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## Ford in Faridabad, Chevy in Chhattisgarh

**Text by ERICA L. NELSON**

**Photographs by SEBASTIAN JOHN**

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American cars in the 1920s, dominated the tree-lined avenues of New Delhi and were commonly sighted in the new industrial centers of Mumbai. Ford Model Ts sped through the North and South Blocks of the Indian government complex and bumped their way out to every maharaja's most far-flung hunting estate. Mohandas K. Gandhi enjoyed frequent correspondence with Henry Ford, and sent the American automobile pioneer a spinning wheel as a gift of friendship.

In the late 1950s, American car companies were pushed out of India by unfriendly trade and import policies, and the passion for American cars ebbed. It lingered longer in Bollywood, where superstars like Dharmendra sang paeans to the Chevrolet Impala and every hero roared onto the screen in some gleaming steel chariot designed in Michigan. But as the decades passed, that infatuation also faded, and Indian car companies began manufacturing smaller, more efficient automotive dreams for the masses.

Today the car market is decidedly larger and American companies Ford and General Motors (GM) are back, competing with a whole new batch of global car makers. After rough beginnings in the 1990s, American car companies are serious about India, and they are seriously growing as well. Ford and GM may be cutting costs and closing plants in the United States, but the plan for India is bigger and better without an end in sight.

### **The story so far: Ford**

The story of American cars in India really starts with the maharajas. So it's

fitting that a maharaja is spreading the word about them even today. According to Maharaj Manvendra Singh of Barwani, who has written booklets on the history of American cars in India, the first lot of Ford Model Ts were shipped to Chennai in 1914. These four-cylinder engine cars came in ready-to-assemble kits that had to be transported by bullock cart. According to Singh's research, about 22,000 Model Ts were sold at Rs. 2,800 each.

Yet the turning point came when Ford Motor Company was founded in Mumbai in 1926. It built assembly plants there and in Calcutta, New Delhi and Chennai to produce 10,000 cars a year, as well as some trucks and tractors.

In 1952, "Ford chose to leave due to business-repressive socialist government policies," writes Singh. The stocks of cars left behind were sold until 1953. After that it was mostly maharajas and embassies who imported American cars.

It took the liberalization of 1991 and the globalization trends in business to bring Ford back in 1996 after a 44-year gap. Mahindra & Mahindra became a joint venture partner and Ford set up here with an initial investment of \$375 million in facilities and operations.

The new company first launched the globally popular Escort model, which did not do well in India. "The Escort was a good car, but not a smart one. It was well engineered for Indian roads but not for Indian hearts and pockets," writes Singh.

After this disappointment, Ford took a majority stake in the company and opened its own manufacturing unit in Chennai. The factory produced the Ford Ikon, the first car designed and developed by a global manufacturer specifically for India. Aimed at young technology professionals, the Ikon became Ford's first good seller at around 3,000 cars per month, and it seemed the company had finally grasped the Indian market's special needs.

However, the next launch, the Mondeo, also proved to be another case of a solid global product failing in India. Ranjoy Mukherji, editor of Auto India, remembers the Mondeo launch in 2001, which made it the first freely imported car sold since 1948. "The paint job (in Belgium) was not done to stand up to India's tropical conditions," says Mukherji. The color quickly faded and some customers were angry. Only 758 Mondeos sold in 2002, 14 percent of the luxury "D" class segment.

But the extent of Ford growth since then can be measured in the sheer volume of Amrit Mann's car purchases at Harpreet Ford dealership in New Delhi in August 2006. The owner of Mann Tourist Transport Service stood in front of his 20 new white Ford Fiesta Duratorq TDCIs (a diesel model) as he took photos with the entire dealership staff. "There's no product in its range right now that's like it. We feel it's the most fuel efficient and in our trade, you have to count mileage," says Mann. He also points out, "An American car will carry a reputation and inspire confidence from foreign clients." The Fiestas, with a basic model cost of Rs. 575,000, are set to replace his older Maruti Esteems and Honda City models.

Ford was quick to get into mid-priced cars powered by diesel fuel, which is subsidized by the Indian government and more affordable than petrol. Ashok Sachdev, president of Harpreet Ford, says Fiesta's diesel version is selling best

of all, at 200 cars a month out of the 250-plus Ford vehicles he sells on average.

