

**CHAPTER III**

**PASSENGER CAR INDUSTRY OF INDIA**

**A HISTORICAL PERSPECTIVE**

THE ORIGIN AND GROWTH -  
INTERNATIONAL SCENE

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**CHAPTER III**  
**PASSENGER CAR INDUSTRY OF INDIA**  
**A HISTORICAL PERSPECTIVE**

**THE ORIGIN AND GROWTH - THE INTERNATIONAL SCENE**

The introduction of automobile and the fascination it created as a personal mode of transport had resulted into significant benefits to men and matters linked with automobile. "The car has shaped the development of modern times like no other product. It has fundamentally changed the economic and social structures. It has inspired people's imagination and creativity to a large degree and given rise to an industry which is among the most important key sectors in our country".<sup>1</sup> says the Chairman Daimler-Benz Germany.

The car as it is today is a result of technical changes which took place over centuries of time. Car, being a combination of complex systems is associated with several founders and the development of car was characterised as tentative and restrained, rather than rapid.

The important events as regards the development of automobile are presented below<sup>2</sup>.

1770 - Nicolas Joseph Cugnot of France successfully operated a three-wheeled steam-powered vehicle.

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1. Werner Brietswerdt, "100 Jahre Automobil".-Germany: Daimler Benz AG 1986; P.1
  2. L. Scott Bailey and David E. Cole, "Automobile" The World encyclopedia, Vol.7 P.923.

- 1860 - Jean Joseph Etienne Lenoir of France developed an internal combustion engine fueled by illuminating gas
- 1885 - Gottlieb Daimler and Karl Benz of Germany developed successful gasoline engines of the type used in today's cars.
- 1890 - William Morrison of Des Moines, Iowa, built a car powered by electricity.
- 1893-94 Charles E and J Frank Duryea built the first successful American gasoline powered car.
- 1896 - Henry Ford, Charles Brady King, Ransom Eli Olds and Alexander Winton introduced their gasoline car.
- 1901 - Olds built 425 gasoline autos which began the mass production of cars in United States.
- 1908 - William C Durant organised General Motors Company. Henry M. Leland introduced the interchangeable parts for cars.
- 1912 - General Motors introduced the electric starter
- 1914 - Cadillac produced the first practical V-8 engine.
- 1922 - Balloon tires were introduced
- 1939 - Fully automatic transmission and air-conditioning were introduced.
- 1948 - Tubeless tires were introduced.
- 1966 - The U.S. Congress passed auto and highway safety laws aimed at reducing traffic accidents.

- 1968 - Exhaust system devices that reduce unhealthful exhaust fumes became standard equipment on U.S. Cars.
- 1974 - A nation wide maximum speed limit of 55 mph (89 kph) was established in the United States.
- 1976 - Chrysler introduced computer control of the engine.

Undoubtedly the progress with regard to production and sales pattern of cars varies from country to country. " Most cars are in United States, Japan, Canada and the countries of Western Europe. The people of these lands have generally good living condition and many of them consider a car a necessity".<sup>3</sup>

The production of cars in selected countries during the period 1975 to 1985, registration of cars, population per car in selected countries are presented in Appendix II and III.

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3. "Automobile", The World encyclopedia, Vol.1 P.930.

Worldwide demand for passenger cars is expected to reach totally to 40 million by 1990 as predicted by Volks Wagon AG<sup>4</sup>. The countries which remained as the top ten in the automobile market during 1985 were:<sup>5</sup>

1. USA
2. Sweden
3. Great Britain
4. The Netherlands
5. France
6. Italy
7. West Germany
8. Norway
9. Belgium
10. Canada

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4. "Annual report 1985 of Volks Wagon AG"  
Woffsburg, Volks Wagon AG 1986, P.28

5. "A Presentation of the Volvo Car Corporation"  
Sweden: Volvo Car Corporation 1985, P.14.

### THE ORIGIN AND GROWTH - THE INDIAN SCENE

Independence to India, in the year 1947 created a desire for self reliance which' resulted in a phased manufacturing policy leading to a time-bound programme of import substitution. Accordingly every manufacturing industry was encouraged including the automobile industry. As observed by the Department of Economic and Marketing Research M/s. Hindustan Motors Ltd. Calcutta,

"Although the first motor car was imported into India in 1898, for nearly thirty years thereafter, no attempt was made even to carry out assembly operations from components fully or mainly imported. It was only in the year 1928 that General Motors India Ltd, commenced assembling of trucks and cars from components imported from USA in completely knocked down (C.K.D) condition in their factory at Bombay, while Ford Motor Company of India Ltd. commenced C.K.D. assembly of automobiles at Madras in 1930 and at Bombay and Calcutta 1931... .. Till 1948 the manufacture of motor vehicles, as distinct from assembly was not undertaken in the country"<sup>6</sup>. Obviously automobile industry in India is essentially a post independent creation.

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6. "The Automobile Industry in India-A Study",  
Calcutta: Department of Economic and Market Research,  
Hindustan Motors Ltd., 1966.P.11

India, with its large population offered a great potential market which foreign manufacturing firms were quick to recognise. "With the first motor car being imported into the country in 1898 for about 50 years thereafter India remained as an importer of automobiles"<sup>7</sup>.

In view of the import facility, development of industry relating to personalised means of transport was not received due attention. On the other hand emphasis was on the expansion of public transport system.

Thus "although the foundation of the Indian automobile industry were laid as early as 1944, its real history dates from 1953, six years after independence when the Government of India laid down a well defined policy to make the country self sufficient in automobiles of all kinds".<sup>8</sup>

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7. "The Automobile Industry of India 1964-65".  
Bombay: Association of Indian Automobile  
Manufacturers, 1965, zp.9

8. Ibid. P.2

An insight into the growth shows that in 1928, General Motors India commenced assembling CKD trucks and cars at Bombay. It has followed by Ford Motor Company of India in 1930 at Madras and in 1931 at Bombay and Calcutta. During 1936, Addison and Company began CKD assembly of cars and trucks at Madras. However, Penninsular Motor Corporation claims that their sister concern G. Mackenie and Company was the first to start assembling of cars in 1926 at Calcutta.<sup>9</sup>

From the period 1897 to 1928 many foreign companies entered the Indian automobile market. Of whom some remained and some existed as could be seen from the tables 1 and 2.

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9. "Report on Automobile Industry",

Tariff Commission (1953), Government of India, P.6



TABLE 3.1

**TABLE SHOWING ESTIMATED NUMBER OF BRITISH FIRMS  
ENTERED AND EXITED FROM THE INDIAN MOTOR CAR  
INDUSTRY**

Year	Number of Firms		
	Entered	Exited	Remained at the year end
1897	--	--	9
1902	46	5	50
1913	35	37	48
1919	35	13	70
1922	37	19	88

TABLE 3.2

**TABLE SHOWING ESTIMATED NUMBER OF AMERICAN FIRMS  
ENTERED AND EXITED FROM THE INDIAN MOTOR CAR  
INDUSTRY**

Year	Number of Firms		
	Entered	Exited	Remained at the year end
1902	--	--	12
1903	13	1	24
1904	12	1	35
1905	5	2	38
1906	6	1	43
1907	1	0	44
1908	10	2	52
1909	18	1	69

1910	1	18	52
1911	3	2	53
1912	12	8	57
1913	20	7	70
1914	8	7	71
1915	10	6	75
1916	6	7	74
1917	8	6	76
1918	1	6	71
1919	10	4	77
1920	12	5	84
1921	5	1	88
1922	4	9	83

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Source : "The automobile industry in India - A study" Calcutta :  
Department of economic and market research, Hindustan  
Motors Limited (1966), P.91

The National Planning Committee constituted under the White rule considered the proposal submitted by Mr. M. VISVESWARYA for establishing automobile industry in India. Although the Committee recognised the importance of the industry in the Indian context, the proposal was rejected for obvious reasons. However the keenness of Government of India to foster the growth of domestic industry including that of the automobile industry resulted in constituting a panel on automobiles and tractors in the year 1947 for the purpose of making recommendations for manufacturing automobiles and tractors in India.

The major recommendations of the panel on Automobiles and Tractors were

1. All infrastructure facilities should be made available to such national concerns which engage themselves in manufacturing automobiles in India.
2. Free exchange facility should be offered for importing modern plant and equipment from any country as desired by such national concerns.

In addition to the above facilities, concessions such as graduated differential customer duties have also been recommended for the growth of the industry.<sup>10</sup> However no specific action have been taken based on the said recommendations.

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10. Report of the panel on the Automobiles and Tractors. Ministry of Industry and supply, Government of India, 1947, P.8

The Government of India's statement of Industrial Policy of 1945 defined automobiles, tractors and transport as one of the basic industries of national importance and therefore may be nationalised, provided adequate private capital was not forthcoming.

The Hindustan Motors was set up in 1942 and thereby the foundation for Indian Automobile Industry was laid. During 1944, the Premier Automobiles was started which was the mile stone in the growth of Indian Automobile Industry. However the progress of the two companies was not very much remarkable during the initial stages, due to the following reasons.

