

HINDUSTAN MOTORS *STRUGGLE FOR SURVIVAL*



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AMBASSADOR

Overview

- *Hindustan Motors is an automobile manufacturer from India. It is part of the **Birla group of industries**.*
- *The company was the largest car manufacturer in India before the rise of Maruti Udyog (MUL).*
- *It is the producer of the famous Ambassador car, widely used as a taxicab and as a government limousine.*
- *One of the original three car manufacturers in India, founded in 1942, it was a leader in car sales until the 1980s, when the industry was opened up from protection.*
- *Hindustan has a joint venture with Mitsubishi, producing versions of the Lancer and Pajero, but is best known for its own models.*

HINDUSTAN MOTORS - A MAJOR PLAYER



- *It started production of the Landmaster in 1954, and in 1957 began the production of the Ambassador. Later tie-ups with General Motors Corporation of USA, Vauxhall Motors, UK, Marion Power Shovel Co, USA led to new products being launched. In 1963 commenced the production of the Ambassador Mark 2. Later versions and more forays in related vehicle segments followed.*
- *It is a one billion turnover company manufacturing Passenger Cars, Utility Vehicles, Power Products and Earthmoving Equipment. The manufacturing facilities of the company are spread across India: Uttarpara in West Bengal, Pithampur in Madhya Pradesh, Thiruvallur and Hosur in Tamil Nadu, and Pondicherry. The latest model, Mitsubishi Lancer, is manufactured in their state - of - the - art manufacturing facility at Thiruvallur, Tamil Nadu.*

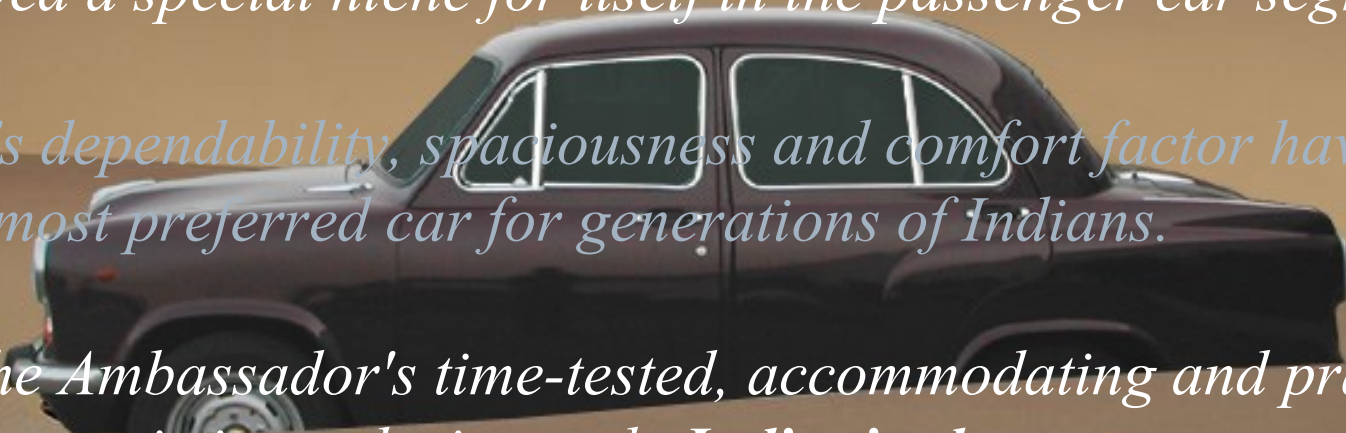


Ambassador

➤ *Ambassador - the first car to be manufactured in India, has been ruling the Indian roads ever since its inception in 1948 and the only automobile to ply Indian roads for more than five decades now, has carved a special niche for itself in the passenger car segment.*

➤ *It's dependability, spaciousness and comfort factor have made it the most preferred car for generations of Indians.*

➤ *The Ambassador's time-tested, accommodating and practical characteristics make it a truly **Indianised** car.*



Evolution of Automobile Industry

Initial Years

*Manufacturing was licensed
License Raj*

- *High Customs duty on import*
- *Steep excise duties &
sales tax*
- *2 Major players:
Premier Automobiles Ltd
& Hindustan Motors*

1980s

- *Entry of MUL, better product,
with government support*
- *Seller's Market*
- *Long Waiting Periods*

Early to mid 90s

- *Seller's market and long
waiting periods*
- *Decrease in customs &
excise*
- *Auto finance boom- more
players*
- *foreign banks & non
banking companies, better
schemes.*

Mid 90s – Early 2000s

- *Buyers market*
- *Easy Auto finance*
- *Manufactures diversifying
into related activities:
finance lease, fleet
management, insurance
and used car market*
- *But HM diversified very
lately compared to all
other companies*

- *Hindustan Ambassador has a vast service network. The Passenger Car and Utility Vehicle market is being attended by a 115 strong dealer network, 50 Service and Parts dealers and additional 60 exclusive Parts dealers. 4 Regional Offices and Nation-wide Territory Offices support it. Two dealers serve the Earthmoving Equipment and Power Products market from 25 locations spread across the country.*

- *In a bid to streamline the after sales service, three divisions have been made, namely **red**, **blue** and **green**. The **Red** will handle the new **Mitsubishi Lancer**, **Blue** the **Ambassador** and **Contessa Classic**, while the **Green** caters to the rural market with the **Trekker** and the **HM RTV**.*

- *All the cars manufactured by Hindustan Motors conform to Euro -1 emission norms. This has been achieved by upgrading the Ambassador 1800 ISZ with multi - point fuel injection. The Ambassador was always in conformance with these norms.*

