

Maruti to shift Car making to Gujarat; Gurgaon factory to only make diesel engines

The loud thumps of the press shop at Maruti Suzuki that helped lay the foundation for Gurgaon to emerge as one of India's most thriving industrial belts will soon be a thing of the past.

Almost three decades after the Japanese carmaker rolled out the first of its iconic Maruti 800s revolutionising the Indian automotive industry, Maruti will cease car making at Gurgaon and turn it into an engine-making hub.

"Gurgaon is just too congested to have a car assembly plant. It's no longer an industrial area ... with residential and corporate offices coming up, the massive traffic movement due to large-scale manufacturing of cars often creates huge hindrances," Maruti Suzuki Chairman RC Bhargava told ET.

"Based on the observations of Osamu Suzuki, chairman of Suzuki Motor Corp (Maruti's parent company), we plan to gradually convert it into an engine and components-making hub." Maruti plans to decongest its 298-acre Gurgaon plant in phases and has already stopped two manually operated car assembly lines this year. It has plans to cut production to 7 lakh cars from a million units a year ago.

Basic carmaking facilities - stamping, paint and assembly - will give way to a 3-lakh diesel engines facility which would eventually set the stage for migrating auto assembly operations to the larger 500-acre Manesar plant, also in Haryana.

Gurgaon's loss will be Gujarat's gain as a new 2 million cars-a-year facility is coming up in Mehsana. "We should take a final decision on Gujarat in the next-six weeks when land allocation is expected to happen, " Bhargava said.

"We have no scope for expansion at Manesar, so any additional capacity will come up in Gujarat and eventually would turn out to be our hub for making cars in India," Bhargava said.

The company is buying two 600-acre chunks of land in Gujarat, where one would be reserved for making cars and the other would be allotted to vendors for components and other ancillary operations.

Flak from residents fed up of endless traffic jams and complaints against noisy manufacturing at odd hours has been plaguing Maruti, which rolled out its first car from Gurgaon in December 1983.

"We have been virtually fighting with the adjoining Residents' Welfare Association that has even led to legal wrangles over our manufacturing operations creating disturbances in the adjoining residential colonies," Maruti Managing Executive Officer (Production) MM Singh said.

Other issues such as the movement of heavy tractortrailers (long trucks used for transporting cars) have clogged several Gurgaon roads and created huge and erratic roadblocks for normal motorised traffic.

Set up as an Indo-Japanese joint venture in the early 1980s, Maruti's emergence as a successful carmaker coincided with the rise of Indian manufacturing, the growth of the Indian middle class and the transformation of Gurgaon from a sleepy, rural town into a bustling, high-tech city.

The middle class' choice of family car then was Maruti 800 and its success paved the way for growth of Maruti and Gurgaon as a major manufacturing and services centre.

The past decade, especially the past couple of years, has not been kind with strikes engulfing both Manesar and Gurgaon, throwing normal life in the city out of gear and forcing the company to radically rethink its strategy.

The company lost Rs 2,540 crore in sales and production had to be cut by 83,000 units. "We are not making any fresh investments in any of the three new car plants at Gurgaon and all the future money would go for ancillary operations," Bhargava added.

The company is considering plans to phase out its older assembly lines and paint shop to create space for components and other ancillary operations. Shifting car production to newer automated plant will help Maruti improve quality as well as reduce dependence on labour by migrating to fully robotised manufacturing operations that it now has at Manesar.

"Maruti needs to phase out its older cars and churn out newer models faster to meet the intensified competition from bigger players such as Volkswagen AG and Toyota that have introduced their international portfolio in India.

A newer plant would help it roll out new products at a faster scale conforming to international safety and technical norms," said Sageraj Bariya, managing partner at Equitorials, a Mumbai-based consultancy.

Maruti's Gurgaon plant produces all types of petrol engines where it has the capacity to manufacture over 13.5 lakh units per annum.

Suzuki Powertrain India, a joint venture between parent Suzuki Motor and Maruti Suzuki, makes 3 lakh diesel engines at Manesar. With the new diesel plant coming up, Gurgaon's cumulative capacity is likely to be in the range of 18 lakh engines by 2014.

But the Gurgaon facility has been losing importance as sales of petrol-driven Alto, WagonR and Estilo have slid 15% in the domestic market this year, forcing the company to hunt for new locations.

The changes in production strategy are expected to eventually help Maruti increase production of diesel cars, which have gained massive share in the past few months and reach a target of 3 million cars by 2015. It plans to roll out a million cars from Manesar and produce 2 million from Gujarat.

(Economic Times)