1. The intensive competition from both old and new producers who are merely assemblers at the initial stage of progress of the industry.
2. The demand was such that which was very easily met by import.
3. Lack of technical know-how trained manpower and ancillary industry.
4. Neglect of the industry by the Government of India which was concentrating in setting up of relatively more important industries such as Iron and Steel, Cement and the like.
5. Commercial and Public transport system has taken precedence over passenger car industry in the initial stages of development.

Later the automobile industry was included in the first schedule of the Industries (Development and Regulation) Act 1951.

During the year 1953 a Tariff Commission was appointed to inquire and recommend suitable measures for the development of automobile industry in India. The main recommendation of the commission were<sup>11</sup>

1. Reduction of import duty - The commission came to the conclusion that the high rate of import duty levied on auto components had hampered the growth of the industry. As such the Commission recommended for significant reduction in the import duty and suggested for a flat rate of 40% ad valorem.
2. Progressive manufacturing programme - The Commission suggested a progressive manufacturing programme which was as below :
  - a. M/s. Hindustan Motors Limited would manufacture light cars, big cars and medium size trucks.
  - b. M/s. Premier Automobiles Limited would manufacture big cars and medium size trucks.
  - c. M/s. Automobile Products of India Limited would manufacture big cars and medium size trucks.

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11. "Report on Automobile Industry" Tariff Commission (1953), Government of India, P.6

- d. M/s. Standard Motor Products of India Limited would manufacture medium size cars only and
  - e. M/s. Ashok Motors Limited would concentrate on manufacture of trucks and may produce Baby cars provided a suitable scheme was put forwarded by them.
3. Progressive manufacture of auto components - The Commission suggested for a progressive manufacture of auto components during the next five years from 1953 and
  4. Concentration on firms with manufacturing policy - The Commission suggested the Government of India to concentrate more on firms with manufacturing plans rather than assembling schemes.

In the report of Tariff Commission (1953) the Commission was categorically presented the details of the manufacturers of automobiles which are presented below.

1. M/s. Hindustan Motors Limited :

The company was established in the year 1942 with objective of manufacture of automobiles including passenger trucks, trekkers, automobile engine, steel structurals and the like. The authorised capital was Rs. 30,00,00,000. The company has been producing Ambassador cars and Studebaker trucks.

2. M/s. Premier Automobiles Limited :

The company was established in the year 1944. The authorised capital of the company was Rs. 25,00,00,000. The company has been manufacturing and assembling motor cars

such as Dodge, Forego and Fiat 1100 cars. The company has also been manufacturing chassis for trucks and buses.

3. M/s. Automobiles Products of India:

The company started its operation in the year 1949 with the paid up capital of Rs 3500,000. The company has been manufacturing Hillman Minx passenger cars and commercial trucks. Production of the Company during the year 1951 was 2243 vehicles out of which 1974 were passenger cars and 269 were trucks.

4. M/s. Standard Motor Products of India Limited:

The company was incorporated in the year 1948 with the authorised capital of Rs. 2,00,00,000. The company has been manufacturing standard van guard and standard Herald model cars.

5. M/s. Ashok Motors Limited:

The authorised capital of the company was Rs. 2,00,00,000. The company was authorised to produce two models of passenger cars viz Somerset and Hereford and Austin trucks. During the year 1951 the company produced 1601 vehicles out of which 1245 were cars and 356 were trucks.

6. M/s. General Motors India Limited:

This company was a subsidiary of M/s. General Motors Corporation, USA. The General Motors India was started its operation : assembling Cadillac, Buick, Oldsmobile,

Pontiac, Chevrolet and Vauxhall passenger cars. During the year 1951, the company has assembled 6036 vehicles out of which 2273 were cars and 3763 were trucks.

7. M/s Ford Motor Company of India Limited:

The Company has commenced its operation as pure assemblers; later the Company engaged itself in the production activity. However, the major operation remained as assembling only. They assembled cars such as Ford V8, Customer Ford Prefect, Consul and Zephyr and trucks such as Ford V8, Thames and Fordson. The actual assembling during the year 1951 was 1966 vehicles out of which 1291 were cars and 675 were trucks.

8. M/s Addison and Company Limited:

The authorised capital of the Company was Rs.20,00,000. The Company has been concentrating on assembly operations. The Company has assembled Morris Commercial Trucks and Morris Minor passenger cars. During the year 1951, the Company has assembled 1223 vehicles out of which 1146 were cars and 77 were trucks.

9. M/s Dewar's Garage and Engineering Works:

The Company mainly engaged itself in repair works only. However, assembly work was also undertaken side by side. The Company has assembled Rover, Singer Passenger cars and Land Rover, Albion Trucks. During the year 1952,



150 vehicles were assembled out of which 84 were cars and 66 were trucks.

10. M/s Penninsular Motor Corporation Limited:

The authorised capital of the company was Rs. 50,00,000. This company also engaged in assembly operations only. They have assembled passenger cars such as Morris Minor, Hudson and Renault, and trucks such as International Harvester and Morris commercial. During the year 1951, the company has assembled 887 vehicles out of which 571 were cars and 316 were trucks.

11. M/s French Motor car company Limited:

The company engaged in the assembling work of Morris Minor passenger cars and Morris commercial trucks. Actual assembling during the year 1952 was 219 vehicles out of which 142 were cars and 77 were trucks.

12. M/s. Mahindra and Mahindra Limited:

The paid up capital of the company was Rs. 2,53,00,000. The company was engaged in the assembly work of Jeeps and Station Wagons only.

Total assembling/manufacturing capacity of all the above 12 firms on the basis of the information supplied by the firms was as follows:<sup>12</sup>.

**I. Firms with Manufacturing Programme :**

Firms	Cars(C)/Trucks(T)	Annual capacity
1. Hindustan Motors Limited	Stude baker (T, C) Hindustan 14 (C)	8000
2. Premier Automobiles Limited	Dodge (C, T) De Soto (C, T) Plymouth (C)	12000
3. Standard Motors Products of India	Standard (C) Vanguard (C)	2950
4. Automobile Products of India	Hillman Minx (C) Commer (T)	4000
5. Ashok Motors	Austin (C, T) Leyland (T)	7540

**II. Firms which are Pure Assemblers :**

6. General Motors	Cadillac (C) Buick (C) Oldsmobile (C) Chevrolet (C, T) Pontiac (C) Vaux hall (C) G.M.C. (T) Bedford(T)	16000
7. Ford Motor Company of India Limited	Ford (C, T) Prefect (C) Consul (C) Zephyr (C) Fordson (T) Thames (T)	11400
8. Addison & Company	Morris Minor (C) Morris Commercial (T)	624

9. Mahindra & Mahindra	Jeep (C) (T)	
	Guy (T)	3000
10. Dewars Garage	Rover (C)	
	Singer (C)	1500
	Land Rover (T)	
	Albion (T)	
11. Penninsular Motor Corporation	Hudson (C)	
	Morris	
	Minor (C)	
	Renault (C)	6000
	International	
	Harvester (T)	
12. French Motor Car Company Limited	Morris Commercial (T)	
	Morris minor (C)	
	Morris Commercial (T)	1000
	TOTAL	<u>7 4014</u>

In tune with the recommendations of the Tariff Commission, the Government of India came forward to reduce import duty on auto components. However, the Government was not in favour of a flat rate of duty as suggested by the Tariff Commission.

The Government also agreed with the commission's recommendation that firms with manufacturing programme are to be encouraged rather than firms with mere assembling operations. Accordingly the Government announced mere assemblers to terminate their activity. As such companies such as Ford Motor Company of India Limited, Penninsular Motor Corporation Limited and General Motors India Limited have decided to terminate their operations in India as they considered demand for cars in India was too low and which did not require manufacturing activity.

Finally Government of India granted approval to five firms to manufacture passenger cars. The firms were viz.

1. Hindustan Motors Limited,
2. Premier Automobiles Limited,
3. Standard Motor Products of India Limited,
4. Automobile Products of India and
5. Ashok Motors Limited.

Out of the firms approved for manufacturing cars significant progress was made only by Hindustan Motors and Premier Automobiles. Ashok Motors did not make significant progress in its manufacturing programme. The Ashok Motors, after the

termination of managing agency agreement during 1955 changed their name into Ashok Leyland. While the progress made by standard motor products of India was very slow, the automobile Products of India could not proceed with its programme of manufacture as a result the Government had withdrawn the approval granted.

The Government of India appointed Dipl. Ing.W.R.VORWIG a German automobile expert to assist the Tariff Commission (1953) with regard to automobile industry. VORWIG'S report highlighted the point that, in view of lack of infrastructural facilities it would need atleast 10 years to establish automobile industry in India with 60-70% of indiginisation.<sup>13</sup>

The report suggested a step by step progress on the following lines.

- a. Starting manufacture of the most needed type-one by one slowly diminishing dependence on imports.
- b. Developing manufacturing process, the source of supply and the ancillary industry; and
- c. Developing experience and skill. This will slowly diminish the dependence on "know-how and design imports".