- | | |
|-----------------------|---------------------------|
| <i>Segment</i> | <i>Biggest USP</i> |
| <i>"B"</i> | <i>Sturdy and Tough</i> |

President's Choice

- ❑ *Dr. Abdul Kalam was the best choice the country could make earlier for the most coveted position of the President of India. The Bharata Ratna awardee Dr. Kalam is known for simple living. He preferred to travel in old ambassador car without a beacon light and VIP cap. The pilot vehicles were asked to follow the traffic rules.*
- ❑ *The prime ministerial motorcade consists of a string of cream Ambassadors and the more than 40-year-old workhorse remains the official vehicle of senior politicians, top civil servants, judges, and generals.*



...The 80's

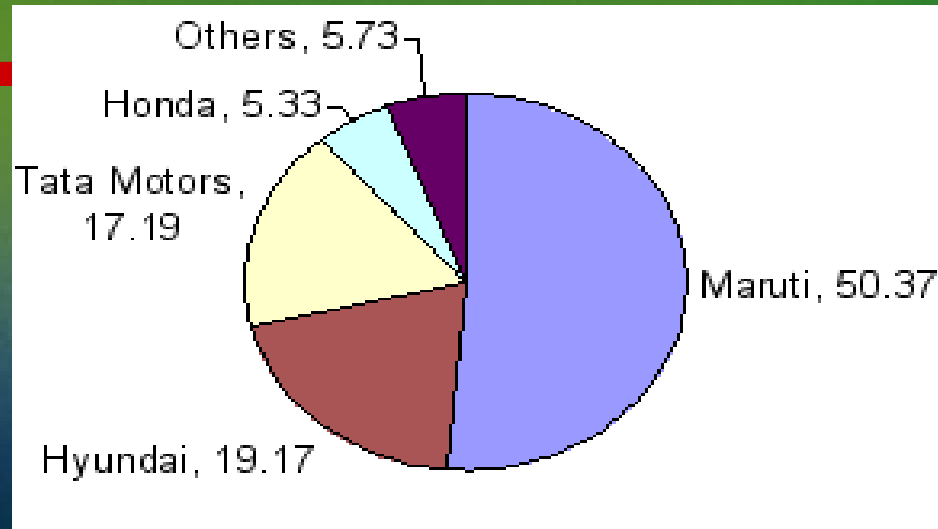
- ❑ *Until the 1980's, Ambassador and Premier Automobiles Ltd's (PAL) Padmini were the only 2 cars available in the Indian market. Ambassador was the vehicle of choice, Government of India, and the official car for almost every Indian Prime Minister after independence.*
- ❑ *There was no executive order that the government departments have to buy only ambassador cars. Still all were buying as a prestige to own it.*
- ❑ *HM derived a major part of its sales from senior politicians, top civilians, bank managers and defense personnel.*

- ❑ *Ambassador was very popular in the taxi segments as well, even in 2001 the segment accounted for almost 65% of ambassadors sales because of the perception that the ambassador was better suited for the rough Indian roads and its strong structure, its believed to withstand the impact of accidents much better than any other car.*
- ❑ *Till the early 1980s, Ambassador commanded more than 70% of the market share. Premier Padmini, a locally manufactured car based on the Fiat, claimed the other 30%.*



- ❑ *MUL's Entry1981*
- ❑ *Though the sturdy Ambassador does not find many takers in India, with people looking to more fancy cars but, its export has been steadily increasing, mainly in the British and Japanese markets.*
- ❑ *It is being said that Old Amby had to be taken to workshop after delivery of car from showroom for re-welding and other modifications for the basic driving situation. This was happening till MUL Maruti's was launched.*
- ❑ *During early 80's delivery of Amby usually takes a span of 6 months to 1 year for delivery from the company or from the agencies dedicated in each market/state. Its been said "The car was making lot of sound from each part of the body except the horn during driving".*
- ❑ *In 1981 with the entry of MUL, the scenario changed drastically, MUL's small fuel efficient and well designed car, Maruti 800, became a huge success. By the late 1980's MUL became the market leader, leaving Hindustan Motors way behind in the market share.*

The Key Players...Car Segment by year 2k



Passenger vehicle

- *By the year passing, HM's market share went low and was considered as 'others' in the segment*

Commercial vehicles	TATA Motors, Ashok Leyland, Swaraj Mazda, Mahindra & Mahindra, Force motors, Eicher Motors
Passenger vehicle	TATA Motors, Maruti Udyog, Honda Motors, Toyota, Skoda, Mahindra & Mahindra, Daimler Chrysler, Hindustan Motors

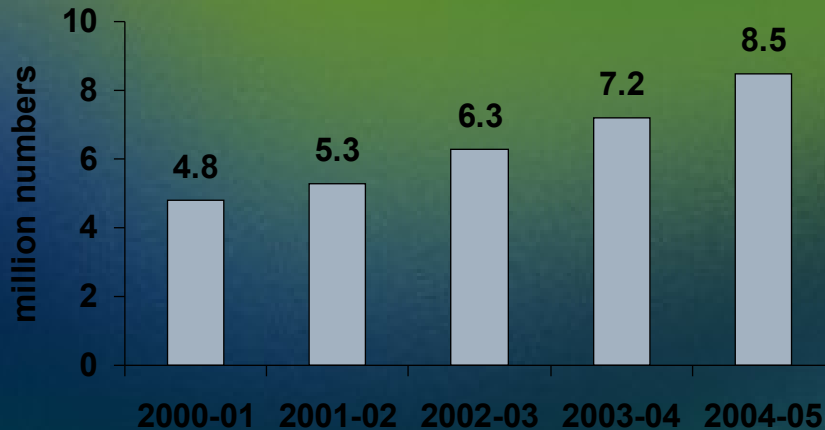
Segment Comparison

Segment and Brands (All models available in different variants)

