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Ford makes dramatic pivot in India as part of cost-cutting strategy

By Phoebe Wall Howard (excerpt)
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In a shift that reshapes Ford Motor Co's relationship with India, one of the largest and fastest-growing car markets in the world, the automaker has decided to "transfer most of its assets in India to a joint venture with Mahindra & Mahindra Ltd.," sources with knowledge of the deal told Bloomberg.

Ford confirmed to the Free Press it is "engaged with Mahindra."

Mahindra, which is India's largest utility vehicle maker and has a tech center in Auburn Hills, "will own 51% of the new entity," Bloomberg reported, noting the plan is still confidential and fluid. ...

... David Kudla, CEO and chief investment strategist with Mainstay Capital Management, a Grand Blanc investment adviser who manages \$2.5 billion in assets for clients who include many Ford employees, said, "I believe Ford's move to form a JV with Mahindra is consistent with management's plan to restructure and reduce losses in its global operations. Ford has been struggling in India for the past 20 years and has continued to face challenges in gaining market penetration."



Kudla continued, "This move to consolidate their operations in a JV with Mahindra is probably overdue. GM pulled out of India at the end of 2017 after failing to make traction towards its goal of a paltry 3% market share – the same market share Ford currently has there."

The Indian car market has huge potential, but sales have recently plunged 30% year over year in July alone."

He explained, "The cost of entry for U.S. auto manufacturers in India is high and has long proven to be a difficult market for American car manufacturers, as Maruti Suzuki and Hyundai continue to have a stranglehold on India's auto industry. Ford's JV allows it keep a stake in the region but to focus on North America, Ford's main profit center. This latest pullback by Ford plays into Jim Hackett's global restructuring and cost reduction strategy with every region under scrutiny."

India has been difficult to penetrate for companies other than Suzuki.

As global markets shift and sales slow worldwide, India appears to be seeing less investment from outside companies at this time.

"A final agreement hasn't been reached and the discussions could still fall apart" between Ford and Mahindra, Bloomberg noted.

Sources close to the joint venture talks told Bloomberg the new entity will hold most of Ford's assets in India, including two car plants. ...

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