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Recent Trends in Indian Automobile Sector

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ABSTRACT

This research investigates the Production, Domestic Sales and Export trends of the Indian automobile sector using the two financial years data from 2012-13 and 2013-14, and employ the findings to estimate the percentage changes in this sector. The study selected entire segments – two-wheelers (mopeds, scooters, motorcycles, electric two-wheelers), passenger vehicles (passenger cars, utility vehicles, multi-purpose vehicles), commercial vehicles (light and medium-heavy vehicles), and three wheelers (passenger carriers and good carriers).

KEYWORDS: Automobile; Production; Sales; Export; Vehicles.

1. Introduction

India represents one of the world's largest automobile industries. Easy availability of finance and rising income levels are encouraging the middle class population to upgrade their two wheelers to a car. Driven by the above factors, the market is anticipated to grow at a compound annual growth rate (CAGR) of 16 per cent during 2013–17.India is quietly becoming a production hub of high-end vehicles meant for export to China. The US-based motorbike maker Harley Davidson, Austrian motorcycle manufacturer KTM and Mahindra & Mahindra have also preferred to set up manufacturing facilities in India than in the relatively low-cost China and export the output.

2. Present Scenario

The passenger vehicles production in India touched 3.23 million units in 2012–13 and is expected to reach 10 million units by 2020–21. The industry is estimated to grow at a CAGR of 13 per cent during 2012–2021. In addition, the industry recorded exports worth US$ 9.3 billion in 2012–13 and is projected to touch US$ 30 billion by 2020–21, according to data from Automotive Component Manufacturers' Association (ACMA).

The cumulative foreign direct investment (FDI) inflows into the Indian automobile industry during April 2000 to October 2013 was recorded at US$ 9,079 million, amounting to 4 per cent of the total FDI inflows (in terms of US$), as per data published by Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce, Government of India.

The industry is one of the key drivers of economic growth of the nation. Since the delicensing of the sector in 1991 and the subsequent opening up of 100 percent FDI through automatic route, Indian automobile sector has come a long way. Today, almost every global auto major has set up facilities in the country.

The world standings for the Indian automobile sector, as per the Confederation of Indian Industry, are as follows:

- Largest three-wheeler market
- Second largest two-wheeler market
- Tenth largest passenger car market
- Fourth largest tractor market
- Fifth largest commercial vehicle market
- Fifth largest bus and truck segment

3. Literature Review

The study made by (Sharma 2006) concluded that the partial factor productivity indices only labour productivity has seen a significant improvement, while the productivity of other three inputs (capital, energy and materials) haven't shown any significant improvement and Labour productivity has increased mainly due to the increase in the capital intensity, which has grown-up at a rate of 0.14 per cent per annum from 1990-91 to 2003-04. (Nataraj.S 2012) studied that the Internet is gradually hitting the core of every industry including the car industry. It created a greater awareness of the vehicle and influences the buyer to purchase and the Internet is believed to have a greater impact on the sales process and will definitely give higher level of sales satisfaction. (Sachin Maheshwari 2012) studied the status of HR department reporting structure in auto component industry in Haryana reviewed the organization structure of various Indian and multinational auto component companies and examined the significance of HR department in the organization.

4. Statement of the Problem

Today's global automotive industry is full of opportunities and risks which are everywhere - in emerging and mature markets alike. Companies require appropriate policies to be played intelligently for managing the series of decisions. Moreover, within segment the nature of competition sometimes is oligopolistic as the number of models under one segment may be limited in a model year. At this moment, the study taken into account the important items like Production, Sales and Export trend of the Automobile sector in India.

5. Objectives of the Study

- To analyze and compare the segment wise contribution and trend of the sector.
- To offer suggestions on the basis of findings for the improvement.