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13. Dpli. Ing.W.R.VORWIG "Report on Automobile Industry" Ministry of Commerce and Industry, Government of India 1953,P.15.

During the year 1955 the Government of India appointed the Tariff Commission to report on the protection to be given to the industry. The commission in its report submitted during 1956 recommended protection to the industry for a period upto Dec. 31st 1967.

During the year 1957, in view of the paucity of foreign exchange, the Government of India advised the automobile manufacturers to modify their programme. Accordingly production of such of those vehicles which require substantial out flow of foreign exchange were discontinued. As a result, the Hindustan Motors had given up production of HML Studebaker. Premier Automobiles and Standard Motors gave up the manufacture of Dodge, Desoto Plymouth and Standard Motors has given up Standard Vanguard cars.

In the year 1960, the Government of India appointed a Committee under the Chairmanship of L.K.JHA. The terms of reference are as follows.<sup>14</sup>

1. to review the progress of the automobile industry and automobile ancillary industries and to recommend measures to increase the indigenous content of the vehicles in the shortest possible time.

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14. "Report of the adhoc committee on automobile industry (1960)", Ministry of Industry - Government of India, P.3

2. to recommend measures to be taken to reduce the cost.
3. to examine the feasibility of low-cost passenger car within the price range of Rs 5000 to 7000. and to suggest ways and means of manufacturing such car in the country.

The Committee has considered three factors to determine the progress of the automobile industry in India viz. level of import substitution, price of vehicle and quality of indigenous component of Vehicle. As on March 1960, the estimated indigenous content stood at 70.5% (M/s. Hindustan Motors - Ambassador) and 47% (M/s. Premier Automobiles - Fiat 1100).

The Committee analysed the progress of the individual manufacturing units, and the ancillary industries and enumerated the difficulties and handicaps, which were responsible for higher cost of production. The committee was not in favour of setting up of an independent unit for light commercial vehicles and opposed any measure of taxation, which would increase the cost of vehicle. The committee also recommended abolition of price control atleast on commercial vehicles. Also the committee urged the Government to encourage the firms towards the completion of existing production programmes.

The Government appointed a Tariff Commission during 1966 to inquire the continuance of protection to automobile and ancillary industries. The commission recommended continuation of protection in view of the conditions then prevailing in the industry.

The Government of India appointed Motor Car Quality Enquiry Committee in the year 1967 under the Chairmanship of G.PANDE. The Committee was expected to investigate and make recommendations, on such issues as quality of motor cars, equipment facilities, part played by indigenous component and the adequacy of after sales services.

The Committee made a detailed investigation and identified the reasons for the deterioration of quality of cars. The committee considered among other things, the sellers market, lack of quality consciousness, lack of right types of material availability, lack of technical know-how and inadequate pre-delivery inspection as the reasons for the deterioration in the quality of cars<sup>15</sup>.

The Committee recommended appropriate remedial measure which include training course in inspection. Statistical control methods, testing facilities, uniform purchase and payment policies and collection of field data regarding performance of passenger cars. Most of the recommendations of the Committee had been accepted by the Government of India.

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15. "Report of the Motor car quality enquiry committee (1967)", Ministry of Industrial Development and Company Affair, Government of India. P.60.



The Government of India considered the idea of further continuance of protection to the automobile industry for which purpose a committee has been constituted. The Committee in its report submitted in the year 1968 observed that "The automobile industry has to remain under protection until such time, it can stand on its own legs. The industry has not yet matured, although it had its beginning nearly two decades ago. There is no practical alternative but to let the industry continue under the present scheme of protection"<sup>16</sup>. The Committee also observed that "Protection in itself is not a formal declaration but a practical measure which operates under certain stated conditions. To remove the surveillance over the functioning of industries, merely because of the formal substitution of nomenclature relating to duties would not only be unrealistic but unfair to the consumer and also to the economic growth of the country"<sup>17</sup>.

A development council was set up in the year 1959 so as to review the problems of automobile industry and ancillary industries and to make appropriate recommendations. During the year 1960, the Association of Indian Automobile Manufacturers was constituted with the aim of providing information and services to the members as to technological aspects, market conditions Government policy matters and other matters affecting the interest

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16. "Report on continuance of Protection to Automobile Industry", Tariff Commission (1968), Government of India, Para 29.14

17. Ibid; Para 29.13

of the industry in general. Another association by name, the Automotive Research Association of India was started in the year 1966 with the objectives of providing service to the industry in the field of applied research in automotive engineering, product design and development and evaluation of automotive equipments and ancillaries. The automobile component manufacturers Association of India started in the year 1959 assists the component industry with more or less similar objectives of the Association of Indian Automobile manufacturers.

The Industrial Policy Statement 1980 had given further stimulus to the growth of passenger car industry by including the industry in its Appendix I, thus enabling large houses and FERA Companies to participate in passenger car production.<sup>18</sup>

During April 1982 a liberal scheme for re-endorsement of capacity was announced. Under this scheme the capacity indicated in the industrial licence could be re-endorsed upto 133% of the best production of the previous five years provided capacity utilisation was atleast 94%. However in 1986 through a special notification the capacity utilisation was stipulated to 80% and commercial vehicles, automotive two and three wheelers were only considered eligible for this scheme.

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18. "Report of subgroup on automobiles and earth moving industry for VII Plan".  
Ministry of Industry, Government of India, 1984, P.12

During 1985, the Government of India announced that the firms producing road vehicles such as cars, jeep type vehicles and commercial vehicles could achieve any desired product mix. In the same year the Government announced delicensing of automotive ancillary sector for non MRTP and non-FERA undertakings provided the item they produce are not reserved for small scale industries and the firms are not located within the urban or municipal limits of the cities.

In view of the rising fuel cost the Government of India in 1986 came out with its policy of encouraging fuel efficient motor cars, through certain fiscal concessions. The concessions announced are :

1. Customs duty on import of critical components for manufacture of fuel efficient cars reduced by 25% and auxillary customs duty reduced by 15% ad valorem. Thus the total quantum of duty reduced being 40%.
2. Excise duty reduced by 15% advalorem for motor car of engine capacity above 1000 cc and Rs. 5,625 for cars of engine capacity upto 1000 cc.

The Government of India has also laid down a procedure for obtaining

fuel efficiency certificate.<sup>19</sup> The procedure is given in detail in Appendix IV.

With respect to passenger car firms, fuel efficiency certificate has been issued during the year 1986<sup>20</sup> to the following firms.

M/s. Maruti Udyog (Car - Maruti 800VAC

Maruti 800V

Maruti 800VT

Maruti 800AJSB)

M/s. Premier Automobiles - (Car - Premier 118NE)

M/s. Standard Motor Products  
of India Limited - (Car - Standard 2000

Standard 2000DX)

M/s. Hindustan Motors - (Car - Contessa Classic)

Further more stringent measures have been taken towards fast indigenisation of the passenger cars. In its notification in 1986, the Government of India has announced<sup>21</sup> that in order to avail concession in respect of excise and customs duties, the manufacturer of fuel efficient car have to produce a certificate

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19. Notification dated 24th Dec. 1986, Department of Revenue, Ministry of Finance, Government of India.

20. Statement issued by Mr.A.Arunachalam, Minister of State for Industrial Development as reply to an issue raised in the point ('Automotive Engines and Trades' issue dated April 1987)

21. Government of India Notification Nos.468/86, Central Excise 469/86, Central Excise, both dated 24.12.1986.

from the Industrial Advisor in the Directorate General of Technical Development showing the details of the degree of indigenisation required to be achieved under the approved phased manufacturing programme and the actual degree of indigenisation, achieved in the preceding financial year. In case, where the degree of indigenisation achieved in the preceeding financial year is lower than the degree, as per the approved programme, the manufacturer is to produce a certificate from an Officer not below the rank of Joint Secretary in the Ministry of Industry (Department of Industrial Development) certifying that the failure in achieving the required degree of indigenisation is on account of valid reasons to be recorded in writing and that such failure is marginal.