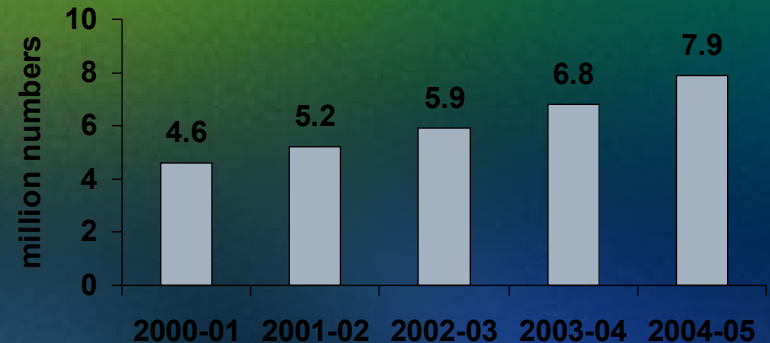
Products	Brands		
<p>Four Wheelers</p> <p>Maruti Udyog Ltd. (MUL) is the first automobile company in the world to be honoured with an ISO 9000:2000 certificate. The company has a joint venture with Suzuki Motor Corporation of Japan. It is said that the company takes only 14 hours to make a car.</p>	<i>Maruti 800</i>	<i>Maruti Alto</i>	<i>Maruti Baleno</i>
	<i>Maruti Esteem</i>	<i>Maruti Grand Vitara XL-7</i>	<i>Maruti Gypsy King</i>
	<i>Maruti Omni</i>	<i>Maruti Suzuki SX4</i>	<i>Maruti Swift</i>
	<i>Maruti Versa</i>	<i>Maruti Vitara</i>	<i>Maruti Wagon-R</i>
	<i>Maruti Zen</i>		

Trends in the automobile sector...2k

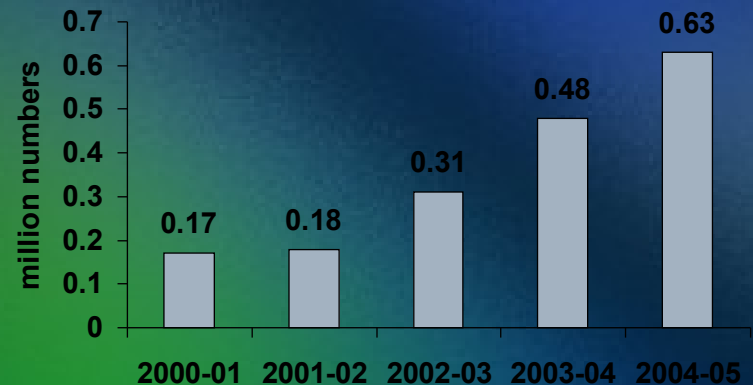
Production of automobiles



Domestic Sales of automobiles



Exports of automobiles



- Domestic Sales have been growing strongly
- Exports have nearly tripled in the years
- HM was unable to hold position in market due to their drop in marketing strategies

Where as for HM

Brands

- *Ambassador (1948 -...Present)*
 - *Contessa*
 - *Trekker*
 - *Opel Astra (1996 GM - Mid size luxury car)*

- *Only after 1997, HM was able to JV with Mitsubishi*
 - *1997- Began the production of the Road Trusted Vehicle.*
 - *1998 - Commenced the Mitsubishi Lancer Car project.*
 - *Mitsubishi Montero - SUV*
 - *Mitsubishi Pajero - SUV*
 - *Mitsubishi Cedia - Sedan*
 - *Mitsubishi Lancer -Sedan*

- *But MUL were able to look into all the market segment*

Premium Segment Comparison

PERIOD	SALES		
	LANCER(HM)	ESTEEM (MUL)	HONDA CITY (HONDA)
1998-99	2,866	16,744	9,631
1999-00	8,300	16,031	9,772
2000-01	7,635	12,000	10,011

❖ Comparing with competitors:

.HM premium segment market share were being eaten up drastically by MUL and Honda.

