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Automobile Sector in Odisha

KEYWORDS: crumb rubber, utilization, compressive strength, low cost, sustainable

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ABSTRACT As India's economy continues to grow at a rapid pace, the automobile industry will be a key beneficiary. This is widely true across automotive markets—from those serving customers with two-wheelers and four-wheelers to those offering commercial vehicles. The main factors behind such growth are the increasing affluence of the average consumer, overall GDP growth, the arrival of ultra-low-cost cars, and the increasing maturity of Indian original equipment manufacturers (OEMs). However, India's path to mass motorization will be very different from that of developed countries; it must first develop the new technologies, business models, and government policies that will pave the way to increased automobile penetration. The automotive sector is one of the core industries of the Indian economy, whose prospect is reflective of the economic resilience of the country. With 4% contribution to the GDP and nearly 5% of the total industrial output, the automotive sector has become a significant contributor to the exchequer. This paper mainly highlights the Contribution of Automobile Sector to total revenue , Collection Pattern from different segments of automobiles , Sales tax collection Trends , Revenue Gap Analysis .

INTRODUCTION

Orissa holds huge potential in the automobile sector including the automobile component sector owing to its raw material, cost and manpower advantage. Orissa has following resources / infrastructures to support Orissa holds huge investment potential in the automobile sector including the auto components sector. This is because of the inherent advantage of the state in terms of raw material cost and manpower. The resources available in the state to support automobile manufacturing units includes-

- Goods quality of iron and steel
- Several state of the art automobile tyre manufacturing units
- Adequate supply of power
- Several institutions which are constant source of educated and skilled human resources etc.

Orissa government has identified the automobile and auto component sector as thrust sector with the indicated criteria. There is increasing investments in the auto-components and petrochemical sector which will provide additional opportunity for the ancillary and downstream sectors .Investment opportunity in the sector exist in

- Passenger Car Segment
- Two Wheeler Segment
- Heavy truck Segment

The government is making all efforts to attract investors into the state, through various incentives and schemes. Odisha holds huge potential in the automobile sector including the automobile component sector owing to its raw material, cost and manpower advantage. Odisha government has identified the automobile and auto component sector as thrust sector with the indicated criteria. There is increasing investments in the auto-components and petrochemical sector which will provide additional opportunity for the ancillary and downstream sectors. Odisha government receives two major source of revenue from automobiles, i.e. motor vehicle revenue and sales tax i.e. VAT Revenue.

DISCUSSION

Currently in Odisha the current VAT Rate on automobile is 13.5%. But as is seen from the above table, all the neighbouring States of Odisha like West Bengal, Andhra Pradesh and Chattisgarh have a higher VAT Rate than Odisha. Even a difference of 1% marks a substantial rise in the tax revenues from the automobile sector. Pending the increase in demand from the mining and industrial sector, we can go in for an increased VAT Rate of 14.5%. The total contribution of automobile sector to the total revenue in 2011-12 FY was to the tune of 7.73%. The biggest organised sector which contributed to tax revenue was petroleum followed by Industry and mining and followed by the automobile sector. Thus the contribution of automobile sector is a substantial chunk of total tax revenue i.e. VAT + CST for the State.

In terms of VAT collection 38.62% of VAT collection comes from four wheeler sales followed by 34.02% of VAT Collection from two wheeler and auto sales and 27.36% of VAT collection from heavy vehicle sales. Thus there is almost even distribution of revenue from these three sources of automobile sales. The total Sales Tax i.e. VAT + CST collected from Automobiles from Apr-Sept 2012 has been Rs. 241.81 Cr. as compared to Rs.268.78 Cr. in the corresponding period in 2011. The growth rate of tax from automobile Sector has shown a constant decline since the beginning of 2010-11 onwards in all the categories. Particularly in the case of Heavy Vehicles growth rate there has been a steep decline of nearly -53% in the progressive collection from Apr- Sept 2012 as compared to Apr-September 2011. There has been a marked decline both in the Sales Tax & Entry Tax collection from Automobile Sector since 2011-12. In case of Entry Tax there has been a decline of -43.39% from Apr-Sept 2012 over Apr-Sept 2011. The reason can be attributed to the fact that lesser sales by automobile companies leads to lesser receipt of vehicles and lesser entry tax paid.

