

Airbus eyes eight locations for its H125 helicopter assembly line in India



The French aircraft manufacturer, Airbus has identified eight potential locations in India for setting up a final assembly line (FAL) for its H125 helicopters, with an announcement expected soon. This facility, the fourth FAL for H125 helicopters, will produce up to 10 helicopters annually, with potential for increased production due to high demand. The Indian market is seen as a future growth area for helicopters, despite current regulatory restrictions. The facility is slated to start operations in 2026, with the inaugural ceremony expected later this year. Airbus anticipates a demand for 500 H125 helicopters in the next 20 years. The new facility will handle various integration processes for the helicopters, and Airbus aims to support the South Asian and Indian markets with "Make in India" solutions.

Source: <https://www.livemint.com/>

Questions

- a. Define 'Multinational Company' [2 marks]
- b. Identify and explain two potential benefits to Airbus of setting up a final assembly line (FAL) in India. [4 marks]
- c. 'Airbus aims to support the South Asian and Indian markets with "Make in India" solutions'. Based on this, evaluate the impact of this assembly facility on foreign exchange rate of Rupees. [6 marks]
- d. Discuss the potential benefits and drawbacks to the Indian economy of Airbus establishing its H125 helicopter assembly facility in India. [8 marks]

Suggested Answers

Define 'Multinational Company' [2 marks]

A multinational company (MNC) is a business organization that operates in multiple countries outside its home country. These companies manage production or deliver services in at least one country other than their home country and often have a centralized head office where they coordinate global management.

Identify and explain two potential benefits to Airbus of setting up a final assembly line (FAL) in India. [4 marks]

- **Increased Market Access and Sales:** Setting up a FAL in India allows Airbus to better serve the growing South Asian market. By being closer to its customers, Airbus can increase its sales and market share in the region.
- **Cost Reduction and Efficiency:** By establishing a production facility in India, Airbus can benefit from lower labor costs and potentially favorable local government policies, reducing overall production costs and improving operational efficiency.

'Airbus aims to support the South Asian and Indian markets with "Make in India" solutions'. Based on this, evaluate the impact of this assembly facility on foreign exchange rate of Rupees. [6 marks]

- **Positive Impact on Rupees:** The establishment of Airbus's assembly facility can lead to increased foreign direct investment (FDI) inflows, which can strengthen the Rupee. As more foreign currency enters the country, the demand for Rupees may increase, leading to an appreciation of the currency.
- **Boost in Exports:** With local production, Airbus can export H125 helicopters and components, increasing India's export revenues. This can improve the trade balance and support a stronger Rupee.
- **Potential Short-term Volatility:** During the initial setup phase, there might be short-term volatility in the Rupee due to increased import of machinery and equipment. However, this is likely to stabilize as the facility becomes operational and begins contributing to exports.

Discuss the potential benefits and drawbacks to the Indian economy of Airbus establishing its H125 helicopter assembly facility in India. [8 marks]

Potential Benefits:

- **Job Creation:** The facility will generate employment opportunities for both skilled and unskilled labor, contributing to economic growth and reducing unemployment rates.

- **Technology Transfer:** Airbus's advanced manufacturing technologies and practices will be introduced to India, enhancing local capabilities and potentially leading to broader industrial advancements.
- **Increased Exports:** The production of helicopters for export can boost India's export revenues, improving the trade balance and contributing positively to the GDP.
- **Foreign Investment:** The facility will attract foreign direct investment (FDI), which can spur economic growth and development in the region.

Potential Drawbacks:

- **Impact on Local Businesses:** The presence of a large multinational like Airbus might overshadow local manufacturers, potentially leading to reduced sales and market share for smaller, domestic firms.
- **Repatriation of Profits:** A significant portion of the profits generated may be repatriated to Airbus's home country, which could limit the net economic benefit to India.
- **Environmental Concerns:** The establishment and operation of a large manufacturing facility could lead to environmental issues such as pollution and resource depletion, which need to be managed carefully to minimize negative impacts.
- **Resource Strain:** The facility may put a strain on local resources, such as water and electricity, potentially leading to conflicts with local communities and businesses over resource allocation.