.Mostly due to advertising and effective marketing strategies of the competitors

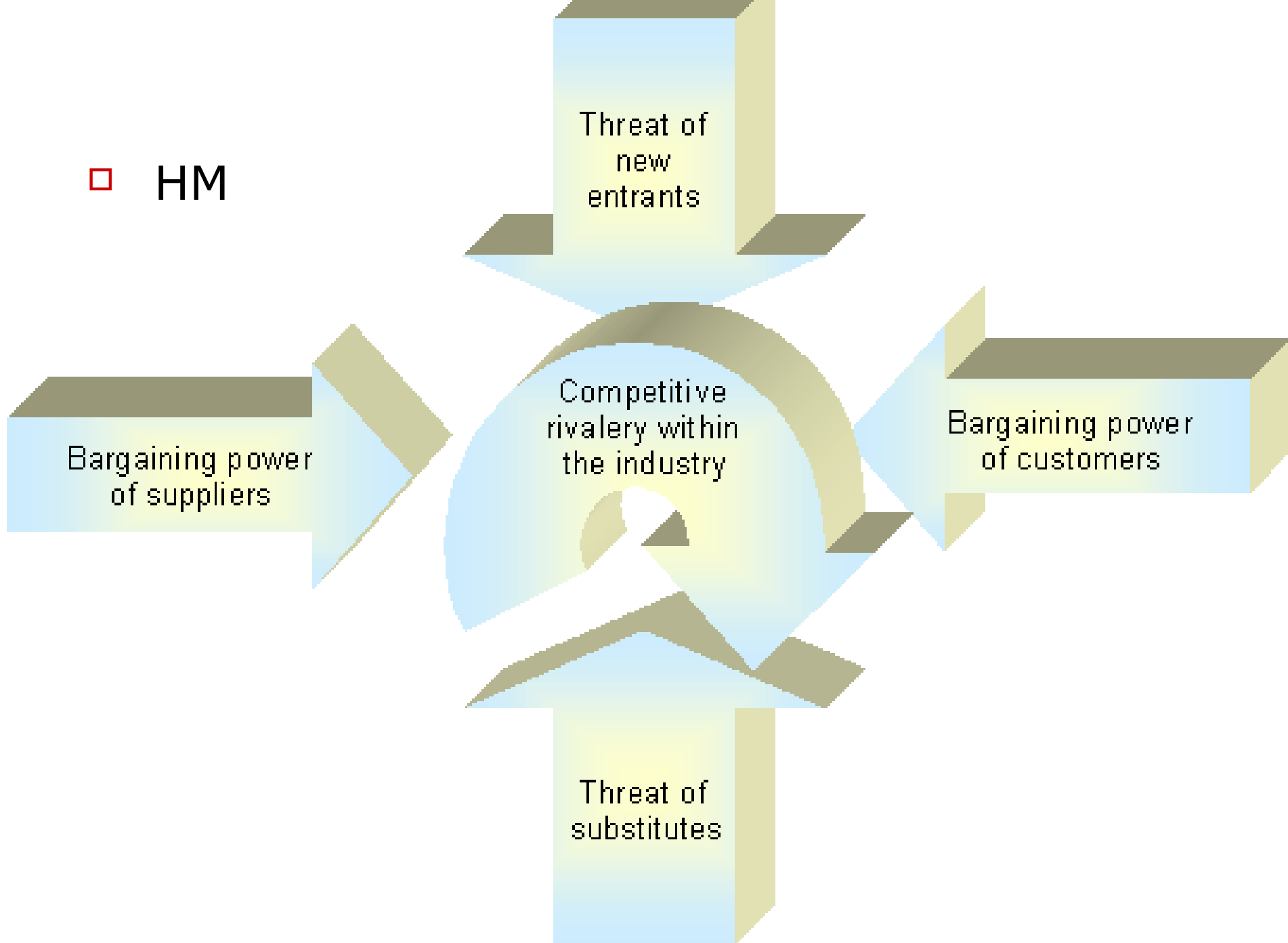
HMFINANCIAL PERFORMANCE	Mar-1998	Mar-1999	Mar-2000	Mar-2001
Total income	10,124.90	12,297.30	15,085.50	14.977.4
Cost of material	5,864.40	8,126.20	10,707.30	10,272.90
Employee cost	1,393.30	1,463.40	1,545.60	1,558.60
Power & Fuel	236.1	224.2	279.2	2.669
Advertising/promoti on/public	12.1	21.8	11.6	5.8
Other expenses	1,305.20	1,588.40	1,652.00	1,608.10
Cost of sales	8,809.10	11,423.96	14,195.80	13,712.40
PBIDT	1,315.80	873.3	889.7	1,265.00
Interest &finance changes	583.2	834.6	1,082.10	1,001.30
PBDT	732.6	38.8	-192.4	263.7
Depreciation	249.6	320.5	429.4	452.5
PBT	483.1	-281.7	-621.8	-188.8
Provision for taxation	89.5	0.8	1	0.9
Extraordinary items/Prior year adj.	85.9	407	7	210.5
Adjusted PAT	479.5	-277.8	-615.8	20.8

- ❑ *1984 launched the Contessa, which was labeled as one of the first up-market cars in India in technical collaboration with Vauxhall Motors (VM).*
- ❑ *1987 launched Contessa classic considered the most powerful car available.*
- ❑ *Contessa was reasonably successful car, though it never managed to match Ambassadors success*
- ❑ *1997 Contessa GXL version with power steering was launched.*
- ❑ *1996 launched Opel Astra in collaboration with GM*
- ❑ *All brands were eventually failing*

HM – PASSENGER CAR SALES

Year	1994	1995	1996	1997	1998
Sales	25,150	27,517	25,942	24,711	20,109

□ HM



□ *Porters Model Analysis*

- *HM was unable to create barrier for potential new entrants, many foreign collaborated entrants like Maruti Suzuki, GM, Toyota launched and HM was unable to compete with their existing strategies*
- *Bargaining Power of Suppliers: Even suppliers were not looked into deep, company was in a snail pace and couldn't take up the challenge of new potential entrants in the market, including the suppliers of its different parts*



- *HM didn't know where they fit in the existing economy*

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- ❑ *Threat of Substitute: HM was focused only to one segment till 1997 and with in that time MUL was able to bring out brands for each segment with in the nation. Substitute for the brand was quite visible in the economy*
 - ❑ *Rivalry within the company also lead to downfall of the company and ultimately leading to less market share. Eg. Internal Problems, Union problems etc....*
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External Environment Analysis

- ❑ *HM's share in automobiles is miniscule. Though the famous Ambassadors are still in production, HM is gradually becoming a ghost town.*
- ❑ *HM is an example of family enterprise the way it grows, flourishes, and dies. As most of the manufacturing divisions are closed, the machineries have been sold or shifted, and most of the land has shifted hand for building real estate or Software Park*
- ❑ *HM is just that elephant that is still valuable for many. Surprisingly, CITU, the CPM union that took over the reign of this industrial establishment many years ago has lost it to some splinter group and presently fighting to take back the control. That's what people there told me.*
- ❑ *At one time, the plant had about 15,000 workmen and engineers at one time. Today the number must be hardly couple of thousands.*
- ❑ *And who were responsible for this condition of HM?*
 - *CITU, the trade union of CPM played the major role. Neither the Birla management had the guts and wills to make it a great automobile plant of the country, nor the government helped it out. Surprisingly HM never gave any dividends to its shareholders.*