VAT + CST Growth Rate from Automobile Sector			
Year	Four Wheeler Growth Rate	2 & 3 Wheeler Growth Rate	Heavy Vehicle Growth Rate
2009-10	27.95%	25.96%	-25%
2010-11	34.42%	32.36%	71.79%
2011-12	21.02%	16.43%	-9.46%
Apr-Sept 2012 over Apr-Sept 2011	16.77%	3.23%	-53.03%

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Entry Tax Growth Rate from Automobile Sector			
Year	Four Wheeler Growth Rate	2 & 3 Wheeler Growth Rate	Heavy Vehicle Growth Rate
2011-12	26.3%	7.61%	-17.93%
Apr-Sept 2012 over Apr-Sept 2011	21.69%	7.59%	-43.39%

The OVAT, CST & OET collection from four wheeler in 2010-11 is Rs 18896.94 lakh, Rs3.3 lakh & Rs 2053.45lakh and the same in 2011-12 is Rs 22871.39lakh, Rs 1.01 lakh and Rs 2593.56 respectively. In which percentage of growth in sale tax and OET collection is 21.02% and 26.3% respectively. The OVAT, CST and OET collection from two wheeler & Autos in 2010-11 are Rs 17302.32 lakh, nil and Rs 1709.4 and the same in 2011-12 are Rs 20144.27 lakh, nil and Rs 1839.41 respectively. . In which percentage of growth in sale tax and OET collection is 16.43% and 7.61% respectively The OVAT , CST & OET collection from heavy vehicles and others in 2010-11 are Rs 17873.4 lakh , Rs 21.13 lakh& Rs 3820.75 lakh and the same in 2011-12 are Rs 16152.51 lakh , Rs 49.25 & Rs 3135.78 lakh respectively. . In which percentage of growth in sale tax and OET collection is -9.46% and -17.93% respectively. the OVAT, CST & OET collection from four wheeler up to September,2011 in 2011-12 is Rs 9321.68 lakh , nil & Rs 1071.21lakh and the same up to September,2012 in 2012-13 is Rs 10884.66 lakh, nil and Rs 1303.58 respectively. In which percentage of growth in sale tax and OET collection is 16.77% and 21.69% respectively. The OVAT, CST & OET collection from two wheelers and autos up to September, 2011 in 2011-12 is Rs 8975.99 lakh, Rs 0.17 lakh & Rs 838.82 lakh and the same up to September, 2012 in 2012-13 is Rs 9265.78 lakh, Rs 0.03 lakh and Rs 902.45 respectively. In which percentage of growth in sale tax and OET collection is 3.23% and 7.59% respectively. The OVAT, CST & OET collection from heavy vehicles and others up to September, 2011 in 2011-12 is Rs 8570.45 lakh, Rs 0.17 lakh & Rs 1636.82lakh and the same up to September, 2012 in 2012-13 is Rs 3989.3 lakh, Rs 41.48 lakh and Rs 926.63 lakh respectively. In which percentage of growth in sale tax and OET collection is -53.03% and -43.39% respectively.

Sectorial Analysis reveals that the sectors which are growing strongly i.e. more than 25% contribute less than 15% to the total Sales Tax collection whereas those sectors like Petroleum which contributes more than 21% of total collection has grown at only 5.53%. Similarly automobile sector which contributes more than 7% to total revenues has shown a negative growth of -6.51%.

