batteries, electric motors not only drastically reduce imports, but also provide opportunities to accelerate innovations & job growth. To pep up innovations in auto sector, Government of India is investing Rs. 740 crores until 2017. It may be drop in the bucket but a step in the right direction. FDI in Indian auto industry is pegged at 1.4 billion US dollars. Indian government is also doling out excise duty concessions for electric vehicles and may continue to do so in near future.

Tata Motors, a major auto maker of India, and Fortune Global 500 company is spreading its wings fast. It launched indigenous Indian passenger car, the Indica and had thumping success. Tata Sierra, a competitive indigenous automobile was also a huge success. It also launched Tata Nano, world's most affordable car. With acquisition of Jaguar Land Rover, Tata Motors has established its class & brand in higher end car market segment. It has established R&D centres, auto plants in Argentina, South Africa, Thailand, Spain, South Korea and the United Kingdom and in the process became global player and with revenues of 39 billion US Dollars. More companies need to follow suit and have potential to do so. Demonstrating yet another pioneering spirit, Tata Motors in collaboration with ISRO, developed India's first hydrogen fuel cell bus. It is a dual win as it not only takes out gas guzzlers off the road and reduce greenhouse gases but also putting clean and silent buses on the road - good deal by any standard.

If India has to emerge as the destination of choice in the world for design & manufacture of automobiles and auto components, then dual strategy of investments and innovations need to go hand in hand. High quality motors not only reduce import costs but also turn out to be gas savers, reducing the burden of petro energy imports and carbon footprint. With India set to become third largest auto market in the world by 2020 all eyes will not only be on the Indian auto industry to see it coming to age but also how India develops itself as auto innovation hub, providing more jobs and accelerating the GDP growth further.

There is some good news already on the horizon. Hyundai plans to make India its global source for engines. Ford plans to make India its manufacturing hub for engines for the Asia-Pacific region and Africa markets, and Volkswagen is planning to make India its global sourcing destination for its engines. Narendra Modi government's "Make in India" push on building the manufacturing sector and increasing jobs is also likely to benefit the auto industry and economy. Fasten the seat belts India!. Time is now to innovate, accelerate & scale up.

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