6. Research Methodology

6.1 Data Collection & Sampling Design

The automobiles sector is divided into four segments – two-wheelers (mopeds, scooters, motorcycles, electric two-wheelers), passenger vehicles (passenger cars, utility vehicles, multi-purpose vehicles), commercial vehicles (light and medium-heavy vehicles), and three wheelers (passenger carriers and good carriers). The study is taken into account the entire segment for the study. The study period is two financial years from 2012-13 and 2013-14.

6.2 Analysis and Interpretation

The performance of the selected sector during the study period has been measured by studying the behavior of Production, Sales and Export. These have been presented in the following tables.

Table 1 VEHICLE PRODUCTION (In No's)

Year	2012 -13	2013-14	% Change
Two Wheelers	2705444	2624997	-2.97
Passenger vehicles	582703	522987	-10.25
Commercial vehicles	136795	145877	6.64
Three Wheelers	110228	130183	18.1
Industry	3532970	3422144	-3.14

Source: SIAM & Computed

The number of vehicles were produced which is 3.14% less than the period 2012. The production of three wheelers had increased by 18.10% and commercial vehicles by 6.64%. In the meantime there is a decline in the production of passenger vehicles during the April-May period of 2013 as against 2012. Two wheeler productions have also decreased slightly.

Table 2 DOMESTIC SALES (In No's)

Year	2012 -13	2013-14	% Change
Two Wheelers	2349814	2374253	1.04
Passenger vehicles	448165	409823	-8.56
Commercial vehicles	120289	113936	-5.28
Three Wheelers	69170	70189	1.47
Industry	2987438	2968201	-0.64

Source: SIAM & Computed

For the period April-May 2013, the two and three wheeler segments show slight growth while passenger vehicle segment declines by 8.56% in association with the same period last year. The commotion of commercial vehicle segment continues as they fall at a negative 5.28 at the periodic year-to-year comparison.

Table 3 EXPORT SALES (In No's)

Year	2012 -13	2013-14	% Change
Two Wheelers	367068	306510	-16.5
Passenger vehicles	84418	90615	7.34
Commercial vehicles	47787	60462	26.53
Three Wheelers	12652	10189	-19.47
Industry	511724	467596	-8.62

Source: SIAM & Computed

According to the result, there is 8.62% decline in cumulative exports of vehicles from India in 2013, as against the last year. Notable the three wheeler exports are on the up with a 26.53% increase during this financial year so far against the same period in 2012. Passenger vehicle exports has also increased by 7.34% this financial year so far, as against 2012. Commercial Vehicle exports had declined by 19.47% while two wheelers faced a decline of 16.50% in 2013.

7. Findings and Suggestions from the study

- Rising incomes among Indian population will lead to increased affordability, increasing domestic demand for vehicles.
- Fuel economy and demand for greater fuel efficiency is a major factor that affects consumer purchase decision that will bring leading companies across two-wheeler and four-wheeler segment to focus on delivering performance-oriented products.
- Product innovation and market segmentation will channelize growth.
- Focus on establishing India as auto-manufacturing hub is reigning in policy support in form of Government's technology modernization fund.
- Industry will seek to augment sales by tapping into rural markets, youth, women and luxury segments.
- It is suggested that still there is a need for Indian automobile industry to adopt producing and selling wide range of products, to adopt better market strategy, by reducing cost and revising prices to enhance the value of turnover so as to go ahead in the era of competitions.
- The government should grant certain funds to leading Indian automobiles companies for research and development so that Indian vehicles can really become world class in five years time.

8. Conclusion

The percentage change in production is showing a fluctuating trend throughout the years but, the production is showing an increasing trend. Similarly the sale of vehicles is also showing an upward trend. This study has shown that Indian automobile industry has been able to achieve high scores on the various components and this has positive impact. Automobiles led to strong demand due to signs of revival in economy and increasing trend in hiring especially Organizations decisions will describe how the companies are placed within the industry and how they track new opportunities and innovations; ups and downs in growing markets, universal economic trends, and varying customer demand will confront companies to react in novel ways.

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