In the northern region, service centers are plentiful, he says, and parts are readily available. "They were aware that there was a quality problem..." he says. "And they've learnt from the mistakes in the past, especially in India."

Now, Ford India President Arvind Mathew says, every car is localized in engineering to some extent. For instance, all cars are designed to drive through half a meter of water, a common problem during monsoons. In addition, most auto components are also sourced here. The Ikon is 92 percent localized in parts; the Fiesta 75 percent.

The average customer at Harpreet Ford is up on world events, and sometimes news of Ford's bad performance in the United States puts a damper on perceptions here. Ford's U.S. market troubles are well documented: it faced a \$1.6 billion loss in North America last year and lost \$1.2 billion worldwide in the first quarter this year. It plans to cut tens of thousands of jobs in North America over the next two years.

Yet Mathew says that there is nothing to worry about concerning Ford's Indian plans, which include \$75 million in fresh investment approved in 2005. "Asia is a high priority for Ford. The mere fact that Chairman and CEO Bill Ford came all the way here to India to launch the Fiesta last year shows the importance. The problems are restricted to North America. Europe is making money and Asia Pacific is making money," he says.

In fact, American auto makers' financial trouble may end up helping their Indian markets to some extent. They are on the lookout for cheaper labor and growth in sales, and Asia's growing mass of middle class consumers has become a new focus. Beyond the higher volumes of the Fiesta, Ford continues to sell to niche markets with its Mondeo and Fusion models. The Fusion created a new segment, Mathew believes, catering to modern city drivers wanting both compact and spacious vehicles. "We don't chase existing markets, we go for the white space," he says.

Something must be going right, as Ford India sold 26,775 cars between January and July 2006, registering a growth of 94 percent over the same period last year.

### **General Motors**

Sparks fly over hard-hats and maintenance calls ring out across the vast floor of GM's manufacturing plant at Halol near Vadodara in Gujarat. Chevrolet Optra bodies in saffron and purple inch down the conveyor belt as construction crews prepare for expansion on the other side of the wall. GM's Halol plant is gearing up from 60,000 to 85,000 units a year and planning to hire 250 new employees, according to Managing Director Rajeev Chaba. But that's not all.

Putting GM ahead of Ford in terms of investment, the company announced plans to build a \$300 million greenfield plant in Maharashtra near Pune. The plant will have a capacity of 140,000 vehicles and employ almost 1,000 people. It is set to start operations in late 2008, with an eye on the largest section of the Indian market, low-priced compact cars. It's a big change from the glamorous, boat-like, tail-finned giants that GM's Chevrolet brand was best known for in the past.

Like Ford, it was also in 1914 that the first Chevy hit the shores of India, imported for the maharaja of Jodhpur. Manvendra Singh says that by 1928, GM had set up its own operations in Parel, Bombay, and during the first year of production, 13,903 cars and trucks were built. 1933 saw a complete re-design, which was more streamlined. Indian customers got a first taste of independent front suspension, which improved handling and reduced tire wear, important on bumpy roads. After that, much production was taken up by the war effort, and the civilian market suffered as Indian plants were used to build trucks for the African warfront in World War II.

Then, 1953 spelled the end of GM's Indian business, as it had for Ford. After that, Chevrolets were only imported by the rich and powerful; notably, the prince of Kutch imported the first Corvette in 1958.

Many Indian consumers have a high regard for German engineering. And, since its exit so many years before, GM had become a more global company, acquiring brands around the world. With that in mind, when GM returned in 1994, it first focused on offerings from its German plants. Opel, not Chevy, was the model that starred in GM's India re-launch.

The first Opels didn't sell as well as expected. Mukerji of Auto India attributes the trouble to underpowered engines. They were high-end cars, and potential buyers knew that the Opels in Europe had better engines.

After an initial tie-up with Mahindra & Mahindra, GM India became a wholly owned subsidiary in 1999. After building its plant in Halol, GM launched the flagship Chevy brand in 2003. After moderate sales, GM's big hit, the Tavera SUV, came onto the scene. Tavera, which is now made of 96 percent local parts, had sold 3,412 models as of June 2006, becoming GM's biggest seller in India.

"In 2005 the auto industry in India grew 5 percent. GM grew 15 percent," says GM India Vice President P. Balendran. He expects to sell 50,000 cars this year, up from 30,837 last year.

The newest mass-consumer offering, the Aveo, is a Daewoo model first developed in South Korea for Asian markets. It's been modified for Indian roads and priced nearly identically to the Ford Fiesta.