Name of the Sector	Contribution (VAT+CST) Upto Sept 2012	% Contribution of Sector	% of growth on Sales Tax
TOBACCO	60.76	1.54%	77.83%
GEMS, JEWELLERY, PRECIOUS STONE, ETC (1% COMMODITY)	10.13	0.26%	74.66%
CEMENT (OTHER THAN CEMENT INDUSTRY)	105.91	2.68%	69.33%
TEXTILE PRODUCTS	19.89	0.50%	37.43%
RICE & PADDY	83.30	2.10%	34.83%
WORKS CONTRACT	221.72	5.60%	28.51%
DRUGS & PHARMACEUTICALS	72.73	1.84%	26.31%
TOTAL GENERAL GOODS	1058.39	26.74%	21.89%
TOTAL MINING SECTOR	472.61	11.94%	18.94%
TOTAL INDUSTRY SECTOR	469.14	11.85%	18.43%
TOTAL LIQUOR	196.00	4.95%	18.02%
HOTEL & RESTAURANTS	7.92	0.20%	11.13%
TOTAL PETROLEUM SECTOR	863.56	21.82%	5.53%
TIMBER , MINOR FOREST PRODUCTS & KENDULEAF	10.32	0.26%	3.97%
TOTAL AUTOMOBILE SECTOR	306.01	7.73%	-6.51%
TOTAL COLLECTION UPTO SEPT 2012	3958.38		16.44%
TARGET UPTO SEPT 2012	4519.365		
REVENUE GAP	560.98		

The weighted average growth rate of the Three Sectors i.e. Mining, Automobiles and Petroleum which together contribute 41.49% of the total revenue is only 7.14%. To achieve a modest growth rate of 18% overall the rest of the sectors have to grow at a rate of 25.56%. [(41.19*7.14)+(58.81*X)=18%]. If we analyse the target, the target is even higher. The total collection up to September 2012 has been 3958.38 Cr. whereas the total target up to September 2012 was 4519.36 Cr. This has led to a revenue gap on 560.98 Cr. which has to be fulfilled by the other sectors.

Name of the Sector	COLLECTION UP TO SEPT,11				COLLECTION UP TO SEPT,12				% of growth on Sales Tax	% of growth on Entry Tax
	OST/VAT	CST	TOTAL	ENTRY TAX	OST/VAT	CST	TOTAL	ENTRY TAX		
Total Petroleum Sector	817.23	1.04	818.27	58.61	862.65	0.9	863.55	62.74	5.53	7.04
Total Automobile Sector	327.07	0.23	327.3	41.71	305.32	0.68	306.01	38.42	-6.51	-7.90
Total Petroleum + Automobile Sector	1144.3	1.27	1145.58	100.33	1167.98	1.59	1169.57	101.16	2.09	0.83
Rest of the Sectors	1935.83	317.99	2253.82	457.14	2457.2	331.6	2788.81	479.05	23.74	4.79
TOTAL	3080.13	319.27	3399.41	557.47	3625.18	333.19	3958.38	580.22	16.44	4.08

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Growth Rate to fulfil the Revenue Gap from Rest of the Sectors	1935.83	317.99	2253.82	457.14	2457.2	331.6	3349.79 (i.e. 2788.81 + Revenue Gap of 560.98)	479.05	48.62%	

If we assume that the growth rate of Petroleum and Automobile sector will continue at the current growth rate, to fulfil target up to September 2012, the rest of the Sectors have to grow by 48.62%.

Conclusion

The automotive industry is at the core of India's manufacturing economy. India is positioned to become one of the world's most attractive automotive markets for both manufacturers and consumers.

The major reason for the low growth in the sale of commercial vehicles is the recession in the mining and industrial belts in Odisha. The demand for trucks and heavy commercial vehicles has virtually come to a standstill. Due to this there is a low sale of commercial vehicles and this has subsequently led to a low demand i.e. receipt of commercial vehicles. This has led to the negative growth rate both in VAT as well as in Entry Tax from the Automobile Sector and especially in the subcategory of "Heavy Vehicles". We have seen that to even achieve a modest growth rate of 18%, the other sectors have to grow by more than 25% whereas to achieve the target, they have to grow by 48%. It is unrealistic to expect the other sectors to grow exponentially in this manner. Therefore it is suggested to reforecast the target as well as the estimated collection of tax from the sectors in the coming quarters of this financial year.

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