

AUTOMOTIVE INDUSTRY

The Indian automotive industry has undergone significant transformations in the last couple of years with de-licensing and the easing of import restrictions. India produces 2.8 million vehicles every year, ranging from mopeds to heavy commercial vehicles and covering scooters, motorcycles, cars, jeeps, light commercial vehicles and tractors. The Indian US\$5 billion vehicles industry is a key player in the economic scenario and Indian vehicles are now increasingly being exported, primarily to Asian and African countries. In 1995, exports in this sector were US\$280 million.

The auto component industry in India has played an important role in the growth, development and indigenisation of the Indian vehicle industry. This US\$2.6 billion industry has the capacity, capability, and technology to produce a comprehensive range of components for both original equipment (OE) fittings and for the replacement market. Auto components from India are also being exported in significant volumes (US\$200-300 million annually).

Market Opportunities

Two general areas offer the most opportunity for Canadian companies:

1. collaboration with an Indian manufacturer for export production; and
2. collaboration with an Indian automotive parts manufacturer for production of labour-intensive sub-components on a buy-back basis.

The most promising areas for cooperation and collaboration however are in the

manufacture of automotive components (for local consumption or export); emission control technology; assembly and production equipment; and anti corrosion coatings.

There are opportunities for Canadian component manufacturing companies in the form of joint ventures involving the transfer of technology. The Indian components industry faces the challenge of improving the quality of their products to a standard which is acceptable to their Western clients.

Supplier Capability

The automotive industry, representing 18.5 percent of all manufacturing, is one of Canada's largest manufacturing industries. It accounts for nearly 572,000 jobs (including manufacturing, aftermarket and dealerships) and exports output valued at C\$62 billion (with 95 percent to the U.S.).

The Canadian automotive industry is highly competitive and productive. With a very sound technology base, it produces world-class products, particularly in the manufacture of equipment, both original and after-market, for the physically disabled, and alternative-fuel vehicles.

It is an opportune time for Canadian firms to enter the Indian automotive market through alliances/joint ventures. Already, more than 250 foreign firms have developed some kind of collaboration with Indian automotive firms. Also, the "big three" have firmed up their plan to enter into the Indian market which is expected to grow from the current level of US\$% billion to US\$9.5 billion in the year 2000.