Strategy Implementation HR Aspect

- *HRM supplies the company with a competent and willing workforce, which is responsible for executing strategies.*
 - *Maruti Udyog and Hindustan Motors are manufacturing cars, essentially using identical technology. The secret behind the meteoric rise of Maruti is its workforce.*
- *Human resource today is heavily involved in the execution of the company's downsizing and restructuring strategies, through out placing employees, instituting performance- linked pay plans, reducing health- care costs and retraining employees. And, in an increasingly competitive global market place, instituting people development practices that build employee commitment can help improve an organization's responsiveness.*
- *HM strategy failed : Sufficient attention is not paid to the people development dimension. HR problems that arise when executing strategies were of the causes below: -*
 - 1. Failure to match individual goals and organizational goals.*
 - 2. Failure to match individuals aptitudes with implementation tasks*
 - 3. Inadequate top management support for implementation activities.*
 - 4. Union unwilling for change*

Turnaround Efforts

- ❑ *Indian economy opened up for foreign players, many multinational automobile companies entered the country. Companies including Daewoo, GM, Daimler Benz, Hyundai, Honda.....entered India through joint ventures (JV) and partnerships with Indian firms.*
- ❑ *HM was the worst affected due to its inflow of competitors. Forced to react due to its poor performance of its vehicles.*
- ❑ *HM launched Nova (1990) with better interiors*
- ❑ *HM launched 1800 ISZ(1993), better engine performance*
- ❑ *Company also appointed consultants McKinsey & Co. for a restructuring plan to turn around its business*

Mckinsey & Co. findings

- ❑ *Asked HM to focus on the marketing of components*
- ❑ *Refurbish the Ambassador model and upgrade other vehicles*
- ❑ *Speed up the delivery process and improve productivity through re-engineering on the floor shop R*
- ❑ *Reduce the workforce in its production plant at Uttarpara*

(Company started implementing the recommendations)

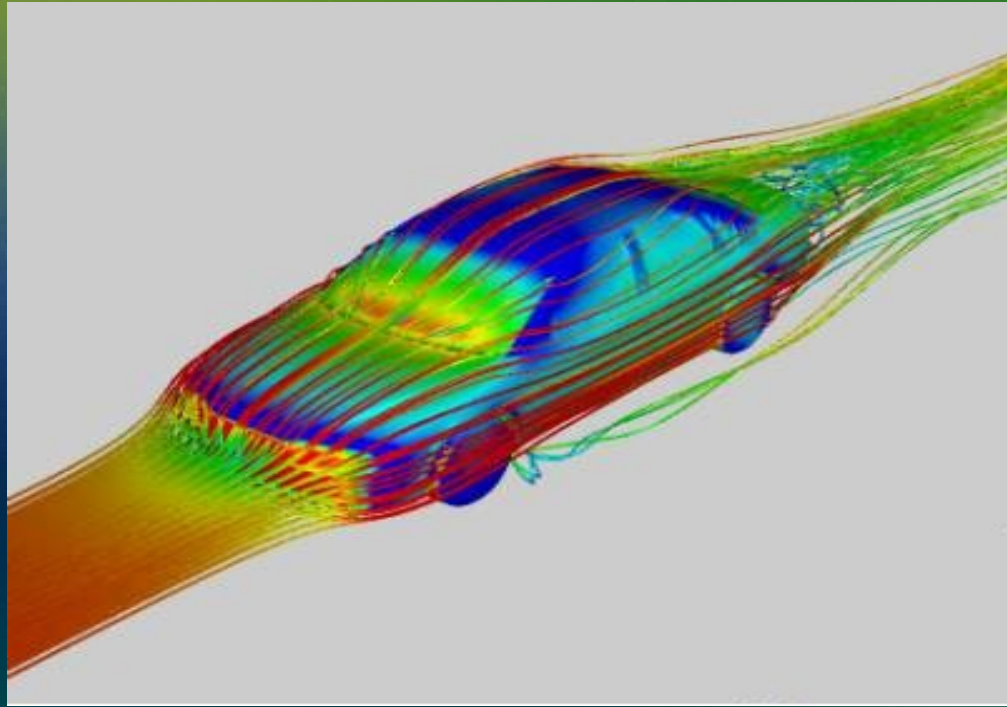


- ❑ *HM decided to tap new segments to ease the competitive pressures from other giants*
- ❑ *HM collaborated with Oka Motor Co. to develop targeting at rural markets.*
- ❑ *Launched Trekker (Rural Transport Vehicle) 1995 in 3 northern states. Initially it was received well in the market but vehicle soon became a criticism owing to a host of technical problems.*
- ❑ *1998, Trekker sales dropped by two thirds of its initial volumes to around 800 a year.*
- ❑ *1999, HM launched the redesigned Trekker and an upgraded version of the amby.*
- ❑ *All restructuring and efforts could not sustain in market for a longer time, there was high decline in sales.*

Myopic

- ❑ *Analysts opinioned that HM's condition was a result of its lax management policies and shortsightedness.*
- ❑ *Before MUL, HM was the marker leader. HM was able to sell whatever it produced and therefore it did not care to upgrade the technology or production facilities.*
- ❑ *Pressure from competition was another aspect in its fail*
- ❑ *Other serious matter to look into is its internal problems.*

Car Design



HM's design was not aesthetic and even failed in aerodynamic designs. Car was not up-to the mark in design and performance compared to other segments of its competitors in the market.