**Production and Sales Performance :**

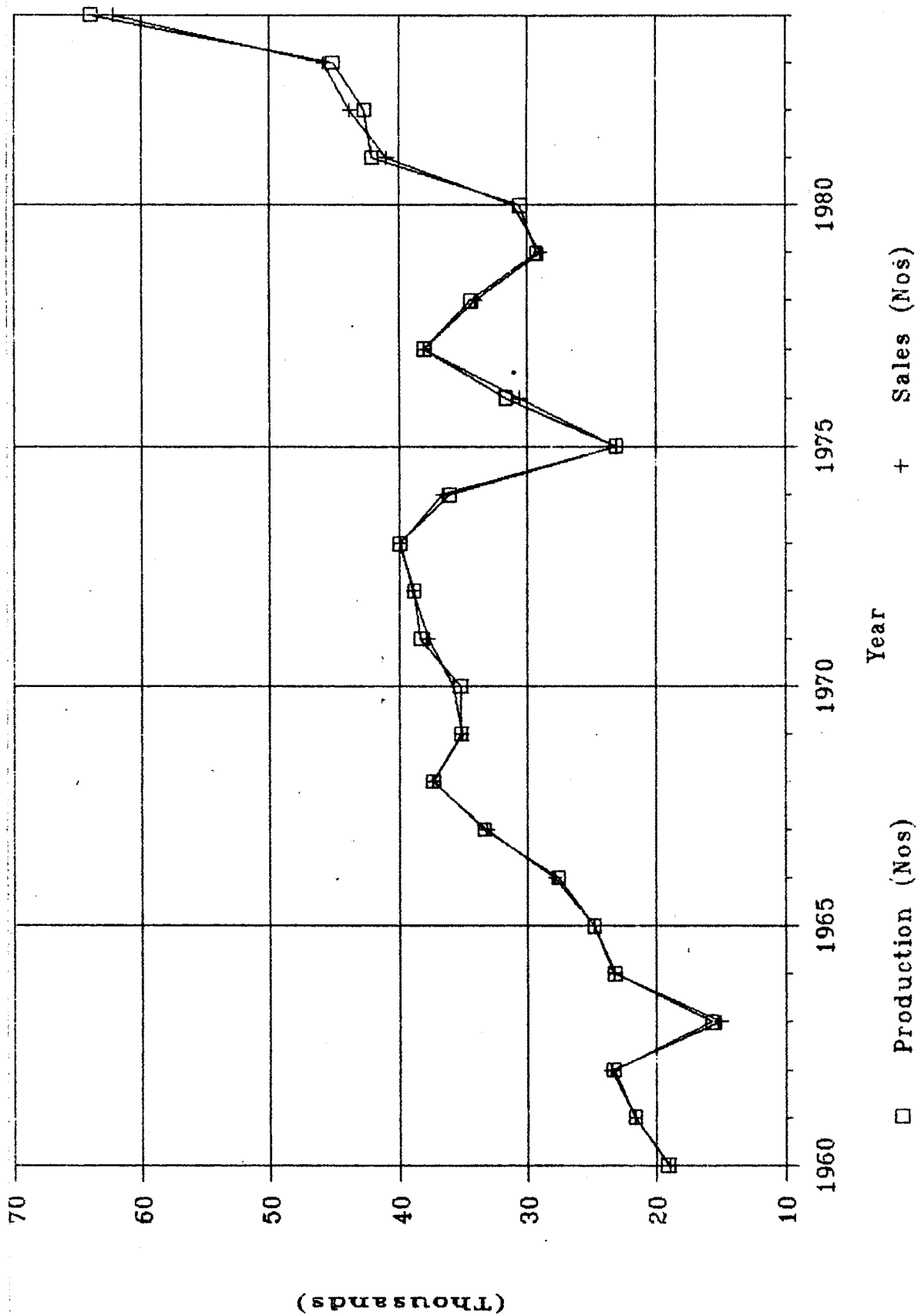
As regards the passenger car industry is concerned, a slow and steady growth is evinced right from the very origin of the industry. The production and sales trends of the passenger car during the period of 1960 - 1984 are presented in Table 3.3 below.

**TABLE 3.3**  
**TABLE SHOWING PRODUCTION AND SALES TRENDS OF**  
**PASSENGER CARS IN INDIA DURING 1960 - 1984**

Year	Production (Nos)	Percentage change as compared to previous year	Sales (Nos)	Percentage change as compared to previous year
1	2	3	4	5
1960	19097	----	18937	----
61	21662	13.4	21658	14.4
62	23326	7.6	23514	8.6
63	15711	32.6	14999	-36.2
64	23227	47.8	23284	55.2
65	24790	6.7	24834	6.6
66	27597	11.3	27869	12.2
67	33344	20.8	33140	18.9
68	37298	11.8	37383	12.8
69	35183	-5.6	35070	-6.1
70	35206	0.06	35728	1.8
71	38304	8.8	37717	5.6
72	38828	1.3	38874	3.1
73	39937	2.8	39861	2.5
74	36008	-9.8	36561	-8.3
75	23075	35.9	23066	-36.9
76	31610	36.9	30602	32.6
77	38019	20.2	38003	20.8
78	34366	-9.8	34017	-10.0
79	29235	-14.9	28950	-14.9
80	30538	4.4	31048	7.2
81	42106	37.8	40887	31.6
82	42674	1.3	43769	7.1
83	45090	5.6	45821	4.7
84	64013	41.9	62220	35.8

Source : "The Automobile Industry Statistical Profile 1985"  
 Bombay: Association of Indian Automobile Manufacturers  
 1985. P.9

EXHIBIT I  
PRODUCTION AND SALES TRENDS OF PASSENGER CARS (1960-84)



**Production and Sales trend of Passenger Cars - A comparison  
with two Wheelers and Commercial Vehicles :**

The production and sales of passenger cars is compared with two wheelers and the commercial vehicles.

The following table shows the production of passenger cars, two wheelers and commercial vehicles.

Table overleaf ...



TABLE 3.4

**TABLE SHOWING PRODUCTION OF PASSENGER CARS,  
TWO WHEELERS AND COMMERCIAL VEHICLES (1972-84)**

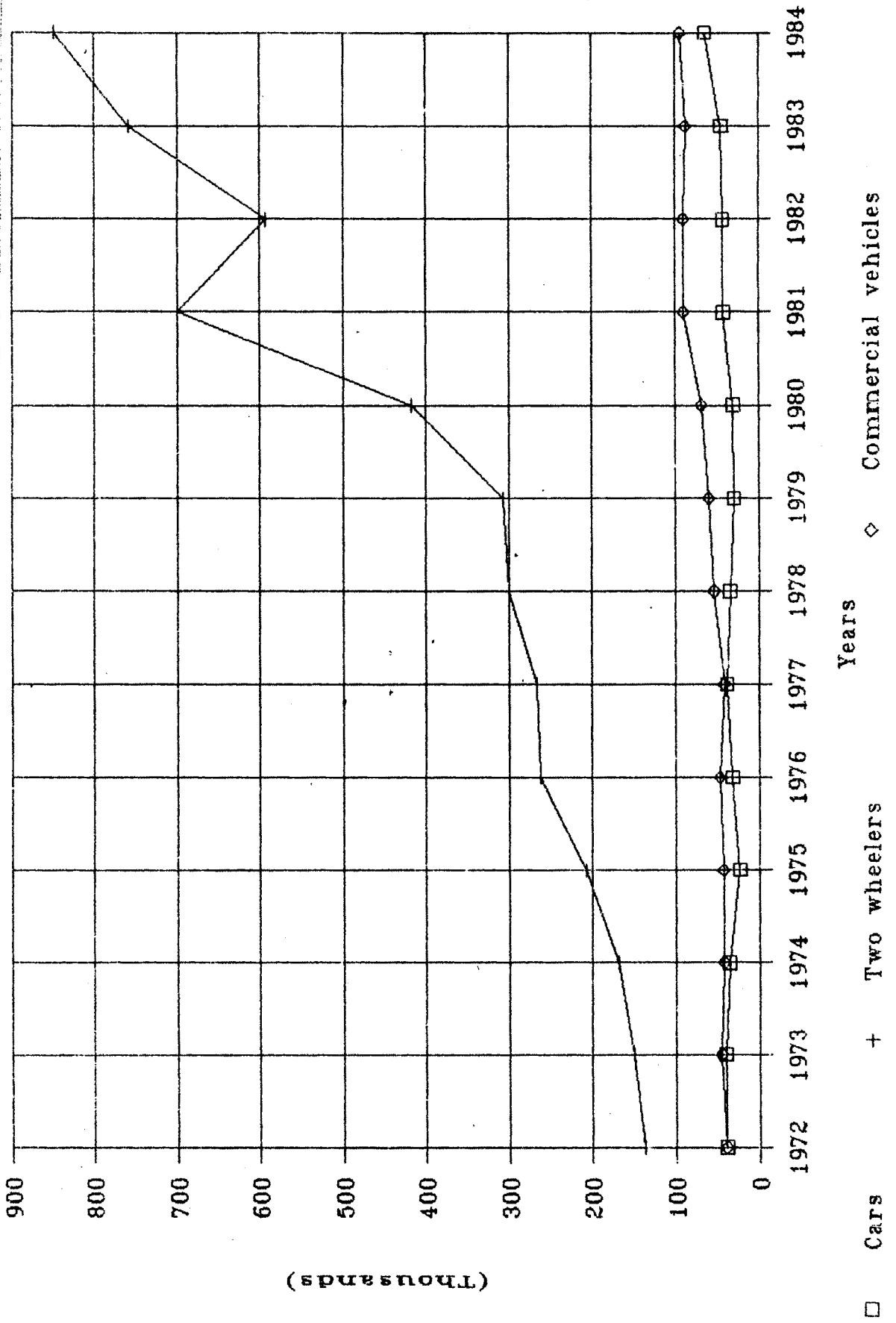
Year	Cars (Nos)	Two Wheelers (Nos)	Commercial Vehicles (Nos)
1972	38828 (18.1)	137063 (63.9)	38703 (18.0)
73	39937 (17.0)	150256 (64.0)	44909 (19.0)
74	36008 (14.6)	169342 (68.5)	41874 (16.9)
75	23075 (8.4)	207691 (75.9)	43034 (15.7)
76	31610 (9.3)	262561 (77.0)	46761 (13.7)
77	38109 (11.0)	266308 (76.9)	41702 (12.1)
78	34366 (8.9)	299850 (77.3)	53470 (13.8)
79	29235 (7.4)	306883 (77.5)	59696 (15.1)
80	30538 (5.9)	417602 (80.9)	68311 (13.2)
81	42106 (6.7)	699103 (79.1)	89752 (14.2)
82	42674 (5.9)	593288 (81.7)	90246 (12.4)
83	45090 (5.1)	759183 (85.1)	87365 (9.8)
84	64013 (6.4)	849580 (84.3)	94660 (9.3)

Note: Figures within brackets represent ratio of production.

