

MANAGERIAL ECONOMICS



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Short Description

MANAGERIAL ECONOMICS

case study

Description

Case : 4 The Industry

The automotive sector is one of the core industries of the Indian economy, whose prospect is reflective of the economic resilience of the country. The automobile industry witnessed a growth of 19.35 percent in April-July 2006 when compared to April-July 2005. As per Davos Report 2006, Indian is largest three wheeler market in the world; 2nd largest two wheeler market; 4th largest tractor market; 5th largest commercial vehicle market and 11th largest passenger car market in the world and expected to be the seventh largest by 2016. India is among few countries that are showing a growth rate of 30 per cent in demand for passenger cars. The industry currently accounts for nearly 4% of the GNP and 17% of the indirect tax revenue. The well developed India automotive industry produces a wide variety of vehicles including passenger cars, light, medium and heavy commercial vehicles, multi-utility vehicles, scooters, motorcycles, mopeds, three wheelers, tractors etc. Economic liberalization over the years made India as one of the prime business destination for many global automotive players, including international giants like Ford, Toyota, GM and Hyundai have also made their presence with a mark.

As per another report, every commercial vehicle manufacture, create 13.31 jobs,

while every passenger car creates 5.31 jobs, and every two-wheeler create 0.49 jobs, in the country. Beside, the automobile industry has as output multiplier of 2.24, i.e., for every additional rupee of output in the auto industry, the overall output of the India economy increases by Rs. 2.24.

The India automotive sector has a presence across all vehicle segments and key components. In terms of volume, two wheelers dominate the sector, with nearly 80 percent share, followed by passenger vehicles with 13 percent. At present, there are 12 manufactures of passenger cars, 5 manufactures of multi utility vehicles (MUVs), 9 manufactures of commercial vehicles (CVs), 12 of two wheelers and 4 of three wheelers, besides 5 manufactures of engines.

Table 1 Vehicle Segment-wise Market Share (2005-06)

Items	Percent Share
Commercial Vehicles	3.94
Passenger Vehicles Two Wheelers Three Wheelers	12.83
Total	79.19
	4.04
	100.00

Source: Report of Society of Indian Automobile Manufactures (SIAM), 2006.

Although the automotive industry in India is nearly six decades old, until 1982, there were only three manufactures – M/s. Hindustan Motors, M/s. Premier Automobiles and M/s. Standard Motors in the motorcar sector. In 1982, Maruti Udyog Ltd. (MUL) came up as a government initiative in collaboration with Suzuki of Japan to establish volume production of contemporary models.

The Company

Maruti Udyog Limited (MUL) has become Suzuki Motor Corporation's R&D hub for Asia outside Japan. Maruti introduced upgraded versions of the Esteem, Maruti 800 and Omni, completely designed and style in house. This followed the up gradation of WagonR and Zen models, done in house only a year before. Maruti

engineer also worked with their counterparts in Suzuki Motor Corporation in the design and development of its new model, Swift.

The company launched superior Bharat Stage III version of most of its models, well before the Government deadline. Maruti also set up a Center for Excellence with a corpus of Rs. 100 million. This was done in collaboration with suppliers, who contributed an additional Rs. 50 million. The Center provides consultancy and training support to Maruti's Suppliers and Sales Network to enable them to achieve standards in Quality, Cost, Service and Technology Orientation.

Maruti has embarked upon this new project in collaboration with SMC for the manufacture of diesel engines, petrol engines and transmission assemblies for four wheeled vehicles. The project is being implemented in the existing Joint Venture Company viz. Suzuki Metal India Limited (renamed Suzuki Power train India Limited).

Questions:–

- 1. Identify the most important factors of production in case of automobile industr Also attempt to explain the relative significance of each of these factors.**
- 2. What more information would you like to obtain in order to draw a production function for Maruti Udyog? Explain with logi**
- 3. Automobile industry is a good example of capital augmenting technical progre Discuss.**

Details

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