Internal Problems in HM/Changes made

- ❑ *Uttarpara plant had a workforce of 14,000 employees and the wage bill alone constituted 22% of plants expenditure.*
- ❑ *Against the standard output of 8-10 cars per employee per annum, the plants output was as low as 3 cars per employee.*
- ❑ *As per the fact each employee 8 cars, therefore with 14,000 employees = 1,12,000 cars*
- ❑ *Analysts claimed that with the 1999 production level of 2500 cars, the plant should have been staffed with no more than 3000 personnel.*
- ❑ *Annual production at the plant declined from 30,822 cars in 1995-96 to 26,684 cars in 1996-97.*
- ❑ *November 1997 – 2835 Ambassadors , 146 Contessa were produced from the plant and ultimately the numbers came down to 1385 Ambassadors and 33 Contessa's by October, 1998.*
- ❑ *HM invested around INR 750 million to modernize the assembly line, building new body and paint shops and even purchased new equipment.*

Cost Cutting Measures

- ❑ *Company also embarked on a cost cutting exercise and announced a Voluntary Retirement Scheme (VRS) for workers in April 1998 and in November 1998. Offering a package of 0.1 Million.*

❑ *Trade Unions Role*

- ❑ *VRS was not received well by the strong Center of Indian Trade Union (CITU) and Indian National Trade Union Congress (INTUC)*

❑ *Problems raised by Union*

- ❑ *Similar segment VRS offered by FIAT was average of 0.35 million per worker. (FIAT Management at Kurla)*
- ❑ *Workers / Union were totally against the VRS schemes and company management was finding it tough to convince workers about VRS*

- ❑ *Worse Situations of HM*
- ❑ *CITU and INTUC refused to accept the VRS schemes offered by the company.*
- ❑ *Unions were confident that the West Bengal State Government would back them on the issue.*
- ❑ *Employee protests intensified*
- ❑ *HM approached the state government with a proposal to run the plant for only 3 days in a week. (attempt to save Rs.32 million every week)*
- ❑ *Company also promised to pay the workforce full wages for an entire weekeven though workers were working only for 3 days in a week.*



- ❑ *Government's Rejection of Proposal*
- ❑ *Government rejected HM's proposal, following which the company decided to seek legal recourse.*
- ❑ *1999, January, HM filed a writ petition in the Calcutta High court, claiming that its decision was not prompted by industrial relations, but by the company's poor financial position.*
- ❑ *Company stated that the layoff in Uttarpara plant was temporary in nature and the company would resume normal production as soon as demand pick up in market. (High court ordered the state government to reconsider the issue)*
- ❑ *May 1999, Instead of reconsidering the issue, the state government filed an appeal before the division bench of the Calcutta High Court.*

- *State government stated that HM had suppressed facts and figures during its meeting with them to settle the issue.*
 - *The division bench directed that matter be referred to the Industrial Tribunal.*
- *July 1999, The Industrial Tribunal dismissed the company's proposal.*
- *HM again filed a writ petition against the Tribunal's order in the division bench of Calcutta High Court, and the division bench upheld the Tribunal's order.*
 - *July 1999, In response to the division bench's order, HM moved to Supreme Court for further movement of the situation.*
- *During all this time, productivity at plant suffered and other expenditures also increased rather than cost cutting.*

Turn Around Efforts -II

- ❑ *Reorganizing efforts did not pay off. So HM decided to look beyond its existing portfolio to come out of its problems.*
- ❑ *They considered McKinsey recommendations, company explored the global auto components business in 2000 and established a unit Indore to assemble engines and gearboxes.*
- ❑ *By this time year 2000 most international companies like Toyota, GM etc....entered and flourished into the economy with other tie-ups/JV.*
- ❑ *Analysts said, HM's move was wise with its expertise and could easily become a super component supplier for both domestic and global car majors.*
- ❑ *HM's Executive Director "Sarker Narayanan" said:*
 - *We are open to such opportunities. It brings in extra cash and its an expensive way to upgrade our skills by working with different customers. "*

- *New Business ventures: In order to use its design and engineering skills to enter new businesses. HM entered into an agreement with Mahindra and Mahindra (M&M) for developing petrol engine for M&M vehicles.*
- *HM also tied up with GM to market the entire range of transmission equipments manufactured by Allison Automatics (owned by GM).*
- *Change in Distribution Networks*
 - *(HM had a bad image in market offering very low dealer incentives and poor after sales service)*
- *HM overhauled the distribution system in order to become more market friendly.*
- *1999, HM unveiled a new distribution system, wherein dealers were divided into three tiers – red blue and green depending on their location and performance records.*
 - *Red tier catered to the metros for selling and servicing Lanciers*
 - *Blue tier catered to the semi urban areas for Contessas and Ambassadors*
 - *Green tier to rural markets for Trekkers.*

- ❑ *Exporting Era*
- ❑ *2001, HM also decided to explore the overseas markets for its products and began by exporting around 150 RTV's to Bangladesh.*
- ❑ *HM also managed to secure an export order for 300 petrol engines from a UK based company, in addition to the 1800 engines already supplied.*
- ❑ *Cutting down the diversification / Cost benefit Analysis/ Measures*
- ❑ *2001 February, HM sold its earthmoving equipment to Caterpillar Inc. (CAT) for Rs 3.3 Billion.*
 - *After the deal HM was able to bring down its high interest debts from Rs 255.5 million to Rs 156.9 million. (Starting first quarter of 1999-00 to corresponding quarter of 2000-01 fiscal).*
 - *Company used to repay debts worth Rs2.25 Billion from its long term borrowings of Rs 6.2 billion. Helped reduce gross loss to Rs 152.2 million from Rs 255.5 million in the corresponding quarter of 1999-00.*