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Source : "The Automobile Industry Statistical Profile 1985",  
Bombay : Association of Indian Automobile  
Manufacturers 1985, P.3

EXHIBIT II  
PRODUCTION TREND OF TWO WHEELERS, COMMERCIAL VEHICLES AND CARS (1972-84)



**Sales Trend**

The sales of Passenger Cars, two wheelers and commercial vehicles is presented in Table 3.5 below :

**TABLE 3.5**

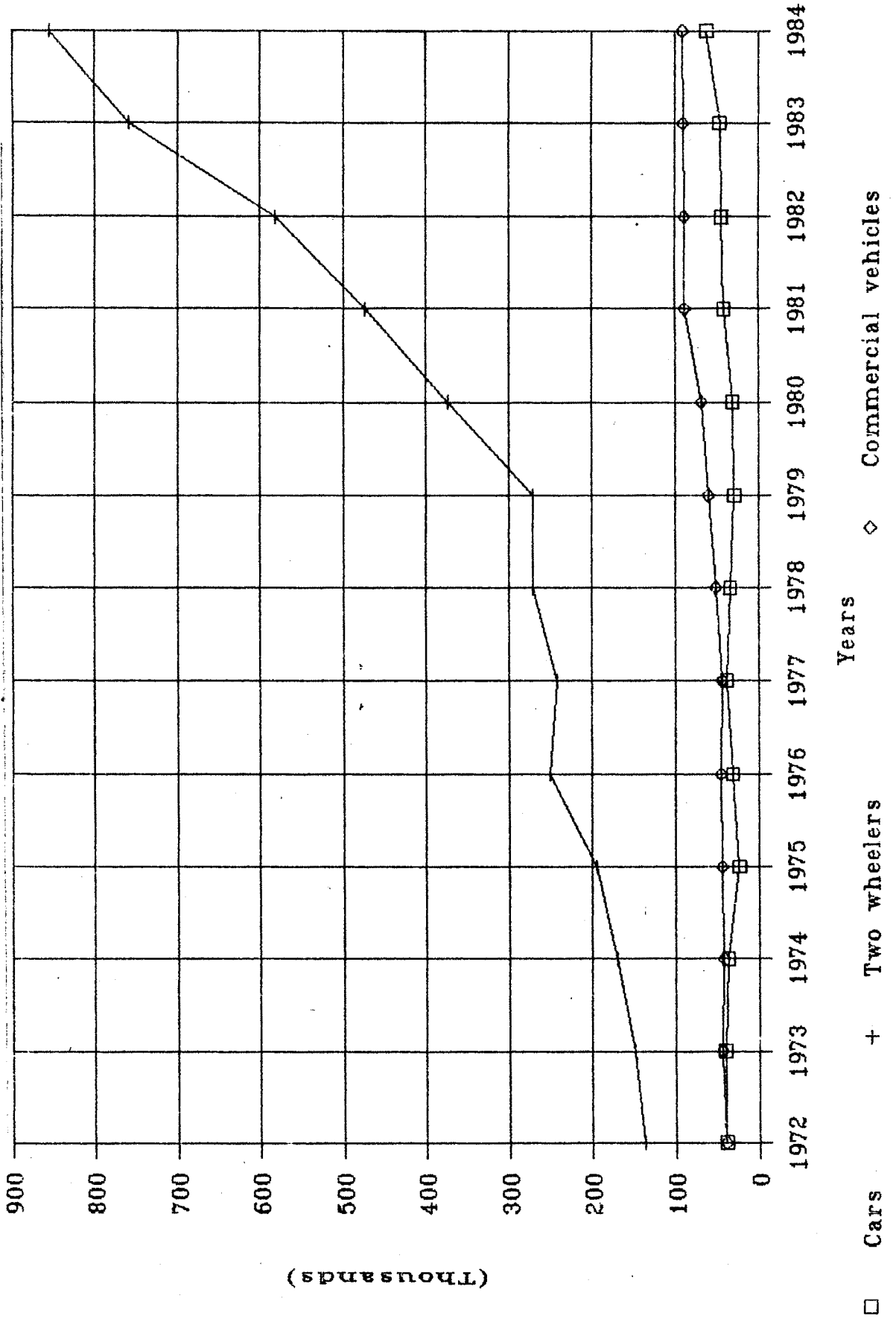
**TABLE SHOWING THE SALES OF CARS, TWO WHEELERS  
COMMERCIAL VEHICLES (1972 - 1984)**

Year	Cars (Nos)	Two Wheelers (Nos)	Commercial Vehicles (Nos)
1972	38874 (18.1)	136796 (63.8)	38827 (18.1)
73	39861 (17.1)	148643 (63.9)	44135 (18.9)
74	36561 (14.7)	170751 (68.5)	41762 (16.8)
75	23066 (8.8)	194973 (74.6)	43340 (16.6)
76	30602 (9.4)	251484 (76.9)	45072 (13.8)
77	37903 (11.8)	241888 (74.8)	43738 (13.5)
78	34017 (9.6)	270318 (76.1)	50877 (14.3)
79	28950 (8.0)	271335 (75.3)	60106 (16.7)
80	31048 (6.6)	373668 (79.0)	68392 (14.4)
81	40887 (6.8)	474413 (78.6)	88017 (14.6)
82	43769 (6.1)	581477 (81.5)	88509 (12.4)
83	45821 (5.1)	759031 (84.8)	90559 (10.1)
84	62220 (6.1)	855432 (84.8)	90790 (9.1)

Note : Figures within brackets represent ratio of sales.

Source : "The Automobile Industry Statistical Profile 1985", Bombay: Association of Indian Automobile Manufacturers 1985, P.27.

EXHIBIT III  
 SALES TREND OF TWO WHEELERS, COMMERCIAL VEHICLES AND CARS (1972-84)



As could be seen from the Tables 3.4 & 3.5 above on an average for every 10 cars produced 76 two wheelers and 14 commercial vehicles are produced. Similarly for every 10 cars sold 76 two wheelers and 14 commercial vehicles are sold.

### **IMPORT AND EXPORT TREND**

As evident from the Table 3.6 for a long time the demand for passenger car was met by import. During the year 1949 and onwards the indigenous production started showing encouraging trend and thereby the demand was met partly by import and partly by indigenous production.

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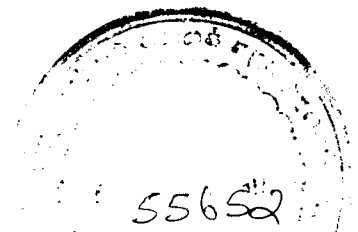


TABLE 3.6

**TABLE SHOWING DOMESTIC PRODUCTION AND IMPORT  
OF CARS IN INDIA (1938 - 1969)**

Year 1	Domestic Production 2	Imports 3
1938 - 39	--	10988
39 - 40	--	9964
40 - 41	--	5058
41 - 42	--	2854
42 - 43	--	381
43 - 44	--	41
44 - 45	--	263
45 - 46	--	263
46 - 47	--	10683
47 - 48	--	31197
48 - 49	--	18005
49 - 50	6672	7171
50 - 51	6588	8433
51 - 52	12991	10280
52 - 53	5720	5164
53 - 54	4019	4392
54 - 55	6372	9339
55 - 56	10689	8980
56 - 57	13342	8210

1	2	3
1957 - 58	10134	10778
58 - 59	8328	122
59 - 60	14604	281
60 - 61	20722	352
61 - 62	21852	678
62 - 63	20843	423
63 - 64	18074	384
64 - 65	24192	365
65 - 66	25031	369
66 - 67	29475	141
67 - 68	34357	141
68 - 69	33799	98

Source: "Demand for Passenger Cars", New Delhi : National Council of Applied Economic Research : 1971, P.22.

From the Table above it could be seen that the trend of import started decreasing from the year 1960 and came down to an insignificant figure by 1968. The present position is to import cars only through the State Trading Corporation of India including cars brought by Indians returning to India after their stay abroad.

Consequently on the restriction on the import the indigenous production started increasing. Also the indigenous content of Indian-made cars has shown increasing percentage which is evident from the table 3.7.

