

# Automakers pin hopes on expo to reignite demand

By [Sharmistha Mukherjee](#), ET Bureau | 1 Feb, 2016, 05:51AM IST

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NEW DELHI: As many as 80 products are waiting to be unveiled at the [Auto Expo](#) starting this week, with automobile manufacturers hoping the new models to spur growth at a time when the policy road map looks a bit uncertain.

India's passenger vehicle industry ended on a high in 2015, growing 7.86% to 2.77 million units - the best showing in four years. However, the recovery was not spread evenly and was largely on account of solid performances by market leader [Maruti Suzuki](#) and Korean rival Hyundai Motor.

While this is a concern for the industry, executives that ET spoke to ahead of the February 5-9 Auto Expo in Greater Noida were also worried about policy risk, with authorities targeting the [auto industry](#) for increasing air pollution in cities.



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**AMONG THOSE MAKING THEIR DEBUT** at the auto show this year are Abarth, Jeep, Italian bike maker DSK, Benelli, Indian Motorcycles, BMW Motorrad and Polaris. Force Motors, which have the expo a miss in its 12th edition, will be back this time

**80 NEW MODELS** to be launched and unveiled at the auto show in Greater Noida this year. This includes global premiere of 20 products

**IN THE 12TH EDITION** of the auto show in 2014, around 70 new vehicles were launched and unveiled

**65 EXHIBITORS** in 2016 compared to 55 exhibitors in 2014

**PUNE-BASED BAJAJ AUTO** is among the few which will give the show a miss in 2016

**GROSS INDOOR** exhibition space 73,000 sq m from 67,000 sq m in 2014

**EXPECTED FOOTFALLS** around 700,000 at Greater Noida this year compared to 561,000 last time

**SALES OF COMMERCIAL** vehicles and two-wheelers last year grew by 7.54% (to 652,531 units) and 0.86% (to 16,122,322 units) respectively

SOURCE: SIAM

"The industry has not made a turnaround.

In 2015, the industry grew by 7-odd per cent. If you take out the top two

companies, volumes have declined over the previous year," said RC Bhargava, chairman of Maruti Suzuki. "All the product unveilings lined up during the Auto Expo show that every company is trying to grow. Hopefully, 2016 should be a little better."

Maruti [Suzuki](#) and [Hyundai India](#) sold nearly 1.77 million units between them last year, while other players together could manage just 1.0 million. Honda Motor and Renault are among the few which posted growth in numbers in the past year.

"Industry has not turned a corner yet. Volumes have grown but if you look at the dynamics; discount levels too are huge. What the passenger car industry requires is positive consumer sentiment, that is still to happen," said Jnaneswar Sen, senior vice president for sales & marketing at Honda Cars India.

While the market remains sluggish, a new set of challenges has surfaced - over pollution. The government has mandated the automobile industry to implement BS VI emission rules by 2020. Industry experts estimate investment of Rs 50,000-80,000 crore to update technology for this and a consequent increase in car prices by Rs 50,000-100,000, which could potentially dampen demand. Besides, suspension on the registration of large diesel vehicles and the pilot implementation of the odd-even rule in the national capital may set precedents elsewhere, affecting demand.

"The concern over pollution is quite valid," said Bhargava. "But pollution in India is very different from pollution in Europe and the United States. The IIT-Kanpur study shows that one of the major causes of pollution in India is dust. Cars contribute 2%. The odd-even rule was implemented apparently to curb rising pollution levels, but how does keeping off roads petrol cars, which do not add to pollution levels help."

A solution that some executives propose is also one that could offer the industry a boost - phasing out of old vehicles.

"We need to take a strong decision to unclog roads by phasing out old, ageing cars which are less fuel-efficient polluting and do not meet safety requirements," said Renault India Chief Executive Sumit Sawhney.

"We need a 360-degree approach to address pollution concerns, right now the focus is only on the transport sector." The main challenge faced by the automotive market in India has been instable policies, said Andreas Laueremann, managing director of Volkswagen India, adding: "This has a cascading effect on the entire industry. Once there is a stable framework in the country, the automotive industry might

even see stronger growth."

Macroeconomic factors - GDP growth, inflation, fuel prices and interest rates - however look favourable, said industry executives. So, they said, it is crucial to gauge consumer needs by showcasing products as well as technology.

Several models, including upgrades, will have their global debut at the Auto Expo, indicating the importance of India as a growth market for the industry despite the challenges.

"Global demographics are working against developed markets such as Europe and the United States and to the benefit of India," said VG Ramakrishnan, managing director of consultancy firm Avanteum Advisors.

"Also, given the level of vehicle penetration here (18 per 1,000 people), India has the potential to sustain this growth over the next 20-30 years ... no OEM (original equipment maker) can afford to not be here and we will see that show of strength at the auto show." The revival of the automobile industry is crucial for the whole economy. It accounts for 6.5-7% of GDP and 48% of the manufacturing GDP.

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