

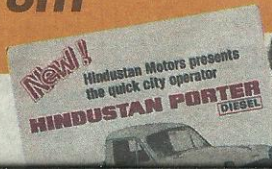
...And the One-Car Wonders of a Different Era

:: Lijee Philip

Twenty years ago the Indian passenger vehicles sector was delicensed, altering permanently consumer expectations of what a car should feel, drive and look like. It was good news not just for consumers but for global carmakers too. It wasn't however, such good news for two of the license raj stalwarts of that era, Hindustan Motors (HM) and Premier Automobiles, makers of the once iconic Ambassador and Padmini, respectively. HM still hasn't given up on the Ambassador although most car buyers have, and Premier has reconciled itself to the inevitable and repositioned as a niche automaker and components supplier. *ET Magazine* examines the road ahead for these blasts from the past.

Milestones from the Past

Till 1982 there were only three carmakers: **HM**,



Still Game After all These Years

I cannot talk about the past. We have to move on and think of the future," says Utam Bose, managing director of the CK Birla-promoted Hindustan Motors. The Kolkata-based maker of the grizzled Ambassador, which recently got itself a mint Euro 4 engine upgrade from Austrian contract manufacturing and vehicle engineering firm Magna Steyr, is now in talks with Fiat of Italy for engine supply, according to people familiar with the negotiations. Bose refused to comment on this alliance, and says an announcement will soon be made. Coincidentally, Fiat was a JV partner with Premier Automobiles in the '90s, and still supplies it with engines for its mini sports utility vehicle, Rio.

Bose stresses that the Ambassador still has a unique selling proposition in its low cost of ownership, sturdy build, large boot and cabin space; but he agrees it needs better technology. The Ambassador is currently powered by 1.8-litre (BS IV petrol) and 2-litre (diesel BS III) Isuzu engines.

HM also plans to launch a sub-4 metre Ambassador in the next financial year with better features to take advantage of the lower excise duty on such vehicles, thereby getting an opportunity to lower the price tag. The company hopes that this will help alter the current buyers' composition of the Amby – some 70% of sales are from the taxi market; HM hopes to woo youth with the more compact model.

HM, which utilizes less than 30% of its capacity at the Uttarpara factory in West Bengal, hopes to sell 6,000 Ambassadors this year against 4,000 in 2012-13. Bose, who has been at the helm of HM for around 18 months, feels the urban market for the Ambassador is saturated and the focus now should be on the semi-urban and rural segments. But even consumers in such markets are spoiled for choice these days.

CK Birla,
Chairman, HM



Thanks to low volumes, these manufacturers perpetuated **obsolete technologies** that were out of sync with the global industry

1950-1982



In 1982 **Maruti Udyog** in collaboration with **Suzuki** was set up to establish volume production of contemporary models



1982-1993

By 1991-92, contribution of auto industry to **GDP hit 2.77%**



Cumulative annual growth climbed to **22%** between 1993 and 1997

1993-1997

A clutch of **global automakers set up joint ventures** in this period

Foreign equity **investment up to 100%** for manufacture of automobiles and components permitted

A vibrant components industry takes shape, maintaining a **10-12% share of exports** in total production till date



Post-1997

Source: Frost & Sullivan

Can't Beat them? Don't Join Them

A more pragmatic approach is the one of Premier Ltd (formerly Premier Automobiles), the maker of the iconic Padmini cars that faded away once new players arrived in the Indian car industry post-delicensing. It re-entered the passenger vehicle space with a mini SUV Rio in 2009, and plans to source 6,000 to 8,000 engines from former partner Fiat that conform to BS IV emission standards.

Well aware of the highly competitive environment, Premier is eyeing conservative volumes of 8,000-9,000 units, content to be a niche player making relatively low investments. "Unlike other established automakers that have running businesses, for us it is a restart after a decade. We have decided to let capacity chase demand, rather than create capacity and then wait for demand," said Maitreya Doshi, chairman and managing director, Premier Ltd.

Premier and Fiat ended their joint venture in 1997 due to recurrent labour problems at the Kurla factory in Mumbai. Now Premier follows an outsourcing model, with 65% of its components coming from China. In 2009, Premier entered into a component supply agreement with Zotye Auto of China to source completely knocked down kits for the Rio; these kits are assembled at the company's factory in Chinchwad on the outskirts of Pune.

Still, the SUV is under 10% of the ₹300-crore Premier's entire operations. Its biggest business by far is that of heavy engineering and machine tools. Premier also owns some 218 acres of land in Kalyan on the outskirts of Mumbai – conservatively estimated to be worth ₹600 crore – which it may monetize soon and use the proceeds to expand the automotive division.

An expansion of the dealer network – from 50 to 100 over the next 12-18 months – is also on the cards. Says Doshi: "Our story is one of resilience, courage and fortitude in the face of continuous adversity" – and cut-throat competition.



Maitreya Doshi, CMD, Premier Ltd