**TABLE 3.7**

**TABLE SHOWING INDIGENOUS CONTENT OF THE CARS  
MADE IN INDIA(1956-64)**

	Percentage of Indigenous contents				
	1956	1960	1961	1963	1964
Ambassador	50.0	70.5	74.5	76.9	81
Fiat	30.0	47.0	49.0	64.1	74
Standard	20.0	32.5	44.0	60.2	75

Source: "Automobile Industry of India - 1964-65", Bombay, Association of Indian Automobile Manufacturers 1965.P.12.



**EXPORT PERFORMANCE**

As regards export the performance of the industry has not been encouraging.

The export trend during the period 1978-79 to 1982-83 is presented in Table 3.8.

The Table gives the export trend of cars, jeeps and commercial vehicles put together by the automobile industry of India.

**TABLE 3.8**

**TABLE SHOWING EXPORT TREND WITH RESPECT TO  
CARS, JEEPS AND COMMERCIAL VEHICLES**

REGION	YEAR	Value of Export in Rs. '000
<b>AFRICA</b>	1978-79	1,20,326
	79-80	1,43,314
	80-81	1,93,715
	81-82	2,81,319
	82-83	3,55,164

**EAST EUROPE**

1978-79	-
79-80	91
80-81	-
81-82	-
82-83	235

**WEST EUROPE**

1978-79	1,537
79-80	2,364
80-81	33,779
81-82	44,676
82-83	528

**SOUTH EAST ASIA**

1978-79	1,93,356
79-80	2,13,693
80-81	1,67,161
81-82	78,761
82-83	1,08,236

**WEST ASIA**

1978-79	29,432
79-80	39,135
80-81	1,08,086
81-82	2,78,318
82-83	1,54,350

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**OTHER AREAS**

1978-79	63,335
79-80	90,569
80-81	1,11,833
81-82	1,07,009
82-83	5,952

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Source: "Automotive Industry of India Facts & Figures 1986",  
Bombay. Automobile Component Manufacturers Association,  
1986.P.101.

## THE INDIAN PASSENGER 'CAR MAKERS' - A PROFILE

This section of the chapter is devoted to the historical background of the existing makers of passenger cars in India.

### **I.M/s.HINDUSTAN MOTORS LIMITED**

It is not an exaggeration to say that the history of Indian automobile industry exactly begins with the commencement of M/s. Hindustan Motors which was incorporated during 1942. "It was the first company to take up the actual manufacture (as distinct from assembling) of vital and more difficult parts of motor vehicle such as engine, gears and axles".<sup>22</sup>

The objectives of the company include manufacture of automobiles including passenger cars, trucks, trekkers, engines, steel structurals excavators, earth-moving equipments and the like.

The company was started with the annual capacity of manufacturing 8000 number of cars and trucks.

The authorised capital Rs.30,00,00,000 consisting of 10,00,000 preference share of 100 each and 2,00,000 equity shares of Rs 10 each.

During the year 1958 an agreement was signed with the M/s General Motor Corporation of USA for progressive manufacture of Bedford trucks. In 196, a colloboration agreement with M/s. Marien Power Shovel Company incorporation USA, was

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22. "The automobile industry of India, 1964-65",Bombay, Association of Indian Automobile Manufacturers,P.65,P.45.

signed for the manufacture of excavators of various capacities.

In 1963, the Hindustan Motors started production of Ambassador Mark II. In 1967, an agreement was signed with the General Motors Corporation, USA for the manufacture of Rear Dumps, Crawler Tractors, Front end loaders and scrapers. In the year 1968, Hindustan J6, 7.5 ton truck was introduced by the company.

During the year 1969 the company started the production of Terex R25 Rear Dumps at Trivellore Plant near Madras. In the year 1971, the Earth Moving Equipment Division was set up. In the year 1975, the company started producing Ambassador Mark III. In the year 1976 the company started production of Hindustan Trekker and Hindustan T-120 model trucks.

During the year 1977, Hindustan Motors has introduced the diesel version of Hindustan Trekker. In 1978 a collaboration agreement M/s. Mannesman Demag and M/s. Baumas Chinem of West Germany was entered as a result in the year 1979, the diesel version of Ambassador Mark IV was introduced.

Right from the very start M/s. Hindustan Motors focussed its attention towards indigenous manufacture of automobile. Undoubtedly M/s. Hindustan Motors is a leading example for

indigenisation. By 1960, the Adhoc Committee on automobile industry has reported that indigenisation with respect to Hindustan Ambassador was a little above 70%. Presently the indigenous content is almost 93% in components like engine, gear box, rear axle and front suspension body.

## **2. M/s. THE PREMIER AUTOMOBILES LIMITED**

The Premier Automobiles was formed as a Limited Company in the year 1944 in collaboration with CHRYSLER CORPORATION of USA (for manufacture of Dodge and Fargo Trucks), FIAT AUTOMOBILES of Italy (for manufacture of Fiat cars), ROCKWELL STANDARD CORPORATION (for axles), HENRY MEADOWS LIMITED (for Diesel Engine) and MONROE AUTO EQUIPMENT (for shock absorbers). The authorised capital was Rs. 25,00,00,000. The licenced capacity with reference to passenger car and trucks was 12,000 numbers.

The company started its operation during 1947 by producing Dodge, Plymouth and Desoto cars and Dodge, Desoto trucks.

By 1949, the company has shown progress and the quality of products produced were accepted as good by public and even by the Defence Department of Government of India.

By 1954 the Government allowed the Premier Automobiles which already had collaboration with Fiat Automobiles to produce the car of FIAT 1100 model. This is in addition to the cars and trucks they were producing already.

The Premier Automobile was committed to the policy of indigenisation from the very beginning. However, their progress in that respect was not quite satisfactory. According to the Adhoc Committee report on automobile industry, the firm could achieve only 47% indigenisation with respect to the cars they produced.

The collaboration agreements of Premier Automobiles with Fiat Automobiles of Italy and Chrysler Corporation ended by June 1972. As a result all the products except engine and transmission are now manufactured independently without any foreign collaboration and are marked under the trade name PREMIER. However, "Fiat" here has been used to refer to Premier Cars.

### **3. M/s. STANDARD MOTOR PRODUCTS OF INDIA LIMITED**

This company was registered as a public limited company in the year 1948 for the manufacture of Standard Cars and Ferguson Tractors in collaboration with Standard Motor Company Limited, England. The licensed capacity with respect to passenger cars was 2640 numbers. The authorised capital was Rs. 2,00,000.00 divided into 50,000 cumulative preference shares of Rs. 100 each 14,70,000 ordinary shares of Rs. 10/- each and 3,00,000 deferred shares of Rs. 1/- each.

The Standard Motors started the assembling operations of vanguard cars in the year 1952. Later the company had obtained licence to progressively manufacture small cars. The company produced cars such as Standard 8 hp, Standard 10 hp, Standard Herald, Companion, and Gazel. Though the initial series of the

cars were quite popular at the later stages the cars were not received favourably. This situation was much particular in the case of two door model Herald cars.

With respect to indigenous production, the Adhoc Committee reported that, the company has achieved only 32.5% of indigenisation.

The slow pace of indigenisation, low capital base and unpopularity of standard Herald model and the like reasons, have contributed to uncertain growth of the company during the fifties and sixties. As a result, the Government of India came forward with a proposal of acquiring the company for producing small cars in the public sector. However the proposal has not been materialised for obvious reasons.

During March 1984, an agreement was signed between Standard Motor Products of India Limited and Austin Rover Group Limited for the transfer of technology for the manufacture of a 5 to 6 seater passenger car based on Rover 2000 produced by Austin Rover Group. Thereby the Standard 2000 model was produced. The indigenous content of Standard 2000 was claimed to be 68% and is expected to reach 97% both in next few years. In the course of the study, it is understood that the performance of Standard 2000 is not commensurated with the price paid for.



#### **4. M/s. MARUTI UDYOG LIMITED**

The history of M/s. Maruti Udyog Limited as it exists today may be traced back to the Government of India's policy of encouraging low cost small car project. In this context, a detailed discussion as regards the conceptual myth of low cost small car project of Government of India is presented in the following pages.

##### **Low Cost Small Car Project**

The vehicles designed to operate under conditions of high income economy may not be suitable to the conditions of a low income economy. "Therefore a need exists in developing countries for cheaper vehicles that could be more widely purchased by small businessmen, farmers and industrial workers. Only recently to a minor extent has the need for more appropriately designed and cheaper vehicles been reflected in the production pattern of the main automotive manufacturers".<sup>23</sup>

The Government of India had often insisted on the production of low cost small cars. The intention of the government with respect to this low cost small car project runs as follows.

"Government of India feels that the aim should really be to select if possible a car that will on the one hand be sturdy

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23. "Development and Transfer of Technology; Series No.3, The manufacture of low cost vehicles in developing countries", Vienna : United Nations Industrial Development Organisations 1978, P.1

and give a really long period of trouble free service and on the other hand be available around Rs. 6500 to the major body of the consumers inclusive of transport charges distributors commission taxation etc".<sup>24</sup>

The production of such small car below 1000 cc attracted serious consideration of the Government of India.

