



# Why Ford shutting plants in India?

- By Ankit Agrawal

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## Autos & Transportation

# Ford to stop making cars in India

4 minute read

By Aditi Shah and Aditya Kalra



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## WHAT HAS HAPPENED?

American automobile giant **Ford Motor** Company announced on **September 9** that it will shut down its plants in India.

The **manufacturing of vehicles for domestic sales will cease immediately**, while vehicles meant for **exports will continue** to be manufactured **till 2022**.



Even as the company winds down its manufacturing operations, it said it **will continue to provide aftermarket service and support to its customers** in India.

“As part of our Ford+ plan, we are **taking difficult but necessary actions** to deliver a **sustainably profitable business longer term** and **allocate** our capital to grow and create value in the **right areas**,” said Jim Farley, Ford Motor Company’s President and CEO.

“Despite investing significantly in India, Ford has accumulated more than \$2 billion of operating losses over the past 10 years and the demand for new vehicles has been much weaker than forecast.”

# FORD'S INDIA STORY

**1995** | Started business in India in partnership with Mahindra & Mahindra

**1998** | Became solo operator as Ford-Mahindra partnership ended

**2019** | Struggling Ford re-aligns with Mahindra, announces joint venture

**Dec 31, 2020** | Ford-Mahindra joint venture is called off again

**Sept 9, 2021** | Announces closure of vehicle manufacturing by Q2 2022

# CUSTOMERS AND CARS

Existing customer base in India: **10 lakh**

## Current Model line-up:

**SUVs** | Freestyle, EcoSport and Endeavour

**HATCHBACK** | Figo

**SEDAN** | Aspire

## ASSURANCE TO CUSTOMERS

“... will continue full customer support operations for these vehicles with service, aftermarket parts and warranty coverage

## FORD'S RATIONALE

Ford had to **take the decision to close** its plants in India due to **unviable business conditions**.

The company had **recorded operating losses of more than \$2 billion over the past 10 years** and a **\$0.8-billion non-operating write-down of assets in 2019 alone**.



With poor sales and weak exports, the troubles faced by the company had been **compounded by the COVID-19 crisis.**

The company had **only managed to sell 2,790 units in June this year**, compared to **2,872 units in June 2020.**

**Another reason** behind the soft exit was Ford's **disastrous deal with Mahindra & Mahindra (M&M)**.

The deal had been **signed between** the two companies in **October 2019** before being **called off in January 2021, without much to show** for it.

"Exploring the partnership with Mahindra is the **biggest mistake Ford has made in India in more than 20 years of travel**, and that too, **not once but twice**," a source told The Economic Times.

Ford had been trying to find new partners to stay afloat in India at least till 2023, when its two new SUVs built on platforms codenamed **B744 and B745 would have been unveiled.**

**Reports indicated that** Skoda-Volkswagen Group, Hyundai Motor, Tata Motors, Shanghai Automotive or MG Motor, Changan Vehicles, and

A few electrical car (EV) startups, in addition to Ola Electric, **were being considered by Ford as potential partners.**

## EMPLOYEES IMPACTED?

While Ford is **closing down** its **domestic manufacturing**, the Maraimalai Nagar facility in **Chennai** will be operational **till Q2 2022** and **Sanand till Q4 2021**, for the manufacturing of **vehicle and engine exports**.

Ford will **also continue to keep its doors open** for its **Ford Business Solutions operations**.



The company aims to expand its 11,000 strong workforce to include software developers, data scientists, R&D engineers, and finance and accounting professionals to support its global operations and for the modernisation of the brand.

Around 4,000 Ford factory employees will lose their jobs.

The company said at least 600 workers from the Sanand Factory “will continue to support Ford’s business in India.”

## FORD'S FUTURE PLAN

The company will **aims to develop India into a larger market**, planning **to export CBU and CKU units, instead of indigenously manufacturing vehicles.**

Ford has **unveiled plans to deliver new fully electric and hybrid vehicles** including the Mustang Mach-E globally, **using new strategies and the support structure** of Ford Business Solutions in India.

The company will also be working closely with its dealer networks to maintain its part depots in Delhi, Chennai, Mumbai, Sanand and Kolkata in order to **continue providing aftermarket support** for its Indian customers.

## FORD, NOT THE ONLY TO EXIT

With its ramp down of domestic production, Ford became the **latest name in the long line of global automobile players to exit** the Indian market in some capacity.

Popular motorcycle manufacturer **Harley Davidson** shuttered its **Indian operations last year** while Italian automobile manufacturer **Fiat** also exited the market in **2019, just seven years** after its entry.



M&M subsidiary Ssangyong Motor Company only lasted long enough to just see one vehicle hit the market before it had to pull out,

While General Motors closed its doors in India after 13 years because of low sales and expounding losses.

**Q. Motor City is the nickname for which American city?**

A) Chicago

B) Detroit

C) Michigan

D) None of these



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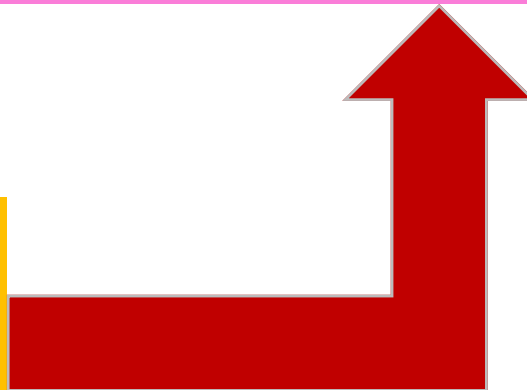
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