SALES BREAK-UP				
	1998	1999	2000	2001
No of Months	12	12	12	12
Sales value (Rs in Mn)				
Commercial Vehicles	7,376.20	8,005.10	12,768.40	12,358.90
Earthmoving Machinery	3,414.30	4,131.60	2,775.4	2,073.80
Spares & Components	1,683.70	2,116.80	2,117.80	1,758.90
Others	513.2	491.1	465.4	649.9
Sales Volume (Units)				
Commercial Vehicles	26,417.00	22,953.00	29,610.00	28,200.00
Earthmoving machinery	647	677	581	495

- *The remaining sum of Rs1.05 billion after the repayment of debt from the sale was used for working capital requirements and automotive business.*
- *2001, Click BusinessEffective Utilization of Internet resources.*
 - *2001 September, HM continued its customer relations enhancement initiatives with the launch of the 'click and customize' service for Lancer customers.*
 - *The company set up kiosks in six cities (New Delhi, Bangalore, Chennai, Hyderabad, Chandigarh and Pune) that had computed terminals displaying the features of the petrol and diesel versions of the Lancer.*
 - *HM had invested Rs 2.5 million in the software and Rs 0.1 million on each kiosk. Customers could pick and choose the car color, the interior, accessories and the wheels, and take delivery within three weeks.*

- ❑ *First Mover Advantage*
- ❑ *HM focused on the Internet also, becoming the first carmaker to offer customizing service to its customers in India.*
- ❑ *The company planned to install 16 such computer kiosks at its dealers' premises across the country by the end of fiscal 2001-02.*
- ❑ *According to company sources, after the launch of the service, Lancer's market share had gone up by 4%.*
- ❑ *Transformation to automotive parts/ supply division*
 - *November 2001, HM announced its plans to emerge as a major player in the engine manufacturing business for other companies. The company was awaiting the outcome of its bid to make the engines for Ford's Ikon.*
 - *With the second phase of the restructuring efforts in place, HM hoped to improve its growth in the automotive division and offset the losses from the passenger car segment.*



- ❑ *Confident Boosters For HM Year 2K*
 - *The company's moves seemed to be finally bearing fruits as it was able to narrow down the losses in the first quarter of 2001-02 by around 30%.*
 - *HM was banking on the Ambassador's niche markets (government and taxi) and hoped to retain the segment by launching new variants.*
 - *The Trekker was also poised to do well after the relaunch and HM hoped to sell 3,200 vehicles in 2001-02.*
- ❑ *Analysts however remained skeptical about HM's future prospects and its ability to make a turnaround as a passenger carmaker.*
- ❑ *They felt that the only way out of HM was to turn itself into auto-component supplier to multi-nationals producing passenger cars in the country.*
- ❑ *HM seemed confident that with Pajero's launch in early 2002, it would regain its position in the Indian car market.*

□ Strengths

- *Hindustan Motors was the first Indian Car Company to start production In India in 1942.*
 - *HM has become a vast company, manufacturing cars like the sturdy Ambassador, the elegant Contessa, and in collaboration with Mitsubishi of Japan now manufactures the new Mitsubishi Lancer.*
- *HM started production of the Landmaster in 1954, and in 1957 began the production of the Ambassador. Later tie-ups with General Motors Corporation of USA, Vauxhall Motors, UK, Marion Power Shovel Co, USA led to new products being launched.*
 - *In 1963 commenced the production of the Ambassador Mark2 Later versions and more forays in related vehicle segments followed.*
- *Export has been steadily increasing, mainly in the British and Japanese markets. Trucks are being exported to Bangladesh, Egypt, New Zealand, Sri Lanka and Mauritius. The Earth moving Equipments are being exported to Oman, Jordan, Iraq, Bangladesh, Mauritius and Libya.*

- *HM has a vast service network. The Passenger Car and Utility Vehicle market is being attended by a 115 strong dealer network, 50 Service and Parts dealers and additional 60 exclusive Parts dealers. 4 Regional Offices and Nation-wide Territory Offices support it.*
- *Two dealers serve the Earthmoving Equipment and Power Products market from 25 locations spread across the country.*
- *2006, HM has invested a "significant" amount for three years to build up production capacity for auto components*
- *Hindustan Motors also has an auto components subsidiary which makes automotive **castings**, forgings and stamping.*
- *Over a period of time, sales from auto components could be as high as 30-40%*
- *First mover advantage in several areas like Internet selling, sturdy car*

Future Plans

- *Hindustan Motors planned to launch Mitsubishi's small-car model iCar in India by the end of 2009.*
- *Reuters noted that the Indian passenger vehicle market is forecast to nearly double to 2m units in annual sales by 2010 with small cars taking up over two-thirds of sales. A tax cut in economy is encouraging on small cars launches. HM will benefit with this.*
- *GM and Hindustan Motors are toying with the idea of introducing CNG as a fuel option in order to boost sales.*
- *The companies have plans to introduce a CNG variant for the Optra and Lancer (old variant). The two variants will be introduced in CNG-centric areas including Mumbai, Delhi and Gujarat.*