In the year 1959 the government appointed Adhoc Committee to examine the feasibility of producing low cost passenger cars. The report submitted by the Adhoc Committee stressed that the existing units involved in the manufacture of cars have little prospect of coming down to the price range of Rs. 5000 to 7000. Also the Committee suggested that the cheaper car being a modest vehicle, its manufacture is to be started from the beginning with the latest machinery to ensure economic production.

In this respect the committee expressed its doubt as regards the capability of the existing manufacturing units to manufacture low price car.

The Government appointed another committee - Low Cost Car Committee (PANDE Committee) to go into the question of examining the feasibility of production of small car from technical

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24. "Programmes of Industrial Development 1961-66".  
New Delhi : Planning Commission, Government of India, 1960  
P.177.

angle within an ex-factory price around Rs. 5000/- on an annual production of 50,000 cars.

The Government also insisted that such low cost cars to be produced should even at the beginning have sufficiently high indigenous content and should be made more or less wholly indigenous within three years from the start of the production.

Since 1960, the proposal for low cost car has received serious attention. Many small car models have been received from different countries. The suitability of the models were tested and negotiations were initiated; However until 1965, the Government could not arrive at a final decision.

The National Council of Applied Economic Research, at the instance of Ministry of Industrial Development conducted a survey regarding reasonable price for a small car. The survey was conducted in the major cities of India and the result of the survey was published during 1971. The summary of the survey is given in the Appendix V.

During the year 1965, Government of India granted licence to Mr. Sanjay Gandhi to produce low cost small cars, thereby M/s. Maruti Limited was incorporated.

During 1975 the licence to produce below 1000 cc cars was granted to M/s. Sipani Automobiles.

The low cost small car is proved to be a high cost car as is evident from the experience of Maruti Udyog. As such the Government of India is still pondering over the idea for low cost cars from Indian Automobile makers to produce such cars in collaboration with USSR organisation<sup>25</sup>. Until the car rolls on its wheel nothing can be said as it is a low or medium or even high price car.

#### **Maruti Udyog**

The Maruti Limited incorporated with the objective of producing low cost small cars could not fulfill the objective for a substantially long period of time. More-over the operations of the company has also ruled out the possibility of making such small cars in the near future. Hence the Government of India, in tune with its anxiety to bring out low cost small cars, entered the car manufacturing sector by taking Maruti Limited in its fold. Thus the Maruti Udyog Limited has emerged during 1981. The objective behind Maruti Udyog Limited includes "producing fuel efficient vehicles incorporating the latest technology at price which would be within the reach of larger number of consumers"<sup>26</sup>. The Maruti project involves a total cost of Rs. 269 crores including

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25. Statement by Shri. M.Arunachalam, The Minister of State for Industrial Development. "Automotive Engineer and Traders" issue dated April 1987.

26. "Annual report 1983-84", Department of Heavy Industry, Ministry of Industry, Government of India, 1984, P.25.

township and services spread over a period of 6 years.<sup>27</sup>

Maruti Udyog Limited entered into an agreement with M/s. Suzuki Motor Company Limited during October 1982 for the manufacture of cars and light commercial vehicles. The equity participation of M/s. Suzuki Motor Company is to the extent of 26%.<sup>28</sup>

With the licenced capacity for 1,40,000 vehicles, the product mix of Maruti Udyog consists of Maruti 800 cars (Standard and Deluxe), Maruti 800 van type saloon cars (High and Flat roof) and four-wheel drive (Gypsy).

While the company was started it has set five goals which were as follows.<sup>29</sup>

1. to achieve a production volume of 20,000 in 1984-85, 40,000 in 1985-86 and gradually increase to 1,00,000 in 1988-89.
2. to achieve the phased indigenisation programme committed to the government.
3. To achieve break-even in the first year of operation namely 1984-85 and if possible make a small profit.

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27. Ibid.

28. "Maruti - The future is here and now" - New Delhi : Maruti Udyog Limited; 1985. P.3.

29. "Annual report 1986-87", New Delhi: Maruti Udyog Limited, 1987; P.2

4. to achieve quality standards of Japanese collaborators in all operations and offer vehicles to Indian customers which are as good as Suzuki's even after indigenisation.
5. to achieve the cost standards of Japanese collaborators and keep the cost of Maruti vehicle low.

The performance of the company was quite satisfactory in the sense that most of the objectives laid down at the beginning of the year were achieved. Secondly as against the target of 20,000 (1984-85) vehicles, 22,372 vehicles were produced. Also the installation and commissioning of production facilities went according to the schedule.

Further over 51000 vehicles were produced during the year (1985-86) as against the target of 40,000 vehicles, and a total of 80,150 vehicles were produced during 1986-87 against a project target of 60,000 vehicles.<sup>30</sup>

Maruti Udyog Limited also contributed to the significant growth in the automobile ancillary industry. With the coming up of Maruti, various ancillary industries have applied themselves to the technology upgradation, as well as creation of additional capacities to meet the stringent quality requirements of vehicles being manufactured by Maruti.

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30. Ibid, P.6.

Maruti Udyog adopted rapid indigenisation programme. To meet this objective, Maruti would offer to its Indian partners, equity participation, infrastructural facilities, managerial and technological support, within its premises at Gurgaon. Maruti has earmarked a larger area for this purpose. In addition to the land Maruti would offer power, water and other infrastructural facilities to such joint venture projects. Further, with the help of its collaborator, the company would also assist the joint venture partner in getting the right technology for the product. With regard to indigenisation the company could achieve only 27.43% of indigenisation by 1985-86, which is much less than the target assumed. The reason expressed was, while the in-house programme for indigenisation proceeded as per the schedule there was a short fall in the case, of the bought-out components. Ability of vendors to meet Maruti's requirements fell behind the schedule because there was a time lag in their making of the required investments.

Though the indigenisation programme is slow, efforts have been made to strengthen indigenisation efforts and the company is confident of achieving the planned target of indigenisation by 1988-89.<sup>31</sup>

The company is conscious of the importance of after sales service and due attention is being paid from the very start

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31. Ibid P.3

to provide high quality after sales service to the customers.

During the year 1986-87, 117 Maruti authorised service stations have been established through the length and breadth of the country.

The company is actively pursuing the future growth of its export market and has some initial success to its credit. In April 1987, Maruti Udyog signed agreement with M/s. Moguvel of Hungary for export of Maruti cars. The agreement provides for the export of 500 Maruti cars a year with the intention of raising the same 5000 a year.<sup>32</sup>

The company also made entry into Bangladesh market by supplying CKD kits for 50 cars during the year 1986-87. 30 vehicles were also sold to Nepal and another 4 to Mauritius.<sup>33</sup>

As reported by the company, a number of enquiries have come from many other countries in East Europe, Africa, South America and South East Asia for import of the cars. Undoubtedly export of Maruti cars is a land mark in the history of Indian automobile industry.

From all these it could be seen that Maruti Udyog has been emerging as a market leader in the automobile industry of India.

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32. Financial Express issue dated April 1st 1987.

33. "Annual report 1986-87". New Delhi; Maruti Udyog Limited. 1987, P.13



##### 5. M/s. SIPANI AUTOMOBILES LIMITED

The Sipani Automobiles Limited was originally incorporated as "Sunrise Auto Industry" for the purpose of producing three wheeler "Badal" cars. The cars manufactured were with Lambretta engine consisting of higher percentage of indigenous content. The model has satisfied the vehicle research and development establishment (VRDE). The model named as "Badal" was with a fibre glass body. The fibre glass technology was selected with the intention of reducing cost as compared to a steel body. Fibre glass was found economical and it also lends itself to volume and design adoptability.

Before the regular commercial production, it was found that the engine needed further modification. The model Badal which was priced Rs. 12,000 (ex-factory) was not successful. However the company secured licences to run the Badal as taxi. Eventhough, the order booking position was satisfactory, due to technical draw backs there was eventual downfall of the 'Badal'.

During 1979 the company has converted its three wheeler licence to four wheeler and seriously contemplated a four wheeler Badal cars. Subsequently the Sunrise Automobiles was rechristened as Sipani Automobiles Limited.

The Sipani Automobiles in collaboration with Reliant Company, U.K. started manufacturing Dolphin cars. The car is light and fuel efficient. Now an adopted version of the Dolphin named Montana is likely to be introduced.

Though Sipani Automobile received its licence from the Government of India to produce below 1000 cc passenger cars, along with M/s. Maruti Udyog, the performance of Sipani Motors is not satisfactory\*.

#### **Production and Sales Performance of the Makers**

The production and sales performance of the makers viz. M/s. Hindustan Motors Limited (HM), M/s. Premier Automobiles Limited (PAL), M/s. Maruti Udyog Limited (MUL), M/s. Standard Motor Products of India Limited (SMPIL) and M/s. Sipani Automobiles (SAL) are presented in Table 3.9 and 3.10.