Though Tavera comes in a diesel version, GM has yet to release a diesel Optra or Aveo. This is likely impacting sales, as a telling 60-plus percent of Ford sales are from diesel products.

Balendran says more diesel versions are being considered, while a mini-car model is to be brought out next year. The lure of an American branded car at an affordable Indian price may prove to be potent, says Mukerji. "If they price the car properly it will do very well."

### **Exports**

When it comes to exports from India, Ford has definitely taken the lead. The price of Indian automotive labor is among the lowest, at about 80 cents to a dollar, the same as in China. Ford India makes export "kit" vehicles of Ikon, which are nearly finished and only need to be assembled at their destinations:

South Africa, Brazil and Mexico. India also supplied Ikon components to China. When Indian domestic sales figures dip, the export business is "a good hedge to have," says Mathew.

Still, one of the biggest obstacles to increasing exports is scale. With notable exceptions such as Sundram Fasteners, most Indian auto components producers are small and their processes outdated. "Facilities are the biggest issue," says Mr. Uppal, manager of GM's Halol plant. Many still do not have robotic technology on assembly lines, which is key to producing the big orders of global corporations.

The situation is changing fast though. Foreign auto companies regularly work to help train and modernize their Indian components suppliers. There are growing businesses like Jamna Auto in Malanpur, Madhya Pradesh, which supplies lift springs for GM trucks in the United States, and Rico Auto, based in Gurgaon, Haryana, which supplies to Ford for Jaguars and Land Rovers. Many analysts expect the export business to double in the coming years.

And GM's new plant in Maharashtra may just add to that. It is set to become a production hub for GM Daewoo Auto and Technology's future products. The capacity can be pushed up to 300,000 vehicles if domestic and export markets demand it. And it is not just hardware that is exported from India. GM has set up a \$21 million technical research and development center in Bangalore that is focused on creating math-based tools, lightweight materials and automotive electronics systems. Indian scientists and engineers have already invented new methods to make 2009 cars more efficient and mathematicians are creating virtual models of prototypes, thereby saving the company the cost of actually producing them. Ford, meanwhile, has endowments with Indian Institutes of Technology (IIT) in Chennai and New Delhi for research in the area of vehicle emission and transportation safety.

### **Marketing: An American brand with an Indian heart**

While American in origin, any corporation with global reach picks up some international flavor along the way. For Indians in the 1940s, Britain still loomed large, and Ford's marketing team knew it. The company started a "Visit Britain" promotion for car buyers, which included travel to the United Kingdom and a chance to test drive a car before all the arrangements were made to import it to India.

Today it's the mystique of Bollywood movies that is often used to lure car buyers. GM hired actors Saif Ali Khan and Rani Mukherjee to advertise the Aveo as a vehicle for the young and sophisticated, while Ford's campaign with Abhishek Bachchan for the Fiesta has done much to implant the car into the minds of consumers.

Mathew of Ford marvels at the timing in which Bachchan's "Go Fida" campaign started. "We picked him before he hit the big time," says Mathew, and as he grew in visibility, the brand did as well.

GM's new SRV, a sporty hatchback built on the Optra platform that is different than anything else on Indian roads, is also taking a new advertising tack. Along with its young, zippy image, a Web site complete with games and blogs has been included in communications.

The SRV's appearance is quite a radical change in any global company's India offerings in the below Rs. 1 million segment. Mukherji says that people will appreciate the SRV's looks but it may still be too radical for an Indian consumer to actually buy: "It's for a guy who is dating a hot woman. But here you need a car which truckloads of relatives will approve." Yet it seems GM has the leeway to go out on a limb with its new car. "We're not looking for volumes in this vehicle. It's an experiment...the first in this country, and it will create its own segment," says GM's Chaba.

Auto watchers say that with the production of right-hand drive Hummers, GM may also be offering the gigantic vehicles in India. And Daimler-Chrysler, the US-German company, is also rumored to be planning a launch of its Jeep range, specifically the Grand Cherokee.

Indeed, it seems that future growth may lie in the extremes-huge SUV-type vehicles and also mini-cars for the common man. Says Ford's Mathew, "I've got plans for small cars, big cars, mini-vans. I just have to pick the right horse."

***Erica L. Nelson*** is a freelance writer who just returned to California after three years in India.