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- *Mitsubishi source components from Hindustan., sourcing components from a low cost base like India through partner Hindustan Motors will prove beneficial for Mitsubishi, especially when it is facing problems.*
 - *Hindustan Motors already supplies engines and other auto components to M& M, GM and Ford in India. With Mitsubishi sourcing components, and HM possibly manufacturing some of them, the Indian partner would be able to use some of its idle capacity and shore up its bottom line.*
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- *Weakness*
- *Before 90's (The License Raj)*
- *This lack of product activity in the Indian market was mainly due to the Indian government's complex regulatory system that effectively banned foreign-owned operations.*
- *Within this system (referred to informally as the "license raj"), any Indian firm that wanted to import technology or products needed a license/permit from the government. The difficulty of getting these licenses stifled automobile and component imports, creating a low volume high cost car industry that was inefficient, unprofitable, and technologically obsolete.*
- *The dominant product Ambassador, although customized to the poor road conditions in India, were based on a stale design concept (with outdated features), and were also fuel inefficient.*
- *Inefficiency of Employees, Output of each employee was less due to Union interference*
- *Inefficient management principles*

Less presence in premium segment.

Lacks global tie-ups and thus finding it hard to tap export markets.

Opportunities

- ❑ *Efficiency through management principles*
- ❑ Exports
- ❑ Acquisitions for strengthening its distribution tie-ups.
- ❑ Entry into other related diversification categories like Truck parts manufacture, and other parts automotives.
- ❑ Can bring out more sophisticated cars with high technology standards

Threats

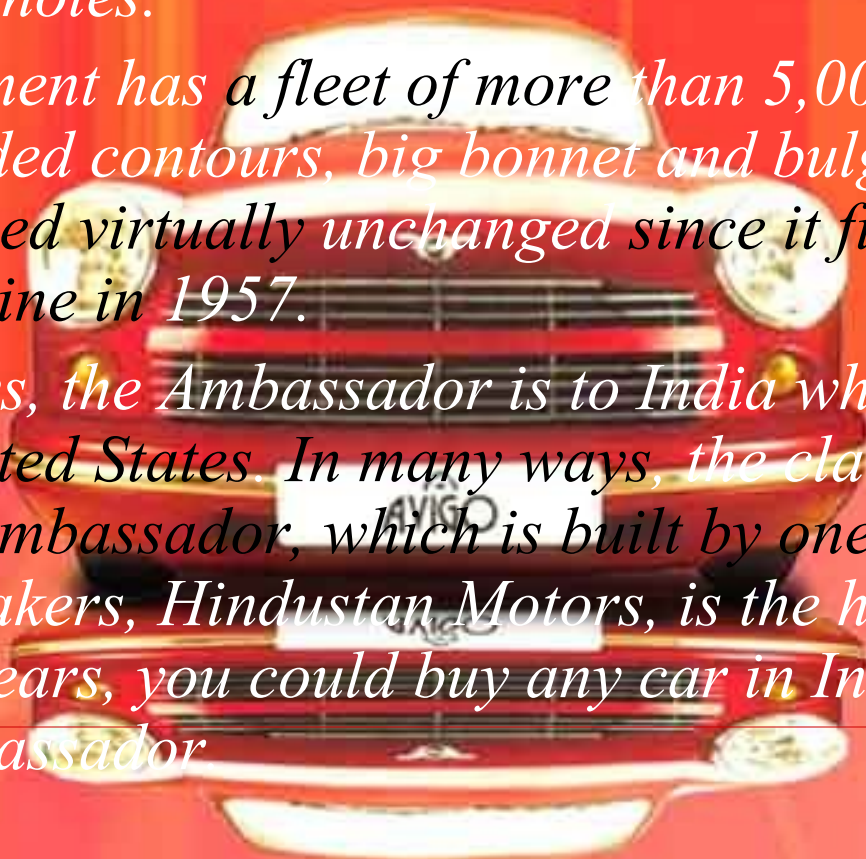
- ❑ Emergence of strong players in the market mainly overseas competitors
 - ❑ Lack of employee motivation
 - ❑ Lack of design for cars (mainly new age look for cars)
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SOME THINGS NEVER CHANGE...LIKE THE GOOD OL' AMBY

One of India's best-known cartoonist RK. Laxman, has driven an Ambassador for years. Oscar-winning Indian director Satyajit Ray immortalised the car in many of his films. "It's a car identified with the masses and the ruling class. It gained access into parliament because of its symbolic value and the power it connotes.

The government has a fleet of more than 5,000 Ambassadors. whose rounded contours, big bonnet and bulging headlights have remained virtually unchanged since it first rolled off the production line in 1957.

In some ways, the Ambassador is to India what the Chevrolet is to the United States. In many ways, the clatter and bang of the simple Ambassador, which is built by one of the country's oldest carmakers, Hindustan Motors, is the heartbeat of India. For years, you could buy any car in India-as long as it was an Ambassador



- *There are more than 26 car models available now ranging from the best-selling compact Maruti to luxury cars such as the Mercedes- Benz S320L with a price tag of a staggering Rs 6.4 million.*

The company, which has invested Rs 1.25 billion in engine, transmission and assembly facilities in recent years, hopes to tap the Indian yuppie's growing taste for classic cars. "It will be like the return of the Volkswagen Beetle, Chrysler PT Cruiser and BMW's Mini... The idea is not to create brand awareness but to bring about a brand perception change."

The Amby has a lot of home-ground advantages. Every neighbourhood mechanic knows how to repair it and most problems can be fixed with a hammer and wrench. Spare parts are widely available, even in the remotest village.....



A close-up photograph of a red MG engine, likely a 1.8-liter model, with the MG logo on the valve cover. The engine is surrounded by various components including carburetors, fuel lines, and a distributor. The text "THANK YOU" is overlaid in white, italicized font across the center of the engine.

THANK YOU