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Note: \* It is understood that, without full support of the Government M/s. Sipani Automobiles has succeeded in its scheme of indigenisation, to a greater extent. Had not M/s. Maruti Udyog been taken over by the Government probably M/s. Maruti Udyog may not be standing for any comparison with M/s. Sipani Automobiles. The management of M/s. Sipani Automobiles feels that given the same support that M/s. Maruti Udyog enjoys as a public enterprise their product - the Dolphin car would have been much cheaper in price, superior in quality and would have been as successful as Maruti. The management also claims that the fibre glass technology developed by them is unique and first of its kind in the Indian automobile industry.

TABLE 3.9

TABLE SHOWING THE PRODUCTION OF CARS  
BY THE MAKERS (1960-84)

Year	HM	PAL	MUL	SMPIL	SAL
1960	9217(48)	6516(34)	--	3364(18)	--
61	11056(51)	7197(33)	--	3409(16)	--
62	13438(58)	6247(27)	--	3641(15)	--
63	8621(55)	3750(24)	--	3640(21)	--
64	15351(66)	3868(17)	--	4008(17)	--
65	15558(63)	5673(23)	--	3559(14)	--
66	19469(71)	7030(25)	--	1098(4)	--
67	20515(62)	10055(30)	--	2774(8)	--
68	22687(61)	12266(33)	--	2345(6)	--
69	21560(61)	12218(35)	--	1405(4)	--
70	22703(64)	12054(34)	--	448(2)	--
71	24656(64)	12821(34)	--	827(2)	--
72	24634(63)	13611(35)	--	583(2)	--
73	25440(64)	13883(35)	--	614(1)	--
74	20129(56)	14213(39)	--	1666(5)	--
75	9322(40)	13630(59)	--	123(1)	--
76	16422(51)	14973(47.9)	--	161(.9)	54(.2)
77	20256(53)	17481(46)	--	111(.5)	171(.5)
78	20987(61)	12931(37.6)	--	117(.4)	331(1)
79	17523(59.7)	11550(39.4)	--	56(.3)	106(.6)
80	21752(71.22)	8729(28.58)	--	6(.3)	51(0.17)
81	23197(55.09)	18874(44.8)	--	4(0.3)	31(0.08)
82	21836(51.2)	20711(48.5)	--	1(0.01)	126(0.29)
83	23683(52.52)	20929(46.41)	175(0.38)	1(0.03)	302(0.66)
84	24376(38)	26620(42)	12087(19)	--	930(1)

Note: Figures within brackets represent percentage of production made by each maker.

Source : "The automobile industry statistical profile 1982" Bombay : Association of Indian Automobile Manufacturers 1985, P.4.

From the tables above it could be seen that on an average the performance with respect to production shows a consistent increase.

M/s. Hindustan Motors and M/s. Premier Automobiles have contributed significantly to the overall production. However, the performance of M/s. Standard Motor Products is not that much encouraging as compared to its counterparts. M/s. Maruti Udyog right from the very starting shows encouraging production trend.

EXHIBIT IV  
PRODUCTION TREND OF CARS BY THE MAKERS (1960-84)

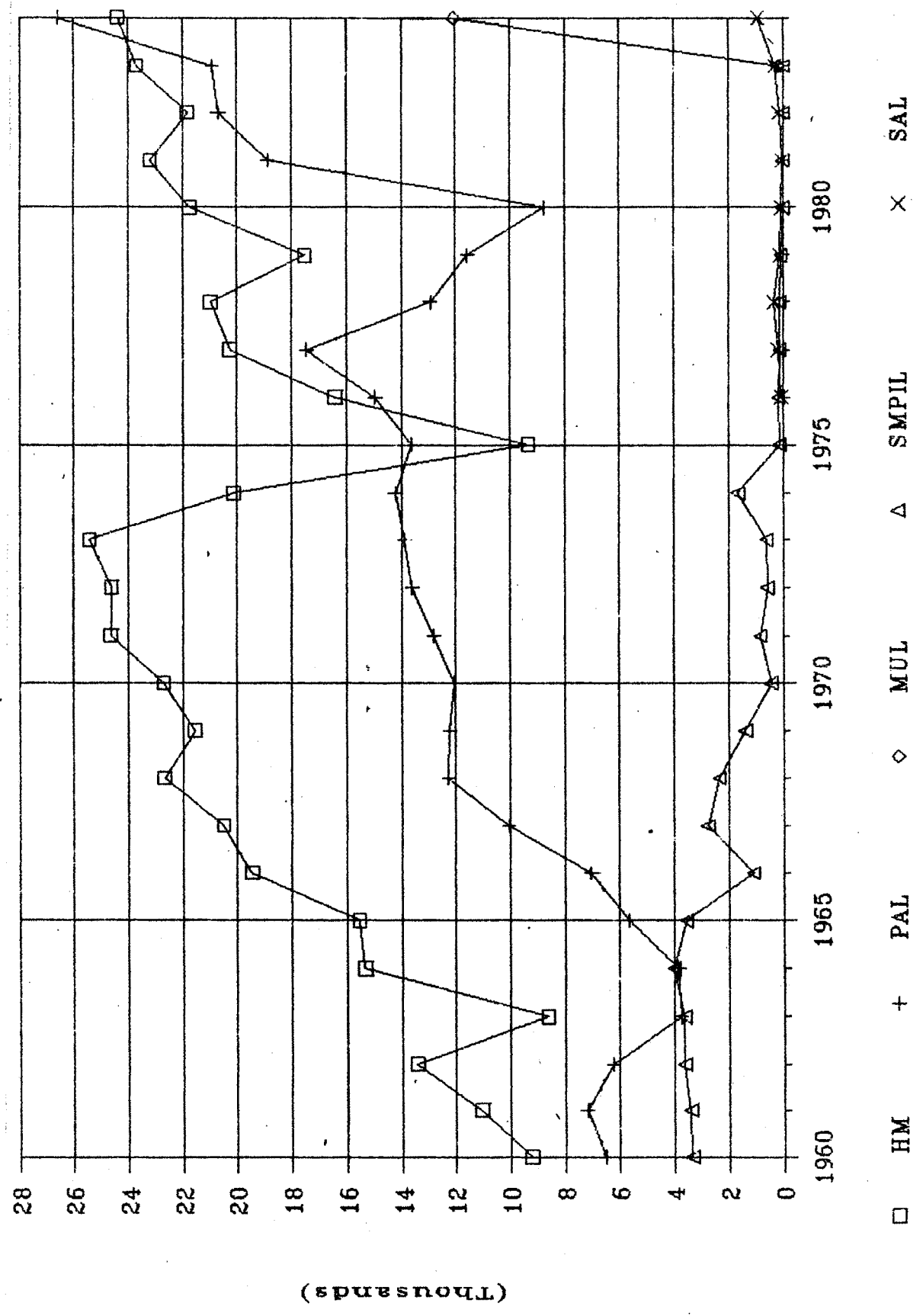


TABLE 3.10

TABLE SHOWING THE SALES TREND OF PASSENGER  
CAR BY THE MAKERS (1960-84)

Year	HM	PAL	MUL	SMPIL	SAL
1960	9208(49)	6506(34)	--	3223(17)	--
61	10926(51)	7239(33)	--	3493(16)	--
62	13637(58)	6253(27)	--	3624(15)	--
63	7949(53)	3749(25)	--	3301(22)	--
64	15811(68)	3797(16)	--	3676(16)	--
65	15288(62)	5696(23)	--	3850(15)	--
66	19739(71)	6960(25)	--	1170(4)	--
67	20439(62)	10027(30)	--	2674(8)	--
68	22843(61)	12277(33)	--	2263(6)	--
69	21333(61)	12185(35)	--	1552(4)	--
70	23124(64)	12083(34)	--	521(2)	--
71	24215(64)	12765(34)	--	737(2)	--
72	24574(63)	13614(35)	--	686(2)	--
73	25383(64)	13875(35)	--	603(1)	--
74	20558(56)	14360(39)	--	1643(5)	--
75	9477(41)	13436(58)	--	153(1)	--
76	15272(50)	15167(49.5)	--	163(.5)	--
77	20328(53.6)	17464(46.1)	--	111(.3)	--
78	21173(62)	12379(36)	--	117(.2)	348(1.8)
79	17117(59.2)	11675(40.3)	--	54(2)	104(.3)
80	22056(71)	8933(28.7)	--	8(0.1)	54(.2)
81	22178(54.3)	18675(45.6)	--	4(0.01)	30(0.09)
82	22804(52.1)	20842(47.6)	--	1	122(0.3)
83	24667(53.8)	20751(45.2)	100(.3)	1	302(0.7)
84	24337(39.1)	26245(42.1)	10719(17.2)	--	919(1.6)

Note: Figures within brackets represent the percentage of sales made by each maker.

Source : "The automobile industry statistical profile - 1985", Bombay : Association of Indian Automobile Manufacturers, 1985, P.29.

From the table above, it could be seen that M/s. Hindustan Motors and M/s. Premier Automobiles share the market to a greater extent, during the period between 1960-84. However, with the entry of Maruti Udyog the situation has significantly changed as Maruti Udyog started enjoying significant market share.

EXHIBIT V  
SALES TREND OF CARS BY THE MAKERS (1960-84)

